

Full Length Research Paper

Globalization and economic diversification in the Sultanate of Brunei

George O. Tassie

School of Business and Entrepreneurship, American University of Nigeria, Yola, Adamawa State, Nigeria. E-mail: tassiego@yahoo.co.uk and george.tassie@aun.edu.ng.

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Negara Brunei Darussalam is a small but rich country with an area of 5765 square km in Southeast Asia (Figure 1). According to the 1991 population census, there were as many as 71,000 or 27% temporary resident who are migrant workers since the population of Brunei is not enough to provide all the human resources required to implement its development objectives. On the other hand, according to a Labour Force Survey, unemployment has increased from 3.6% in 1981 to 4.7% in 1991 and 4.9% in 1995. This has accounted for the growing call for diversification, not only to temper the over reliance on oil and gas, but also to provide more job opportunities for the growing work force among the nationals. This paper will examine the effect of the diversification programmes as contained in the Seventh Five-Year Development Plan (1996 - 2000) in Brunei, whilst preserving domestic stability and Islamic values for which the country has been known for centuries.

Key words: Globalization, diversification, development plans, industrialization, privatization.

INTRODUCTION

Negara Brunei Darussalam (hereafter Brunei) is a small but rich country with an area of 5765 square km in Southeast Asia (Figure 1). The country as at 1999 has an estimated population of 330,700 people and a growth rate of about 3% per annum. As much as 136,400 (41.2%) of the population is below the age of 20 years, whilst 24,300 (7.3%) are aged 55 years and above. According to the 1991 population census, there were as many as 71,000 or 27% temporary residents who are migrant workers because Brunei's small population is insufficient to provide all the manpower needed to carry out its development objectives. On the other hand, according to a Labour Force Survey, unemployment increased from 3.6% in 1981 to 4.7% in 1991 and 4.9% in the 1995. This accounts for the growing call for economic diversification, not only to temper the over reliance on oil and gas, but also to provide more job opportunities for the growing work force among Brunei nationals.

Objective of the study

Therefore, this paper examines the effect of the economic diversification programmes as contained in the Seventh, Five-Year Development Plan (1996-2000) in Brunei.

Whilst, preserving domestic stability and Islamic values for which the country has been known for centuries. The study draws from historical and contemporary materials on development trends in Brunei, as well as the economic crisis in the Asian region to identify and examine the general effects of globalization upon religion, moral and cultural traditions for small open economies like Brunei. This is against the twin arguments of the inevitability of diversifying Brunei's economy sustainably and awareness that the youth especially are becoming increasingly attracted to what the outside world has to offer them in the continued absence of jobs even among university graduates. Many Bruneian citizens are beneficiaries of subsidized education, medical facilities and housing. And as Franz (1990) noted, property creates demands that cannot be satisfied with low income and unemployment. Therefore, the commitment by the government to encourage industrial diversification since the Fifth Development Plan (1986 - 1990), the creation of the Ministry of Industry and Primary Resources in January 1989 and development plans focusing on specialized infrastructural development such as industrial parks and export-oriented and capital intensive industries, are all in line with drive to diversify the oil-based economy of Brunei (Gunn, 1993:121).

The economy of Brunei

Brunei has undergone rapid structural changes in the post war period from an overwhelmingly agrarian society to a service sector society (Franz, 1990:129-31). Whilst, in 1947 more than 50% of the population was employed in the primary sector, by 1971, the figure had declined to just over 10%. At the same time, the tertiary service sector grew from around 30% to over 50%, while the secondary sector remained at the same level. In fact, the growth of the secondary sector from the early 1970s onwards was due entirely to the expansion in the construction activities and these does not signal any kind of industrial deepening (Franz, 1990:209). Thus Brunei's economy is almost entirely founded on its petroleum and natural gas resources, generating about 95% of total exports and 49% of gross domestic product (GDP). Moreover, per capita real domestic product was B\$ 10,142.24 in 1965 but steadily grew to a figure of B\$ 77,364 in 1980; a result that made it the highest in the world for that year was due to the very high oil prices (Irwandy, 2000: 1). However, Brunei was adversely affected by low market prices in the world and reached a price of US\$10 per barrel in early 1999 but again bounced back to a current price of US\$29. Thus, the volatility of the petroleum resources is very apparent and there is need to do something about it for a country that wholly depends on it.

The country's crude oil production averaged 192,000 barrels a day, increasing to an average of 261,000 barrels a day in 1979. However, as part of a conservation policy, production was rationalized to 150,000 barrels per day since 1981. Gas production stood at 10,704 million cubic meters for 1998. These production rates brought a lot of wealth for the country to enable the government carry out infrastructural development and improved various services and facilities with consequent improvement in the standard of living of the people and strengthening of the socio-economic base of the country (Sixth National Development Plan, 1991-1996:1).

However, between 1980 and 1985, the economic of Brunei experienced a negative growth despite her reliance on oil and the fact that the price of oil during this period was still high. This lull in the economy was attributed to the conservation policy introduced in 1981 aimed at prolonging the development of the oil industry by reducing in phases the level of oil production from 261,000 barrels a day to about 150,000 (bpd) by 1988. However, between 1986 and 1990, the overall economic performance of the country measured in Gross Domestic Product (GDP) improved slightly, growing at an average rate of 0.4% per annum (Table 2).

In fact, the structure of the economy underwent various changes during the Fifth Development Plan period. The contribution to the GDP by the oil sector which was 83.7% in 1980, dropped to 72.8% in 1985 and to 62.9% in 1990 (Table 1).

An analysis of Table 1 shows that in Brunei, the oil sector grew at a rapid pace sustained by the government sector, which in 1980 contributed only 6.2% of the GDP but increased to 14.8% in 1985 and further increased to 20.6% in 1990. On the other hand, the non-private oil sector has slowly increased its contribution to GDP from 10.1% in 1980 to 12.4% and 16.5% in 1980 and 1990, respectively. However, the economy still remains dependent on hydrocarbons; although, the oil sector's relative contribution to gross domestic product has declined. It is interesting to note, at this juncture, that the garment industry, which in 1994 exported about US\$40 million and was in fact the second exported product after oil and gas, which has not seen much growth. Thus, despite the fact that Brunei has a very high per capita income and high GNP, it does not have a developed economy and infrastructure (Borneo Bulletin, 1996). The economy is not diversified and this will breed problems in the future if there are not enough jobs to allow Brunei nationals to continue to maintain the current high standards of living which are among the highest in the world (Irwandy, 2000:2). It is against this background that the need for diversifying the economy and the participation in joint venture projects between foreign investors and local businessmen is made by this study. This also accounted for the establishment by the Government of a Ministerial Task Force of Economic affairs (Brunei Economic Council) with the mandate to suggest ways of dealing with the current Brunei problems in a sustainable way and come up with some modest structural transformation to help boost the economy (Stephen, 2000). This study sees globalization as a very important component in the economic diversification and ultimate development of Brunei. *Ipsa facto*, the then Deputy Minister of Education Dr Hj Ahmad Hj Jumat corroborated Brunei's engagement in the global market where Brunei should be known not for wealth and oil, but for knowledge, expertise and wealth of innovation (Saunders, 1997: 70).

Research methodology

A questionnaire consisting of five different sections was designed. Section A consists of items requesting demographic information such as age, gender whereas section B contains items pertaining to various choices that will help Brunei economy. Section C required the respondents to specify some of the benefits of globalization, whereas section D contains two items, one of which is the approach a country like Brunei should follow in terms of diversification and the other on whether or not a small sultanate could be able to compete well in a globalised economy. The questionnaire was prepared in ways that will enable the respondents to understand what they were supposed to do. Of 150 questionnaires that were distributed, 120 were returned and analysed.

However, most respondents were occupying high level positions in both public and private sectors. Besides

Table 1. Gross Domestic Product by kind of economic activity at constant prices

Economic activity	1990		1985		1995	
	Million (\$)	Percentage contribution	Million (\$)	Percentage contribution	Million (\$)	Percentage contribution
I. Oil Sector	3,563.9	83.7	2,573.5	72.8	2,268.1	62.9
II. Non-Oil Sector	695.0	16.3	961.8	27.2	1,337.0	37.1
a. Government	264.4	6.2	524.6	14.8	743.3	20.6
b. Private	430.6	10.1	437.2	12.4	593.7	16.5
Agric and Livestock	32.8	0.8	29.3	0.8	43.0	1.2
Forestry and Logging	5.0	0.1	7.9	0.2	5.1	0.1
Fishing	4.2	0.1	5.9	0.2	8.4	0.1
Mining, Quarrying and Manufacturing	32.0	0.8	24.8	0.7	60.6	1.7
Electrical	3.9	(-) 0.1	17.4	0.5	30.7	0.9
Construction	98.3	2.3	72.9	2.1	102.0	2.8
Wholesale Trade	29.0	0.7	32.0	0.9	55.7	1.5
Retail Trade	81.6	1.9	70.8	2.0	117.4	3.3
Restaurant and Hotels						
Transport, Storage and Communication	37.2	0.9	73.7	2.1	84.2	2.3
Banking and Finance	69.0	1.6	85.9	2.4	91.5	2.5
Insurance	3.9	0.1	7.7	0.2	27.5	0.8
Real Estate and Business Services	58.2	1.4	60.9	1.7	26.7	0.7
Ownership	14.8	0.3	17.7	0.5	20.5	0.6
Community, Social and Personal Services	275.1	6.5	510.8	14.0	720.5	20.0
Less Bank Charges	55.8	1.3	72.6	2.1	81.7	2.3
GDP	4,258.9	100.0	3,353.3	100.0	3,605.1	100.0

Source: Sixth National Development Plan 1991-1996, Ministry of Finance, Brunei.

Table 2. Gross Domestic Product by Oil and Non-Oil Sectors at Constant prices 1980 - 1990.

	<i>Average annual growth rate (%)</i>				
	1980	1985	1990	1981 - 1985	1986 - 1990
Oil Sector	3,564	2,574	2,268	(-)6.6	(-)2.5
Non-Oil Sector	695	962	1,337	6.7	6.8
Government	264	525	743	14.7	7.2
Private	431	437	594	0.3	6.3
	4,259	3,536	3,605	(-)3.7	0.4

Source: Sixth National Development Plan, Ministry of Finance.

Table 3. ASEAN: Investment approvals, 1988.

To	Thailand		Philippines		Malaysia		Indonesia		
	From	US\$ million	% change	US\$ million	% change	US\$ million	% change	US\$ million	% change
Japan		3,063	217	95	229	241	134	255	-56
Hong Kong		446	266	27	-3	50	350	232	90
Korea		106	742	2	100	9	1,013	209	1,249
Singapore		275	330	2	166	66	22	255	1,876
Taipei		850	184	109	1,109	147	212	923	11,584
China									
Asia									
Total		5,019	221	253	222	508	134	1,844	175
World		6,225	220	452	171	768	158	4,426	257

Source: Government of Malaysia, Malaysia Industrial Development Authority (1989) Statistics of the Manufacturing Sector, Kuala Lumpur; Government of Indonesia, Central Bureau of Statistics (1989); Monthly Statistics Bulletin, Jakarta.

Notes:

Total foreign investment in projects receiving Board of Investment privilege.

Equity investment approved by the Board of Investment.

Foreign equity in manufacturing projects approved by the Malaysia Industrial Development Authority.

Total Foreign capital in projects approved by BKPM: excludes investment in oil, financial sectors.

questionnaire, the author interviewed 20 top-level government officers and 15 chief executive officers of private business organisations in Brunei.

DISCUSSIONS AND FINDINGS

Globalization in Brunei

Thompson (1999: 139) defined globalization as the process by which markets and production in different countries are becoming increasingly interdependent due to the dynamics of trade in goods and services and flow of capital and technology. Many do not think globalization is a new phenomenon, but rather see it as continuation of the developments that have been in progress for some considerable time (European Commission, 1997: 45). Globalization in economic terms is essentially the process of integration of national and local markets into a single global market (Goto and Barker, 1999: 196). Here, the market includes goods and services, but also the capital market, the market for technology, and to a

greater extent in the context of the study area of Brunei, the labour market.

The improvement on the standard of living experienced in Japan, the Republic of Korea, Taiwan (China), Singapore, Malaysia and many others in Southeast Asia would have been unimaginable without access to relatively free trade and capital markets (Table 3). Globalization through foreign investment has helped parts of Asia to leap frog stages of economic evaluation which Europe and North America had to go through painstakingly (Asad, 1998). However, it is important to note that globalization was equally important in the emergence of these countries from their current economic slump. It should also be noted that the 1997/98 economic crisis in East Asia has demonstrated the downside of globalization that should be heeded by every country. As noted by Goto and Barker (1999: 196), the Thai, Korean and Indonesian economies which grew very rapidly throughout the 1980s and the first half of the 1990s have not only seen a stalling of economic growth, but also a reversal following the crash of 1997.

Thailand's economy grew at 10.3% from 1985 to 1990. Thailand is the fastest growing economy in the world. Thailand had continued with this fast pace of economic growth at 8.0% from 1990 to 1996. However, the situation changed dramatically in 1997 with a sudden collapse of the economy and this led to bankruptcies, unemployment, hunger and ethnic conflicts throughout the region. Whilst, these unfortunate consequences of globalization may scare any economy that contemplates economic diversification requiring foreign investments, "the problems facing the region today did not, however arise because countries embraced the benefits of globalization, but because many countries in the region were unable to develop quickly, enough institutions and regulatory framework necessary to manage the process effectively" (Goto and Barker, 1999: 196).

Indeed, the results of globalization have been uneven, but the possibility of increasing wealth by spreading business over larger and larger markets is undeniable especially for small countries like Brunei. It is for this reason that globalization through more direct foreign investment (FDI) is seen here as a possibility that Brunei should pursue and continue to pursue aggressively. According to Irwandy (2000: 3), Brunei needs to attract more FDI in order to create more manufacturing industries in the country. This is to create much needed job opportunities for Brunei nationals. Secondly, FDI inflows will bring more private companies to Brunei, a situation that will benefit the country through tax revenues from these companies. Besides, FDI inflows can also finance domestic investments through joint ventures. In addition, foreign direct investment can stimulate the foreign requirements of Brunei through the importation of foreign capital to Brunei by investors, which in the end will also improve the balance of payments of the country. But most important of all is the fact that such investment in Brunei will account for a transfer of technology in the numerous job opportunities that will be created and as well as management and entrepreneurial skills. This is because foreign direct investment brought not only capital but also technology (Goto and Barker, 1999: 197). Thus, all of the FDI inflows will surely help diversify the economy and therefore reduce the dependence on hydrocarbon resources with the result that there will be an increase in non-oil exports and consequently, an increase in economic growth (Irwandy, 2000: 4).

Presently, total FDI investments to Brunei are very small (Table 3). The overall growth for the period 1994 - 1998 was 0.1%, which was very small and there was therefore a need to attract more investments from overseas. This study therefore identifies some potential areas for foreign investments.

First and foremost, Brunei should open itself to its immense potential in tourism with a view to attracting millions of tourists in the new millennium. Tourism is seen as one of the sectors that will help Brunei in diversifying its economy (Dk and Tan, 1998: 97). This will involve an enhancement of the present traditional attractions asso-

ciated with the water village of Kampong Ayer, the royalty, mosques, the Brunei Museum, game fishing, river cruises and a walk through the canopy jungle (Saunders, 1997: 72). The Jerudong Park playground complex, an internationally acclaimed mini Disney World should be very attractive to tourists.

In addition, the strategic location of Brunei as a gateway to various destinations in the region and the development of luxury hotels will further attract tourist especially Japanese tourists whose investments would enhance the government's policy of modernization. But most importantly, this effort at privatization should be seen as a major boost for the commitment of Brunei in becoming a service hub for trade tourism (SHuTT) by the year 2003. This is in keeping with His Majesty, the Sultan's public enthusiasm for a borderless East ASEAN Growth Area embracing Brunei, Indonesia's Sulawesi, Moluccas and Kalimantan, Malaysia's Labuan, Sarawak and Sabah and the Southern Philippines (BIMP-EAGA). This increasing importance of Brunei as a Service Centre was not only strongly supported by the government, but then, the Permanent Secretary of the Ministry of Development, Dato Hj Malai bin Hj Malai Osman has urged the business community to help fulfill SHuTT's Vision by 2003 and called on them "to promote the concept of import and export through Brunei and communicate through Brunei... we have imagined ourselves to be the infra-structural link between the people of Brunei and the rest of the world". Dato Hj Malai appealed to the international community to provide Brunei with the connections to the global market so that it could become the communications, logistics and trade centre of the region (Saunders, 1997: 73).

Challenging as these goals may be, this vision of what Brunei should be, saw initial impetus for its realization in the recent plans to develop and deepen the country's port at Muara and expansion in its international capacity. But more importantly, the fact that the Sequent Computer Systems of America has selected Bandar Seri Begawan as its regional headquarters has rekindled the aspirations of the Government to make Brunei the computer hub of Borneo. All of these efforts at economic diversification will no doubt boost and stabilize the economy. They will create many jobs and by so doing bring about economic diversification and sustainable development. This myriad of new jobs created by diversification will create a corresponding demand for skills that may not be readily available from within the region. However, with unemployment and youth delinquency persisting problems, globalization may thus have its implications as to what Brunei will become in the future.

Economic diversification in a small Brunei Sultanate

Brunei is no doubt well placed economically in the new millennium with sufficient income from the sales of oil and natural gas and from investments to enable the country

Table 4. Employment Distribution (%) by Occupational Groups and Residential Status, 1991, Brunei Darussalam.

Occupational groups	Brunei citizens and permanent residents	Temporary residents
Legislators, Administrators and Managers	77.5	22.5
Professionals	61.8	39.2
Technicians and Semi Professionals	81.8	18.2
Clerical Workers	89.2	10.8
Service, Shops, Markets and Related Workers	65.2	34.8
Agricultural, Fishery and Forestry Workers	70.8	29.2
Production Craftsmen and Related Workers	33.5	66.5
Plants, Machine Operators and Assemblers	54.1	45.9
Cleaners, Labourers and Related Workers	35.1	64.9
<i>Workers Not Classifiable By occupation</i>	60.6	39.4

Source: Brunei Darussalam's 1991 population census.

Table 5. Estimated Labour Force Requirement in selected years between 1991 and 2000, Brunei Darussalam.

Variable	1991	1996	2000
Labour Force Requirement	110,583	130,000	156,000
Local	65,408	75,000	89,000
<i>Foreign</i>	<i>45,175</i>	<i>55,000</i>	<i>67,000</i>

Source: Seventh National Development Plan, 1996 - 2000.

sustains itself until the year 2020. However, there are some growing worries about sustainability of such reserves and income after 2020. Therefore, the worry about the future especially for a growing youthful population influenced Brunei's economic policy since the Fifth, Five-year National Development Plan towards diversification via industrialization, industrialization via privatization and privatization via Bruneization (Ali, 1992: 196). Good though these objectives may be for the diversification of the economy, the process of these goals will undoubtedly be hampered by Brunei's comparatively small market, strong economic competition from neighbouring countries especially Singapore and hydrocarbons and a set of social values among Bruneians that are inimical to strong work ethics and high Malaysia, limited natural resources apart from managerial motivation (Tisdell, 1997: 7).

Indeed, industrialization has been seen as a viable option for economic diversification in Brunei. Consequently, the creation of the Industrial Development Plan (IDP) has emphasized the isolation of an industrial niche strategy that included the service sector, high-value added industries, capital-intensive industries, environmentally acceptable industries and international and export-oriented economic activities (Seventh, National Development Plan, 1996: 16). This is high priority for the government and to realize these laudable objectives, about 438 hectares of land was allocated for industrial sites in all the four districts in the country as well as a

financial subsidy of \$B 589 million. By this government initiative, a conducive environment to both private and foreign investment is guaranteed. Furthermore, to enhance the diversification policy, there was need to broaden the industrial base through the establishment of small and medium-size enterprises as well as providing adequate infrastructural services and government incentives.

However, it must be emphasized here that the development of the industrial sector should not be at the expense of Brunei's ultimate potential for developing her tertiary industries such as tourism. Therefore, the objectives of the Seventh National Development Plan to make Brunei as a service hub for trade and tourism are very laudable one and should be pursued with all vigor and support by all concerned.

The implications of globalization and diversification

The need for foreign investment to realize the Brunei Government diversification policy is well founded. Broadening the economic base will create more employment opportunities for the population. However, Brunei's population is very small and is projected to grow at 3% per annum to reach 336,000 by 2000. In addition as contained in the Seventh National Development Plan 1996 - 2000, the labour force participation rate of those aged between 15 - 64 is expected to increase from

Table 6. Working population by residential status and major occupation, 1991 Census.

Major occupation	Total	Brunei citizens	Permanent residents	Temporary	Others
Workers not Classifiable by Occupation	7055	4253	25	2710	6
Legislators, Administrators and Managers	4664	2853	763	1032	16
Professionals	7334	4227	306	2771	30
Technicians and Associate Professionals	13,184	10,153	628	2374	29
Clerical Workers	12,635	10,187	1085	1347	16
Service Workers, Market and Related Sales Workers	13,430	7423	1330	4556	
Agricultural and Fishery Workers	1352	707	250	381	14
Production Craftsmen and Related Workers	16,074	4003	1384	10,460	227
Production Craftsmen and Related Workers	7754	3556	637	3476	85
<i>Cleaners, Labourers and Related Workers</i>	<i>23,264</i>	<i>7223</i>	<i>936</i>	<i>14,886</i>	<i>209</i>

Source: Economic Planning Unit, Brunei Darussalam Statistical Yearbook 1999.

70.8% in 1995 to 71.5% in the year 2000, a factor attributed largely to a corresponding increased female participation rate from 50.9 to 51.8%. However, with the majority of Bruneian local labour still desirous of mainly public sector jobs, economic diversification will mean a continued and greater participation of migrant workers so as not to jeopardize the diversification objectives set by the government. Thus, the demand for labour that will be created by more foreign investments will create more jobs that will not be adequately met by the local labour supply both in terms of numbers and skills requirements (Table 6).

Therefore the foreseeable future does not hold much hope, that, the local labour may be able to fill the demands of increased diversification efforts. There is also another mismatch between the apparent inadequacy of qualified skilled and trained local labour for many of the new jobs that will be created in the service industries and tourism (Tasie, 2003). This is in addition to the perpetual preference of government jobs by Bruneian nationals thereby leaving the would-be-private sector without much local participation. Besides, since the private sector will be creating a lot of blue-collar jobs that the local labour resent, this is bound to further compound the labour problem in a labour short country as Brunei, with an eye for diversification.

The increased privatization will also usher in new social patterns that may have an effect on the overall social fabric of the Bruneian society. Traditionally, Bruneians have lived in large family houses as social leverage, but more so to accommodate their children and their families when they eventually get married. However, many young Bruneians are choosing to live in the seeming privacy of their own houses that are much smaller and cheaper and that also meet their modest salaries. This preference for small houses and moving away from the parents will create cheap housing stock as many house owners will have to turn to private companies to rent their houses. But the movement away from home will have a serious effect on the close knit Bruneian family; causing a

gradual lose in control over family members as may be already evident in the increasing cases for divorce. The immediate members are no longer readily available to give the much needed counseling and advice to young couples.

The need for diversification as expressed in Government's SHuTT Vision 2003 and Tourism has serious implications for education in the country. Multinational investment in Brunei requires a degree of proficiency in English as an international language. This situation was gladly noted by the Government in its continued effort to keep English as the second official language to Malay. In fact, the Minister of Education Pehin Haji Abdul Aziz stressed the crucial position of English in furthering Brunei's development, reassuring his listeners that Brunei's bilingual system had guaranteed the position of Malay as the mother-tongue of the Malays and the national language of the country, but pointing out that English was needed to further education and for access to the global communications system (Saunders, 1997: 75).

Whilst foreign investment will no doubt bring a plethora of advantages to Brunei's economic diversification and development, there has been a serious concern as in many other places in the world where globalization has taken a foothold, about the effects of such modernization upon the religious, moral and cultural traditions of the country. Many new ventures of a commercial nature like SHuTT Vision 2003, Tourism and many others in the service industry will surely open Brunei to the outside world thereby bringing unwelcome influences and changes.

Services that are immediately needed if Brunei is going to be a destination and financial centre will require top-class communications systems that include the internet. Whilst, this is all very good for business success, there is also the susceptibility of this largess to the youth trying to catch up with the rest of the world. Much as these events are a *fait a compli* in any society, but as Saunders (1999:75-76) rightly concluded, there is need to make

Table 7. Estimated labour requirement in selected years between 1991 and 2011.

Variable	1991	1996	2001	2006	2011
Labour Force Requirement	110,583	135,000	162,000	191,000	222,000
Local Labour	65,408	78,000	92,000	107,000	123,000
Foreign Labour	45,175	57,000	70,000	84,000	99,000
<i>Foreign Labour as % of Total</i>	<i>40.9</i>	<i>42.2</i>	<i>43.2</i>	<i>44.0</i>	<i>44.6</i>

Source: Ministry of Finance, Demographic Situation and Population Projection 1991 - 2011.

firmly sure that the greater freedom and access brought by globalization must be accompanied by the development of a moral and civil code based firmly on Islamic traditional principles.

In fact several recent “titah” by His Majesty, the Sultan made it abundantly clear that Islam was not opposed to modern technology and science, “... but must serve it and be served by it”. At the very auspicious occasion of the launching of on-board of a recital of a special prayer on all flights by the Royal Brunei Airlines, the country’s airline. His Majesty made it abundantly clear that

“Brunei is now in the process of modernization and development. Yet Brunei as an Islamic country will never turn its back on moral values and religion in the pursuit of progress and development”.

In fact every facet of the society was called upon to make their respective contribution so that development will not be held back by the conservatism of people in a predominantly Muslim country. This was collaborated by a call by Dato Malai Haji Ali, the then Director of the Civil Service Institute when he opined that

“mosque and the media should prepare civil servants who will be affected by privatization in the communications sector, to adjust to the changes required if the SHuTT were to be achieved by 2003”.

In keeping with this approach of opening up to the new world of development especially in technology, a special education sponsorship scheme has been established to promote teaching careers in science and technology aimed at attracting bright students to take up higher teaching education abroad in Science, Mathematics and English language. This is in fact seen as a way to reclaim the glory of Islam through science and technology as prophesized in the Holy Qur’an.

Foreign private investment means that several avenues for new terms for workers have to be created so that more sustainable and congenial working atmosphere will be ensured for greater development. Perhaps, this is why the presence of Jerudong Park Amusement Centre and the performance of internationally acclaimed artists like Whitney Houston, Michael Jackson and Disney World and Ice are very laudable points to the government’s willingness to accept aspects of larger cosmopolitan

culture for both the youth of Brunei and the foreign presence that will enhance future economic diversification.

Despite all the opportunities that will open up to Brunei in its continued efforts to open up its economy to foreign possibilities, caution has to be exercised so that Brunei does not enter into the same pitfalls that have ravaged the economies of her near neighbours in the ASEAN region. As clearly maintained by Baker (1999):

“If we are to manage and survive in a globalize world, then we need to have rules that match our needs and that we are willing to live by”.

In the pursuit of economic diversification for a more economically sustainable Brunei, the government is rightly acceding to privatization through encouraging joint ventures and tourism and albeit, the acceptance of international contribution and culture. Good and assured as these objectives for the Brunei of the new millennium are, caution should be exercised so that economic diversification efforts and the modernization and the global participation that spins from it should be based firmly on Islamic values as well as the official ideology of Melayu Islam Beraja (MIB).

Conclusion and Recommendations

Privatization has become the clarion call for the future development of Brunei. The government has had too heavy a task as the biggest employer in Brunei, the sole provider for infrastructure, as well as other social amenities such as health and education. All these need to be sustained by government expenditure. This, of course, is predicated on the capacity of oil and gas exports both of which are non-renewable resources. Therefore, privatizations through globalization will not only reduce the government’s administrative and financial burden, but will encourage the wider participation of the private sector in the country’s development, which in turn, will accelerate economic diversification.

As reiterated by Hjh Rosnie... privatization was certainly a way out of the woods, but added that it was certainly going to be a new kind of development strategy for Brunei whereby growth was going to be a new kind of development strategy for Brunei whereby growth was

going to be driven by the capital market and no longer by the government (News Express, May 2000). This study believes that privatization will no doubt bring many benefits to the economy and the Brunei society at large. Privatization through foreign direct investment can change the economic conditions in Brunei and thereby bring greater sustainable economic growth of the capital market.

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Appendix 1. Contribution and estimates of gross domestic product by kind of economic activity at current prices, 1986-1995.

kind of economic Activity	1986		1987		1988		1989		1990	
	B\$ (Million)	Contribution (%)	B\$ (Million)	Contribution (%)	B\$ (Million)	Contribution (%)	B\$ (*Million)	Contribution (%)	B\$ (million)	Contribution (%)
I. Oil sector	3,062.60	59.6	3,566.50	61.5	2,884.10	53.3	3,033.70	51.9	3,490.70	53.6
II. Non-oil sector	2,073.00	40.4	2,234.40	38.5	2,530.70	46.7	2,811.30	48.1	3,017.90	46.4
A. Government	1,110.30	21.6	1,151.40	19.8	1,317.40	24.3	1,375.40	23.5	1,436.60	22.1
B. Private Sector	962.70	18.7	1,083.00	18.7	1,213.30	22.4	1,435.90	24.6	1,581.30	24.3
1. Agriculture	70.80	1.4	80.20	14.4	90.9	1.7	103.10	1.8	116.80	1.8
2. Forestry	16.30	0.3	18.10	0.3	13.20	0.2	21.90	0.4	14.00	0.2
3. Fishery	11.80	0.2	14.00	0.2	16.40	0.3	19.40	0.3	22.90	0.4
4. Mining, Quarrying and Manufacturing	119.70	2.3	123.00	2.1	137.90	2.5	156.80	2.7	177.00	2.7
5. Electricity, gas and Water	30.90	0.6	33.30	0.6	42.80	0.8	53.90	0.9	59.30	0.9
6. Construction	170.10	3.3	183.10	3.2	195.70	3.6	254.60	4.4	277.40	4.3
7. Wholesale	71.3	1.4	90.1	1.6	91.9	1.7	116.2	2	122	1.9
8. Retail	155.50	3	179.70	3.1	207.60	3.8	239.80	4.1	257.30	4
9. Restaurant, and Hotels	40.1	0.8	45.9	0.8	52.1	1	59.4	1	67.7	1
10. Transport, Storage Communication	123.20	2.4	150.40	2.6	170.80	3.2	196.40	3.4	214.10	3.3
11. Banking and Finance	154.6	3	169.50	2.9	185.80	3.4	203.80	3.5	223.40	3.4
12. Insurance	14.4	0.3	21.2	0.4	31.1	0.6	45.7	0.8	67	1
13. Business Services	58.1	1.1	59.80	1	61.60	1.1	63.30	1.1	65.20	1
14. Ownership of Dwellings	33.3	0.6	37.6	0.6	42.7	0.8	48.5	0.8	55.1	0.8
15. Community, Social and Personal Services	1,090.20	21.2	1,126.80	19.4	1,292.90	23.9	1,349.20	23.1	1,420.60	21.8
16. Less: Bank Charges	87.1	1.7	98.3	1.7	102.7	1.9	120.70	2.1	141.90	2.2
Gross Domestic Product	5,135.60	100	5,800.90	100	5,414.80	100	5,845.00	100	6,508.60	100