

# Economic Diversification in Brunei Darussalam

*Manu Bhaskaran*



This is a commentary brief of a consultancy report prepared earlier for the Centre for Strategic and Policy Studies. This paper assesses the pace of economic diversification in Brunei Darussalam. It argues in essence that the lack of sufficient progress in economic diversification is due to weaknesses in the enabling environment and ends with some recommendations on moving forward.



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# An Economist's Perspective on Economic Diversification in Brunei Darussalam

Roger Neil Lawrey

## Abstract

Despite nine national development plans and many other development initiatives, Brunei Darussalam is still faced with the problem of how to diversify its economy and rely less on the production of non-renewable hydrocarbons. In some ways, this is a similar problem to that faced by many resource-rich countries that become overly dependent on one source of income. So much so that this state of affairs has a name: the resource curse hypothesis. Yet, despite the similarities, Brunei has its own unique characteristics that can help or hinder diversification. This paper examines the issue of diversification from the perspective of an economist who has worked in the country for several years. It considers the likelihood of “organic” growth occurring in the private sector sufficient to make an impact on the macroeconomic performance of the economy and highlights the challenge at the heart of Brunei’s economic performance, viz. that future economic growth depends upon support from the Government through continued public expenditure and possibly public private partnerships but points out that growth is also hindered by the Government which exercises too much bureaucratic control, takes away resources from the private sector, and creates a culture of dependency. The paper argues that, in addition to dealing with these constraints, the dynamic process of diversification requires a coordinating body, representing all relevant ministries, with the power to act on relevant issues.

**Keywords:** *resource curse, diversification, economic growth, oil and gas*

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# **Challenges in Achieving Wawasan 2035 Goals: Economic Diversification in Perspective**

*Abdul Amin Haji Hashim*

## **Abstract**

Brunei Darussalam has experienced more than fifty years of development planning since the launch of its first National Development Plan 1953-1958. The efforts to diversify its economy have been the recurrent theme in the Plans due to Brunei Darussalam's heavy dependence on the hydrocarbon resources. Despite continuous efforts, from policy formulations to implementations of programmes and projects, the prominence of oil and gas is still clearly visible in the socio-economic landscape of Brunei Darussalam. As in the past plans, the new Long-Term Development Plan (LTDP) also emphasises economic diversification with the added impetus of optimising its comparative advantage. This paper discusses the extent of Brunei Darussalam's dependence on the hydrocarbon resources and the challenges that Brunei Darussalam has to overcome to accomplish the goal of ensuring a dynamic and sustainable economy as spelled out in Wawasan Brunei 2035. The biggest challenge for Brunei Darussalam is how to attract and congregate investors in sectors that promote diversity and the sustained benefits derived from them. Lessons from economies such as Singapore and the UAE have enlightened us about the need to focus and invest more in areas that relate to both macro and microeconomic management.

**Keywords:** *economic diversification, economic dependency, locational advantages, microeconomic management*

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# Economic Diversification: Creating a Conducive Environment for Small Medium Enterprises to Flourish in Brunei Darussalam

*Ismail Duraman and Nawin Tharumarajah*

## Abstract

Apart from their role in terms of their contribution to exports, employment and economic growth, there is a wide recognition about the challenges and barriers facing Brunei Darussalam's Small Medium Enterprises (SMEs). These obstacles have prevented them from growing further and have put them in a critical position to face the new challenges that are arising from globalisation, liberalisation and extensive organisational, institutional and technological changes. In order to prepare for these new challenges, there is a need for SMEs to move swiftly to a free market economy. This involves the development of solid domestic and international Islamic free enterprises in the non-oil and gas as new engines of growth in Brunei Darussalam.

**Keywords:** *small and medium enterprises, sustainability, diversification, policy reforms, business environment*

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# **Trade, Economic Policy and Diversification: the Malaysian Experience**

*Shankaran Nambiar*

## **Abstract**

The purpose of this paper is to provide a policy perspective on Malaysia's attempts at economic diversification. It is argued that the need to diversify has been of interest to Malaysian policy makers from the early years of post-colonial independence. Economic diversification has taken a different flavour in more recent years. While initial efforts were aimed at moving from export-dependence that relied on agricultural commodities, more recent initiatives have been directed at shifting towards knowledge-based economic activities. The recent global financial and economic crisis emphasises that it is necessary to review Malaysia's reliance on exports. In particular, it is necessary to reduce the dependence on a narrow range of manufacturing industries.

**Keywords:** *Malaysian economic development, diversification, trade structure, industrial policy*

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# **Economic Diversification and Environment Security: Key Challenges for Asian Governments**

*Euston Quah Teong Ewe*

## **Abstract**

This paper identifies four major areas of public policy concerning environment management which pose serious challenges for Asian governments as they diversify their economies in the pursuit of economic growth. If mishandled, unsustainable economic growth would result, increasing the likelihood of negative spill-over effects and social strife. The four areas are first, where to site environmentally-unfriendly facilities that are necessary to the country, but whose social costs are mainly borne by locals of the neighbourhood municipalities that host them. Also known as the Not-in-my-backyard (NIMBY) syndrome, this issue is especially relevant for Asian economies as they continue to demand higher growth which necessitates the building of such facilities quickly and without local opposition. The second subject is that of waste generation. Rising affluence of Asian economies increases consumption and thus, generation of waste. Hence, the problem of waste disposal becomes more pertinent, especially for countries with limited land space. The third matter is transboundary pollution, which affects both human health and inter-country relations. The last topic is the pricing of environmental goods, which is necessary to facilitate sound policy decisions that maximise social welfare. Possible solutions to the four concerns and general principals in formulating environmental policy are also discussed.

**Keywords:** *Asian environmental policy, NIMBY, waste generation, transboundary pollution, paired comparison method*

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