

The Indonesian Journal of Geography, Vol34, No.1-2
June – December 2002, pp. 17 - 33

GLOBALIZATION AND ECONOMIC DIVERSIFICATION IN BRUNEI DARUSSALAM

by
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ABSTRACT

Asian countries have shown the highest growth rates in the world between 1965 and 1990. This unprecedented record was largely due to superior accumulation of natural and human capital through globalization. However, with the catastrophic collapse of the East Asian miracle economies since 1997, the continued spread of globalization as a way forward to global market integration has heralded a cautious approach, none more so from small developing countries.

Brunei Darussalam, a rich but small labour short country has depended on oil and gas for most of its development objectives and has attained comparable levels of development to many of the miracle Asian economies, without the manifold benefits of massive global investments. However, with globalization becoming a fact accomplishing the integration of world markets in the new millennium, the implications of the economic diversification programmes Brunei Darussalam become all the more interesting.

This study examines the implications of globalization in Brunei's development programmes of economic diversification contained in its Eighth National Development Plan. In this regard, the paper draws from historical and contemporary materials on economic crisis in the Asian region to identify and examine the possible general effects of economic diversification through investment on new employment, income generating opportunities as well as on the social and cultural traditions of the country. This is against the awareness that the inevitable opening of Brunei to continued global influences in the new millennium may bring many unwelcome influences and changes. The study concludes that globalization is inevitable in the new millennium and suggests. That for Brunei Darussalam, the development of small scale sector in manufacture and services is one major possible diversification strategy for Brunei Darussalam in the new millennium.

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INTRODUCTION

Negara Brunei Darussalam (hereafter Brunei) is a small but rich country with an area of 5765 square km in Southeast Asia. The country (Figure 1) has a 2001 estimated.

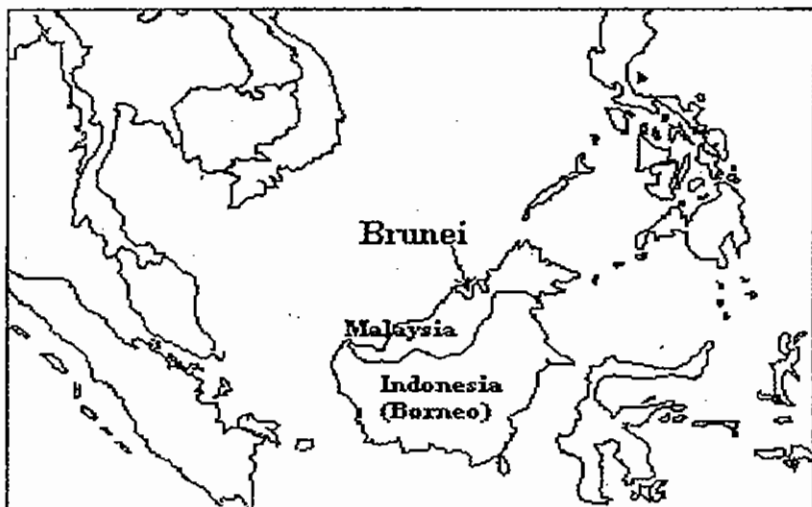


Figure I: Brunei in South-East Asia

Population of 330,700 people and a growth rate of about 3 % per annum. As many as 136, 400 persons (41.2 %) of the population is below the age of 20 years, whilst 24,300 persons (7.3 %) are aged 55 years and above. Furthermore, there were as many as 71, 000 people or 27 per cent 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 has increased from 3.6% in 1981, 4.7% in 1991 and 4,6 % in 1999. Much of Brunei's unemployment may be disguised, but even official estimates show unemployment doubling during the 1980s from around 3.6% in 1981 to nearly '7% in 1992. Unofficial estimates put the levels of unemployment at 10 %. and in this rich country, poverty has yet to be eliminated, with claims that 20 percent of the population lives below the poverty line of US\$500 a month (Bissio, 1995:149, *Asia & Pacific Review* 1995). This has accounted for the growing call for economic diversification, not only to reduce the over reliance on oil and gas, but also to provide more job opportunities for the growing work force among Bruneians.

This paper therefore examines the possible effects of the economic diversification programmes as contained in the Eighth Five-Year Development Plan (2001-2005) in Brunei, *which requires balanced socio-economic development which should be accomplished through diversification of the economy provision of adequate and well-planned infrastructure and public facilities implementation of effective human resource development, implementation of social development projects, utilization of appropriate technologies and continuous protection of the environment* (Eighth five-year Development Plan 200 1-2005). These objectives will be better achieved in the understanding that domestic enterprise should also seize opportunities in regional and international markets. This study therefore draws from historical and contemporary materials on development trends in Brunei, as well as the economic crisis in the Asian region to identify and discuss the possible effects of economic diversification via globalization upon social 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 the 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 Brunei citizens are beneficiaries of subsidized education, medical facilities and housing. And as Franz (1990) noted, property creates demands that can not be satisfied with low income, and less so with unemployment as is currently the case in Brunei. Therefore the commitment by the government to encourage industrial diversification since the Fifth National Development Plan (1986-1990), the creation of the Ministry of Industry and Primary Resources in January 1989 and development plans focusing on specialized infra-structural developments such as industrial parks and export-oriented and capital intensive industries. are all in line with the drive to diversify the oil-based economy of Brunei (Gunn 1993: 121).

THE ECONOMIC BACKGROUND 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), In the early part of the twentieth century. the economy of Brunei was based on timber, rubber and minerals such as coal, but oil has played a steadily increasing role since the first exploratory well in 1899, The first commercial well was sunk in Seria in 1929, came on stream in 1931 and, by 1938, formed part of the, most productive field ~u the Commonwealth (Cleary & Eaton, 1992).

Whilst in 1947 more than 50 per cent of the population was employed in the primary sector, by 1971 the figure had declined to just over 10 per cent. At the same time the tertiary service sector grew from around 30 per cent to over 50 per cent, 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 does not signal any kind of industrial deepening (Franz 1990:209). Thus it is clear that Brunei's economy is almost entirely founded on its petroleum and natural gas resources, which in 1986 was about 59.6 per cent of (ADP, 61.5 per cent in 1987, 53.3 per cent in 1988, 51.9 per cent in 1989, 53.8 per cent in 1990 and 50.4 per cent in 1991 as against 35 per cent generated by the service sector and 2-3 per cent by agriculture (Silvestre et al: 1992).

Gas production for domestic use began in the late 1950s but production easily began to outstrip demand. A decision was taken to liquefy for export production, and this began in the early 1970s with the opening of Brunei's liquefied natural gas (LNG) plant at Lumut. The country's crude oil production averaged 192,000 barrels a day, increasing to an average of 261,000 barrels a day in 1979. Income from oil and gas production reached a pick in 1980 and oil production was cut thereafter with the institution in 1981 of the National Petroleum Depletion Policy, which led production to be capped at 150,000 barrels per day. Gas production, on the other hand, stood at 10,704 million cubic meters for 1998. These production rates have made Brunei a wealthy nation with an overall GDP of B\$ 7.1 bn (US\$5.0bn) in 1996, up from B\$5.1bn(US\$2.34bn) in 1986, and a massive balance of trade surplus of nearly B\$1 bn (US\$0.7bn) in 1995 on exports of just under B\$3.5bn

(US\$ 2.7bn) and imports of just over B\$2.8bn (US\$2.0bn) (Feer,1998). Bruneians are just very wealthy. With a small population, Brunei's GDP was increasingly high at around B\$ 24,100 (US\$ 17,000) in 1996 was akin to the average for all industrialized countries (Feer, 1998).

The wealth derived from the hydrocarbons resources enabled the government to carry out infra-structural development and improve various services like power, housing, transport and some foodstuffs were subsidized. This in turn has helped strengthened a dramatic rise in living standards and in consumption, TV ownership levels (c.32 per 1000 population in the mid-1990s) are the levels on the European periphery in countries like Ireland and Israel (UNDP, 1997), whilst car ownership rose ten-fold between 1970 and 1990 to one of the highest in the world (Cleary & Wong, 1994:30). The domestic market for goods and services has therefore expanded, providing a target not merely for exports, but also for local production. Hundreds of Brunei enterprise have grown up to serve the expanding market, especially in the service sectors such as retailing and construction. However, there was a fluctuation in the contribution of the oil sector to the economy of Brunei over the recent past. This was found to vary from B\$3062.6million in 1986, B\$3566.5million in 1987 to B\$3033.7 in 1989 and then went down to B\$2525.3 in 1995. Figures for 2000 showed that the oil sector's contribution to the GDP was B\$2,951.1 million).

Despite Brunei's reliance on hydrocarbons, the oil sector's relative contribution to gross domestic product has declined. The garment industry, which in 1994 exported about US\$ 40 million and was in fact the second export after oil and gas, 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 as well as a developed infrastructure (Borneo Bulletin 1996). Moreover, the economy is not as diversified and thus accounted for the current wave of unemployment which will become more serious in the future if there are not enough jobs to allow Bruneians to continue to maintain the current high standards of living which are among the highest in the world (Irwandy, 2000:2). Consequently, a ministerial task force for Economic Affairs (Brunei Economic Council) was established by the government of Brunei 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 paper therefore sees globalization as a very important in the economic diversification and ultimate development of Brunei. In fact the Deputy Minister of Education, Dr Hj. Ahmad Hj. Jumat, corroborated Brunei's engagement in the global market when he opined that *Brunei should be known not for its wealth and oil, but for knowledge, expertise and innovations* (Saunders, 1997:70).

Political stability and the excellent vision of His Majesty the Sultan has made it possible for Brunei to achieve sustainable economic prosperity and stability which has benefited the whole population. Brunei continues to register reasonable economic growth despite the turmoil of oil price and financial crisis in Asia. Central to this economic achievement are the government's Five—National Development Plans, which provided strategic guidelines and direction for the economy. The country continues to pursue an economic diversification policy away from the traditional reliance on the oil and gas sector to enjoy rapid growth like that of its partners in the Asia-Pacific region. In fact economic diversification has been visible with the recent success in the export of garments and the oil and gas sector's share of the GDP having shrunk from nearly 60 percent in 1986 to 37 percent in 1996 (MJPR, 1997a).

GLOBALIZATION AND BRUNEI

It is now universally recognized that we are living in an increasingly globalized world economy, certainly more so than 3-4 decades ago and perhaps more so than a decade ago (McCleary 1999). Trade forms a much larger share of world product than before. Goods and services, real and financial capital, labour, technology and ideas flow across national borders more readily and in greater quantities than before. Before we examine here the possible impacts of globalization and its effects in the Brunei situation, it is useful to first attempt a snapshot of what globalization actually is.

Globalization is not a single phenomenon. It is a catch—all concepts to describe a range of processes and forces changing the face of the world in which we live. As an economic phenomenon, globalization is manifested in a shift from a world of distinct national economies to a global economy in which production is internationalized and financial capital flows very freely and instantly between countries. Thus as tightly defined by Thompson (1999: 1.39) globalization as the process by which markets are

production in different countries are becoming increasingly interdependent due to the dynamics of trade in goods and services and flow of capital and technology. However it must be emphasized that many do not think globalization as a new phenomenon, but rather see it as continuation of the developments that have been in train for some considerable time (European Commission 1997: 45). Thus globalization in economic terms is essentially the process of integration of national and local markets into a single global market (Goto & Barker 1999: 196). Here the market includes not only that for goods and services, but also the capital market, the market for technology, and to a greater extent, in the context of Brunei, the labour market. We can see globalization as both a cause as well as a consequence of the information technology that is driven by dramatic improvements in telecommunications, exponential increases in computing coupled with lower costs, and development of electronic communications and information networks such as the internet.

Globalization in terms of foreign direct investments appeared to have brought clear benefits to the economies of East and South Asia in terms of faster economic growth, rising shares of international capital, access to new technology and sources of productivity growth, and increasing per capita incomes which have helped to raise a large number of people out of poverty. The improvements of living standards experienced in Japan, the Republic of Korea, Taiwan (China) Singapore, Malaysia and many others in South East Asia would have been unimaginable without access to relatively free trade and capital markets. Globalization through foreign investment has helped parts of Asia to leap-frog stages of economic evolution which Europe and North America had to go through painstakingly (Asad Latif 1998:20). However, it is important to note that globalization was equally important in the emergence of these countries from their current economic difficulties. We should also take note that the recent 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 of economic growth following the crash of 1997.

Thailand's economy grew at 10.3 per cent from 1985 to 1990 to make Thailand the fastest growing economy in the world. Thailand had continued with this fast pace of economic growth at 8.0 per cent from 1990 to 1996. However the situation changed dramatically in 1997 with a sudden collapse of the economy that 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).

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 overseas by the government to enable the country sustain itself until 2040 (Tisdell 1997:6). The concern about the sustainability of hydrocarbon reserves after 2040, as well as her growing youthful population, have influenced its economic policies since the Fifth Five-Year national development Plan towards economic diversification via industrialization, industrialization via privatization and privatization via Bruneization (Ali, 1992:196). Good though these objectives may be for diversification of the economy, the process of those goals will undoubtedly be hampered by Brunei's comparatively small market, strong economic competition from neighbouring countries especially Singapore and Malaysia, limited natural resources apart from hydrocarbons, and a set of social values among Bruneians that are inimical to strong work ethics and high managerial motivation (Tisdell, 1997:7).

However with a population growth rate of 2.5 % per annum and one third of the population is under 14 and half are under 20, there are many thousand new entrants into the labour market each year, yet employment in the public and hydrocarbon sectors is largely stagnant, if not declining. Therefore the creation of new employment and income generating opportunities is imperative from an economic perspective. Failure to successfully diversify from dependence on oil revenues and growth in the numbers of young dissatisfied urban unemployed could play a possible part in the resurgence of social tensions may oil rich countries including Bahrain's mid-1990's turmoil and the 1990 attempted coup in Trinidad and Tobago (flecks, 1998). It is argued here that diversification through investment industrialization is a clarion call by many oil rich countries that want to diversify.

This is large-scale resource-based industrialization (RBI) and usually involved the development of downstream industries that process hydrocarbons (Auty 1989). Examples include oil refining, gas liquefaction and processing, and petrochemicals. The second is the development of energy-intensive industries, generally making use of gas as an energy input. These resources-based industrialization (RBI) have dominated the diversification routes in many oil-producing countries including Bahrain, Nigeria, Saudi Arabia, Trinidad & Tobago, United Arab Emirates and Venezuela (I-leeks, 1998). These have been favoured projects by oil rich courtiers because they have been found to be visible, can absorb large sums rapidly, have a high import content, thus putting little pressure on domestic sectors, create a source of patronage and promises easy export diversification without hard choices (Gelb 1986). However, even under the best conditions, RBI investments tend to be *'large, lumpy and risky'*. They also take time to show a return and are significantly dependent on foreign skills, capital and technology, create environmental problems, and are subject to fluctuating prices (Courier 1993). In practice these large scale RBI project have generally performed poorly or have failed outright (Auty 1989).

Since the 1960s there have been plans in Brunei to move into RBI. Areas then identified for investment and diversification included production of fertilizers, plastics and other hydrocarbon-based products and trends continue with industries to be encouraged through granting 'pioneer status' included cement, glass and fertilizer production, iron and steel rolling mills and industrial chemicals. Today, Brunei's attempts into RIM diversification are the Seria Refinery and the LNG Plant at Lumut. The former is small, uneconomic in a global sense and runs below capacity (Cleary & Wong, 1994:56). The latter exports most of output to Japan, with little being used for local electricity generation. Even though there have been many RBI related plans by Brunei, fortunately these have not been pursued given the problems associated with RBI. This is in addition to the disadvantage of the small size of the country's economy and competition from similar production regionally and does not therefore seem a sound diversification strategy.

With the non-viability of RBI, other options at diversification become very difficult to identify. Apart from the apparent success of Royal Brunei Airlines, most attempts at large scale commercial projects have not met with much success. The apparent slow response of large-scale industries in manufacturing is noted (MIRP, 1994:10) and agriculture/agro-based large-scale projects covering cattle raising, rice growing or prawn farming have largely failed (Heeks, 1998).

Attempts at boosting agriculture appeared doomed in spite of huge government investment. This sector seems to decline which can be blamed on poor soils, land quality and drainage, lack of interest from Bruneians due to the attractions of other sectors, rigidities in the system of landownership that make transfer difficult and post tenure often insecure. Fishing is similarly in decline and timber is being conserved, with doubts that timber profits are 'in any way equivalent to the non timber profits of the forest as a resource (Cleary & Eaton, 1992:22).

This paper has therefore argued here that for the encouragement and development of small enterprise as a central plank in Brunei's diversification strategy. This is all the more important for success since such a strategy has also not been lost on the Brunei government. It is therefore imperative that the government facilitates and promotes the development of local fledging SME's (MIRP, 1994:2). Indeed industrialization has been seen as a visible option for the economic diversification in Brunei. Consequently, the creation of the Industrial Master Plan (IMP) 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 very attractive financial subsidy of B\$ 589 million. By this government initiative, a conducive environment to both private and foreign investment is provided.

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. Therefore globalization is seen here as a possibility that Brunei should pursue and continue to pursue aggressively. According to Irwandy (200:3), Brunei needs to attract more FDI in order to create more manufacturing industries in the country. This is to create the 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 supplement domestic investments through joint ventures. [n addition, foreign direct investment can stimulate the foreign exchange requirements of Brunei through the importation of foreign capital to Brunei by investors that in the end will also meet with the balance of payments of the country. But, most important of all is the fact that such investments in Brunei will account for the transfer of technology in the many new job opportunities that will be created as well as management and entrepreneurial skills. This is because foreign direct investment brought not only capital. hut also technology (Goto and Baker, 1999: 197). Thus the FDI inflows will surely help diversify the economy of Brunei and therefore reduce the dependence on hydrocarbon resources with the result that there will be an increase in non-oil exports and consequently, a corresponding increase in economic growth (Irwandy 2000: 4). Presently total FDI to Brunei are very small. The overall growth for the period 1994-1998 was 0.1 per cent which is very small and there was therefore a need to attract more investment from overseas.

The present study therefore identifies some possible areas for foreign investments. First and foremost Brunei should open itself to the immense potential in tourism with a view to attracting a many tourists in the new millennium. Tourism has been seen one of the sectors that will help Brunei diversify its economy (1)1< Hjh Norulazidah & Tan Siew Ee 1998: 97). This will involve an enhancement of the present traditional attractions associated with the water village of Kampong Ayer, royalty, mosques, the Brunei Museum, game fishing, river cruises and walk through the canopy jungle (Saunders 1997:72). In addition, the strategic location of Brunei as a possible getaway to various destinations in the region and the development of luxury hotels will further attract tourists whose investments would enhance the government's policy of modernization. But more importantly, privatizing some of these sectors is seen as a major boost for the commitment of Brunei in becoming a service hub for trade and 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). The Government recently boosted this view of increasing the importance of Brunei as a Service Center. The Permanent Secretary of the Ministry of Development Dato Hj Malai bin Hj Malai Osman has even urged the business community to help fulfill SI-lutf 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 Brunei could become the communications, logistics and trade centre of the region (Saunders, 1997: 73).

However, it must be emphasized here that the development of the industrial sector should not be at the expense Brunei's ultimate potential for developing her tertiary industries such as tourism. Therefore the objectives of the Eighth National Development Plan to make Brunei as a service hub for trade and tourism is understandable, and should be pursued by all concerned with a view to complementing the existing comparative advantages which some of the ASEAN countries in the region already have. Challenging, as these goals may be, this vision of what Brunei should be, has initiated plans to develop and deepen the country's port at Maura and the expansion in the capacity of the International Airport. 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 of Brunei. They should create many jobs and by so doing bring about economic diversification and a sustainable development. However, the many jobs that will be created by diversification will in turn create a corresponding demand for skills that may not be readily available now from within the labour market in Brunei. Thus many non-Bruneian workers especially from within the region will be attracted by these new jobs. However, with unemployment and youth delinquency a persisting problem, globalization may thus have its implications as to what Brunei becomes in the future.

THE IMPLICATIONS OF GLOBALIZATION AND DIVERSIFICATION

The need for foreign investment to realize the Brunei government's 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 has grown to 430,000 by the 2001 population census. In addition as contained in the Seventh National Development Plan (1996-2000), the labour force participation rate of those aged 15-64 is expected to increase from 10.8 percent in 1995 to 71.5 percent in the year 2000 a factor attributed largely to a corresponding increased female participation rate from 50.9 per cent to 51.8 per cent. However, with the majority of Bruneian local labour still desirous of public sector jobs, economic diversification will only 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 1)

Table 1. Estimated labour requirement in selected years between 1991 and 2011

Variable	1991	1996	2001	2006	2011
Labour Force Requirement	111,583	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
Foreign Labour as % of Total	40.9	42.2	43.2	44.0	44.6

Source : Ministry of Finance, Demographic Situation and Population Project, 1991 - 2001

Therefore the foreseeable future does not hold much hope that the local labour maybe 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. This is in addition to the perpetual preference of government jobs by Bruneians 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 to 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 a status symbol as well as 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. This preference for small houses and moving away from the parents will create cheap housing stock and so many house owners will have to turn to private companies to rent their houses. But the move away from home will have a serious effect on the close knit Bruneian-family that may gradually lose its control over members as may be already evident in the increasing eases of divorce. The immediate family members are no longer readily available to give the much needed counseling and advice to young couples.

The need for diversification as expressed in the 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. The government gladly noted this situation by its continued effort to keep English as the second official language to Malay. In fact, in a recent statement.

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 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 has 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 and thereby bring 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 accompli* in any society, but as Saunders (1996: 75-76) rightly concluded there is need to make firmly sure that the greater freedom and civil code based firmly on Islamic and traditional principles.

In fact several recent *titah* by His Majesty the Sultan made it clear that *'Islam was not opposed to modern technology and science, ... hut must serve it and he 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 maintained 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 Mi the new Director of the Civil Service Institute when he opined that mosques 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 (Saunders, 1997:77).

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. Therefore, globalization through more foreign direct investment (PM) as advocated by the government to ensure its economic diversification policies is seen here as a possibility that Brunei should pursue and continue to pursue aggressively. As cogently argued by Irwandy (200:3), Brunei needs to

attract more FDI in order to create more manufacturing industries in the country. This is to create the much needed job opportunities for Brunei nationals. PDI 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 supplement 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 meet with the balance of payments of the country. But, most important of all is the fact that such investments in Brunei will account for the transfer of technology in the many new job opportunities that will be created as well as management and entrepreneurial skills. These are all the remarkable features of globalization that bring not only capital, but also technology (Goto and Baker, 1999: 197). Thus the EDI inflows will surely help diversify the economy of Brunei and therefore reduce the dependence on hydrocarbon resources with the result that there will be an increase in non-oil exports and consequently, a corresponding increase in economic growth (Irwandy 2000: 4). Presently total EDI to Brunei are very small. The overall growth for the period 1994-1998 was 0.1 per cent which is very small and there was therefore a need to attract more investment from overseas.

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: 24) if we are to manage and survive in a globalizing 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 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 *Me'am Islam Beraja*

Table 2. 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
Foreign	45,175	55,000	67,000

Source Seventh National Development Plan, 1996-2000

CONCLUSIONS

Privatization has become a 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 capacity of oil and gas exports both of which are non-renewable resources. Therefore privatization through globalization will not only reduce the government's administrative and financial burden, but will encourage wider participation of the private sector in the country's development which in turn will accelerate economic diversification. The argument here is that if fewer Bruneians were employed in the by the public sector, if those employed were paid less, if welfare and other services had to be paid for rather than being received for free, then Bruneians would be forced into enterprise. However, none of these scenarios seem likely to occur. Even during the drop in oil prices of the 1980s, the state adopted the rhetoric of belt tightening and the need for diversification.

Despite the deal of debate about the challenges posed by globalization, the process also offers many opportunities, including the potential to strengthen, to tap ideas from other countries, and to have more influence over international decisions-making process that inevitably affects us all. But this requires some adjustment in the structures of government. Indeed privatization no doubt will bring many benefits to the economy and the society as it can change the economic conditions in Brunei and bring greater development of the capital market. Indeed foreign investment has already come in to the Brunei economy in the very few sectors, such as hydrocarbons or construction that offer any real prospect of profits. However, foreign investment fails to find its way into other sectors not because of ignorance but because exporting to the Brunei market is cheaper and easier than trying to set up production for the local market, and because input constraints prevent Brunei becoming a platform for exports.

A common package of '*sectoral saviours*' seems too do the rounds of small developing economies. This includes financial services, information based services, and eco-tourism. Whilst each may have some potential, this seems likely to be limited for Brunei given its skills and labour constraints and given the existing competition. Financial services, for example, are unlikely to develop given the competitive actuality of Singapore and potentiality of Malaysia's Labuan Island. It will however, require public sector staff to be skilled and competent to work in an international environment. It will require better coordination and strategic direction at the center of governance. And, most importantly, it will require effort and investment at the international level to develop and maintain appropriate checks, balances and democratic quality in the structures of global governance.

On current appearances, it would seem that large-scale diversification efforts will not work and that small-scale diversification, while it could work, is likely to remain constrained to '*tinkering around the edges*' of the economy. A substantial part of these

constraints derives from Brunei's combination of mineral wealth and small size. Brunei will always remain small but mineral wealth will not last. According to Hakes (1998) Brunei will therefore be destined to become some bizarre combination of country club and investment trust, as income from foreign investments take over from direct hydrocarbons revenues; as the only employment opportunities remain those provide by the state; and as growing personal wealth allows a substantial proportion of the population to opt out since they do not need to work in order to live. The result, as Cleary and Wong (1994: 139) described may be 'Growth without development Wealth without employment'.

ACKNOWLEDGMENT

The author wishes to extend grateful thanks to Dr Kwabena Anaman, Department of Economics, University of Brunei and Mr Kivuti Nyagah, Petroleum Unit, Prime Minister's Office, Bandar Seri Begawan for reading drafts of this paper and making useful comments and suggestions.

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