

# CHAPTER II

## THE ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN). A BRIEF PERSPECTIVE

### 8

## BRUNEI'S GENERAL ECONOMIC AND INTERNATIONAL VISION

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## I. INTRODUCTION

Brunei is a small sovereign state with an area totalling to 5,765 square kilometer. In 2019, the population of Brunei has been reported to be 459,500, comprising 331,800 Brunei citizens, 33,500 permanent residents, and 94,200 temporary residents (Department of Economic Planning and Statistics, 2020). Brunei is the ASEAN region's second richest country after Singapore with a total GDP per capita of BND 18,375 recorded in 2019 (Department of Economic Planning and Statistics, 2020). Brunei is located in Borneo Island and shares its land border with Sabah and Sarawak. The island is divided into three countries, namely Brunei, Malaysia, which consists of Sabah and Sarawak, and Indonesia Kalimantan.

Since the 14th century, the country has been under the Sultanate, and the present Sultan, the 29th Sultan of Brunei, is His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah, who ruled since 1967. In 1929, oil was found in Brunei, and since then, the country has changed into one of the wealthiest nations in the world producing almost 90% of the hydrocarbon output (The Energy Year, 2020). The hydrocarbon industry contributes about 64% of Brunei's GDP and for non-oil sectors accounting approximately up to 46% of the total GDP of 2018-2019 (Wong, 2020). Oil was found in 1929, and the Brunei Shell Petroleum (BSP) shared the oil profit with the Brunei government by a 50:50 allocation (The Energy Year, 2020). Two years later, in 1931, the first oil was exported, and by 1935,

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Brunei was the third largest oil producer in the British Commonwealth. Brunei's total export to Japan is the biggest, which accounted for about 35% of total export as recorded in 2018 (The ASEAN Post Team, 2018; Trading Economics, 2020). The Brunei Liquefied Natural Gas (BLNG) started in 1963, while the first LNG was exported to Japan in 1972, and since then, Brunei has become an important partner of Japan in the oil and LNG industry (Embassy of Japan, 2020).

Brunei, which has been under the British Empire for 95 years (1888-1983), gained its independence on the 1st of January 1984. The 1888 British Protectorate Agreement gave Brunei internal sovereignty in 1959 with the proclamation of Brunei Constitution, and Brunei's external sovereignty was returned back in 1984 with Brunei's independence. Brunei's political survival and economic challenges can be extrapolated into three phases:

1.

The period of 1888-1905/06 also known as the Pre-Brunei Residential system was connected with the traditional land tenureship system and abolished during the residential system with a new Land Code System in 1909 which was introduced by the British. In this period, the power of the Sultan only matters on Islamic religion, traditions and Malay customs (McArthur, 1987). Back in 1890, Limbang was annexed from Brunei territory, and in consequence, the Temburong District was isolated for 130 years. Recently, just this 17th of March 2020, amid the coronavirus pandemic, the BND 1.4-billion Temburong Bridge, which is 30 kilometres long, was opened, and it connected again to the capital of Brunei (Rasidah, 2020). This is a great stepping stone for Brunei to enhance future economic ties with Sabah and Sarawak through the Brunei, Indonesia, Malaysia and Philippines East ASEAN Growth Area (BIMP-EAGA) projects. These projects include tourism industry, halal industries and the expansion of air linkages (like when Brunei had initiated the new routes launched by Royal Brunei in partnership with the Malindo Air Malaysia within Borneo connectivity), agri-industries and fisheries development in Sabah, and SME projects with Sabah and Sarawak, among others (23rd Joint Statement Meeting, 2019). In addition to this, BIMP-EAGA benefits from the current bilateral trade relations with China under the Belt Road Initiatives (BRI) and is seen to be beneficial to Sabah and Sarawak counterparts and with the air connectivity within Borneo it can also benefit the BRI initiatives in the near future. Also, the Malaysian counterparts of Pan Borneo Highway proposal and Indonesia shifting capital to Kalimantan vision would boost up those initiatives of BRI and BIMP-EAGA in the near future (Bernama, 2019; Parameswaran, 2020; Business Reporting Desk, 2020);

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II.

The period between 1906-1959 or Brunei Residential System Period had allowed Brunei to restructure its economic and social development, as advised by the British. At this period, Brunei had to give up its internal and external affairs to the British, and the power of the Sultan had been limited to religion, traditions, and customs. During the residential system, Brunei was heavily affected by economic depression and pushed the country to loan money from Malaya. The loan was settled in 1936, as a result of oil discovery in 1929. The first British Resident General, who served from 1906 to 1908, was Malcolm Stewart Hannibal McArthur. He had written a report of Brunei in 1904 and stated that Brunei had experienced greater economic depression (McArthur, 1987). During these years, McArthur insisted that Brunei must establish a residential system and separated from Sarawak and North Borneo Company controls (McArthur, 1987). From 1908 onwards, Brunei had experienced minimal economic improvement, and fortunately in 1929, the oil discovery had given the residents a smooth journey to develop the country. Alongside the British, in 1953, Sultan Omar Ali Saifuddien III (also known as SOAS III, the 28th Sultan of Brunei, ruled 1950-1967) had committed to modernising Brunei. He had proposed to the British to develop and to restructure modern social development under the First Five Year National Development Plan with a total budget of BND 100 million (McArthur, 1987). The first NDP of 1953 was focused on social infrastructures such as the construction of hospitals, schools, government offices, highways, an airport and other government facilities. The proposal was accepted by the British, and there was an improvement of infrastructure in the nation;

III.

The period between 1959-1983 put Brunei under self-government responsibilities. This period had commissioned the Sultan to be responsible for internal affairs and decision-making for the country, and while the Sultan had regained back his power, it was limited to internal affairs. The external affairs were still under the British. At this period, Brunei had improved in social development but was affected by political turbulences of nationalism and democracy amid the Second World War and the Japanese Occupation. The oil discovery had heavily affected and deteriorated industries such as rice, fishing, and rubber. Initially, this was an early sign of 'the dutch disease and the rentier state' syndrome in Brunei (Cleary & Wong, 1994; Beblawi, 1987). In 1959, the great history was made, the Brunei Constitution was established between SOAS III and Sir Robert Scott, an official British representative of the British Commissioner General for Southeast Asia, which allowed Brunei to establish self-government (Brunei Constitution, 1959).

As a result, the power of the Sultan in the constitution was given back. The installation of social development continued and provided the citizens with a welfare system of free education, free meals at schools, scholarships for students to help further their education, free medical services, and a housing scheme, among others. The basic economic development continued and targeting productivity and economic participation, investments of BND 543 million for the Second NDP, (1962-1966) and BND 500 million for the Third NDP (1975-1979) were reported. The Fourth NDP with BND 2.2 billion (1980-1984), envisioned the four factors of national development as a prerequisite to becoming an independent state such as political factors and foreign policy, the consciousness of oil resources, geo-political environment and issues of obtaining immigrant workers from neighboring countries (Department of Economic Planning and Statistics, 2020). Until 1984, Brunei had shown that it had overcome its internal challenges and managed to develop and fulfill the prerequisites for social and basic economic development. The work of the SOAS III's in pushing Brunei into a modernisation phase and development had been renowned, and a country recognized him as the 'Architect of Modern Brunei or Father of Modernisation of Brunei Darussalam.

## II. GENERAL ECONOMIC AND SOCIAL DEVELOPMENT OF BRUNEI DARUSSALAM

Brunei is neither cursed nor blessed with oil resources (Ross, 2010; Hadenius & Teorell, 2006). However, it has been difficult for Brunei to diversify the economy ever since it was applauded in the 5th NDP (1986-1990, totalling to BND 3.7 billion). Besides economic diversification, Brunei struggles to minimize the side-effects of the oil syndromes of 'rentier state' syndrome and 'dutch disease' which mostly affected the private sectors as they must hire foreign workers into the country. For instance, the Brunei Labour Survey in 2017 reported there were 22,510 foreign workers in construction and 11,569 in the retail/services industry, which means that foreign workers filled almost 25% of private sectors, totalling to 47,490 workers. Between 2018 and 2019, there was an increase of 12.7% of foreign labour in Brunei (Department Of Economic Planning & Statistics, 2019). The scenario is understandable because Brunei is expanding into non-oil and gas sectors, and foreign workers are needed in the retail/services industries. As recorded in 2019, the retail and service industries comprise 10% of the total GDP, and the construction sector only comprises 0.6% of Brunei total GDP (Trading Economics, 2020).

In 2018 and 2019, the major industries such as manufacturing, construction and retail/services have developed steadily and contributed 46% to the

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total GDP. The long-term plan of NDP (2007-2035) comprising the 9th NDP (BND 9.5 billion for 2007-2012), the 10th NDP (BND8.2 billion for 2012-2017), and the 11th NDP (BND 3.5 billion for 2018-2023) focused on attracting Foreign Direct Investments (FDIs) and Multinational Corporations (MNCs), supporting locals businesses and Small Medium Enterprises (SMEs), improving the business environment, and productivity, among others (Department of Economic Planning and Statistics, 2020). For example, the FDIs have improved between 1996 to 2000, comprising 9%-16%, and reached its peak in 1999. And then, between 2000-2019, it was a relatively constant 5% average (World Investment Report, 2020). However, in 2016 there was negative FDI due to global oil prices that dropped in 2015. Brunei recorded negative growth in 2016 with a 2.5% decline in a GDP (ASEAN Post Team, 2018). Currently, the top five countries of FDI sources between 2000-2019 are the United Kingdom, Netherlands, Hong Kong, Japan and Malaysia. It is noted that the one with the highest FDI inflows was the manufacturing industry totalling to BND 680.2 million in 2017 (Gracia, 2020).

Back in 2003, the Brunei Economic Development Board (BEDB) was established in line with the FDI promotion, and there are four preferred investments namely life sciences, agri-business, ICT, and services (Brunei Darussalam Reforms Regulations, 2020). So far, besides manufacturing industry, agri-business and services have played significant roles in promoting FDI. For example, in agri-business, Brunei-China had established an agreement under the Guangxi Project of Bruneian Company under Wen Zhong Agro Science. The Guangxi counterpart under Guangxi Wangwangda Farmers Company comprises a total of 700 hectares of paddy plantation. Then, the second agreement of a joint venture of cage culture was developed with Raoping Jinhang Deep Sea Cage Development Co Limited with a total of BND 1.45 million (Brunei Darussalam Reforms Regulations, 2020).

In the services/retail industry, the FDI increased from 2% in 2012 to 32% in 2015. The services industry has played a significant role recently, particularly in tourism where Brunei has placed as the third fastest-growing in tourist arrivals in Southeast Asia. As of 2019, it was recorded that the total tourists coming into Brunei were 213,007, with China recording 49,533 visitors followed by Malaysia with 50,111 visitors, Indonesia with a total of 20,445 visitors and the Philippines with 16,971 visitors (Rasidah, 2020; Othman, 2018). In 2018 and 2019, financial services like the banking industry increased by 19% from BND45.1 million to BND268.4 million. Other industries will become available for Brunei in the near future due to the government initiatives in non-oil industries such as aerospace and defence, petrochemical, environmental technologies, and health technologies, among others (Brunei Darussalam Reforms Regulations, 2020). The Second Ministry

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of Finance and Economy added that Brunei is yet to establish a stock exchange and the allocation is part of the package totalling to BND 414 million. Currently, there is BND 21 million allocated to establish Brunei's stock exchange (Hamit, 2020).

At present, hydrocarbon makes up about 54% of the total GDP. Oil has turned Brunei into a modern welfare state and empowered Brunei to have strong social and political development. Therefore, in order to sustain and prolong the country's stability in social and economic development, the Wawasan Brunei 2035, also known as the Brunei Vision 2035, was proclaimed in 2007 (Brunei Wawasan, 2035). The Wawasan envisioned Brunei to have a more dynamic and sustainable economy and be amongst the world's top ten countries based on GDP per capita by the year 2035. There are three other objectives that Brunei must envision aside from the aforementioned. These are to accomplish international standards and recognition in education with highly-skilled people, to be in the top ten nations that have a better quality of life, and to have a sustainable economy (Brunei Wawasan 2035, Department of Economic Planning and Statistics, 2020).

In realising the Wawasan, Brunei has been working on developing more non-oil sectors and also to maintain and strengthen social development which has been improving significantly. Based on the international standard of living, Brunei's adaptability to social development is seen to fulfill the international Millennium Development Goals (MDGs) and Sustainable Development Goals (SDGs). Brunei has been incorporating both international MDGs and SDGs elements into the Long Term Objective of NDPs from 1986 to 2005 and then again from 2007 to 2035. These made many remarkable achievements in many sectors, ranging from education, health, alleviating poverty, promoting basic rights to the citizens, healthy environment, necessary economic development, among others. This can be seen from Brunei's Human Development Index (HDI) for 2018, which was 0.853, rank 30 out of 188 countries. The HDI has shown that Brunei has accomplished various achievements such as increasing the number of female participation in the economy, with a gender gap ranked 88th out of 145 due to female participation, a remarkable increase of 4.5% in the gender equality criteria over the past years. Brunei has been working on achieving Sustainable Development Goals (SDGs), which resulted in reduced infant mortality rates and diseases, and improved universal health coverage and diseases. For instance, the Lancet Medical Journal ranked Brunei 25th out of 188 countries in regard to the health progress of SDGs goals (The Lancet Medical Journal, 2020). Currently, the challenges of the Wawasan 2035 focuses on improving Brunei's innovation in technologies, education and competitive market. It cannot be denied that Brunei is thriving in many economic and social development

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such as improvement of tertiary institutions, improvement in university rankings, and improvement in private sectors and startup business. For example, in 2020, Brunei's score in ease of doing business was improved from 69.6% to 70.1%, with a ranking of 66 out of 190 economies worldwide and a ranking of 4th in ASEAN countries. This implies that Brunei has actually become one of the countries that is easiest to do business with both in Southeast Asia and worldwide (Doing Business, 2020; Business BN, 2020).

### III. BRUNEI AND MULTILATERAL ECONOMIC COOPERATION

The exchange notes in 1979 between Brunei and the United Kingdom had given Brunei full international responsibility as a sovereign and independent small state. During 1979-1983, Brunei was given a five-year plan to prepare its independence and foreign policy, which effectively ended on the 31st of December 1983. Five years after the exchange notes, Brunei took its full sovereign rights in foreign affairs and responsibility to international commitment. The Ministry of Foreign Affairs was formed right after independence, and the earliest step in being part of the international community was to promote its foreign policy objectives and principles based on a small state diplomacy formation of mutual respect, non-interference and neutrality (Ministry of Foreign Affairs, 2020).

Brunei's foreign policy principles consist of maintaining its territorial integrity, sovereignty, and independence (Ministry of Foreign Affairs, 2020). It envisages Brunei to be known as a small state with a modern welfare state and hopes to maintain prosperity in the economic and social well-being of the citizens. In order to be part of the international community with a local identity, Brunei has to strengthen the continuity of the Malay Islamic Monarchy concept and represent its Bruneian identity at an international level. Brunei's foreign policy has developed steadily at both bilateral and multilateral cooperation. Since independence, Brunei has been engaging more with trade promotion, investment policy and economic and financial negotiations at international relations. Moreover, Brunei is currently developing its economic cooperations and has identified a few industries that can be promoted through multilateral and bilateral economic relations. Brunei is giving priority to developing strong bilateral and multilateral ties in trade and economic cooperation with East-Asian Countries. For instance, Brunei has been actively involved in the multilateral economic integration of ASEAN Free Trade Area (AFTA), Asia Pacific Economic Cooperation (APEC), Brunei Indonesia Malaysia Philippines East ASEAN Growth Area (BIMP-EAGA), Regional Comprehensive Economic Partnership (RCEP), and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), among others. The promotion of economic cooperations through these platforms has

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changed Brunei's model of foreign policy evolution into a more entrepreneurial-oriented one which focuses on economic and trade relations. Due to this, Brunei has realised that engaging in both multilateral and bilateral relations is helping the country in dealing with current economic challenges of diversification. Brunei can be considered as an emerging small state in terms of promoting trade and economic relations resulting in its changing behaviour in foreign policy characteristics. One good example is its growing ability to be more pragmatic in diplomatic skills especially in trade promotion in bilateral and multilateral cooperation.

In multilateral cooperation, Brunei joined ASEAN on the 7th of January 1984, becoming the 6th member of ASEAN. This was followed by the country's involvement with the Organisation of the Islamic Conference (OIC) on the 14th of January 1984, claiming its spot as the 45th member. Further, Brunei has been the 159th member of the United Nations since the 21st of September 1984. And then, five years after, in 1989, Brunei became a part of the Asia-Pacific Economic Cooperation (APEC). Since APEC, Brunei has begun to expand its economic cooperations in the Asia-Pacific region causing the achievement of many common goals in economic cooperation and the focus to shift on trade and economic promotion. The expansion of Brunei's multilateral cooperation continued in the 1990s by the signing of a trade bloc agreement under the AFTA on the 28th of January 1992. Followed by the 24th of March 1994, Brunei became a member of BIMP-EAGA and the World Trade Organisation (WTO) on 1 January 1995. In the 2000s, Brunei's economic partnerships have widened in the area of economic integration and cooperations. On the 5th of October 2015, Brunei has participated with the Trans-Pacific Partnership (TPP) Agreement along with 12 countries, and due to USA's withdrawals from TPP in the 23rd of January 2017, the TPP has changed to CPTPP which was signed on the 8th of March 2018. The CPTPP, together with the RCEP, which was introduced at the 19th ASEAN Summit in 2011, can boost Brunei's economic promotion. It is predicted that the RCEP will have a value of USD49.5 trillion (about 39 percent of total global GDP), with a total of 3.4 billion people. It will also become a trading bloc of 16 countries covering the third world's GDP (Choudhury, 2019). Both CPTPP and RCEP can give Brunei a better platform to promote its economic cooperations and regional integration, while also benefiting from trade liberalisation in the Asia-Pacific region (Kumar, 2019). His Majesty, the Sultan of Brunei, had highlighted some benefits of RCEP when he attended the 22nd ASEAN-Japan Summit and the 3rd RCEP Summit in November 2019. He restated that the economic growth and regional integration, particularly to SMEs industries, people-to-people connectivity and AFTA plus six partners, and speeding up the process of RCEP

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agreement are beneficial to all members. RCEP will commence in 2020, and amid a pandemic, it is still expected to be signed by the end of the year (Choudhury, 2019; Borneo Bulletin, 2019).

Currently, Brunei is the coordinator for ASEAN-Republic of Korea dialogue relations from 2018-2021 and also a coordinator for ASEAN-New Zealand for 2021- 2024. Next year, Brunei will be hosting the ASEAN Chairmanship and about BND 2 million has been allocated as a budget for the preparation of the chairmanship (Rasidah, 2019). The previous Brunei chairmanship was at the 22nd ASEAN Summit in 2013. The joint statement of the 9th BIMP-EAGA Summit was also released in the same year. There were some highlights of the Brunei Chairmanship in 2013 such as further development of trade and investment in ASEAN Non-Tariff Measures, ASEAN Single Window and the promotion of the SME, among others (ASEAN Secretariat, 2013). Seven years have passed and Brunei has been actively involved in SME and entrepreneurship, i.e. the ASEAN SMEs (established in 1995) and Youth Entrepreneurship and Employment (established in 2013). The BIMP-EAGA also can boost up the SME and Halal industries in the region, particularly Brunei relations with Sabah and Sarawak counterparts. For instance, Brunei-Sarawak halal cooperation is beneficial to Brunei due to Brunei Halal Certification that has entered the Middle East Market. It would further boost the relations between Brunei and Sarawak halal cooperations (Borneo Post Online, 2016). In the Halal SME sectors, the discussion on SME development on Halal Economy was brought up at the 2019 BIMP-EAGA. This aimed to educate others about halal industries and entrepreneurship (Azhari, 2019). The Halal industry in Brunei has been strengthened. For instance, in 2015, the Bruneian Halal industries were enhanced and developed in collaboration with the Brunei Bio-Innovation Corridor (BIC) and the Brunei Halal Accreditation. The BIC initiated by the Ministry of Industry and Primary Resources (MIPR) collaborated with the Brunei Guangxi Economic Corridor (BGEC) and together with the Halal Industry Center to promote the halal certification in Brunei encompassing the food industries, halal pharmaceutical, and cosmetics, among others (Kasim, 2016). In 2016, the halal industry contributed to the country's total revenue for about BND 88 million. And then in 2018 and 2019, Brunei was ranked 15th out of 73 countries in the Thomson Reuters' Global Islamic Economy Report on halal industry, placing Brunei 7th in the halal food sector, and 6th in halal pharmaceuticals and cosmetics (Bandial, 2019).

### IV. BRUNEI AND BILATERAL ECONOMIC COOPERATION

Brunei has developed and strengthened its bilateral cooperation with many countries. To date, Brunei has steadily maintained its diplomatic relations

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with 171 countries, and apart from 171, another 32 separate formal bilateral diplomatic relations have been developed. Brunei's bilateral relations have always been under the economic, education and oil-driven trade relations. Brunei has worked closely with East Asian countries in developing economic cooperation, especially in its joint projects in the oil and gas sector. Currently, Brunei's bilateral diplomatic cooperation prioritise the areas of trade and investment in non-oil sectors, defence, education, and health. In line with the Wawasan 2035, Brunei further strengthened its bilateral relations into non-oil sectors, particularly with China, ROK and Japan. For example, 11 years after Brunei-China bilateral relations were established in 1991, the first trade cooperation was formed in 2002, then followed by Brunei-China's first bilateral free trade agreement, the Consultative Meeting on Trade, Investment and Economic Cooperation in 2008. Finally, both countries had negotiated with economic traction in 2011, followed by cooperative partnerships in 2013 and 2018 (Druce and Julay, 2019; Luo Chuanyu, 2018). Both countries have a mutual understanding of economic cooperation, especially in non-oil sectors in construction, retail industries, and manufacturing. Trade and infrastructure diplomacy with China allows Brunei to venture out some bilateral trade cooperation in textile, ICT goods, construction, and food, among others.

In 2013, China had established its grand strategy of the Belt Road Initiative (BRI), an international platform with a vision to connect its Silk Road to Asia, Africa and Europe to enhance regional integration and encourage economic growth. The BRI gives Brunei-China relations to develop the Brunei-Guangxi Economic (BGEC), signed in September 2014 at 11th China-ASEAN Expo (CAEXPO). This corridor covered economic cooperations of agriculture, maritime affairs, food production, and tourism. In 2015, the Minister of Ministry of Primary Resources and Tourism (MIPR) stated the BGEC is an agreement worth BND 500 million in Brunei Bio-Innovation Corridor (BIC) that can attract more investors from New Zealand and North America. In 2016, Nanning-Brunei Agriculture Park was working on the Yulin-Brunei Chinese Medicine Park. The mandate of the 11th China-ASEAN Expo platform in 2014 has strengthened the Brunei-China relations. Currently, the Chinese megaprojects in Brunei are all under Guangxi Autonomous Region, namely Guangxi Beibu Gulf Group, Guangxi Ruian Hala Food, Guangxi Haiseaton Food Co. Ltd. Then, the Chinese conglomerate company, Hengyi Industries, allocated BND15 billion in oil refinery and petrochemical plant. This is still the biggest FDI project so far coming into Brunei. Currently, this mega-company holds 70:30 shares wherein 70% is owned by Hengyi, and 30% is owned by the local company, the Damai Holding. This project employs about 400 local Bruneians and 1600 expatriate

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workers, the majority coming from China. Since this project was developed in 2019, it is expected that its contribution to Brunei's GDP in 2020 will be about BND 1.3 billion. In 2018, the trade volume had reached BND 1.8 billion, an increase of 80% compared to last year's. As BRI's interest in oil and gas is vast, there is a possibility it can surpass Japan as the first trading partner of Brunei soon.

Secondly, Brunei-Japan relations were established in 1984, and both countries have developed a closer relationship in establishing economic and industrial ties in the oil and gas sector. In 2007, both countries established the Brunei-Japan Economic Partnership that aimed not only to diversify the current industry but also to strengthen the LNG businesses. The Mitsubishi Corporation was the first company to invest in Brunei, followed by other Japanese companies such as Tokyo Electric, Tokyo Gas and Osaka Gas. The Brunei-Mitsubishi Corporations have been working closely with the LNG sectors since 1972. The LNG business has strengthened the oil relations between Brunei-Japan relations for more than thirty years. Both countries have expanded the trade among methanol companies namely Mitsubishi Gas Chemical Company, Petroleum Brunei and Itochu Corporation since the 13th of March 2006. This is a mega industrial downstream project with Mitsubishi totaling to USD 600 million methanol plant (Brunei Methanol Company 2020; Brunei Embassy, 2020). In line with the Wawasan 2035 and in downstreaming the oil and gas industries, Brunei has begun to export hydrogen to Japan in December 2019. The hydrogenation plant operation was spearheaded by the Advanced Hydrogen Energy Chain Association for Technology Development (AHEAD) with Japanese conglomerates such as Mitsubishi, Nippon Yusen, Mitsui and Chiyoda Corp. Initially, this project was issued in 2014 and was revised in 2016, supported by the Ministry of the Energy of Brunei Darussalam (Amu, 2020; Othman, 2020).

Since 1984, the Brunei-Republic of Korea (ROK) has formally developed its bilateral relations. Currently, both countries have played significant roles in non-oil and gas sectors such as tourism and education. In 2019, both countries signed a joint statement positioning Korea as the second largest export market for LNG, a tie that has been developed since 1995, with about 4.3% of LNG import annually. For the past ten years of the LNG relation, the trade volume is believed to surpass 1 billion per annum (Rasidah and Bandial, 2019). In 2019, in commemoration of the 30th Anniversary of the ASEAN-ROK Dialogue Relations, both countries had agreed on a separate joint statement to enhance their bilateral relations into non-oil and gas sectors. In the statement, both agreed to collaborate in trade and investment, infrastructure, tourism, SMEs, and energy, among others. The 'infrastructure and tourism diplomacy' had developed significantly when two major

projects, both bridges, under the Korean firm Daelim Industrial had been finished. The Temburong Bridge, considered the longest in Southeast Asia, was the one of the mega projects. There was also an accommodation of direct flights from Bandar Seri Begawan to Seoul inaugurated in 2017, which increases the tourism market from South Korea. As recorded in 2016 and 2017, there was a significant growth of 145% in the tourism market. In fact, between January to October 2018 alone, 7,442 Korean tourists visited Brunei (Wasil, 2019).

## V. BRUNEI AND ASEAN REGIONAL SECURITY

ASEAN has been a vital platform for Brunei, particularly for economic integration, yet it is also important for Brunei to be part of the regional security cooperation and integration. The region is surrounded by security issues since the 1970s, especially on maritime disputes, transnational crime, human trafficking, transit zone, and humanitarian/refugee's crisis, among others. ASEAN's principles are built with non-interference, mutual respect, territorial integrity, that allow that members to be free from any interference, subversion and coercion (ASEAN Secretariat, 2020). In 2015, the ASEAN Community was launched with its three pillars, namely Political-Security Community, Economic Community (AEC) and Socio-Cultural Community (ASC) (ASEAN Secretariat, 2018). The formation of the ASEAN Political-Security Community (APSC) is depending on the ASEAN centrality of member states and their external relations, especially in strengthening peace and prosperity in the region. Envisioning 'ASEAN centrality' also depends on how member states resolve matters and disputes through negotiations based on rules-based conduct of the ASEAN Charter (Singapore Institute of International Affairs, 2015). Ever since the adoption of the ASC plan of action in 2003, the APSC community has evolved and the people-to-people interaction has been the vital key in the ASEAN community promotion. The ASEAN community has been discussing many important issues ranging from good governance, human rights, corruption, and territorial issues, among others (ASEAN Political-Security Community Blueprint, 2009; Singapore Institute of International Affairs, 2015).

Aside from the ongoing issues in the South China Sea and its complexities, other ongoing regional concerns are on human rights, human trafficking, child labor, and terrorism, among others. There are struggles with regard to human rights but the ASEAN community transparently communicates through Track 1.5 and 2 dialogues, which target many issues. These dialogues also help many member states become aware of their challenges then give them a platform to learn and take more action on their internal issues (Farhan, 2019). In 2010, the formation of the ASEAN Intergovernmental

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Commission on Human Rights (AICHR) went through many challenges. It cannot be denied that the AICHR is often criticised at the international community, yet due to pressure and criticism, human rights issues in this region have become more transparent and well-discussed. The adoption of the ASEAN Human Rights declaration in 2012 empowered ASEAN to be more 'people-centered' and to be aware of their commitments towards human rights issues. ASEAN's difficulties in handling human rights do not equate to this region's non-adherence to the principles of human rights. In fact, these struggles bring the NGOs and CSOs closer, as they need to be parts of this process, to share each countries' difficulties and awareness, and to be more transparent on reports, countries' marker score and statistics (The ASEAN Post, 2017). For example, the issues of the refugees' crisis in Myanmar Rohingya over their asylum-seeking have been increasing, i.e. in 2017 the number of refugees in Thailand reaches about 1 million, Indonesia with about 625,000 refugees, Malaysia with an increasing number of registering UNHCR refugees at an estimation of a total 180,000 were reported (Human Rights Watch, 2020; Fortify Rights, 2020; Al Jazeera, 2020). Secondly, there are the issues of human trafficking in which a majority of Asian countries fall under Tier 2 (the government is making efforts but failing) and Tier 3 (the governments are not making any efforts over Trafficking Victims Protection Acts) (The ASEAN Post, 2020). Thirdly, child labour in many parts of the ASEAN countries is also being exposed - child trafficking and sexual abuse, among others. In addition, the Child Safety Ranking for ASEAN 2010 reported that Lao PDR was at lowest amongst ASEAN member states ranked at 145th out of 176, Cambodia at 120th, Myanmar at 109th, the Philippines at 107th, Brunei is at 63rd, Malaysia at 71, with the exception of Singapore ranking as the 1st (The ASEAN Post 2019; Human Rights Watch, 2018).

At the expense in promoting people-to-people interaction amongst ASEAN member states in tackling traditional and non-traditional security threats, the ASEAN centrality is also being criticized over multilateralism, political consciousness on the rise of China and ASEAN leadership in the regional architecture (Center for Strategic and International Studies, 2011; Dalpino, 2019). With the consciousness over ASEAN Centrality, people-to-people interaction and the ASEAN way, Brunei has been actively involved in the regional security matters in ASEAN Plus Three, ASEAN Regional Forum and East Asian Summit. Brunei has played an important role in the ASEAN Declaration on Transnational Crime, and some were even initiated by Brunei in the past. Brunei also involved in combating terrorism and maritime security and strengthening its infrastructure for maritime security and recently been involved in a joint military exercise with the USA, Singapore, the UK. With

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the rise of radicalisation and violent extremism in the region, Brunei raised the said issues at the 2nd Special ASEAN Ministerial Meeting in 2017. As a result, Brunei committed to promoting capacity building and joint exercises such as joining the ASEAN Defence Ministers's Meeting (ADMM), collaborating with Disaster Management Order established in 2006, and giving assistance to several countries with the ASEAN Center for Humanitarian Assistance. In this regard, Brunei has sent Humanitarian Relief Fund to several countries in ASEAN such as the Philippines, Cambodia, Indonesia and Myanmar. Since October 2004, Brunei has committed to the peacekeeping mission in Mindanao under the International Monitoring Team led by Malaysia delegate (Ministry of Foreign Affairs Brunei, 2020).

At bilateral defence cooperation, Brunei has been under close defence relations with Singapore, the UK and USA. Brunei-Singapore defence relations have been developed with more than 40 years of cooperation, as both have been working on enhancing their security challenges, money laundering, and terrorism financing, among others. Secondly, Brunei-UK defence relations had developed since 1962 to this day, with the UK military presence protecting Brunei. In February 2020, both countries have signed the exchange of letters in defence cooperation in dealing matters on trade, climate change and the future of the ASEAN-UK relations, i.e. in discussing the plan of action of post Brexit.

It cannot be denied that the USA is one of the important key players in South East Asia ranging from regional security, terrorism, maritime disputes to the South China Sea disputes. Therefore, Brunei-US relations are one of the most important ties in various cooperation and most importantly, in defence cooperation. Historically, the relations dated back in the 1850s under the Treaty of Peace, Friendship, Commerce and Navigation and after colonisation, it formally established bilateral relations in March 1984 (Ministry of Foreign Affairs, 2020). Ten years after formal diplomatic relations, both countries developed the first MOU on Defence Cooperation in 1994, and since then, both have been involved in the defence military exercise and share a commitment to issues such as trade, security and regional cooperation and developments (Parameswaran, 2019).

For years 2020-2021, Brunei had presented about BND 606.02 million in the defence budget, with an increase of 0.27% from 2019-2020 (Rasidah, 2020). This year's budget is to strengthen the country's defence at the national level such as the setting up of the cyber defence unit, defence foreign policy, i.e. geopolitical tensions, pandemic and maritime issues. Though Brunei is facing current economic challenges due to the volatility of oil prices, Brunei still proposes BND 5.86 billion for the 2020-2021 financial year. With a budget deficit of BND1.47 billion and amid COVID 19, Brunei is

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boosting its investment activity totaling to BND 81.9 million, facilitating business totaling to BND 19.07 million, Employment and Capacity building of BND 48 million, and COVID 19 outbreak for about BND15 million under natural disasters and disease control, among others (Rasidah, 2020; Parameswaran 2019). Indeed, Brunei has become one of the smallest but most prominent countries in the region in regard to its participation in the regional cooperations and its ability to practice its foreign policy principles of non-interference, mutual respects and neutrality. Without a doubt, Brunei has begun to explore more on economic opportunities in ASEAN and beyond, and learn more about its openness in economic liberalisation. With this in mind, it is believed that Brunei can deliver its *Wawasan 2035* and be able to sustain and diversify its non-oil gas sectors. Although it will be a challenge for Brunei, with some adjustment in its foreign policy behavior, Brunei will be able to adapt to these challenges and difficulties and be part of regional and international cooperation.

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