



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

BRUNEI DARUSSALAM

This report, prepared for the third Trade Policy Review of Brunei Darussalam, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Brunei Darussalam on its trade policies and practices.

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SUMMARY

1. The economy of Brunei Darussalam remains highly dependent on oil and gas, which accounts for about two-thirds of output, and over 90% of merchandise exports and government revenues. This makes Brunei particularly vulnerable to an eventual depletion of its petroleum resources, and remains a cause for concern due to fluctuating international energy prices. The Government is thus implementing an ambitious diversification strategy and promoting private-sector participation in the economy, which remains limited.
2. Brunei's economy grew at an average annual rate of 0.2% during 2008-13 mainly due to lower oil and gas production. Real GDP growth of 5.3% is expected in 2014 as large energy-related projects begin production. Under its National Vision 2035, Brunei aims to achieve annual real GDP growth rates of 5-6% which may require increasing overall productivity, particularly in the government sector (including state-owned enterprises) being the largest employer.
3. Sizable hydrocarbon exports and the steady accumulation of long-term foreign assets over many years have provided Brunei with a comfortable balance of payments position, which also reflects the big gap between savings and investment. The external current account surplus, as percentage of GDP, fell from 48.9% in 2008 to 31.5% in 2013 because of the important reduction in oil and gas export revenues and, consequently, Brunei's trade balance surplus decreased from US\$7,867 million in 2008 to US\$6,916 million in 2013.
4. Petroleum and natural gas represented 96.5% of total merchandise exports in 2013 (97.8% in 2008). The remaining exports are manufactures, mostly machinery and transport equipment. Brunei's exports are mainly destined to Japan and other countries in East Asia. Machinery and transport equipment are Brunei's most important import category, accounting for 37% of total imports in 2013 (44% in 2008). Its merchandise imports also originate mainly in East Asia, led by Malaysia. Brunei is, increasingly, a net importer of services.
5. FDI inflows have increased during the last years but remain relatively small averaging some US\$600 million per year in 2008-13. Success in attracting larger FDI inflows has been hampered by increased competition from neighbouring economies. Brunei would benefit from further improvement of its business climate, and its FDI policies could also be more transparent, particularly with respect to limits on foreign equity participation, partnership requirements, and identification of sectors in which FDI is restricted. Full foreign investment may be allowed in most activities, except in those that use natural resources, relate to food security, and are located in industrial sites for which 30% minimum local equity participation is required.
6. Brunei has eight RTAs encompassing 16 partners: the other nine parties of ASEAN; six countries that have negotiated agreements with ASEAN (Australia and New Zealand, China, Japan, Republic of Korea, and India), and Chile in the context of the Trans-Pacific Strategic Economic Partnership (TPSEP). Five RTAs entered into force during the review period: four are RTAs negotiated in the context of ASEAN, and one bilateral arrangement with Japan. Brunei's RTAs have been notified to the WTO.
7. Brunei is an original Member of the WTO, and grants at least MFN treatment to all its Members. It has never been involved in any trade dispute. During the review period, Brunei made a number of notifications to the WTO, but some remain outstanding, particularly in agriculture and import licensing. Since 2008, Brunei has adopted new trade-related legislation in the areas of business environment, financial services, fisheries, intellectual property, and TBT. Additional legislation on standards and competition is being drafted. Brunei has no legislation pertaining to contingency trade remedies. It does not participate in the Information Technology Agreement.
8. During the review period, Brunei took steps to further facilitate trade, such as e-Customs which has been fully operational since 2008 allowing traders to submit applications electronically, and Brunei Darussalam National Single Window (BDNSW) which began to operate, in phases, in January 2014 and will allow applications for several trade procedures (e.g. certificates of origin and import permits). BDNSW is expected to be integrated into a wider ASEAN level single window system in the future. Brunei has no customs fees for import/export procedures or registration.

9. Goods imported into Brunei may be subject to import and excise duties (there is no VAT). Since its last TPR, Brunei has introduced new excise duties on liquors, tobacco, vehicles, nuclear reactors, boilers, machinery, and mechanical appliances, and medical or surgical instruments. The authorities informed that these new excise duties are levied for fiscal, social, health, and environmental considerations. The authorities also indicated that goods subject to excise duties are not manufactured in Brunei.

10. Brunei applies relatively very low tariffs. With the adoption of the 2012 ASEAN Harmonized Tariff Nomenclature, the number of Brunei's tariff lines (at the HS ten-digit level) was reduced from 10,689 in 2007 to 9,916 lines in 2014, and the simple average applied MFN rate decreased from 4.8% in 2007 to 1.7% in 2014. Specific tariff lines were reduced from 131 in 2007 to 55 in 2014 which enhances transparency.

11. The coverage of Brunei's bound tariff lines went from 92.8% in 2007 to 89.1% in 2014 also because of the changes in HS nomenclature. There remains a significant gap between the overall bound average of 25.4% and Brunei's applied MFN tariff of 1.7% which undermines predictability. The difference is even larger in agriculture where the bound average tariff is 23.1% and the MFN tariff rate is zero.

12. Import and export prohibitions, restrictions, and licensing requirements apply on various products for safety, health, and moral grounds. In some cases, Brunei maintains export restrictions on certain goods, such as sugar, rice, paddy and products thereof, to ensure adequate domestic supply and price stability.

13. In 2010, the National Standards Council, under the Ministry of Industry and Primary Resources, was established as the body responsible to monitor and strengthen standards and conformance activities in Brunei. There are no technical regulations in Brunei. It has 83 national standards, mainly on construction and electrical-related products; 53 have been directly adopted from international standards. Brunei is still to notify its enquiry point to the WTO Committee on Technical Barriers to Trade.

14. In order to encourage investment in priority sectors and production for export, Brunei continues to use extensive tax and other incentives. During the review period, Brunei changed the Income Tax Act to reduce tax liabilities of enterprises, with the exception of those engaged in petroleum activities. The income tax rate decreased from 27.5% in 2008 to 20% in 2014, and will be further reduce to 18.5% as from 2015. Also, tax thresholds were introduced in 2008 to further reduce corporate tax burden.

15. Since 2008, three grant and loan schemes have been created and two more revised to help micro, small, and medium sized enterprises grow, consolidate, and internationalize. Three grant schemes have also been established to support start-ups and innovation. Under the 10th National Development Plan 2012-17, Brunei has allocated 1% of GDP (B\$200 million) to R&D and innovation to help achieve economic diversification.

16. In line with commitments under the ASEAN Economic Community, since 2011 Brunei has been drafting comprehensive competition legislation. At present, competition issues are addressed on a sector-by-sector basis and tackled by its respective regulator. Competition regulations exist in telecommunications, financial services, and energy, although in limited forms.

17. Goods subject to price control increased substantially during the review period. Currently, there are 19 categories of products for which maximum retail prices are set (e.g. rice and sugar). Prices/tariffs of housing, petroleum products, utilities, healthcare, and telecom services continue to be subsidized in Brunei. Fuel subsidy reform over the medium term could provide fiscal space to maintain development expenditures and reduce distortions that could limit diversification efforts.

18. The public sector continues to exert a direct influence on the economy, mainly through state-owned enterprises. Some of these still operate under monopoly or hold exclusive rights in sectors such as oil and gas, manufacturing, banking, telecom, and air transport. Brunei's Privatization Master Plan is in the process of being completed.

19. As the Government is the largest operator in the economy, procurement also plays an important role. Some changes have recently been made to the legal framework, including adjusting the thresholds under the different procurement methods. Brunei is not a party to the WTO Agreement on Government Procurement.

20. Main changes to Brunei's IPR regime since its last TPR include the restructuring of the administrative system, notably the establishment of the Brunei Intellectual Property Office, as well as the entry into force of a new patent law in 2011 which, *inter alia*, established a national patent system. Brunei has made concerted efforts to improve IPR enforcement, in particular to curb copyright piracy through, for example, an increase in fines and prison sentences. During the review period, Brunei acceded to three additional WIPO-administered treaties and is considering acceding to others.

21. Under its National Vision 2035, Brunei has identified the following activities that may increase value-added, exports, and jobs creation: agri-food; downstream oil and gas and energy-intensive industries; information and communication technology; life sciences (pharmaceutical, cosmetics, and functional health food and health supplements); light manufacturing; services, such as financial services and tourism; and other activities that may be technology driven.

22. Despite its relatively small share of total real GDP (1%), agriculture and related activities is of key importance in the economy because of Brunei's food security and self-sufficiency objectives. As a net importer of agricultural products, food security is mainly promoted through zero applied MFN and preferential tariffs. The agri-food processing industry has increased its participation in agricultural production supported by growing domestic demand in halal food and the authorities' efforts to market the "Brunei Halal brand" at regional and international level. Brunei maintains a system of subsidy for rice and sugar to protect consumers from increases in commodity prices.

23. The energy sector, mainly oil and gas, remains the backbone of Brunei's industrial output and trade. However, oil and gas production shrunk at an annual average rate of -1.8% during 2008-13 partly due to maintenance works. The largest oil and gas operator and producer remains the state-owned Brunei Shell Petroleum (BSP) by virtue of its control of the major oil and natural gas fields. While BSP operates a concession, the exploration and development of a number of new onshore and offshore blocks have been offered on production sharing basis.

24. Brunei has the lowest electricity rate and the highest energy intensity of all ASEAN countries. The Government spends some B\$40 million per year on its electricity subsidy, out of a total annual energy subsidy of about B\$1 billion. Steps are being taken to reduce 45% of its energy intensity by 2035 and improve efficiency. In 2012, a progressive electricity tariff structure was introduced to reduce the government power subsidy by more than half.

25. Overall, the performance of the manufacturing sector has been weak in recent years partly due to the relatively high cost of doing business, shortage of skilled and unskilled workers, and lack of competitiveness of local products. To encourage private participation, manufacturing companies are eligible to receive financial support, incentives, and other measures. The Government also invests directly, mainly through its company Semaun Holdings which still dominates manufacturing. In addition, the Government is promoting and managing large-scale industrial sites, including industrial parks that cater to downstream petrochemicals plants.

26. Since its establishment in 2011, the Autoriti Monetari Brunei Darussalam, a statutory body acting as the central bank, has been responsible for the supervision and regulation of the financial system. Brunei aims to become a regional financial centre for Islamic financial services. In terms of banking, the main change over the review period was the adoption of the Islamic Banking Order 2008 which harmonized Islamic and conventional banking regulations. Brunei does not have its own stock exchange and the capital market still is in an infant stage. It is not a signatory to the Fifth Protocol to the GATS (on financial services).

27. A complete review of the telecoms regulatory framework is being undertaken so as to have a single converged regulator for telecoms and broadcasting by 2015. Moreover, a Telecommunications and Broadcasting Competition Code, Brunei's first-sector specific competition code, is expected to be implemented in 2015. A new Tariff Regulation Code of Practice will be also introduced to regulate retail and wholesale tariffs for telecoms and broadcasting infrastructure and

services. Currently, there are two mobile operators, and the state-owned Telekom Brunei continues to have the monopoly over the fixed-line market.

28. Brunei has liberalized international air transport through bilateral, regional, and plurilateral agreements. It has signed 36 bilateral air agreements of which five integrate open sky arrangements. Since 2009, three regional open sky agreements came into force with a view to establish the ASEAN Single Aviation Market. Most of Brunei's international waterborne trade is carried by foreign vessels.

1 ECONOMIC ENVIRONMENT

1.1 Recent Economic Developments

1.1. At the time of the second TPR of Brunei Darussalam in 2008, economic growth had resumed following the recession of the late 1990s. Nonetheless, its modest annual average GDP growth rate of 2.5% during 2002-06 was insufficient to generate enough jobs for Brunei's growing labour force, a cause of concern among Bruneians. Moreover, the prospect of an eventual depletion of its abundant petroleum and natural gas resources had prompted the Government to continue pursuing an active industrial policy to encourage economic diversification and boost non energy output and employment.¹

1.2. Since then, Brunei experienced an important contraction in economic activity in 2008-09 mainly due to the global financial crisis. From 2010 to 2012, its GDP growth rates were positive with the non-energy sector, led by services, growing in general faster than the energy sector.² In 2013, the economy contracted again (-1.8%) as the energy sector GDP declined 7.2% due to lower oil and gas production (section 4.2.1.1). In 2013, the non-energy sector GDP grew by 2.7% driven by public development expenditure and property financing.³

1.3. The "Bruneization" policy which encourages companies to give preference to Bruneians in their employment policies has continued. It is estimated that 56% of working citizens and permanent residents are employed by the Government.⁴ In the private sector, chronic labour shortages, in professional and unskilled areas, have been alleviated by more recruitment of foreign workers, who now make up almost half of the total working population. According to the latest census figures, the unemployment rate was 9.3% in 2011.

1.4. On 1 January 2011, the Autoriti Monetari Brunei Darussalam (AMBD), a statutory body acting as the central bank, was established and replaced the Brunei Currency and Monetary Board.⁵ The AMBD has four main objectives: to achieve and maintain domestic price stability; to ensure the stability of the financial system, in particular by formulating financial regulations and prudential standards; to assist in the establishment and functioning of an efficient payment system; and foster and develop a sound and progressive financial services sector (section 4.4.2).⁶

1.5. The annual average inflation rate in Brunei was 0.7% over 2008-13 supported by the pegged exchange rate between the Brunei dollar (B\$) and the Singapore dollar at par.⁷ According to the IMF, the AMBD has been successful in managing such currency board arrangement and the real exchange rate appears to be broadly in line with fundamentals.⁸ Inflation has also been subdued by price controls on basic commodities and selected goods (section 3.3.2.3), as well as subsidies, *inter alia*, on petrol and electricity (sections 4.2.1 and 4.2.2). For 2014 and 2015, the IMF expects average inflation rates of 0.4% and 0.5%, respectively.⁹

1.6. Brunei's overall fiscal surplus, as percentage of GDP, fell from 40% in 2008 to 16.6% in 2013 as oil and gas revenues declined (Table 1.1). Corporate taxes levied on oil and gas companies represent over 90% of total government revenues. Prices of housing, petroleum products, utilities, education, healthcare, and telecom services continue to be subsidized in Brunei. In addition, the State absorbs unpaid consumers' bills (section 3.3.1.2). During the next few years, Brunei aims to foster non-oil revenues, contain the size of the government and public sector wage bill, and reduce

¹ WTO (2008).

² Non-energy GDP is dominated by public and private enterprises dependent on government contracts.

³ IMF Press Release No. 14/335, 9 July 2014.

⁴ IMF, *Public Information Notice No.06/137*, June. Viewed at: <http://www.imf.org/external/np/sec/pn/2013/pn1371.htm>.

⁵ Autoriti Monetari Brunei Darussalam Order 2010. The AMBD amalgamated four divisions previously under the Ministry of Finance: Financial Institutions Division, Brunei Currency and Monetary Board, Brunei International Financial Centre, and part of the Research and International Division.

⁶ AMBD online information. Viewed at: www.ambd.qob.bn/index.php/about-ambd/objectives.

⁷ Inflation in Brunei generally moves in line with trend price developments in Singapore, but deviations in overall annual inflation performance may arise through supply disruptions, changes in administered prices, price developments in the non-traded goods sector, and the composition and pattern of imports.

⁸ IMF Press Release No. 14/335, 9 July 2014. There are no capital controls, and no distinction is made between accounts held by Brunei nationals and non-nationals.

⁹ IMF (2014).

subsidies including through a progressive electricity tariff structure introduced in 2012 (section 4.2.2). The IMF has pointed out that Brunei's long-term fiscal sustainability could be further strengthened by improving public financial management, including through the governance framework for oil-related funds (section 1.3 below).¹⁰

Table 1.1 Selected economic indicators, 2008-13

	2008	2009	2010	2011	2012	2013 ^a
Miscellaneous						
GDP at current prices (B\$ million)	20,398	15,611	16,867	20,996	21,185	20,158
GDP at 2000 prices (B\$ million)	11,754	11,546	11,847	12,253	12,369	12,152
GDP per capita (B\$)	54,394	41,072	43,607	53,371	52,989	49,625
Real GDP (% change)	-1.9	-1.8	2.6	3.4	0.9	-1.8
Consumer prices (average; % change)	2.1	1.0	0.2	0.1	0.1	0.4
Money and banking (% change)^b						
Private sector credit	3.7	-3.0	-1.2	-5.0	1.8	5.9
Narrow money	13.9	22.9	-29.2	10.9	1.4	4.0
Broad money	9.6	9.7	4.8	10.1	0.9	1.5
Public finances (% of GDP)^c						
Total revenue	70.1	42.5	48.5	61.1	51.7	54.0
Oil and gas	64.9	36.8	42.8	55.8	48.0	46.9
Other	5.2	5.7	5.7	5.3	3.7	7.1
Total expenditure	30.1	38.7	40.1	33.0	34.8	37.3
Overall primary balance	40.0	3.8	8.4	28.1	16.8	16.6
Non-energy overall primary deficit	19.1	28.4	29.4	22.3	26.0	25.1
National accounts (% change)						
Personal consumption expenditure	1.8	4.7	2.1	3.7	5.2	2.8
Government consumption expenditure	-0.8	5.3	3.5	-3.7	2.0	1.1
Gross capital formation	13.2	-0.3	-3.5	2.1	3.0	5.6
Exports of goods and services	-6.3	-5.3	11.5	16.6	-3.6	-8.2
Imports of goods and services	11.0	-0.8	-0.3	11.4	-3.4	-1.5
External sector						
B\$/US\$ (period average)	1.42	1.45	1.36	1.26	1.25	1.25
Real effective exchange rate (2005=100)	100.5	102.2	102.4	101.6	100.6	..
Exports + Imports / GDP (%)	91.1	89.2	92.3	96.2	97.8	104.1
Current account (% of GDP)	48.9	40.3	45.5	36.4	33.5	31.5
Gross official reserves (US\$ million)	751	1,357	1,563	2,487	3,285	..
In months of next year's imports	2.4	4.1	4.7	5.4	..	..

.. Not available.

a Provisional.

b Data for 2013 as of end-October.

c Central government. On a calendar year basis; excludes interest and investment income.

Source: Department of Economic Planning and Development (2013), *Brunei Darussalam Statistical Yearbook 2012*; IMF Country Report No. 14/191, Brunei Darussalam: Statistical Appendix, July 2014; and data provided by the authorities.

1.2 Trade Performance and Investment

1.2.1 Trade in goods and services

1.7. Sizable hydrocarbon exports and the steady accumulation of long-term foreign assets over many years have provided Brunei with a comfortable balance of payments position (Table 1.2), which also reflects the big gap between savings and investment. Nonetheless, the external current account surplus, as percentage of GDP, fell from 48.9% in 2008 to 31.5% in 2013 (Table 1.1) because of the important reduction in oil and gas export revenues and consequently in Brunei's trade balance during the period. For 2014 and 2015, the IMF expects a current account surplus of 31.6% and 30.1% of GDP, respectively.¹¹

¹⁰ IMF Press Release No. 14/335, 9 July 2014.

¹¹ IMF (2014).

Table 1.2 Balance of payments, 2008-13

(US\$ million)

	2008	2009	2010	2011	2012 ^a	2013 ^a
Current account	6,941.20	3,834.40	4,998.40	6,439.40	5,673.50	3,773.50
Goods	7,866.6	4,668.8	6,213.8	8,629.0	8,762.4	6,915.8
Exports	10,431.1	7,056.6	8,779.3	12,374.3	12,880.3	11,819.8
Imports	2,564.5	2,387.8	2,565.6	3,745.3	4,117.9	4,904.0
Services	-642.3	-691.6	-807.0	-1,316.9	-2,157.4	-2,365.1
Receipts	448.4	386.6	460.5	500.7	482.6	492.9
Payments	1,090.7	1,078.2	1,267.4	1,817.6	2,640.0	2,858.0
Primary income (net)	-8.3	126.0	-100.3	-497.9	-456.6	-200.3
Financial account^b	2,530.6	1,905.1	4,894.7	3,881.6	2,887.2	2,713.4
Direct investment in Brunei	323.1	370.1	480.7	691.1	864.8	775.3
Portfolio investment assets	84.9	267.4	880.6	162.0	684.8	459.7
Other investment assets	2,958.9	2,423.6	4,668.2	4,381.5	2,948.5	2,627.7
Other investment liabilities	190.1	415.8	173.7	-29.3	-118.7	-401.6
Current-Financial Accounts Balance	4,410.6	1,929.0	103.7	2,557.8	2,786.4	1,060.1
Errors and omissions (net)	-4,323.9	-1,355.3	-29.5	-1,755.5	-2,086.9	-885.1
Reserve Assets	86.7	573.7	74.2	802.3	699.5	175.0

a Preliminary.

b Excludes reserve assets.

Source: Data provided by the authorities.

1.8. Brunei's ratio of merchandise trade (exports and imports) to GDP reached 104.1% in 2013, up from 91.1% in 2008 (Table 1.1). In 2013, Brunei ranked 63rd among world merchandise exporters and 112th among importers (considering EU member States as one and excluding intra-EU trade). In services trade, Brunei ranked 94th as exporter and 93rd as importer.¹²

1.9. Brunei's merchandise exports amounted to US\$11,432 million in 2013 (compared with US\$ 10,543 million in 2008). Imports went up from US\$2,574 million in 2008 to US\$3,612 million in 2013 (Charts 1.1 and 1.2 and Tables A1.1 and A1.2). Mineral fuels, which includes petroleum and natural gas, represented 96.5% of total merchandise exports in 2013 (down from 97.8% in 2008). The remaining exports are manufactures, led by machinery and transport equipment (1.1% of total merchandise exports in 2013) and chemicals (0.8%) (Table A1.1).

1.10. Brunei's merchandise exports are mainly destined for the East Asian region. Japan remains Brunei's largest export partner, with a share of 39.8% in 2013 (43.2% in 2008), followed by the Republic of Korea (16.3%). ASEAN's share declined from 24.2% in 2008 to 23.2% in 2013, with a significant reduction in the participation of Indonesia from 20% to 4.7% in the period. Outside the East Asian region, the share of India increased from 3.2% to 7.6%, whereas the participation of China has fluctuated over the recent years. The share of the EU and the United States in Brunei's merchandise exports is negligible (Table A1.2).

1.11. Manufactures continue to dominate Brunei's imports; machinery and transport equipment remained Brunei's most important merchandise import category, accounting for 36.6% of total imports in 2013 (compared with 43.8% in 2008), followed by other manufactured imports such as chemicals. The share of food imports in total merchandise imports increased from 12.3% in 2008 to 13.3% in 2013, while that of mineral fuels also increased from 2.6% to 7.5% during the same period (Table A1.1).

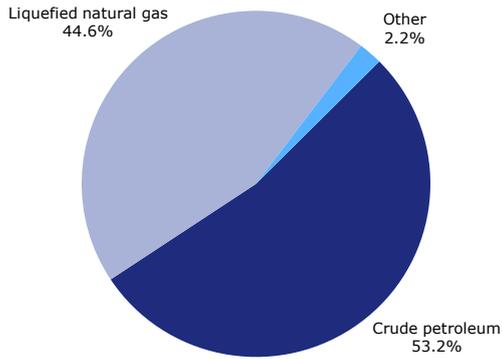
1.12. Brunei's merchandise imports also originate mainly in East Asia. Malaysia has become the largest source of imports, increasing its share from 18.7% in 2008 to 21.9% in 2013, while Singapore's participation went from 20.4% to 19.1% in the same period. Imports from ASEAN countries represented 50.9% in 2013 (47.9% in 2008). Overall, Asian countries have further increased their share of Brunei's imports during 2008-13 partly at the expense of the United States and the EU (Table A1.2).

¹² WTO Statistics database, "Trade Profiles: Brunei Darussalam". Viewed at: http://stat.wto.org/CountryProfile/BN_e.htm.

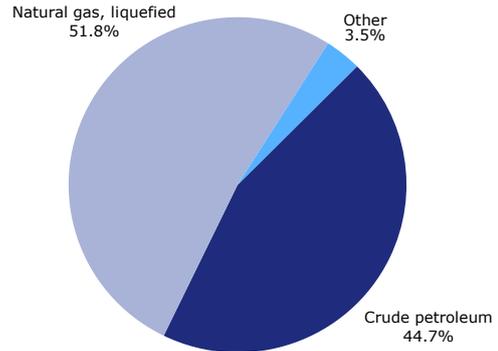
Chart 1.1 Product composition of merchandise trade, 2008 and 2013

2008
2013

(a) Exports (f.o.b.)

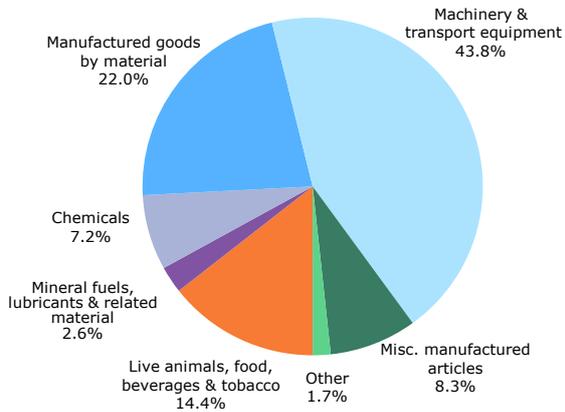


Total: US\$10.5 billion

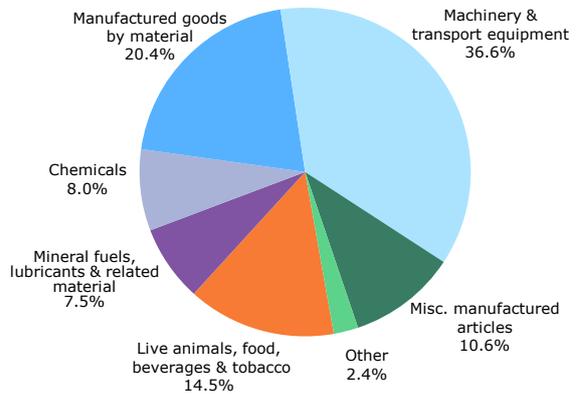


Total: US\$11.4 billion

(b) Imports (c.i.f.)



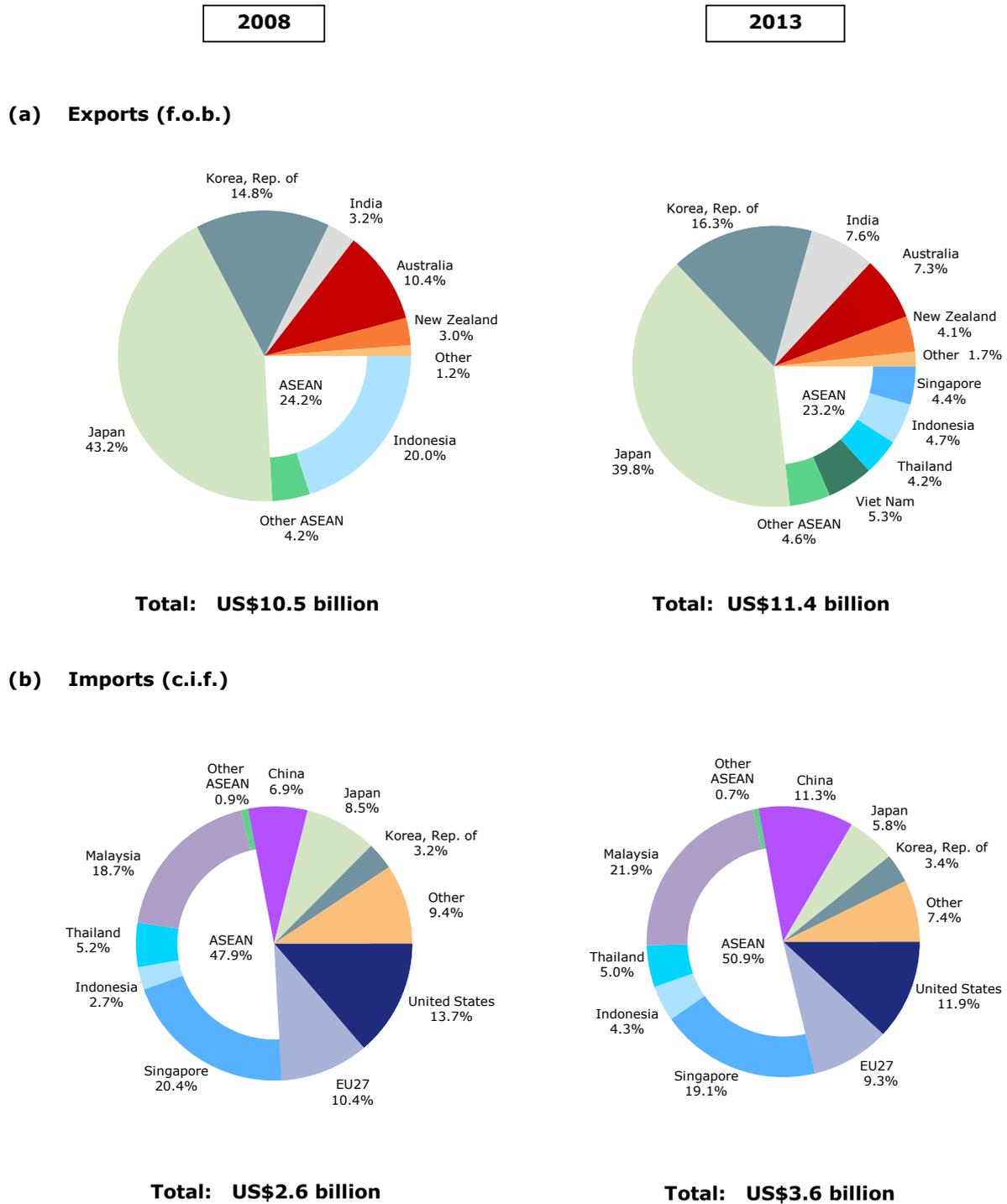
Total: US\$2.6 billion



Total: US\$3.6 billion

Source: WTO Secretariat calculations, based on figures taken from the *Brunei Darussalam Statistical Yearbook 2012*; and data provided by the authorities.

Chart 1.2 Direction of merchandise trade, 2008 and 2013



Source: WTO Secretariat calculations, based on figures taken from the *Brunei Darussalam Statistical Yearbook 2012*; and data provided by the authorities.

1.13. Balance of payments data indicate that Brunei is a net importer of services with a deficit that increased from US\$642 million in 2008 to US\$2,365 million in 2013 (Table 1.2). Net outflows have occurred in the form of payments for foreign travel, trade-related transport, and occasionally high professional fees in the oil and gas sector.

1.2.2 Foreign direct investment

1.14. Brunei's FDI inflows averaged some US\$600 million per year during 2008-13 (up from US\$328 million over 2005-07). Over the review period about 90% of FDI flows have been allocated to the mining and quarrying sector (i.e. oil and gas industry), followed by manufacturing and services, particularly wholesale and retail trade (Table 1.3). Traditionally, FDI inflows have been dominated by investment from the EU, notably from the United Kingdom and the Netherlands. Hong-Kong, China is also an important investor in Brunei.

1.15. Success in attracting significant FDI inflows has been hampered by increased competition from neighbouring economies. In addition, external sources indicate that while positive steps have been taken, there remains considerable scope for Brunei to improve its business climate.¹³ Moreover, Brunei's FDI policies could be more transparent, particularly with respect to limits on foreign equity participation, partnership requirements, and the identification of sectors in which FDI is restricted (section 2.3.3).¹⁴

Table 1.3 FDI inflows by sector and country, 2008-13

	2008	2009	2010	2011	2012	2013 ^a
Total inflows of FDI (B\$ million)	457	538	655	869	1,081	970
Total inflows of FDI (US\$ million)	323	370	481	691	865	775
Total inflows of FDI (% of GDP)	2.2	3.4	3.9	4.1	5.1	4.8
	(B\$ million)					
Mining and quarrying	231	385	185	557	709	698
Manufacturing	80	-28	63	97	97	142
Construction	0	0	4	0	48	-52
Wholesale and retail trade	0	1	13	1	51	48
Financial activities	66	114	338	55	151	92
Other	80	66	53	158	25	43
	(B\$ million)					
ASEAN	1.3	4.5	122.1	84.9	39.3	-10.5
Malaysia	0.7	3.4	61.2	42.4	6.5	4.3
Singapore	0.6	0.6	59.5	41.9	32.8	-14.8
EU	300.3	415.5	189.8	569.7	747.7	704.2
Germany	0	0	3.0	0	-20.1	19.2
Netherlands	66.2	134.5	30.8	0.9	265.7	143.1
United Kingdom	231.2	277.6	152.0	565.8	498.7	539.0
Other	2.9	3.5	4.1	3.0	3.4	2.9
Hong-Kong, China	152.8	122.0	422.7	292.7	293.7	276.8
Japan	36.8	-7.1	30.0	69.7	69.4	19.8
United States	5.5	2.0	20.7	23.2	40.1	-6.7
Other	84.2	88.3	274.5	182.7	75.4	147.3

a Provisional.

Source: Department of Economic Planning and Development (2013), *Brunei Darussalam Statistical Yearbook 2012*; and data provided by the authorities.

1.3 Outlook

1.16. Brunei's economy remains highly dependent on oil and gas production, which accounts for about two-thirds of output¹⁵, and over 90% of merchandise exports and government revenues. This makes Brunei particularly vulnerable to an eventual depletion of resources over the next decades, and remains a cause for concern for the authorities due to fluctuating international energy prices. With the objective of ensuring inter-generational economic equity in the exploitation of its non-renewable natural wealth, Brunei has the General Reserve Fund (GRF), a sovereign fund administered by the autonomous Brunei Investment Agency (BIA) containing savings set aside for future generations.¹⁶

¹³ Brunei ranks 59th (out of 183 economies) in the World Bank's Ease of Doing Business 2014 Index, from 79th in 2013. World Bank Group online information. Viewed at: www.doingbusiness.org/data/exploreeconomies/brunei/.

¹⁴ USTR (2013b).

¹⁵ This figure includes manufacture of liquefied natural gas (LNG).

¹⁶ Information on the GRF is not available as the BIA presents its accounts only to the Sultan. Brunei has other funds: the Consolidated Fund, administered by the Ministry of Finance, comprising the Government's

1.17. Under its National Vision 2035 (*Wawasan* 2035), Brunei aims to achieve an annual average real GDP growth of 5%-6%. According to the IMF, Brunei's economic outlook remains favourable as planned large petrochemical and refinery projects begin production; real GDP growth is expected to reach 5.3% in 2014 and 3% in 2015.¹⁷ Over the medium term, acceleration in the non-energy sector due to infrastructure and downstream projects is expected to support economic growth.¹⁸ Nonetheless, sustaining high growth rates on an ongoing basis will require the successful implementation of Brunei's ambitious diversification strategy, and on enhancing private-sector participation in the economy.¹⁹

1.18. Brunei's economic strategy targets investment in sectors that may bring value-added activities, have a potential for exports, and create jobs. These sectors are: agri-food (section 4.1.1); downstream oil and gas and energy-intensive industries (section 4.2.1); information and communication technology (ICT) (section 4.4.3); life sciences (pharmaceutical, cosmetics, and functional health food and health supplements); light manufacturing (section 4.3); services such as financial services (section 4.4.2), logistics, and tourism (section 4.4.5); and activities that may be driven by technology development (section 2.2).²⁰ In addition, there is room to improve productivity throughout the economy and particularly in the government sector. Fuel subsidy reform over the medium term could provide fiscal space to maintain development expenditures and reduce distortions that could limit diversification efforts.²¹

tax and non-tax revenues (including transfers from the GRF), and from which the Government's ordinary and charged expenditures are paid; the Development Fund, allocated in accordance with the National Development Plan from which development expenditures are paid; and the Government Trust Fund, another extra-budgetary fund, finances loans on favourable terms to government employees.

¹⁷ IMF (2014).

¹⁸ IMF Press Release No. 14/335, 9 July 2014.

¹⁹ Brunei's diversification strategy started in 2000, when the Brunei Darussalam Economic Council (subsequently renamed the Department of Economic Planning and Development) issued a report calling for the restructuring of the economy away from oil and gas. Since then, little progress has been achieved in the diversification of the economy and the participation of the private sector remains limited.

²⁰ Brunei Economic Development Board online information. Viewed at: http://www.bedb.com.bn/bisop_fdi.htm.

²¹ IMF, *Public Information Notice No.06/137*, June. Viewed at: <http://www.imf.org/external/np/sec/pn/2013/pn1371.htm>.

2 TRADE AND INVESTMENT REGIME

2.1 General Institutional and Legal Framework

2.1. There have been no changes to the institutional framework in Brunei Darussalam since its last Trade Policy Review in 2008. Under the Constitution, the Sultan is the head of State and serves as Prime Minister, Minister of Finance, and Minister of Defence. The power to promulgate laws is also vested in the Sultan. He is assisted by the Council of Ministers¹ which handles executive matters and the Legislative Council in which policies under consultation or implementation are debated.² Other councils advise the Sultan on constitutional, religious, and customs and tradition issues.

2.2. Brunei's legal system is based on the common law and the Sharia law.³ On 1 May 2014, a new Sharia Penal Code entered into force applicable to both Muslims and non-Muslims.⁴

2.2 Trade Policy Formulation and Objectives

2.3. Formulating and implementing Brunei's trade policy lies with the Ministry of Foreign Affairs and Trade (MOFAT) in cooperation with other ministries and trade-related agencies. MOFAT is also responsible for: WTO issues, negotiating and implementing Regional Trade Agreements (RTAs), and promoting trade and investment. MOFAT holds consultations with the private sector in the formulation of Brunei's trade policy on *ad hoc* basis, including organizing briefings on RTA negotiations.

2.4. Brunei aims to achieve three key objectives: have more highly skilled people; an economy that is sustainable, dynamic and diversified; and high quality of life for its population. These objectives are contained in Brunei's long-term development plans: the National Vision 2035 (*Wawasan 2035*) launched in 2008, the First Outline of Strategies and Policy Directions (OSP) 2007-17, and its 10th National Development Plan 2012-17.

2.5. Brunei's economic strategy targets investment in sectors that may bring value-added activities, have a potential for exports, and create jobs. These sectors are: agri-food; downstream oil and gas, and energy-intensive industries; information and communications technology (ICT); life sciences (pharmaceutical, cosmetics, and functional health food and health supplements); light manufacturing; services (financial services, logistics, and tourism); and activities that may be driven by technology development.⁵ Better assisting SMEs in increasing competitiveness and venturing in overseas markets would also help Brunei's efforts for economic diversification.

2.6. Since 2008, new trade-related legislation has been introduced in the areas of business environment, competition, financial services, fisheries, intellectual property, and TBT (Table A2.1).⁶ Additional legislation on standards (section 3.1.7) and competition (section 3.3.2.1) is being drafted.

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.7. Brunei is an original Member of the WTO, and grants MFN treatment to all its Members. Brunei is neither a party to the Information Technology Agreement nor to the plurilateral agreements on government procurement and trade in civil aircraft. Brunei fully supports the multilateral trading system and endorses the Bali Package, in particular the Agreement on Trade

¹ The Council of Ministers is appointed and presided over by the Sultan.

² Oxford Business Group (2011).

³ For further information, see Workshop Papers for the ASEAN Law Association 11th General Assembly, Bali 2012, "Framework of the Judicial Cooperation in Case Management: the Experience of each ASEAN country". Viewed at: <http://www.aseanlawassociation.org/workshop-eleventhGA.html>.

⁴ Two subsequent phases of the new Sharia Penal Code are to be introduced but their timing is not yet determined.

⁵ BEDB online information. Viewed at: http://www.bedb.com.bn/bisop_fdi.htm.

⁶ Legislation in English may be viewed at: <http://www.agc.gov.bn>.

Facilitation.⁷ It has never been involved in any trade dispute. During the review period, Brunei made regular notifications to the WTO (Table 2.1); however, by March 2014, it had 45 outstanding notifications, including on agriculture and import licensing.⁸

Table 2.1 Notifications, 2008-14

Agreement	Requirement	Periodicity	WTO documents
Enabling Clause			
Paragraph 4(a)	RTA	<i>Ad hoc</i>	WT/COMTD/N/35, 23.08.10 WT/COMTD/N/33, 08.07.10
GATT 1994			
Article XXIV:7(a)	FTA	<i>Ad hoc</i>	WT/REG277/N/2, 27.07.11 WT/REG287/N/1, 08.07.10 WT/REG284/N/1, 09.04.10 WT/REG277/N/1, 14.12.09 WT/REG244/N/1, 04.08.08
General Agreement on Trade in Services			
Article V:7(a)	Economic integration agreements	<i>Ad hoc</i>	S/C/N/560, 08.07.10 S/C/N/559, 08.07.10 S/C/N/545, 09.04.10 S/C/N/466, 04.08.08
Agreement on Implementation of Article VI of the GATT 1994 (Anti-dumping)			
Article 16.5	Authorities and procedures	As appropriate	G/ADP/N/193/BRN, 20.07.10
Agreement on Sanitary and Phytosanitary Measures			
Article 7, Annex B	SPS regulations	<i>Ad hoc</i>	G/SPS/N/BRN/3/Rev.1, 29.11.12
Agreement on Technical Barrier to Trade			
Annex 3C	Acceptance of/withdrawal from a code of good practice	Once	G/TBT/CS/N/172, 07.02.08

Source: WTO Secretariat.

2.3.2 Regional Trade Agreements

2.8. Brunei is of the view that regional integration, based on open regionalism, is a complementary approach to multilateralism. It considers that its RTAs will help increase market access and investment inflows in support of its economic diversification efforts.⁹

2.9. Brunei has eight RTAs encompassing 16 partners. Five RTAs entered into force during the review period: four are regional agreements negotiated in the context of ASEAN (with Australia and New Zealand; India; Japan; and the Republic of Korea), and one was negotiated bilaterally with Japan (Table A2.2).¹⁰ Brunei's RTAs have been notified to the WTO; the Brunei-Japan Economic Partnership Agreement and the Trans-Pacific Strategic Economic Partnership (TPSEP) have been reviewed by the Committee on Regional Trade Agreements.

2.10. In 2013, merchandise trade with RTA partners accounted for about 75% of Brunei's total imports and 99.6% of total exports.

2.3.2.1 ASEAN

2.11. During the review period, the ASEAN member States worked to achieve regional economic integration by 2015 when the ASEAN Economic Community (AEC) is to be established. AEC converts ASEAN into a single market and production base, in which there is a free flow of goods, services, investment, capital, and skilled labour.

2.12. The ASEAN Trade in Goods Agreement (ATIGA) entered into force in 2010 to consolidate into a comprehensive document existing commitments on trade in goods. ATIGA supersedes the 1992 Common Effective Preferential Tariffs Agreement for the ASEAN Free-Trade Area

⁷ WTO document WT/MIN(13)/ST/9, 4 December 2013.

⁸ WTO Statistics database, "Trade Profiles: Brunei Darussalam". Viewed at: http://stat.wto.org/Country_Profile/BN_e.htm.

⁹ MOFAT online information. Viewed at: <http://www.mofat.gov.bn/index.php/free-trade-agreements-ftas/brunei-darussalam-s-fta-policy>.

¹⁰ See section 3.1.4.3 and Table 3.3 for a description of Brunei's preferential tariffs *vis-à-vis* MFN rates.

(CEPT-AFTA) and 11 economic integration agreements.¹¹ However, the Protocol to Provide Special Consideration for Rice and Sugar, which allows ASEAN member States to temporarily waive their obligations, continues to apply.¹²

2.13. Compared with CEPT-AFTA, ATIGA introduces a broader coverage for trade in goods. It incorporates enhanced measures for NTBs elimination and trade facilitation. In addition, ATIGA contributes to a more transparent and predictable tariff regime by consolidating tariff liberalization/reduction for each ASEAN member into a single schedule.¹³ Intra-ASEAN trade was liberalized in 2010 among ASEAN-6. Cambodia, Lao PDR, Myanmar, and Viet Nam will complete tariff liberalization in 2015, with flexibility until 2018. Under ATIGA, Brunei has only one dutiable tariff line (Table 3.4).

2.14. During the review period, ASEAN member States continued to liberalize progressively trade in services under the ASEAN Framework Agreement on Services (AFAS) to cover all sectors and modes of supply. To date, 9 out of 10 packages of commitments have been signed. Liberalization in financial and air transport services is carried out in separate packages.¹⁴ For each new package of commitments, the number of subsectors to be liberalized increases and member States are committed to: (i) remove restrictions for cross-border supply and consumption abroad; and (ii) increase foreign (ASEAN) equity participation and remove other market access limitations for commercial presence.¹⁵

2.15. To liberalize trade in services further, ASEAN member States have signed mutual recognition arrangements for greater mobility of qualified workers in accountancy, architectural, dental, engineering, medical, nursing, surveying, and tourism services. In addition to the AFAS packages on air transport, three mutual agreements allow unlimited air passenger and cargo services within the region¹⁶; these agreements have been ratified by Brunei.¹⁷

2.16. The ASEAN Comprehensive Investment Agreement (ACIA), a new legal framework for investment, entered into force in 2012 to replace the ASEAN Investment Area (AIA) and the ASEAN Investment Guarantee Agreement (IGA). ACIA reaffirms relevant AIA/IGA provisions (i.e. obligation of national and MFN treatments); covers direct and portfolio investment; and benefits to ASEAN investors and ASEAN-based foreign investors. Under ACIA, protection is granted to investment made in all sectors and a more comprehensive investor-State dispute mechanism has been introduced. In addition, liberalization applies to manufacturing, agriculture and fisheries, forestry, mining and quarrying, and services related to these sectors. Reservations may be maintained on national treatment and nationality requirements for senior management but are required to be reduced or eliminated gradually.¹⁸ The Protocol to amend the ASEAN Comprehensive Investment Agreement is still to be signed.

2.17. Integration into the world economy is a core element to establish the AEC. To this end, ASEAN has signed RTAs with six dialogue partners, referred to as ASEAN+1. During the review period, agreements entered into force with Australia and New Zealand; India; Japan; and the Republic of Korea (Table A2.2). The ASEAN-Australia-New Zealand agreement was negotiated as a single undertaking to cover trade in goods, services, and investment. Trade in services and investment was subsequently negotiated with China (signed 2007/entry into force 2007)¹⁹, the

¹¹ Protocol to Amend Certain ASEAN Economic Agreements related to Trade in Goods.

¹² ATIGA, Article 24.

¹³ ASEAN (2011).

¹⁴ ASEAN online information. Viewed at: <http://www.asean.org/communities/asean-economic-community/category/services>.

¹⁵ ASEAN (2009).

¹⁶ ASEAN Multilateral Agreement on Air Services (MAAS), ASEAN Multilateral Agreement on the Full Liberalisation of Passenger Air Services (MAFLPAS), and ASEAN Multilateral Agreement on the Full Liberalisation of Air Freight Services (MAFLAFS).

¹⁷ Economic Research Institute for ASEAN and East Asia (2013).

¹⁸ The reservation lists may be viewed at: <http://investasean.asean.org/index.php/page/view/acia-reservation-list>. Since the ACIA came into force, Brunei has made some improvements to the reservations and the changes were endorsed by the 16th ASEAN Investment Area Council Meeting held in Brunei in August 2013.

¹⁹ The agreement on trade in goods entered into force in 2005.

Republic of Korea (2008/2009), and India (2014/not yet in force) (Table A2.2). Negotiations with Japan are still ongoing.²⁰

2.18. ASEAN is also engaged in expanding the ASEAN+1 network. FTA negotiations are ongoing with the EU and Hong Kong, China. In addition, ASEAN seeks further economic integration with its six RTA partners in an effort to broaden and deepen current engagements. To this end, negotiations for a Regional Comprehensive Economic Partnership (RCEP), which cover trade in goods, services, and investment, began in 2012. The RCEP is built upon two initiatives for regional economic integration in which ASEAN member States and RTA partners are also engaged, the ASEAN+3²¹ East Asia Free Trade Agreement (EAFTA) and the ASEAN+6 Comprehensive Economic Partnership for East Asia (CEPEA).²²

2.3.2.2 Trans-Pacific Strategic Economic Partnership (TPSEP) Agreement

2.19. Brunei, Chile, Singapore, and New Zealand signed the TPSEP Agreement in 2005. The agreement entered in Brunei into force fully in 2009 after it had finalized its schedules on services and government procurement.²³ Brunei was given extra time to negotiate these schedules as this was the first time Brunei drafted a negative list on services and provided market access for government procurement. In the meantime, Brunei did not benefit from the other parties' commitments.²⁴ Brunei's schedule for procurement of goods and services applies to some entities listed in its schedule and contracts valued at or above B\$250,000.²⁵

2.20. The TPSEP Agreement provides for complete trade liberalization among the parties, except for alcohol, tobacco, and firearms which Brunei excludes to safeguard public morals, human health, and security.²⁶ Discussions to accommodate liberalization of these products are being held in the context of the Trans-Pacific Partnership Agreement (TPP). Negotiations for trade in financial services and investment, which was not originally covered, initiated in 2008.

2.21. Building on the TPSEP Agreement, negotiations for the TPP began in 2010. To date, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, and Viet Nam are engaged in the negotiations.²⁷

2.3.2.3 Bilateral agreements

2.22. The Economic Partnership Agreement between Brunei and Japan entered into force on 31 July 2008. Japan is among the main trading partners for Brunei in terms of exports (section 1.2). Under the agreement, Brunei's tariff liberalization excludes a small number of products such as prepared food, chemicals, and minerals²⁸; these products accounted for 0.1% of Brunei's total imports from Japan over the 2008-13 period. The Agreement incorporates specific provisions for the energy sector according to which measures affecting trade in oil and natural gas may be notified among the parties. However, contracts signed prior to the introduction of new measures, will have to be fulfilled.²⁹ Liberalization in trade in services excludes measures affecting air traffic rights³⁰; government procurement; cabotage in maritime transport services; subsidies;

²⁰ For a "Quick Look" at ASEAN+1, see Invest in ASEAN online information, "Enabling Environment: Establishing Free Trade Areas." Viewed at: <http://investasean.asean.org>.

²¹ ASEAN + China, Japan, and the Republic of Korea.

²² Singapore Ministry of Trade and Industry, Press Release, November 2012. Viewed at: http://www.fta.gov.sg/press_release%5CFACTSHEET%20ON%20RCEP_final.pdf; and Australia Department of Foreign Affairs and Trade online information. Viewed at: <http://www.dfat.gov.au/fta/rcep/downloads/rcep-background-paper-background.pdf>.

²³ MOFAT online information. Viewed at: <http://www.mofat.gov.bn/index.php/free-trade-agreements-ftas/agreements-in-force/trans-pacific-strategic-economic-partnership-agreement-tpsep-p4>.

²⁴ New Zealand Ministry of Foreign Affairs and Trade (2005).

²⁵ Brunei has been granted a special threshold upon the parties' decision to exclude Brunei's Mini Tender Board (MTB) from the committed entities. WTO document WT/REG229/1, 9 May 2008; and International Enterprise Singapore online information. Viewed at: http://www.fta.gov.sg/fta_tpfta.asp?hl=12.

²⁶ WTO document WT/REG229/1, 9 May 2008.

²⁷ OAS online information. Viewed at: http://www.sice.oas.org/TPD/TPP/TPP_e.ASP.

²⁸ WTO document WT/REG244/1, 6 July 2009.

²⁹ Chapter 7 of the Agreement.

³⁰ Other than measures affecting aircraft repair and maintenance services, the selling and marketing of air transport services, and computer reservation system services.

and measures affecting job seekers or measures on nationality, residence or employment on a permanent basis (Table A2.2).

2.23. Brunei and Pakistan are exploring ways to enhance trade, investment and economic cooperation.

2.3.2.4 Other arrangements

2.24. During the review period, Brunei received GSP treatment from Belarus/Kazakhstan/Russian Federation; Canada; the European Union; Norway; and Turkey.³¹

2.4 Investment regime

2.4.1 Legal framework

2.25. There is no specific framework to regulate domestic and foreign investment in Brunei. The main investment legislation is the Investment Incentives Order 2001 which provides tax incentives to investors (section 2.4.1.1 below). No changes were made to this legislation during the review period.

2.26. The Ministry of Foreign Affairs and Trade (MOFAT) is responsible for maintaining a conducive investment climate to attract FDI. The Brunei Economic Development Board (BEDB), under the Prime Ministers' Office, is in charge of promoting Brunei as an attractive destination for FDI. BEDB markets Brunei in sectors of interest for economic diversification (section 2.2 above). To attract foreign investors, BEDB has identified 12 industrial sites for which it is in charge of infrastructure development, marketing, operation, and maintenance. During the review period, BEDB's efforts in securing industrial land with a complete infrastructure package attracted investors in large-scale downstream oil and gas and manufacturing projects.³² The Brunei Industrial Development Authority (BINA), under the Ministry of Industry and Primary Resources, manages nine industrial estates in which small-and-medium size projects have established (section 4.3). The Autoriti Monetari Brunei Darussalam (AMBD) is in charge of, *inter alia*, attracting financial institutions to convert Brunei into a new centre for international financial services (section 4.4.2).

2.27. Brunei prohibits domestic and foreign investment in the manufacture of liquor and armaments. Full foreign participation may be allowed in most activities, except in those that use natural resources, relate to national food security, and are located in industrial sites for which 30% minimum local equity participation is required. In addition, domestic and foreign investment in sectors for which the State is the major service provider (e.g. telecom, energy) is subject to approval by the relevant regulatory authority. Market concentration and nationality requirement may also restrict the participation of domestic and foreign investors. In retail trade, foreigners are allowed on a case-by-case basis.³³

2.28. No minimum level of investment is required to invest in Brunei. There are no restrictions on repatriation of capital, remittance of profits or royalties abroad, and exchange control. However, pursuant to measures against money laundering introduced in 2011, cross-border movements of cash exceeding B\$15,000 must be reported to Customs on arrival and the Immigration and National Registration Department on departure. Financial institutions must declare suspicious

³¹ WTO PTA Database. Viewed at: <http://ptadb.wto.org/>; and UNCTAD (2011).

³² PowerPoint Presentation by BEDB, "Business Opportunities in Brunei Darussalam", December 2013. Viewed at: [http://www.bedb.com.bn/presentation/BEDB_Presentation\(Dec13\).pdf](http://www.bedb.com.bn/presentation/BEDB_Presentation(Dec13).pdf); and BEDB online information. Viewed at: <http://www.bedb.com.bn/keyindustrialsites.html>.

³³ WTO document WT/TPR/M/196/Add.1, 10 April 2008; ASEAN (2010a); U.S. Department of State online information. Viewed at: <http://www.state.gov/e/eb/rls/othr/ics/2013/204609.htm>; APEC (2009a); and APEC document 2009/SOM1/006anx3, "Written questions received during the review session". Viewed at: <http://www.apec.org/About-Us/How-APEC-Operates/Action-Plans/IAP-Peer-Review.aspx>.

transactions to the Financial Intelligence Unit under the AMBD.³⁴ There is no record of expropriation in Brunei.³⁵

2.29. Previously, permanent residents and foreigners were able to purchase land and property through power of attorney or trust deeds. However, in 2012, the Government announced it intended to revoke such procedure and convert land and property purchases into 60-year leases. The authorities are still drafting the relevant amendment to the Land Code (Chapter 40).³⁶

2.30. Foreigners may own strata titles in commercial and residential multi-storey buildings, on leasehold for up to 99 years (up from 60 years effective since 2010).³⁷ In addition, long-term agreements may be signed for lease of industrial land (30 years) and commercial property (60 years); leases exceeding seven years must be registered and approved by the Sultan. Temporary occupation licences (TOL) are issued for temporary use of state-owned land. Since 2011, new TOL for land are only issued for, *inter alia*, commercial and educational use (schools).³⁸

2.31. In 2010, new legislation for domestic and international arbitration entered into force (Table A2.1) based on model laws from the United Nations Commission on International Trade Law (UNCITRAL). The new international arbitration legislation allows courts in Brunei to support but not interfere in arbitration proceedings. The Attorney General's Chambers and the Arbitration Association of Brunei Darussalam are working to enhance infrastructure and capacity building for arbitration in Brunei.³⁹

2.32. Brunei has 8 bilateral investment treaties (BITs)⁴⁰, 16 double taxation agreements (DTAs)⁴¹, and 10 tax information exchange agreement (TIEA).⁴² Brunei is also a signatory to the ASEAN Comprehensive Investment Agreement (ACIA) (section 2.3.2.1 above), and a contracting party to the International Centre for Settlement of Investment Disputes (ICSID).

2.4.1.1 Incentives

2.33. During the review period, no substantial changes were introduced to the incentives granted to domestic and foreign investors under the Investment Incentives Order 2001 (S 48/01).⁴³ Investors may apply for an incentive certificate to the Ministry of Industry and Primary Resources (MIPR).⁴⁴ Incentives are aimed at encouraging enterprises to manufacture pioneer products or provide pioneer services, engage in export activities, and invest in new productive equipment to increase production or profitability (Table 2.2). Pioneer status in manufacturing is granted to activities that are innovative and have significant development prospects to contribute to economic diversification, exports, and job creation.⁴⁵ Brunei has declared 28 manufacturing activities eligible

³⁴ Criminal Asset Recovery Order 2012 (S 47/12), Part III; and HSBC (2013), *Treasury Management Profile: Brunei*. Viewed at: https://globalconnections.hsbc.com/downloads/treasury_management_profile-bn.pdf.

³⁵ ASEAN (2010a); U.S. Department of State online information. Viewed at: <http://www.state.gov/e/eb/rls/othr/ics/2012/191116.htm>.

³⁶ Revised Edition 1984, as amended by S 29/09; *Brunei Times*, 18 March 2012. Viewed at: <http://www.bt.com.bn/legco/2012/03/18/new-pa-rule-may-hit-investment>; and *Brunei Times*, 21 March 2013. Viewed at: <http://www.bt.com.bn/2013/03/21/impact-trust-deed-abolition-tackled>.

³⁷ Land Code (Strata) Act (Chapter 189), Revised Edition 2000, as amended by S 28/09.

³⁸ The other uses are no longer issued but the existing ones are still renewable as long as there are developments on them. Licenses are not registered. They are issued annually (renewable). Jones Lang LaSalle (2013); and PowerPoint Presentation for the 17th ASEAN Valuers Association Pre-Congress, 20-22 July 2011. Viewed at: http://www.aseanvaluers.org/index.php?option=com_content&view=article&id=55&Itemid=87.

³⁹ Rahman, A.J. (2013).

⁴⁰ Bahrain, Kingdom of; China; Germany; India; Republic of Korea; State of Kuwait; Oman; and Ukraine.

⁴¹ Bahrain, Kingdom of; China; Hong Kong, China; Indonesia; Japan; Kuwait; Lao (PDR); Malaysia; Oman; Pakistan; Qatar; Singapore; Tajikistan; Viet Nam; United Arab Emirates; and United Kingdom. MOF online information. Viewed at: <http://www.mof.gov.bn/index.php/tax-treaties>.

⁴² Australia; Canada; Denmark; Faroes; Finland; France; Greenland; Iceland; Norway; and Sweden. MOF online information. Viewed at: <http://www.mof.gov.bn/index.php/tax-treaties>; and OECD Exchange of Tax Information Portal. Viewed at: <http://eoi-tax.org/jurisdictions/BN#agreements>.

⁴³ As amended by S 15/10 and S 5/11.

⁴⁴ Application is processed online through OneBiz (section 2.3.3.3).

⁴⁵ Section 4 of the Investment Incentives Order 2001, as amended by S 15/10 and S 5/11.

for pioneer status.⁴⁶ In 2013, two manufacturing companies were granted pioneer status in production of animal feeds, and canning/bottling/packaging.

Table 2.2 Investment incentives

	Incentive	Tax relief period (not exceeding)
Pioneer industries	Exemption from income tax Carry forward of losses and allowances Exemption from customs and import duties	5-8 years (11 years), depending on the amount of fixed capital expenditure 11 years (20 years) for industries established in high tech park
Pioneer service companies	Exemption from income tax Carry forward of losses and allowances Exemption from customs and import duties	8 years (11 years) 5 years (10 years) for financial services
Post-pioneer companies	Exemption from income tax Deduction of losses Adjustment of capital allowances and losses	6 years (11 years)
Expansion of established enterprises	Exemption from income tax	3-5 years (15 years), depending on the amount of new capital expenditure
Expanding service companies	Exemption from income tax	11 years (20 years)
Production for export	Exemption from income tax	6 years (11 years) for pioneer enterprises, depending on sales volume 8 years for the remaining enterprises, depending on sales volume 15 years, depending on the amount of fixed capital expenditure
Export of services	Exemption from income tax Deduction of allowances and losses	11 years (20 years)
International trade incentives	Exemption from income tax	8 years
Foreign loans for productive equipment	Exemption from withholding tax on interests paid to non-resident lenders	Depends on the financial agreement with the foreign lender
Investment allowances	Exemption from income tax	5 years 11 years for tourism
Warehousing and servicing incentives	Exemption from income tax	11 years (20 years)
Investment in new technology companies	Deduction of losses	
Overseas investment and venture capital incentives	Deduction of losses	

Source: Investment Incentives Order 2001, as amended by S 15/10 and S 5/11.

2.34. Incentives are mainly in the form of income tax exemption for specific periods of time that may be extended further (Table 2.2). Tax relief period for pioneer industries is determined by the amount of expenses in fixed capital (minimum B\$500,000) or the location. Providers of pioneer services are granted an eight-year tax relief period except for those providing financial services for which a five-year tax relief period was introduced in 2010.

2.35. Enterprises manufacturing pioneer products or export products are also exempt from import duties on capital goods and raw materials only if these are not on sale in Brunei.⁴⁷

2.4.2 Starting a business

2.36. Business entities are registered in Brunei under the Companies Act (Chapter 39)⁴⁸ or the Business Names Act (Chapter 92).⁴⁹ The Companies Act sets guidelines for the incorporation of companies and the registration of foreign branches of companies. All businesses must register at

⁴⁶ List of pioneer industries and products viewed at: <http://www.industry.gov.bn/>.

⁴⁷ Part XV of the Investment Incentives Order 2001, as amended by S 15/10 and S 5/11.

⁴⁸ Revised Edition 1984, as amended by S 26/98, S 23/99, S 69/01, S 10/03, S 118/10, S 31/12, Section 130 of Banking Order 2006 (S 45/06); and Section 130 of Islamic Banking Order 2008 (S 96/08).

⁴⁹ Business Name Act (Chapter 92), Revised Edition 1984, as amended by S 30/88 and S 32/12.

the Registry of Companies and Business Names Division under the Ministry of Finance.⁵⁰ The cost of name search is B\$5 per name. The registration fees for companies are based on a flat fee of B\$300. The registration fee for sole proprietorship or partnerships is B\$30. Foreigners are not allowed to establish as sole proprietors. In 2014, there were 9,822 companies incorporated in Brunei and 822 branches of foreign companies.

2.37. Regulated activities (e.g. financial services, telecom) are also required to be licensed by or registered with the regulatory authority prior to operations with a view to protect consumers' interest. In addition, shops are subject to licensing under the Miscellaneous Licences Act (Chapter 127) (Table 2.3). Miscellaneous licences may be applied (and paid) online through the Business Licensing System (OneBiz)⁵¹; licences are collected at the Business Facilitation Center (BFC).⁵² OneBiz was launched in 2013 by the Ministry of Industry and Primary Resources to streamline procedures in starting and operating a business.⁵³ To date, OneBiz is partly operational; there is no timing for its full implementation. According to the authorities, about 4,000 miscellaneous licences were processed online in 2013.

Table 2.3 Miscellaneous licences, 2014

Activity	Regulatory authority
Beauty and health establishment ^a	Municipal Board or District Licensing Board
Coffee shops, restaurants, boarding house, lodging house, and places for public resort and entertainment	Municipal Board or District Licensing Board
Hawkers	District Licensing Board
Motor vehicle dealer	Ministry of Industry and Primary Resources
Petrol station, including storage places for petrol and inflammable materials	Ministry of Industry and Primary Resources
Retail shop	Municipal Board or District Licensing Board
Timber store and furniture factories	Municipal Board or District Licensing Board
Workshop	Municipal Board or District Licensing Board

a Included in 2011.

Source: Miscellaneous Licences Act (Chapter 127), as amended by S 43/08, S 85/08, and S 69/11.

2.38. Companies may be incorporated in Brunei as public or private companies with limited or unlimited liabilities⁵⁴; 90% of the companies were incorporated as private limited companies in 2014.⁵⁵ Private companies must, *inter alia*, have at least 2 but not more than 50 shareholders and at least 2 directors.⁵⁶ Shareholders may be of any nationality; however, participation of national shareholders may be required in companies subject to licensing. In 2010, the nationality restriction of having at least half the board of directors to be Brunei nationals was removed⁵⁷; private companies must now have one of the two directors or at least two where there are more than two directors, to be ordinarily resident.⁵⁸ There is no minimum paid-up capital requirement

⁵⁰ The Registrar moved from the Attorney General's Chambers to the Ministry of Finance in 2012. After selecting the type of business, one can search for their desired business name on www.e-registry.agc.gov.bn to check for availability.

⁵¹ Viewed at: <http://www.business.gov.bn/>.

⁵² There is one BFC per district. BFCs provide also facilities for applicants with no internet access.

⁵³ Registration of companies and businesses (Ministry of Finance), building and occupancy permit (Town and Country Planning), water supply (Department of Water Services), electricity supply (Department of Electrical Services), miscellaneous licence (Ministry of Home Affairs), labour licence (Labour Department), investment incentives (MIPR), foreign worker pass (Department of Immigration and National Registration), land transport vehicle registration (Land Transport Department), commercial vessels registration (Marine Department), Brunei halal certification and halal import permit (Ministry of Religious Affairs), import/export permit (foods and drugs) (Ministry of Health), and certificate of origin (MOFAT). MIPR online information. Viewed at: http://industry.gov.bn/index.php?option=com_content&view=article&id=101%3Aease-of-doing-business-2011&Itemid=53.

⁵⁴ Liabilities may be limited by shares, guarantees or both shares and guarantees.

⁵⁵ OECD (2011).

⁵⁶ Sections 29-31 and 138 of the Companies Act (Chapter 39), Revised Edition 1984, as amended by S 26/98, S 23/99, S 69/01, S 10/03, S 118/10, S 31/12, Section 130 of Banking Order 2006 (S 45/06), and Section 130 of Islamic Banking Order 2008 (S 96/08).

⁵⁷ Section 138 of the Companies Act (Chapter 39), Revised Edition 1984, as amended by Section 14 of S 118/10.

⁵⁸ Minimum stay for residence status is 183 days (Section 2 of Income Tax Act (Chapter 35), Revised Edition 2013).

for the incorporation of companies (or registration of foreign branches) except for financial institutions as criteria for licensing (section 4.4.2).

2.39. A branch of a foreign company must have a registered office in Brunei and, effective from 2010, at least two local authorized agents. It has the same powers and authority as a local company.⁵⁹

2.40. Foreigners may also participate in partnerships which are exempt from income tax.⁶⁰ Brunei allows limited liability partnerships to be established but the Limited Liability Partnership Order 2010 has yet to enter into force.

2.41. International business companies (IBCs) and international limited partnerships (ILPs) generally conduct business outside Brunei, but they may also conduct business in Brunei. They are governed by the International Business Companies Order (IBCO) 2000 and International Limited Partnerships Order 2000, respectively. IBCs and ILPs may incorporate in Brunei only through agents licensed by the AMBD under the Registered Agents and Trustees Licensing Order 2000.

2.42. To date, there are 11 licensed agents. Registration with AMBD is also compulsory for IBCs and ILPs.⁶¹ There were some 11,000 companies incorporated as IBCs in 2013. IBCO 2000 provides tax-free corporate facilities for both IBCs and foreign international companies (FICs). Companies incorporated under the IBCO wishing to provide international financial services must be licensed under the relevant international banking and insurance orders (section 4.4.2).

2.43. Expat employment is controlled by the Labour Department through a labour quota system and the Department of Immigration and National Registration through the issuance of employment visas and/or work permits (employment passes). Employers must be licensed by the Labour Department prior to recruiting foreign workers. They must also obtain a bank guarantee to cover repatriation and insurance costs for each foreign worker they intend to hire. Employment visas may be granted by Brunei's diplomatic missions overseas and are required prior to the entry into Brunei. Work permits may be subject to laws, regulations, and policies enforced from time to time.

⁵⁹ Part IX of Companies Act (Chapter 39), Revised Edition 1984, as amended by S 118/10.

⁶⁰ Section 311 of the Companies Act (Chapter 39), Revised Edition 1984, as amended by S 26/98, S 23/99, S 69/01, S 10/03, S 118/10, S 31/12, Section 130 of Banking Order 2006 (S 45/06), and Section 130 of Islamic Banking Order 2008 (S 96/08); and BEDB online information. Viewed at: http://www.bedb.com.bn/doing_guides_types.html.

⁶¹ AMBD online information. Viewed at: <http://www.ambd.gob.bn/corporate-services-development/development>.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures and requirements

3.1. Since its last Review in 2008, Brunei has taken steps to further facilitate customs procedures particularly at the regional level. Under the ASEAN Trade in Goods Agreement (ATIGA) (section 2.3.2.1), an ASEAN Single Window (ASW) to process trade documents electronically will integrate the national single windows of ASEAN member States.¹ Brunei Darussalam National Single Window (BDNSW) began to operate, in phases, in January 2014. BDNSW will allow applications for several trade procedures, such as certificates of origin and import permits. In addition, a new ASEAN Agreement on Customs was signed in 2012 (replacing the 1997 ASEAN Agreement on Customs) to streamline customs procedures. For Brunei, the agreement entered into force on 1 April 2013. Also, progress has been achieved in establishing the ASEAN Customs Transit System.²

3.2. Brunei's e-Customs system has been fully operational since 2008 and allows traders to submit applications electronically.³ Merchandise imports into (and exports from) Brunei continue to be governed under the Customs Order (2006) administered by the Royal Customs and Excise Department (RCED) under the Ministry of Finance.

3.3. All imports into Brunei shall be declared through electronic submission via the e-Customs system. Bill of lading or airway bill and commercial invoice, and any supporting documents must be presented during customs clearance. If applicable, preferential tariff treatment under a regional trade agreement (RTA) may be given when the certificate of origin is endorsed by a trade officer at the Certificate of Origin Office of the Ministry of Foreign Affairs and Trade (MOFAT).

3.4. Estimates for 2014 indicate that import procedures take 15 days and cost US\$770 per container.⁴ According to a Time Release Study by RCED, the average time from submission of customs declaration to customs clearance was 10 hours and 18 minutes in 2012.

3.5. The RCED classifies risk based on an internal process which includes analyzing past record of companies, importation of controlled and dutiable items, and high value items.

3.6. There are no customs fees for import procedures or registration; goods in transit via Brunei are subject to fees ranging from B\$10 to B\$100 depending on their type or nature.

3.7. Importers must register with the RCED and appoint registered forwarding agents to log into the e-Customs system, and submit all required documentation for import/export. Import permits are required for some products, including plants, animals, birds, fish, salt, sugar, rice, drugs, gambling machines, and used motor vehicle. These are available from the relevant government ministries and departments. In some cases, including for plants, animals and animal products, birds, and fish, import licences must be accompanied by SPS certificates from the exporting country. All other goods, unless prohibited, may be imported under open general licences.

3.8. Customs decisions may be appealed under section 153 of the Customs Order 2006. Authority for all customs decisions lies with the Controller of Customs; unless it is specifically stated that such decisions may only be made at the absolute discretion of the Controller, appeals may be made to the Minister of Finance, whose decision is final.

3.9. Brunei has no laws pertaining to pre-shipment inspection for customs valuation and classification, and no company has ever provided pre-shipment inspection services in Brunei.

¹ The ASEAN Single Window is still at the pilot testing stage.

² The ASEAN Customs Transit System has nine protocols, two of which are under customs administration: Protocol 2 (ASEAN Designation of Frontier Posts) and Protocol 7 (ASEAN Customs Transit System). Protocol 7 was signed *ad referendum* in April 2013.

³ RCED online information. Viewed at: <http://www.mof.gov.bn/index.php/brunei-e-customs>.

⁴ World Bank/IFC (2014).

3.10. Brunei is a member of the World Customs Organization since 1996, and became party to the Harmonized System Convention on 1 June 2014. Brunei is currently doing gap analysis on the International Convention on the Simplification and Harmonization of Customs Procedures (Revised Kyoto Convention).

3.11. Brunei has already made its notification of Category A commitments under the Agreement on Trade Facilitation.⁵

3.1.2 Customs valuation

3.12. Brunei's legislation on customs valuation has not changed during the review period. It is still based on Customs (Valuation of Imported Goods) Rules 2001.⁶ Customs value is primarily assessed based on the transaction value which must also reflect costs incurred by the buyer when appropriate (e.g. packing fees, transport charges⁷). If the transaction value method may not be used, five methods apply in sequential order: (i) transaction value of similar goods; (ii) transaction value of identical goods; (iii) deductive value; (iv) computed value; and (v) residual valuation (flexible and reasonable method).⁸ At the request of the importer, computer and residual methods may be applied reversely.⁹ According to the authorities, most goods were assessed under the transaction value in 2013.

3.13. Customs value must be determined within 30 days of the date of the customs declaration. If the value is objected by the importer, goods may be released from Customs' control provided the importer deposits a guarantee equivalent to the amount of the duty due. Importers have also the right to appeal on the value determined by RCED.¹⁰

3.1.3 Rules of origin

3.14. Brunei has notified the WTO that it does not have non-preferential rules of origin.¹¹

3.15. Brunei applies preferential rules of origin under its eight RTAs in force (section 2.3.2), i.e. Association of Southeast Asian Nations (ASEAN-ATIGA)¹²; ASEAN-Australia-New Zealand; ASEAN-China; ASEAN-India; ASEAN-Japan; ASEAN-Korea; Trans-Pacific Strategic Economic Partnership¹³; and Brunei-Japan.¹⁴ In general, the basic rule is a product wholly obtained or that has undergone substantial transformation in the country of export. Substantial transformation is defined as a change in tariff classification, value-added threshold, and specific process, which vary across agreements. The revision of the ASEAN rules of origin has introduced, so far, other origin criteria as an alternative to the long-standing regional value content of at least 40%.¹⁵

3.16. Co-equal and dual rules of origin are used across ASEAN agreements to determine if goods not wholly obtained or produced in the exporting party qualify for tariff preferences (Table 3.1). When co-equal rule applies, tolerance in change in tariff classification (CTC) may allow final products to contain a percentage of non-originating inputs that have not undergone a change in tariff classification. In addition, cumulation of regional value content is permitted under ASEAN

⁵ WTO document WT/PCTF/N/1/BRN/1, 8 August 2014.

⁶ See WTO document G/VAL/N/1/BRN/1, 26 October 2001.

⁷ Customs (Valuation of Imported Goods) Rules 2001, Rule 12.

⁸ Customs (Valuation of Imported Goods) Rules 2001; and WTO document G/VAL/N/1/BRN/1, 26 October 2001.

⁹ WTO document G/VAL/N/2/BRN/1, 27 June 2002.

¹⁰ WTO documents G/VAL/N/1/BRN/1, 26 October 2001 and G/VAL/N/2/BRN/1, 27 June 2002; and Customs (Valuation of Imported Goods) Rules 2001.

¹¹ WTO document G/RO/N/5, 1 November 1995.

¹² ATIGA replaced the Common Effective Preferential Tariffs Agreement for the ASEAN Free Trade Area (CEPT-FTA) in 2010. See: <http://www.asean.org/communities/asean-economic-community/item/rules-of-origin-for-the-cept-scheme-for-afta>.

¹³ For rules of origin under the ASEAN-China Free Trade Agreement and the Trans-Pacific Strategic Economic Partnership Agreement, which entered into force prior to 2008, see: <http://www.mofat.gov.bn/index.php/trade-department>.

¹⁴ Under Brunei's bilateral agreement with Japan, goods qualify for tariff preferences if they are: (i) wholly obtained in the exporting Party; or (ii) produced entirely in the Party exclusively from originating materials from the Party; or (iii) produced entirely in the Party using non-originating materials which satisfy product-specific rules.

¹⁵ ASEAN (2011).

agreements. ATIGA allows also inputs that have at least 20% but less than 40% regional value content to qualify for partial cumulation; these inputs are, however, not eligible for tariff preferences.¹⁶ Product-specific rules have also been established with the exception of the agreement ASEAN-India for which they are being negotiated. Brunei has appointed certified exporters to participate in the test for the ASEAN Self-Certification System which is aimed at replacing ATIGA certificate of origin in paper form; the System is being tested until 31 December 2015.¹⁷

Table 3.1 Overview of origin determination across ASEAN agreements post-2008

ATIGA	ASEAN-Australia-New Zealand FTA	ASEAN-India FTA	ASEAN-Japan CEP	ASEAN-Korea FTA
Goods not wholly obtained or produced in the exporting Party				
Co-equal CTC or 40% RVC	Co-equal CTC or 40% RVC	Dual CTC plus 35% RVC	Co-equal CTC or 40% RVC	Co-equal CTC or 40% RVC
De minimis				
10% of the f.o.b. value	10% of f.o.b. value 10% of f.o.b. value or total weight (HS 50-63)		10% of the f.o.b. value (HS 16, 19, 20, 22, 23, 28-49, 64-97) 7%-10% (HS 18 and 21) 10% of total weight (HS 50-63)	10% of f.o.b. value 10% of total weight (HS 50-63)

Note: CTC: change in tariff classification. RVC: minimum regional value content. CTC requires a change in tariff headings except for ASEAN-India where change in tariff subheadings applies.

Source: WTO Secretariat on the basis of information provided by the authorities.

3.1.4 Tariffs and excise duties

3.1.4.1 MFN applied tariff

3.17. Brunei applies relatively very low tariffs. Goods imported into Brunei may be subject to import and excise duties. There is no VAT.

3.18. With the adoption of the 2012 ASEAN Harmonized Tariff Nomenclature (the AHTN Protocol)¹⁸, Brunei's tariff was simplified and now comprises 9,916 lines at the national tariff line HS ten-digit level, compared with 10,689 in 2007 (Table 3.2). Specific tariff lines have been reduced from 131 in 2007 to 55 in 2014 which enhances transparency.¹⁹

Table 3.2 Tariff structure, 2007 and 2014

(%, unless otherwise indicated)

	MFN applied rate		Final bound ^a
	2007	2014	
Bound tariff lines (% of all tariff lines)	92.8	89.1	89.1
Simple average rate	4.8	1.7	25.4
Agricultural products (HS01-24)	0.0	0.0	23.2
Industrial products (HS25-97)	5.4	2.1	25.9
WTO agricultural products	0.0	0.0	23.1
WTO non-agricultural products	5.4	2.0	25.8
Duty free tariff lines (% of all tariff lines)	68.1	76.9	0.0
Simple average rate of dutiable lines only	15.5	7.6	25.4
Tariff quotas (% of all tariff lines)	0.0	0.0	0.0

¹⁶ ATIGA, Article 30 and Annex 6.

¹⁷ ASEAN (2013a).

¹⁸ The transposition was from HS2002/AHTN2004 to HS2007/AHTN2007. The AHTN follows the six-digit commodity classification codes of the World Customs Organization's Harmonized System (HS) adding two more digits to the codes for subheadings used across ASEAN. It applies to intra and extra-ASEAN trade.

¹⁹ The 55 specific rates apply to (number of lines in parentheses): coffee (8); tea (8); food preparations used for the manufacture of alcoholic beverages (7); petroleum oils, other than crude (16); odoriferous alcoholic preparations used in the manufacture of alcoholic beverages (2); and lubricating preparations and preparations used for the oil or grease treatment of textile materials, leather, etc. (14).

	MFN applied rate		Final bound ^a
	2007	2014	
Non- <i>ad valorem</i> tariffs (% of all tariff lines)	1.2	0.6	0.4
Domestic tariff "peaks" (% of all tariff lines) ^b	21.4	4.9	0.0
International tariff "peaks" (% of all tariff lines) ^c	20.4	3.2	88.7
Overall standard deviation of tariff rates	8.1	4.1	8.3
Coefficient of variation of tariff rates	1.7	2.4	0.3
Nuisance applied rates (% of all tariff lines) ^d	0.0	0.0	0.0
Total number of tariff lines	10,689	9,916	8,835
<i>Ad valorem</i>	3,283	2,235	8,792
Duty free	7,275	7,626	0
Specific	131	55	43

a Final bound rates are based on the 2014 tariff schedule in HS12 nomenclature.

b Domestic tariff peaks are defined as those exceeding three times the overall average applied rate.

c International tariff peaks are defined as those exceeding 15%.

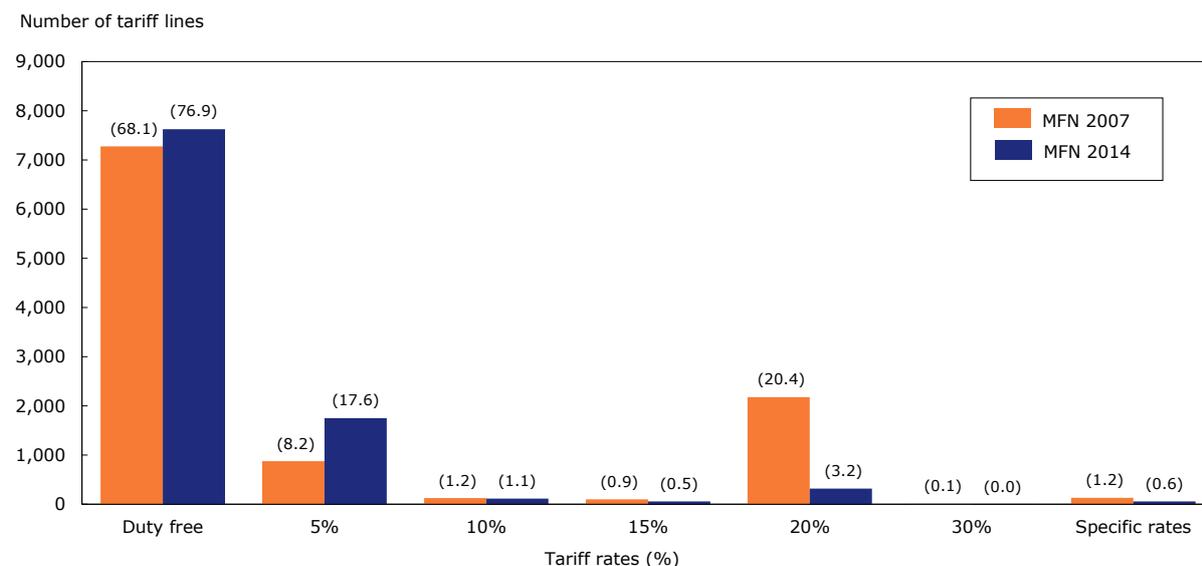
d Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: The 2007 tariff is based on HS02 nomenclature, while the 2014 tariff is based on HS12. Calculations for the averages are based on the national tariff line level (10-digit). The MFN applied rates for 2014 include 40 AVEs (out of 55 specific lines) provided by the authorities.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.19. Brunei does not maintain any tariff quotas, and there are no seasonal tariffs. Overall, 94.6% of tariff lines are within the range >0-5%. The share of duty-free imports increased from 68.1% in 2007 to 76.9% in 2014 (Chart 3.1).

Chart 3.1 Distribution of MFN applied tariff rates, 2007 and 2014



Note: Figures in parentheses denote the share of total lines.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.20. The simple average applied MFN rate is 1.7% (down from 4.8% in 2007). The reduction is mainly due to changes in tariff nomenclature. Tariffs are zero on agriculture (WTO definition²⁰), and 2% on non-agricultural products (5.4% in 2007). Tariff rates range from zero to 30%, with chemicals and products thereof subject to the highest tariff protection (Table 3.3). By HS section, the highest tariff rates are on footwear and headgear, followed by machinery, and wood and products thereof (Chart 3.2).

²⁰ WTO definition of agriculture: HS Chapters 01-24 less fish and fishery products (HS 0301-0307, 0509, 051191, 1504, 1603-1605 and 230120) plus some selected products (HS 290543, 290544, 290545, 3301, 3501-3505, 380910, 382311-382319, 382360, 382370, 382460, 4101-4103, 4301, 5001-5003, 5105-5103, 5201-5203, 5301 and 5302).

3.21. Brunei does not participate in the Information Technology Agreement (ITA).

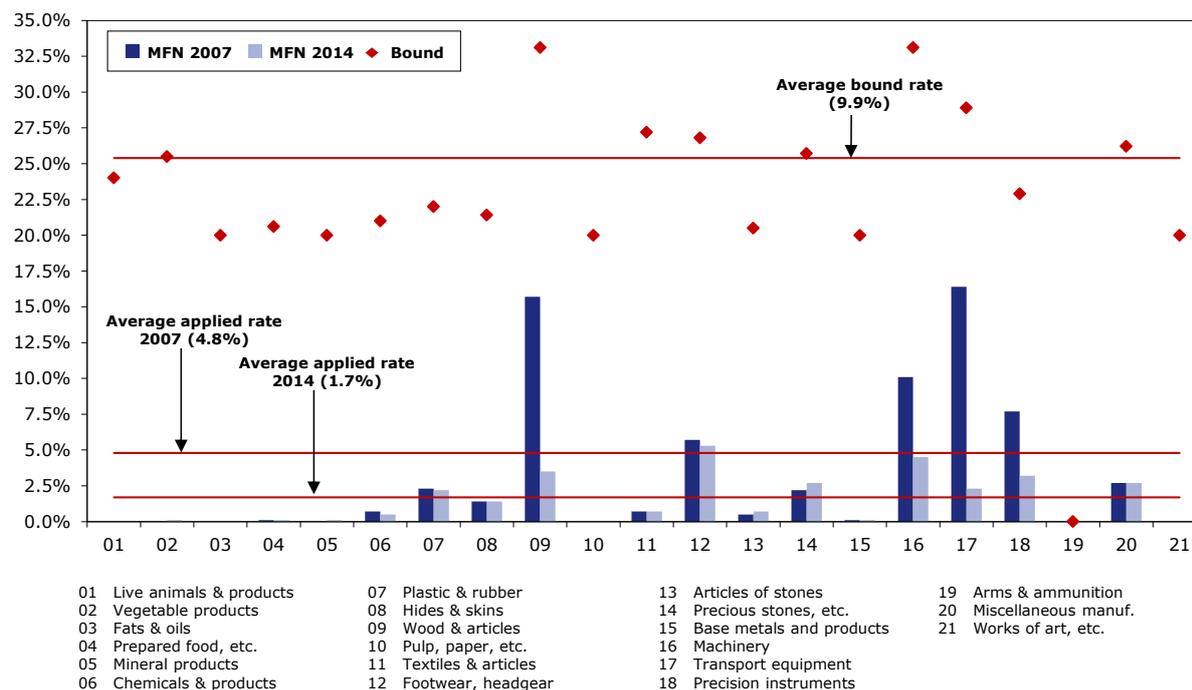
Table 3.3 Applied MFN tariff summary, 2014

	Number of lines	Average (%)	Range (%)	Standard deviation	Duty free (%) ^a
Total	9,916	1.7	0-30	4.1	76.9 (0.6)
By WTO category					
WTO agricultural products	1,298	0.0	0-5	0.4	97.8 (1.8)
Animals and products thereof	150	0.0	0-0	0.0	100.0
Dairy products	38	0.0	0-0	0.0	100.0
Fruit, vegetables, and plants	348	0.0	0-0	0.0	100.0
Coffee and tea	42	1.5	0-5	1.8	47.6 (38.1)
Cereals and preparations	185	0.0	0-0	0.0	96.2 (3.8)
Oils seeds, fats, oil and their products	198	0.0	0-0	0.0	100.0
Sugars and confectionary	32	0.0	0-0	0.0	100.0
Beverages, spirits and tobacco	106	0.0	0-0	0.0	100.0
Cotton	5	0.0	0-0	0.0	100.0
Other agricultural products, n.e.s.	194	0.0	0-0	0.0	100.0
WTO non-agricultural products	8,618	2.0	0-30	4.4	73.8 (0.4)
Fish and fishery products	377	0.0	0-0	0.0	100.0
Minerals and metals	1,386	0.3	0-20	1.9	94.9 (1.0)
Chemicals and photographic supplies	1,327	0.4	0-30	2.0	93.3 (0.2)
Wood, pulp, paper and furniture	455	1.6	0-5	2.3	68.1
Textiles	802	1.0	0-10	2.5	82.9
Clothing	300	0.0	0-0	0.0	100.0
Leather, rubber, footwear and travel goods	319	4.3	0-20	7.0	65.5
Non-electric machinery	1,292	3.9	0-20	5.8	51.5
Electric machinery	716	5.7	0-20	4.5	10.8
Transport equipment	885	2.3	0-20	6.4	88.4
Non-agricultural products, n.e.s.	723	2.7	0-20	3.3	55.0
Petroleum	36	0.5	0-2.2	0.0	55.6 (44.4)
By ISIC sector					
ISIC 1-Agriculture, hunting and fishing	625	0.1	0-5	0.8	96.8 (0.6)
ISIC 2-Mining	117	0.3	0-5	1.2	94.0
ISIC 3-Manufacturing	9,173	1.9	0-30	4.2	75.3 (0.6)
Manufacturing excluding food processing	8,139	2.1	0-30	4.4	72.5 (0.4)
By stage of processing					
First stage of processing	1,061	0.2	0-5	0.9	95.2 (1.5)
Semi-processed products	2,503	0.2	0-10	1.1	96.3 (0.1)
Fully processed products	6,352	2.6	0-30	4.9	66.2 (0.6)
By HS section					
01 Live animals and products	521	0.0	0-0	0.0	100.0
02 Vegetable products	474	0.1	0-3.5	0.4	96.6 (3.4)
03 Fats and oils	156	0.0	0-0	0.0	100.0
04 Prepared food, beverages and tobacco	443	0.1	0-5	0.6	97.1 (1.6)
05 Mineral products	204	0.1	0-2.2	0.3	92.2 (7.8)
06 Chemicals and products thereof	1,157	0.5	0-30	2.2	91.0 (1.4)
07 Plastics, rubber, and articles thereof	480	2.2	0-20	5.9	87.7
08 Raw hides/skins, leather, products thereof	100	1.4	0-10	3.5	86.0
09 Wood and articles of wood	157	3.5	0-10	2.5	31.8
10 Pulp of wood, paper and paperboard	269	0.0	0-0	0.0	100.0
11 Textiles and clothing	1,079	0.7	0-10	2.0	88.5
12 Footwear, headgear, etc.	75	5.3	0-10	3.5	21.3
13 Articles of stone, plaster, cement	215	0.7	0-20	3.4	96.3
14 Precious stones and metals, pearls, etc.	81	2.7	0-5	2.5	45.7
15 Base metals and articles thereof	909	0.1	0-20	1.3	99.6
16 Machinery, electrical equipment, etc.	2,090	4.5	0-20	5.4	36.7
17 Transport equipment	899	2.3	0-20	6.4	88.5
18 Precision equipment	329	3.2	0-10	2.9	40.7
19 Arms and ammunition	27	0.0	0-0	0.0	100.0
20 Miscellaneous manufactured articles	239	2.7	0-10	3.5	57.7
21 Works of art, etc.	12	0.0	0-0	0.0	100.0

a Figures in brackets refer to the percentage of specific lines.

Note: Calculations for averages are based on national tariff line level (10-digit), including 40 AVEs (out of 55 specific lines) provided by the authorities.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Chart 3.2 Average applied MFN and bound tariff rates by HS section, 2007 and 2014

Note: MFN applied rates for 2014 include 40 AVEs (out of 55 specific lines) provided by the authorities. Sections 4, 5, 6, 7, 10, 15, 16, 17, 18, 19, and 20 are not fully bound.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.1.4.2 Bound tariff

3.22. The coverage of Brunei's bound tariff lines went from 92.8% in 2007 to 89.1% in 2014 also because of the changes made in HS nomenclature. There remains a significant difference between the overall bound average of 25.4% and Brunei's applied MFN tariff of 1.7% (Table 3.2 and Chart 3.2). The difference is even larger in agriculture where the bound average tariff is 23.1% compared with an MFN average of zero.

3.23. Greater coverage of bindings could increase tariff predictability. According to the authorities, applied rates have not been raised during the review period and the gap also provides some flexibility to policymakers. Regarding agricultural products, the authorities maintain that the difference is necessary to address food security concerns and that it would consult with, and notify, all affected parties in advance, should tariffs be raised.

3.1.4.3 Preferential tariff

3.24. Brunei has preferential trading agreements with 16 partners: the other nine parties of ASEAN²¹; seven countries that have negotiated agreements with ASEAN (Australia and New Zealand; China; Japan²²; Republic of Korea, and India); as well as Chile in the context of the TPSEP.²³ Brunei is committed to achieving free trade by specific dates under some of these RTAs (Table A2.2).

3.25. In 2014, the average preferential tariff (on all products) under Brunei's RTAs ranged from zero (ASEAN Trade in Goods Agreement and Brunei-Japan Economic Partnership Agreement) to 1.4% (ASEAN India Free Trade Agreement). Simple average tariff rates under those RTAs are lower than the simple average applied MFN rates of 1.7% (Table 3.4). Tariffs, both MFN and preferential, are zero on agriculture (WTO definition).

²¹ The other ASEAN members are Cambodia; Indonesia; Lao PDR; Malaysia; Myanmar; Philippines; Singapore; Thailand; and Viet Nam.

²² In addition to the ASEAN-Japan agreement, Brunei has its own bilateral trade agreement with Japan.

²³ TPSEP also includes Singapore and New Zealand, members, respectively, of ASEAN and AANFTA.

Table 3.4 Summary analysis of Brunei's preferential tariffs, 2014

	Total		WTO agriculture		WTO non-agriculture	
	Average	Duty free	Average	Duty free	Average	Duty free
	(%)	rates (%)	(%)	rates (%)	(%)	rates (%)
MFN	1.7	76.9	0.0	97.8	2.0	73.8
ATIGA	0.0	100.0 ^a	0.0	100.0	0.0	100.0
AANZFTA	0.5	95.1	0.0	98.2	0.6	94.7
ACFTA	0.1	97.5	0.0	98.2	0.1	97.4
AIFTA	1.4	78.1	0.0	97.8	1.6	75.1
AJCEP	0.3	96.3	0.0	98.2	0.3	96.0
AKFTA	0.2	97.7	0.0	97.6	0.3	97.7
BJEPA	0.0	98.8	0.0	98.2	0.0	98.9
TPSEP	0.3	96.5	0.0	98.2	0.3	96.2

a Only one tariff line is dutiable: fireworks (HS 3604.10) at 30%.

Note: ATIGA = ASEAN Trade in Goods Agreement; AANZFTA = ASEAN-Australia-New Zealand FTA; ACFTA = ASEAN-China FTA; AIFTA = ASEAN-India FTA; AJCEP = ASEAN-Japan Comprehensive Economic Partnership; AKFTA = ASEAN-Republic of Korea FTA; BJEPA = Brunei-Japan EPA; and TPSEP = Trans-Pacific Strategic Economic Partnership. Calculations are based on the 2014 tariff schedule in HS2012 nomenclature.

Source: WTO Secretariat on the basis of information provided by the authorities.

3.1.4.4 Excise duties

3.26. Brunei's legislation on excise taxes is contained in the Excise Order 2006, which allows the Minister of Finance to impose and revoke excise taxes on any goods deemed appropriate. Until 31 December 2007, excise duties were levied only on *Samsu* liquor (included medicated *Samsu* liquor). Since 1 January 2008, excise duties are levied on liquors (Chapter 22); tobacco (Chapter 24); vehicles (Chapter 87); and, effective from 1 April 2012, excise duties are also applied on nuclear reactors, boilers, machinery, and mechanical appliances (Chapter 84), and medical or surgical instruments (Chapter 90).²⁴ The authorities informed that these new excise duties are levied for fiscal, social, health, and environmental considerations.²⁵ The authorities also indicated that all goods subject to excise duty were not manufactured in Brunei. Import duties on products subject to excise duties have been eliminated.

3.27. According to the authorities, 10.3% of total tariff lines (1,021 tariff lines at HS ten-digit level) were subject to excise duties in 2014, of which: 633 lines relate to vehicles; 276 to nuclear reactors, boilers, machinery, and mechanical appliances; 42 to liquors; 39 to medical or surgical instruments; and 31 to tobacco. Over the 2008-13 period, excise revenue from imports amounted to B\$883 million.

3.28. Excise rates are set as a percentage of the value of the goods with the exception of liquors and tobacco (Table 3.5). In 2012, changes were introduced to the rate applied to passengers' vehicles in an effort to encourage the use of energy-efficient and environmentally-friendly vehicles. Originally set at 20%, the rate is now based on the engine capacity and is divided in five tiers ranging from 15% for vehicles with engine capacity not exceeding 1,700 cc to 35% for those with engine capacity exceeding 3,500 cc. Diesel vehicles are also charged an additional 5% on the applied excise rate and hybrid vehicles (petrol or diesel) are granted a 5% reduction. The rate for vehicles used for public transport was reduced from 20% to 15%, while that for other vehicles remains unchanged (20%). The rate is set at 5% for nuclear reactors, boilers, machinery, and mechanical appliances, and medical or surgical instruments.

Table 3.5 Specific excise duties, 2014

(B\$)

Goods	Excise duty
Liquors and vinegar (per 10 litres or decalitres)	
Beer made from malt	30
Sparkling wine	120
Wine and grape must	
Alcohol content < 15%	55

²⁴ Excise Duties Order 2007 (S 26/07) amended by amendment order S 114/08, S 91/10, and S 65/12.

²⁵ APEC (2009a).

Goods	Excise duty
Alcohol content > 15%	90
Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances	
Alcohol content < 15%	55
Alcohol content > 15%	90
Other fermented beverages	
Cider, shandy, other rice wine	30
Sake, toddy	90
Undenatured ethyl alcohol of \geq 80% alcohol content	250
Spirits, liqueurs, and other spirituous beverages	
Spirits and liqueurs	250
<i>Samsu</i> (including medicated <i>Samsu</i>), arrack, and pineapple spirit	
Alcohol content < 40%	90
Alcohol content > 40%	120
Bitters and similar beverages	250
Other	120
Tobacco and manufactured tobacco substitutes (per kg.)	
Unmanufactured tobacco	60
Cigars	200
Cigarettes	
Beedies	120
Clove cigarettes (per stick)	0.25
Other manufactured tobacco	120

Source: Excise Duties (Amendment) Order 2012 (S 65/21).

3.1.5 Import prohibitions, restrictions, and licensing

3.1.5.1 Import prohibitions

3.29. Import prohibitions are mainly in place for security, health, protection of wild life, and moral reasons (Table 3.6). During the review period, Brunei incorporated the following products to the list of prohibited imports: cigarettes without health warning written on their packages; fabric of tissue bearing the imprint of any currency or bank notes or coin; salk polio vaccine; and shark products (section 4.1.2). Only vaccines for human medicine manufactured in countries with good manufacturing practices and authorized by the Ministry of Health, may be imported.²⁶ The Customs Order 2006 (Section 31) allows the Minister of Finance to prohibit imports or exports.

3.30. Although sale of alcohol is prohibited in Brunei, permission is granted to non-Muslims who may import 12 cans of beer and 2 litres of liquors duty free for personal consumption. Imports must be declared to Customs on arrival and a 48-hour gap is required between imports.²⁷ The authorities indicated that import prohibited goods are not manufactured in Brunei.²⁸

Table 3.6 Prohibited imports, 2014

Product	Reason for prohibition
1. Dangerous drugs (e.g. opium, heroin, morphine)	Health and moral
2. Java sparrows	CITES
3. Live animals from countries with Foot and Mouth Disease (FMD)	Health
4. Fire crackers (known as double bangers)	Safety and security
5. Salk polio vaccine	Health
6. Vaccines of Chinese Taipei origin	Health and security
7. Arms and ammunition	Security
8. Fabric of tissue bearing the imprint of any currency or bank notes/coins	Security
9. Cigarettes without health warning written on packaging	Health
10. Shark products	Food security and environment

Source: Information provided by the authorities.

²⁶ APEC (2009a); and ASEAN Database of Non-Tariff Measures of Brunei Darussalam (03.06.2010). Viewed at: <http://www.asean.org/communities/asean-economic-community/item/non-tariff-measures-database>.

²⁷ MOF online information. Viewed at: <http://www.mof.gov.bn/index.php/royal-custom-matters/customs-procedures/passengers-concession>; and Government of the United Kingdom online information. Viewed at: <https://www.gov.uk/foreign-travel-advice/brunei/local-laws-and-customs>.

²⁸ APEC (2009a).

3.1.5.2 Import restrictions and licensing

3.31. Brunei maintains various import restrictions mainly for health, sanitary and phytosanitary, and moral reasons, and in some cases to ensure adequate supply and stable prices (Table 3.7). Since the last review in 2008, Brunei added separated skimmed or filled milk to the list.

3.32. Importers must refer to the relevant governmental agency to obtain an import permit prior to apply for an approval permit (AP) with RCED. Only importers registered with RCED and domiciled in Brunei may apply for APs. RCED requires 3 to 10 working days to process APs; no fees are charged. RCED is responsible for informing the Customs office where goods with APs are to be released. Applications must also be accompanied with the packing list and any relevant documents, e.g. veterinary health certificate (if required). Import licences are then issued for six months (with possible extension) and may not be transferred to another importer.²⁹

Table 3.7 Restricted imports, 2014

Product	Reason for restriction	Authorizing agency
Eggs for hatching purposes and fresh eggs unless clearly stamped in non-erasable ink or similar substance with the word "IMPORTED" on the shell of each egg	Health. To prevent introduction of zoonotic poultry diseases (e.g. Avian Influenza)	Department of Agriculture and Agrifood (DOAA)
Any living plant or planting material, plant products and soil	To prevent the introduction of exotic plant pest and diseases	DOAA
Live animals (e.g. cattle, sheep, goats, poultry, and birds)	To prevent the introduction of animal diseases	DOAA
Pin tables, fruit machines, slot machines and any other machines of like nature whether involving an element of chance or not	To prevent illegal gambling activities	Ministry of Home Affairs
Poisons and deleterious drugs	Health	Narcotics Control Bureau
Rice paddy and the products thereof, and separated, skimmed or whole milk	Security of supply and price stability	Supply and State Stores Department (SSSD)
Separated skimmed or filled milk	Food safety and health	Ministry of Health
Persian glue	Health	Ministry of Health
Poh Ka, Poh Kah or Poh Kau; Koyoh or Koyok; Liow Ko, Ch'ow Ko	To prevent illegal gambling activities	Ministry of Home Affairs
Sugar, salt	Security of supply and price stability	SSSD
Converted timber	Security of supply and price stability	Forestry Department
Used and reconditioned vehicles (5 years or older) including motorcars, motorcycles, lorries, omnibuses, tractors and trailers	Safety	RCED, Land Transport Department
Any radio-active materials	Safety	Ministry of Health
Rhinoceros horn and all other parts of or products derived from the carcass of a rhinoceros	CITES	DOAA
Beef, including the carcass of the animal or any part thereof, the meat (whether frozen, chilled or fresh), bones, hide, skin, hooves, horns, offal or any other part of the animal or any portion thereof, unless it has been slaughtered in an abattoir approved in writing by the Minister of Religious Affairs	Religious and health	Ministry of Religious Affairs; DOAA
Turtle eggs	CITES	DOAA
Broadcasting equipment	Security	Authority for Info-Communication Technology Industry (AITI)
Cigarettes unless with Ministry of Health approved health warning written on the packages	Health	Ministry of Health

²⁹ WTO document G/LIC/N/3/BRN/1, 10 April 1997; and RCED online information. Viewed at: <http://www.mof.gov.bn/index.php/royal-custom-matters/customs-services-and-technique/approval-permit>.

Product	Reason for restriction	Authorizing agency
Poultry, including the carcass of the bird or any part thereof, the meat (whether frozen, chilled or fresh), bones, skin, offal or any other part of the animal or any portion thereof, unless it has been slaughtered in an approved abattoir	Religious and health	Ministry of Religious Affairs; DOAA
Alcoholic beverages	Religious	RCED
Cough mixture containing codeine	Health	RCED
Pens and other articles resembling syringes	Safety and security	RCED

Source: Information provided by the authorities.

3.33. In addition to prohibited and restricted imports, Brunei also has some controlled goods which require a special permit from relevant agencies to be imported (with prior approval from RCED) (Table 3.8).

Table 3.8 Licensed imports, 2014

Product	Reason for licence	Authorizing agency
Publication materials, prints, films, CDs, DVDs, etc.	Security and moral	Royal Brunei Police Force
Recital of Al-Quran, Hadith, religious books	Religion and moral	Islamic Dakwah Center
Talisman goods (e.g. clothing with dubious photos)	Moral	Internal Security Department
Halal meat and meat products (fresh, cold, frozen)	Religion	Halal Import Permit Issuing Board
Firearms, explosives, dangerous weapons	Safety	Royal Brunei Police Force
Scrap metal	Safety	Royal Brunei Police Force
Plants, crops, live animals, vegetables, fruits, eggs	Safety	Department of Agriculture
Fish, prawns, shells, water organisms, fishing equipment, etc.	Safety	Fisheries Department
Chemical, poison and radioactive materials	Safety	Ministry of Health
Medicines, herbal, health foods, soft drinks, snacks	Safety	Ministry of Health
Radio transmitter and receiver and communications equipment, and broadcasting equipment	Security	Authority for Info-Communication Technology Industry (AITI)
Used vehicles, e.g. cars, motorcycles, mini buses, trucks, trailers, bicycles	Safety	RCED, Land Transport Department
Timber and products thereof	Primary resources	Forestry Department
Badges, banners, souvenirs of government flags and emblems, royal regalia, government flags and crests	Security	Adat Istiadat Department
Antiques made or found in Brunei	Historical	Museums Department
Mineral water	Safety	Ministry of Industry and Primary Resources
Building construction material, e.g. cement	Safety	Ministry of Industry and Primary Resources
Rice, sugar and salt	Security of supply and price stability	Supply and State Stores Department (SSSD)

Source: Information provided by the authorities.

3.1.6 Contingency trade measures

3.34. Brunei does not have legislation or regulations on antidumping, subsidies and countervailing, and on safeguard measures. No anti-dumping, countervailing or safeguard measures have been taken during the review period or are currently in force.

3.1.7 Standards and other technical requirements

3.35. In 2010, the National Standards Council (NSC), under the Ministry of Industry and Primary Resources (MIPR), was established as the body responsible to monitor and strengthen standards and conformance activities in Brunei.³⁰ It also provides policy direction with the aim of creating industries that are able to stimulate sustainable economic growth, and promotes awareness on consumer safety issues. Up to September 2014, the following five Standards Committees had been formed: Construction, Halal, Food, Management Systems, and Electrical. Other three Standards

³⁰ The NSC, chaired by the Ministry of Industry and Primary Resources, has members from various government agencies, the private sector and consumer groups.

Committees are envisaged for Energy, Pharmacy and Medicines, and Tourism and Handicraft. As of 1 January 2014, the National Standards Centre, also under the MIPR, is in charge of developing quality infrastructure in Brunei. Previously, this was the responsibility of the Authority for Building Control and Construction Industry (ABCI) Division in the Ministry of Development.

3.36. Brunei is still to notify its WTO enquiry point. So far, it has made three notifications to the WTO Committee on Technical Barriers to Trade, one during the review period (Table 2.1).

3.37. In Brunei all standards are voluntary. National standards, which are prepared by technical committees, are submitted for approval to the Standards Committees, which are chaired by the relevant Minister. Technical committees currently exist for the construction sector and for food-related standards. Technical Committees adopt international standards where relevant, and the alignment of national standards with existing relevant international standards is reviewed in line with the ISO/IEC Guide 25. Following examination by the Standards Committees, a standard is sent to the Standards Secretariat at the National Standards Centre for public comment (usually for six weeks); any comments are forwarded to the Technical Committees. For transparency, the Ministry of Development publishes a directory of certified products, companies, and accredited laboratories.³¹

3.38. Currently, there are no mandatory standards (technical regulations) in Brunei. It has 83 national standards, mainly on construction and electrical-related products; 53 have been directly adopted from international standards. They cover use of the metric system in construction, quality management, steel reinforcement, cement, concrete, timber, and roads. Standards for electrical and electronic goods, gas appliances, and fire equipment are voluntary and based on ISO or IEC standards (for electrical/electronic products), where international equivalents exist. Both under ASEAN and APEC, Brunei participates on the harmonization of standards with international standards in areas such as: electrical and electronic, rubber-based products, medical devices, wood products, automotive, and cosmetics.

3.39. Since April 2010, the Accreditation Division, under the National Standards Centre, has been the national accreditation service provider. Currently, there are eight conformity assessment bodies registered under NSC. The Accreditation Division offers three accreditation schemes: Management System Accreditation Scheme, Laboratory Accreditation Scheme, and Inspection Bodies Accreditation Scheme.

3.40. Since 1 July 2012, the Measurement Standards Division, under the National Standards Centre, has been the custodian of measurement standards in Brunei on the basis of the International System of Units (SI). Measurement and metrology facilities in Singapore (PSB) and Malaysia (SIRIM) are used frequently by Brunei's laboratories in calibration activities. Currently, laboratory accreditation for the construction sector is covered by the Ministry of Development Laboratory Accreditation Scheme; all other sectors are covered by the Brunei-Singapore SAC MoU on accreditation.

3.41. Brunei is a member of several international and regional standard-setting fora, including the ISO, Pacific Area Standards Congress, Codex Alimentarius, ASEAN Consultative Committee on Standards and Quality³², Pacific Accreditation Cooperation, APEC Sub-Committee on Standards and Conformance, and Asia-Pacific Laboratory Accreditation Cooperation scheme. Brunei participates in the IEC Affiliate Member programme, participates in the APEC E/E MRA, and signed the TEL MRA with Singapore in telecommunications; the scope of these MRAs concerns acceptance of test and certification. To reduce business compliance costs, Brunei unilaterally accepts certificates of conformity from such recognized bodies, and therefore does not require re-certification or testing. Under ASEAN, MRAs for recognition and acceptance of conformity assessment results have been developed and implemented for electrical, electronic equipment, and medicinal products/pharmaceuticals.³³

³¹ Ministry of Development online information. Viewed at: <http://www.mod.gov.bn/>.

³² The goal of the integration initiatives in the standards and conformance area is to harmonise the technical requirements or product safety and quality through the adoption of single regulatory regimes across ASEAN. There are currently two single regulatory regimes in place, one for the cosmetic sector and the other, the electrical and electronic equipment sector.

³³ ASEAN (2013a).

3.1.8 Sanitary and phytosanitary requirements

3.42. Brunei's national notification authority for SPS measures is the Department for Trade Development in the Ministry of Foreign Affairs and Trade.³⁴ Three institutions, under MIPR, deal with SPS measures: the Department of Agriculture and Agrifood (DOAA) for plants and plant products, live animals, and eggs and other fresh animal (non-halal) products; the Department of Fisheries for fish and fisheries products; and the Department of Forestry for forestry products. In addition, the Ministry of Religious Affairs is responsible for halal products.

3.43. Since 2008, Brunei has made only one SPS notification of emergency measures, regarding the temporarily ban of imports of fresh agricultural and fish products (and processed foods) from certain regions of Japan due to possible radioactive contaminants.³⁵ Brunei also prohibits the importation of live animals from countries with FMD (Table 3.6).

3.44. Restricted/licensed live animals, animal products, fruits, vegetables, plants and plant products are listed in Tables 3.6 and 3.7, respectively.

3.45. Brunei is member of the Codex Alimentarius Commission and the World Organization for Animal Health (OIE).³⁶ Brunei is not yet a member of the International Plant Convention (IPPC) but, according to the authorities, it complies with the IPPC.

3.46. Phytosanitary regulations are implemented by the DOAA Plant Quarantine Unit, under the Agricultural Pests and Noxious Plants Act, revised in 1984. Under the Act, imports of all plants and plant materials require import permits, issued by the DOAA, and phytosanitary certificates, issued by the legal issuing authority in the country of origin, certifying the phytosanitary status of the plants.³⁷ Imports of a number of plants and materials from specific regions or countries may be prohibited to prevent entry of dangerous pests and diseases. All plant imports are subject to inspection by the DOAA on arrival in Brunei. Imports of soil (including attached to plant roots), are prohibited. Phytosanitary certificates for exports of agricultural materials may be obtained from the DOAA.

3.47. The Quarantine and Prevention of Disease (Animals) Regulations allow for the prohibition of import, detention of animals for treatment and examination, and for the investigation of imported products. Imports and exports of animals or their products must be declared at the port of entry or exit for quarantine inspection; and must be accompanied by an import permit, issued by the DOAA, and a veterinary health certificate, issued by a veterinarian authorized in the country concerned within seven days before departure. Exports of live animals and poultry must be accompanied by a veterinary health certificate. When a certificate is required for exports of products derived from animals, an Animal Health Certificate may be obtained from the relevant veterinary office.³⁸

3.48. Imports of beef and poultry are subject to import restrictions under the Second Schedule of the Customs (Prohibition and Restriction on Imports and Exports) Order, unless they have been slaughtered in a foreign abattoir approved in writing by the Minister of Religious Affairs. The Government maintains a list of approved abattoirs from which meat or poultry may be imported by holders of halal import permits issued under the Halal Meat Act (Chapter 183) and the Halal Certificate and Halal Label Order 2005. Under the Halal Meat Act, the Board for Issuing Halal Import Permits grants the permit if the slaughterhouse is already on a list approved by the Brunei Islamic Religious Council (*Majlis Ugama Islam*)³⁹; for slaughterhouses not on the list, an inspection committee, including representatives from the Ministry of Religious Affairs, the *Majlis*, and the DOAA is required to inspect and approve the abattoir. The Board forwards the application to the *Majlis* who makes the final decision on issuing the import permit.⁴⁰ Authorized officers from the

³⁴ WTO document G/SPS/ENQ/26, 11 March 2011.

³⁵ WTO documents G/SPS/N/BRN/3, 9 May 2011, and G/SPS/N/3/Rev.1, 29 November 2012.

³⁶ WTO document G/SPS/GEN/49/Rev.11, 23 September 2011.

³⁷ Phytosanitary certificates issued by the country of origin are valid for 14 days (Plant Quarantine Services, 1993).

³⁸ Quarantine and Prevention of Disease (Exportation of Animals) Regulations.

³⁹ The Board is chaired by the Controller of Customs and its members include representatives from the Ministry of Religious Affairs, Medical and Health Services, the Department of Agriculture, and the *Majlis* (Section 3 of the Halal Meat Act).

⁴⁰ Halal Meat Act, Section 3.

DOAA examine all imports of halal meat and certify it fit for human consumption. Currently, halal meat and poultry may be imported only from Australia, China, India, Indonesia, Jordan, Malaysia, and the Philippines. Brunei imports live cattle from Australia and Malaysia (Sabah and Sarawak) for slaughter at local abattoirs.

3.49. Other sanitary and health restrictions are maintained under the Poisons Act and the Misuse of Drugs Regulations, which are enforced by the Pharmaceutical Enforcement Services, in the Ministry of Health. This includes regulation of all imports and exports of pharmaceuticals, chemicals, agri-chemicals, pesticides, etc. in collaboration with Customs. Regular inspections are also conducted on pharmaceutical wholesalers, clinics, and retailers in Brunei. Imported veterinary pharmaceuticals, animal vaccines, and agri-chemicals are controlled and approved by the DOAA, through the Ministry of Health under the Poisons Act. The Drug Quality Control Service also inspects all drugs, both locally produced and imported, to ensure quality.

3.50. The Department of Health Services under the Ministry of Health ensures food imported and distributed in Brunei is safe. Food importers are required to comply with the Public Health Order (Food) 1998, Public Health (Food) (Amendment) Order 2002 and its Regulations 2000, which protect consumers from dangerous adulterated or poor quality foods. Food importers are required to submit the customs declaration form together with relevant documents (including health certificates) to the Food safety and Quality Control Division, Department of Health Services, for endorsement.

3.1.9 Labelling and marking

3.51. Brunei's legislation on food labelling requirements is contained in the Public Health (Food) Order, 1998. Labels for food products must contain the following information either in Malay or English: name of food, list of ingredients, net/drained content, name and address of manufacturer, packer, wholesaler, importer and distributor, the country of origin, lot identification, date and storage instructions, and instructions and date for use. Where a suitable common name for the food product is not available, a description to indicate the nature of the food is required. All imports of meat and products containing meat must conform to labelling requirements approved by the Board for Issuing Halal Import Permits.⁴¹ For food with animal or alcohol content, the origin of the animal or alcohol product must also be indicated. In addition, the contents of all meat products should be clearly mentioned on the label.

3.52. Since 1 January 2002, 25 categories of food and beverage products require date marking and must be registered with the Food Safety and Quality Control Division before importation into Brunei. The products include cream, milk and milk products, pasteurised fruit and vegetable juice, soya bean curd, chilled food, sauces, peanut butter, flour and flour products, egg products, raisins and sultanas, chocolate, edible fats and oils, food additives, margarine, meat products, and nutrient supplements.

3.53. Labelling requirements on imported tobacco are set out in the Tobacco (Labelling) Regulations, 2007 and the Tobacco Order, 2005 (S/49/05). Labels must include a printed health warning in English on one surface and in Malay on the other surface, and conform to the specifications set out in the specific schedules in the Tobacco (Labelling) Regulations, 2007.

3.54. No genetically-modified labelling requirements are currently in force in Brunei.

3.2 Measures Directly Affecting Exports

3.2.1 Export procedures and requirements

3.55. Exporters must be registered with the Royal Customs and Excise Department (RCED) and must appoint a forwarding agent who should also be registered with the RCED. All exports from Brunei shall be declared through electronic submission via e-Customs system. Invoices and other related documents shall be presented during customs clearance. However, for restricted and/or controlled items, supporting documents, such as export permit(s) from relevant government agencies may be required.

⁴¹ Meat products must carry the halal label when sold in Brunei (Emergency (Halal Meat) Order 1998).

3.56. During the review period, two IT applications were implemented to make export procedures paperless: (i) the Brunei's e-Customs⁴² in 2008; and (ii) the Brunei Darussalam National Single Window (BDNSW) to process several trade-related requests, including certificates of origin. At the regional level, Brunei has appointed ten certified exporters to participate in the pilot project for the ATIGA Self-Certification System.⁴³ The System allows certified exporters to self-certify that export products comply with ASEAN rules of origin. The declaration of origin is made on the invoice or any commercial document. The test period ends on 31 December 2015.⁴⁴

3.57. According to the latest estimates from the World Bank, export procedures in Brunei take 19 days and cost US\$705 per container (27 days and US\$515 per container in 2008).⁴⁵ There are no customs fees for export procedures or registration; goods in transit via Brunei have fees ranging from B\$10 to B\$100 depending on their type or nature.

3.2.2 Export taxes, charges, and levies

3.58. Brunei does not have export taxes, charges, levies or minimum export prices.

3.2.3 Export prohibitions, restrictions, and licensing

3.59. The Customs Order 2006 (Section 31) allows the Minister of Finance to prohibit imports or exports. Brunei prohibits exports of prawn refuse and copra cake, stone and gravel, and round timber of logs and sawn timber.

3.60. Brunei maintains export restrictions on certain goods, such as sugar, rice, paddy and products thereof, to ensure adequate domestic supply and price stability. Before restricted goods may be exported, an export permit from the relevant authorizing agency and Customs' approval are required (Table 3.9).⁴⁶

Table 3.9 Restricted exports, 2014

Goods	Reason	Authorizing agency
Articles of antique or historical nature made or discovered in Brunei	Cultural heritage	Department of Museums
Cigarettes	Health	Ministry of Health
Automotive gas oil (diesel)	Supply and price stability	Energy Department
Gasoline (premium and regular)	Supply and price stability	Energy Department
Kerosene	Supply and price stability	Energy Department
Rice, paddy, and products thereof	Supply and price stability	Supply and State Stores Department (SSSD) ^a
Sugar	Supply and price stability	SSSD ^a
Highly processed timber	Supply and price stability	Department of Forestry
Elaeis Quineesis (oil palm)	Supply and price stability	SSSD ^a
Derris species (tuba)	Wildlife	Department of Agriculture and Agrifood (DOAA)

a Until 2010, Department of Information Technology and State Stores.

Source: Information provided by the authorities.

3.61. Some other products are subject to export licences which may be obtained upon fulfilment of certain conditions (Table 3.10), including local content and packaging and labelling requirements.

⁴² Viewed at: <http://www.mof.gov.bn/index.php/brunei-e-customs>.

⁴³ APEC document 2011/MAG/WSKP1/005, February 2011. Viewed at: http://mddb.apec.org/Documents/2011/MAG/WSKP1/11_mag_wksp1_005.pdf.

⁴⁴ ASEAN online information. Viewed at: <http://www.asean.org/news/asean-statement-communicues/item/the-pilot-project-for-the-implementation-of-a-regional-self-certification-system-brunei-darussalamalaysiasingaporeasean-secretariat-29-october-2010>; and ASEAN (2013a).

⁴⁵ World Bank/IFC (2014).

⁴⁶ RCED online information. Viewed at: <http://www.mof.gov.bn/index.php/royal-custom-matters/customs-procedures/prohibition-and-restriction> and <http://www.mof.gov.bn/index.php/royal-custom-matters/customs-procedures/import-and-export-licencepermit>.

Table 3.10 Licensed exports, 2014

Goods	Authorizing agency
Badges, banners, and souvenirs	Department of <i>Adat Istiadat</i>
Eggs, crops, fruits, live animals, plants, vegetables	Department of Agriculture and Agrifood (DOAA)
Fishes, prawns, shells, water organisms, and fishing equipment	Department of Fisheries
Halal meat and meat products (fresh, cold, and frozen)	Halal Import Permit Issuing Board
Radio transmitter and receiver, communications equipment	Info-Communication Technology Industry
Salt	Supply and State Stores Department (SSSD)
Vehicles	Land Transport Department
Poison, chemicals, and radioactive materials	Ministry of Health
Broadcasting equipment	Authority of Info-Communication Technology Industry (AITI)
Firearms, explosives, fire crackers, dangerous weapons, publication materials, prints, films, CDs, scrap metal	Royal Brunei Police Force

Source: Information provided by the authorities.

3.2.4 Export support

3.2.4.1 Duty drawback

3.62. There was no change to the duty drawback system during the review period.⁴⁷ Duty drawback may be claimed on goods that are re-exported without transformation within 12 months of import duty payment. In addition, re-export consignments must bear a minimum value of B\$500. Drawback is set at nine tenth of the import duties paid. Exporter manufacturers are also entitled to claim duty drawback on inputs imported by them and used in the manufacture of export goods providing production takes place in premises approved by Customs and inputs are re-exported within 12 months of import duty payment. Drawback is permitted for re-exportation of imported goods not used or sold in Brunei. According to the authorities, the amount of duty drawback is negligible.

3.2.4.2 Tax exemption

3.63. Exporters may claim income tax exemption under Part VII of the Investment Incentives Order 2001 (S 48/01)⁴⁸ (section 2.4.1.1 and Table 2.2). Claims are made to the Ministry of Primary Resources and Industry (MIPR). Eligible exporters are those that manufacture and export agricultural, forestry, fishery, and manufacturing goods. The grant of income tax exemption is subject to the exporter manufacturers giving evidence of: (a) incurred fixed capital expenditure of at least B\$500,000⁴⁹; or (b) export sales of at least 20% of total sales and not less than B\$20,000 in the first year of assessment and not less than B\$20,000 in subsequent years.⁵⁰ Income tax exemption is granted for up to 15 years. According to the authorities, there is no data on revenue forgone from tax incentives granted to exporters. Also, exporter manufacturers are allowed to duty-free imports of capital goods and raw materials providing these are not on sale in Brunei.⁵¹

3.64. Enterprises engaged in overseas services projects and international trading companies may also claim income tax exemption under the Investment Incentives Order 2011 (section 2.4.1.1 and Table 2.2).

3.2.4.3 Export processing zones

3.65. Brunei does not have export processing zones.

⁴⁷ Part X of the Customs Order 2006 (S 39/06), as amended by S 98/08, S 39/11, and S 21/13.

⁴⁸ As amended by S 15/10 and S 5/11.

⁴⁹ For fixed capital expenditure up to B\$50 million, 40% of the paid-up capital of the export enterprise must be held by nationals or resident permit holders and activities must be recognized as promoting and enhancing Brunei's economic and technological development.

⁵⁰ The accounting period in which manufacturer exporters are expected to reach export sales target must be specify in the certificate for income tax exemption issued by MIPR. If, in the first year of assessment, exporters fail to fully reach the sales target, the exemption will apply as from the year sales requirements are satisfied. If sales target is met partially in the first year of assessment, MIPR may allow income tax exemption.

⁵¹ Part XV of the Investment Incentives Order 2011 (S 98/01), as amended by S 15/10 and S 5/11.

3.2.5 Export finance, insurance, and promotion

3.66. The MIPR launched the Export Refinancing Scheme (ERS) in 2010 in collaboration with the state-owned Bank Islam Brunei Darussalam (BIBD).⁵² ERS is a loan scheme aimed at helping enterprises to internationalize and increase competitiveness. Eligible exporters are direct and indirect exporters exporting "promoted products", i.e. agricultural and fishery products, downstream forestry products, manufacturing, and ICT products.⁵³ ERS loans are used to finance pre- and post-shipment costs, i.e. raw materials, packing, storage, transport, and delivery expenses. The amount of loans ranges from B\$50,000 to B\$500,000, at a 4% interest rate. Guarantee is required in the form of letters of credit and purchase orders.⁵⁴ No exporters have yet applied to ERS; the authorities are in the process of reviewing procedures and eligibility criteria.

3.67. The MIPR is also engaged in export promotion through sponsorship and certification programmes. Costs associated with exporters' participation in overseas trade fairs and exhibitions, are sponsored by MIPR. These cost include registration, booth, advertisement, interpretation service, shipment of material (not exceeding 150 kg per company), and transport or accommodation (whichever is higher and for one person per enterprise). In addition, to ensure compliance of export goods with standards in overseas markets, MIPR covers the full cost of certification for food and manufactured products providing export goods are manufactured in factories approved by the relevant governmental authorities. To apply to MIPR programmes, export enterprises are required a minimum 30% local equity participation.⁵⁵

3.68. In 2010, Brunei's first B2B online portal, Buy Brunei⁵⁶, was launched to promote trade and partnerships between local and international traders.⁵⁷ Buy Brunei is a BEDB initiative co-financed with AMIR consortium which was awarded web development.⁵⁸

3.69. Brunei does not have export insurance schemes.

3.3 Measures Affecting Production and Trade

3.3.1 Incentives

3.3.1.1 Tax incentives

3.70. During the review period, Brunei introduced several changes to the Income Tax Act (Chapter 35) with the view to reducing tax liabilities of enterprises, with the exception of those engaged in petroleum activities (see below).

3.71. The income tax rate was reduced gradually from 27.5% in 2008 to 20% in 2014, and will be further reduce to 18.5% as from 2015. Also, tax thresholds were introduced in 2008 to further reduce corporate tax burden. These thresholds were subsequently modified over the 2008-14 period.⁵⁹ As from 2014, the corporate income tax has three rates: 5% for incomes up to B\$100,000; 10% for incomes above B\$100,000 and up to B\$250,000; and 20% for incomes above B\$250,000. Companies newly incorporated are exempt from income tax for revenue up to B\$100,000 during the first three years of assessment.⁶⁰

3.72. Tax credits may be claimed for investment in capital goods and human resources (new staff, training, pension plan). However, they must not exceed 50% of total taxes payable by the enterprise. For expenditure in new machineries and plants incurred between 2012 and 2017, a tax

⁵² BEDB (2012).

⁵³ Export enterprises may be wholly foreign owned, with the exception of joint ventures for which a minimum 30% local equity participation is required.

⁵⁴ For further information, see BIBD online information. Viewed at: <http://www.bibd.com.bn/corporate/financing/sme-financing/export-refinancing-scheme/>.

⁵⁵ BEDB (2012).

⁵⁶ Viewed at: www.padian.com.

⁵⁷ *Brunei Times*, 29 October 2013. Viewed at: <http://www.bt.com.bn/business-national/2013/10/29/padian-portal-bimp-eaga-businesses-goes-online>.

⁵⁸ BEDB online information. Viewed at: http://www.bedb.com.bn/bisop_devlocalbusiness.html.

⁵⁹ See MOF online information. Viewed at: <http://www.mof.gov.bn/index.php/type-of-taxes/income-tax>.

⁶⁰ Section 35 of the Income Tax Act (Chapter 35), Revised Edition 2013; and STARS online information. Viewed at: <https://www.stars.gov.bn/eServices/Public/TaxGuide.aspx>.

credit of up to 15% of the expenditure may be claimed. This tax credit may be carried forward for a maximum of two years.⁶¹

3.73. In addition, initial and annual allowances for expenditure in industrial buildings were doubled as well as initial allowance for expenditure in machineries and plants.⁶² Annual allowance for expenditure in machineries and plants continue to be calculated at a rate comprised between 3% and 25% on the reducing value of assets. However, effective 2009, enterprises may opt for a 33.33% annual allowance for a period of three years. In addition, 100% capital allowance may be claimed for expenditure incurred in machineries and plants not exceeding B\$2,000⁶³ and computers and other office automation equipment.⁶⁴ Enterprises are authorized to carry forward capital allowances so long as they carry on the same industrial park.⁶⁵

3.74. Further deductions were also introduced on contribution to staff pension plan, and salaries paid to staff on maternity leave.⁶⁶

3.75. In addition, a 1% tax on income raised from approved exports was introduced in 2012.⁶⁷ Industries and products declared as approved for export are pursuant to section 8A of the Income Tax (Amendments) Order 2012.⁶⁸ Export enterprises may opt to pay the tax on exports in lieu of the standard income tax rate.⁶⁹ According to the authorities, so far no enterprise has opted to pay the tax on exports in lieu of the income tax rate.

3.76. Business losses may be set off and unabsorbed losses carried forward for a maximum period of six years.⁷⁰

3.77. Changes to the Income Tax Act (Chapter 35) do not apply to companies engaged in petroleum activities which are governed by the Income Tax (Petroleum) Act (Chapter 119).⁷¹ Since 2008, there has been no change to the tax regime applied to companies engaged in petroleum activities.

3.78. Enterprises manufacturing pioneer products and investing into new assets to increase production volume, may be exempt from income tax under the Investment Incentives Order 2001 (S 48/01) (section 2.4.1.1 and Table 2.2).

3.79. Tax credits may be granted under Brunei's double taxation agreements (section 2.3.3.1).⁷² The Income Tax Act (Chapter 35) provides also for avoidance of reciprocal tax relief on income arising from Commonwealth partners; provision ceases if a double taxation treaty is in force.⁷³

⁶¹ Section 42 of the Income Tax Act (Chapter 35), Revised Edition 2013.

⁶² For expenditure in buildings, enterprises may claim an initial allowance of 40% of the cost and annual allowance of 4% of the qualifying expenditure, on a straight line basis until total expenditure is written off. For expenditure in machineries and plants, initial allowance is 40% of the cost.

⁶³ Aggregate amount shall not exceed B\$30,000 per year of assessment.

⁶⁴ Sections 13 and 16 of the Income Tax Act (Chapter 35), Revised Edition 2013.

⁶⁵ Oxford Business Group online information. Viewed at:

<http://www.oxfordbusinessgroup.com/news/rules-game-tax-updates-businesses-need-know>.

⁶⁶ Section 11 of the Income Tax Act (Chapter 35), Revised Edition 2013.

⁶⁷ Section 8A of the Income Tax Act (Chapter 35), Revised Edition 2013.

⁶⁸ The 22 approved industries for export are: cement finish mill; pharmaceutical; aluminium wall tile; rolling mill plant; industrial chemical; tissue paper; textile; canning, bottling, and packaging; furniture; glass; ceramic and potteries; wood base; plastics and synthetic; fertilizers and pesticides; gas; sheet metal-forming; manufacture of electrical industrial machinery and apparatus; slaughtering, preparing, and preserving halal meat; manufacture of non-metallic mineral products; manufacture of radio, television, and communication equipment and apparatus; manufacture of communication equipment; and manufacture of other articles of paper and paperboard.

⁶⁹ Oxford Business Group online information. Viewed at:

<http://www.oxfordbusinessgroup.com/news/rules-game-tax-updates-businesses-need-know>.

⁷⁰ BEDB online information. Viewed at: http://www.bedb.com.bn/doing_guides_taxation.html; and MOF online information. Viewed at: <http://www.mof.gov.bn/index.php/type-of-taxes/income-tax>.

⁷¹ Revised Edition 2004, as amended by S 6/12.

⁷² Section 41 of the Income Tax Act (Chapter 35), Revised Edition 2013; and Sections 47-48 of the Income Tax (Petroleum) Act (Chapter 119), Revised Edition 2004.

⁷³ Sections 40 and 41(3) of the Income Tax Act (Chapter 35), Revised Edition 2013.

3.3.1.2 Other financial support

3.80. In 1996, Brunei notified the WTO that it did not maintain any subsidy programme.⁷⁴

3.81. In 2010, the Department of Agriculture and Agrifood (DOAA) launched the Agriculture and Agrifood Incentive Scheme (SIPA), a subsidy scheme aimed at enhancing productivity and output in the agriculture and agri-food sectors (section 4.1.1.2).⁷⁵

3.82. Some varieties of rice⁷⁶ and refined white sugar, which are imported and distributed by the State (section 3.3.3), continue to be subsidized to keep affordable retail prices and protect consumers from increases in world commodity prices (section 4.1 and Table 4.3). In addition, price support for subsidized rice and sugar applies also in the form of price monitoring (section 3.3.2.3).

3.83. Prices of housing, petroleum products (section 4.2.1), utilities (section 4.2.2), as well as education, healthcare, and telecom services (section 4.4.3) continue to be subsidized in Brunei. In 2010, unpaid consumers' bills amounted to B\$486 million: B\$163 million for electricity, B\$67 million for water, B\$66 million for telecom, and B\$20 million for housing.

3.84. Brunei is taking measures to reduce subsidies and increase financial prudence, including through the introduction of a progressive electricity tariff structure in 2012 (section 4.2.2).⁷⁷

3.3.1.3 Support to SMEs

3.85. In 2012, 98% of the businesses established in Brunei were micro, small, and medium sized enterprises (MSMEs)⁷⁸ which employed about 92% of total workforce in the private sector. In 2010, MSMEs were concentrated in wholesale and retail trade, construction, mining and quarrying, and manufacturing. Participation of MSMEs in oil and LNG production and sawmilling and timber processing, was limited. MSMEs contribution to GDP amounted to 22% in 2008.⁷⁹

3.86. Financial assistance for MSMEs is provided by the Brunei Economic Development Board (BEDB) and the Ministry of Industry and Primary Resources (MIPR). Five grant and loan schemes have been developed to help MSMEs grow, consolidate, and internationalize (Table 3.11). Under MIPR schemes, 909 applications have been received from 1999 until July 2014; total financial assistance amounted to B\$177.49 million (Table 3.11). Under the 10th National Development Plan 2012-17, B\$100 million have been allocated to MSMEs support.⁸⁰

3.87. During the review period, BEDB set up three main grant schemes for micro entrepreneurs (Table 3.11): (i) the Village Enterprise Grant Scheme was developed to promote sales of village products in support of the "One Village, One Product" initiative launched by the Ministry of Home Affairs; (ii) the Youth Entrepreneurship Development Programme which has helped 118 micro entrepreneurs start their business⁸¹; and (iii) the Enterprise Technical Assistance Scheme (ETAS) that covers cost relating to enhancing competitiveness such as improving corporate governance,

⁷⁴ WTO document G/SCM/N/3/BRN and G/SCM/N/16/BRN, 22 November 1996.

⁷⁵ *Brunei Times*, 19 February 2014. Viewed at: <http://www.bt.com.bn/over-glass-teh-tarik/2010/06/22/helping-smes-through-sipa>; and RBT News online information. Viewed at: http://www.rtbnews.rtb.gov.bn/index.php?option=com_content&view=article&id=11861%3Aincentive-scheme-roadshow&Itemid=74.

⁷⁶ Thai Hom Mali rice, Vietnamese fragrant rice, Thai white rice, and Thai glutinous rice.

⁷⁷ To expose consumers to the scale of energy subsidies, a "no fuel subsidy" campaign was organized in 2010 during which only unsubsidized gasoline and diesel were sold for one day; for example, pump price of premium gasoline (RON 97) jumped from B\$0.53 per litre to B\$0.98 per litre.

⁷⁸ Micro: 1-5 employees; small: 6-50 employees; and medium: 51-100 employees.

⁷⁹ PowerPoint presentation by BEDB, "Promising Local Enterprise Development Scheme (PLEDS)", February 2012. Viewed at: http://www.bedb.com.bn/documents/pled/pled_briefing-feb12.pdf; and PowerPoint presentation by Brunei Tourism, "Assessment on SME Innovation Policies and Best Practices: Brunei Darussalam Self-Assessment Report", June 2010. Viewed at: [http://www.apec-smeic.org/file/daegu/4-1.brunei%20Daegu%20Initiative%20-%20Brunei%20Darussalam%20Self%20Assessment%20Report%20Presentation%20\(7%20June%202010\).pdf](http://www.apec-smeic.org/file/daegu/4-1.brunei%20Daegu%20Initiative%20-%20Brunei%20Darussalam%20Self%20Assessment%20Report%20Presentation%20(7%20June%202010).pdf).

⁸⁰ RTB News online information. Viewed at: http://www.rtbnews.rtb.gov.bn/index.php?option=com_content&view=article&id=17985%3Astrategic-plan-for-smes-future&Itemid=74.

⁸¹ BEDB Press Release, 28 January 2014. Viewed at: http://www.bedb.com.bn/news_readmore.php?id=314.

hiring professional and to overcome common market entry barriers. The BEDB also introduced the Promising Local Enterprise Development Scheme (PLEDS) and the PLEDs Investment Fund to assist local enterprises to expand. Investment per local enterprise is up to B\$5 million.

Table 3.11 Feature of loans and grants to MSMEs

(B\$ million)

Scheme	Since	MSMEs	Description	Total	
				Recipients	Outlay
BEDB					
Youth Entrepreneurship Development Programme (YEDP)	2008	Micro	Maximum grant B\$2,000 (further B\$2,000 extension possible)	118 ^a	0.24 ^b
Village Enterprise Grant Scheme	2012	Micro	Maximum grant B\$50,000	5	..
Enterprise Technical Assistance Scheme (ETAS)	2012	SMEs	Cost-sharing grant (50:50). Maximum allocation B\$300,000	..	..
MIPR					
Micro-Credit Financing Scheme (MFS)	2001	Micro	Maximum loan B\$50,000; 4% annual interest rate. Maximum tenure 5 years. Grace period 3-12 months	645 ^c	13.81 ^c
Enterprise Facilitation Scheme (EFS)	1999	SMEs	Maximum loan B\$5 million; 4% annual interest rate. Maximum tenure 10 years. Grace period 3-12 months	264 ^c	163.68 ^c

.. Not available.

a As of 2013.

b As of 2012.

c As of July 2014.

Source: WTO Secretariat; and information provided by the authorities.

3.88. In 2008, the MIPR Micro-Credit Financing Scheme (MFS) and Enterprise Facilitation Scheme (EFS) were significantly revised. The amount of loans was increased to B\$50,000 (up from B\$30,000) for MFS loans and to B\$5 million (up from B\$1.5 million) for EFS loans (Table 3.11). Loan tenures and grace periods were also extended.⁸² Both schemes are financed by the Government through the SME Development Fund as of 11 April 2012. The Fund is administered by MIPR; disbursements are jointly managed by Bank Islam Brunei Darussalam (BIBD) and Baiduri Bank Berhad (BBB).⁸³

3.89. Most MFS clients are involved in: contract/tender (24%); food services and restaurants (20%); boutique and tailoring (12%); and retail trade (10%). EFS is aimed at assisting SMEs develop export capacity. Loans are primarily given to those operating in agriculture (28%), fishery (26%), manufacturing (29%), tourism (9%), and, effective from 2008, ICT (3%), construction (4%), and services (1%). There is no minimum local equity participation required to MSMEs under MFS and EFS, with the exception of joint ventures (30%).⁸⁴

3.3.1.4 Research and development

3.90. Under the 10th National Development Plan 2012-17, Brunei has allocated 1% of GDP (B\$200 million) to R&D to help achieve economic diversification.⁸⁵ In 2012, the Brunei Research Incentive Scheme (BRISc) was launched by the BEDB to support R&D. Bruneian-owned and foreign companies engaged in energy, environment, health, food security, and ICT, are eligible under the scheme. BRISc is a cost-sharing grant with a maximum allocation of B\$5 million per project. BRISc offers three levels of financing: 80% of the cost of the project is financed by BEDB for projects developed by Bruneian-owned enterprises; 70% for projects developed by foreign

⁸² *Brunei Times*, 18 May 2008. Viewed at: http://www.bt.com.bn/news/2008/05/18/govt_revises_enterprise_loan_schemes.

⁸³ *Brunei Times*, 3 November 2010. Viewed at: <http://www.bt.com.bn/business-national/2010/11/03/mipr-funds-open-farmers-fishermen>. For further details, see BIBD online information, "Corporate: SME Financing". Viewed at: <http://www.bibd.com.bn/>; and Baiduri Bank Group online information. Viewed at: http://www.baiduri.com.bn/cb_smefinancing.htm.

⁸⁴ BEDB (2012).

⁸⁵ Department of Economic Planning and Development (2012).

enterprises in collaboration with IHLs or governmental agencies; and 50% for projects developed by foreign enterprises. Projects must not exceed three years.⁸⁶

3.91. The Income Tax Act (Chapter 35) allows enterprises to deduct R&D costs against taxable income.⁸⁷ In addition, tax incentives are granted to enterprises investing in new technology under the Investment Incentives Order 2001 (S 48/01) (section 2.4.1.1 and Table 2.2).

3.3.1.5 Supporting Start-Ups and Innovation

3.92. During the review period, Brunei created three grant schemes to support start-ups and innovation: (i) in 2010, the Authority of Info-Communications Technology Industry (AITI) set up a grant, for up to B\$250,000 and 50% locally-owned enterprises, to enhance ICT product development, improvement, certification, and packaging/marketing⁸⁸; (ii) Local Enterprise Application and Product (LEAP) grant covers up to B\$150,000 per project of local SMEs and students and staff from institutes of higher learning (IHLs) for the development of innovative products and applications with commercial and export potential in a broad range of clusters (e.g. ICT, robotics, engineering, nano technology, bio-tech, agriculture and aquaculture, and green technology)⁸⁹; and (iii) Start-Up Brunei aims to encourage the start-up of innovative businesses and to attract world-class, high potential start-ups to set up in Brunei. Start-up Brunei is eligible for both local and foreign companies, providing an incentive of up to B\$50,000 per company. Foreign companies are also eligible for an additional B\$30,000 relocation incentive.⁹⁰

3.93. Brunei also has other three schemes to help start-ups and innovation: (i) the Creative Arts Facilities (CRAFT) provides an ecosystem for the development of digital multimedia through provision of shared infrastructure and capacity development programs⁹¹; (ii) the iCentre is the first ICT incubator aiming to be the centre for nurturing and developing successful entrepreneurs in the industry⁹²; and (iii) Entrepreneurship at Campus (E@C), an initiative launched in 2013 by BEDB and Universiti Brunei Darussalam with the support of iCentre E@C, aims to encourage the start-up of innovative businesses amongst students through incubation, mentorship, talks by local and international speakers and other entrepreneurial development activities.

3.94. In 2009, BEDB invested B\$5 million in Accel-X Pte Ltd., a Singapore-based venture capital fund that helps early stage and innovative technology companies in ICT, interactive digital media, and engineering by providing access to financial support, extensive overseas networks, and mentorships. The Fund allocates a maximum of B\$1.5 million per company; higher allocation is possible subject to approval.⁹³ Innovative ICT enterprises may also apply to the Future Fund which allocates from B\$50,000 to B\$150,000 to projects.⁹⁴

3.3.1.6 Credit support

3.95. According to the authorities, Brunei does not have preferential credit facilities to enterprises.

3.3.2 Competition policy, consumer protection, and price controls

3.3.2.1 Competition policy

3.96. Brunei does not yet have comprehensive competition legislation. However, in line with commitments under the ASEAN Economic Community to establish a competitive economic region

⁸⁶ BEDB online information. Viewed at: [http://www.bedb.com.bn/brisc/\[BRISc\]-Application.Guideline-\(May2013\).pdf](http://www.bedb.com.bn/brisc/[BRISc]-Application.Guideline-(May2013).pdf).

⁸⁷ Section 11C of the Income Tax Act (Chapter 35), Revised Edition 2013.

⁸⁸ Up to 2013, 12 ICT enterprises have been awarded these grants. AITI Latest News, 12 February 2014. Viewed at: <http://www.AITI.gov.bn/news/allnews/Pages/Two-more-local-ICT-business-awarded-with-AITI-Grant.aspx>; and BEDB (2012).

⁸⁹ So far, BEDB has monitored the development of twenty four LEAP projects.

⁹⁰ To date, two local and two foreign companies have been awarded the Start-Up Brunei grant.

⁹¹ Training on 3D animation and visual effects are conducted by two software partners Autodesk Asia Pte Ltd and Side Effects Software Asia Pacific (Singapore).

⁹² The iCentre provides enterprise development assistance, mentorship, fund-raising assistance as well as exposure trips abroad.

⁹³ BEDB Press Release 11 May 2009. Viewed at: http://www.bedb.com.bn/news_readmore.php?id=77.

⁹⁴ For further details, see BEDB (2012).

through strong competition regimes, Brunei has been drafting comprehensive competition legislation since 2011. Consultations have been held with local stakeholders as well as regional and international experts on competition policy and law to ensure that the new piece of legislation takes into account Brunei's economic and legal context and is in line with international best practices.

3.97. At present, competition issues are addressed on a sector-by-sector basis and tackled by its respective regulator. Competition regulations exist in telecommunications, financial services, and energy, although in limited forms. For example, in telecoms, licensees' behaviour is regulated by AITI under the Telecommunications Order, and licensees are guided by their licence conditions, including a prohibition against anti-competitive behaviour. AITI is currently working towards establishing a competition code of practice that covers telecommunication and broadcasting (section 4.4.3).⁹⁵

3.3.2.2 Consumer protection

3.98. The Consumer Protection (Fair Trading) Order 2011 (S 64/11) entered into force on 1 January 2012. Prior to 2012, Brunei had no specific legal provisions on consumer protection which was covered in several pieces of legislation.⁹⁶

3.99. The Consumer Protection (Fair Trading) Order 2011 (S 64/11) allows consumers to take unfair sales practices to civil courts. The Small Claims Tribunals are competent to hear complaints between consumers and suppliers arising from transactions not exceeding B\$10,000. Since 2012, there have been six consumer complaints that were recommended by the Department of Economic Planning and Development (JPKE) to be brought forward to the Small Claims Tribunals as these complaints could not be resolved by JPKE through consultation and mediation. The decision to bring a case into the Small Claims Tribunal is entirely up to the consumer. In addition, when there are reasonable grounds to believe a supplier has engaged in an unfair practice, the legislation provides for JPKE to invite the supplier enter into a voluntary compliance agreement under which he volunteers to compensate the consumer. In any case, consumers' complaints must be filed with JPKE which will decide if they fall under the law. According to the authorities, JPKE usually recommends an aggrieved consumer to bring the case to the Small Claims Tribunals before going to the High Court.

3.100. Under the Consumer Protection (Fair Trading) (Cancellation of Contracts) Regulations 2011 (S 65/11), contracts may be cancelled within five days by consumers.

3.3.2.3 Price controls

3.101. Brunei continues to set retail prices for basic commodities and selected goods to keep affordable prices for consumers. Price controls apply to imports and domestically-produced goods. The Price Controller, under JPKE, is responsible for fixing maximum and minimum retail prices, and may also prohibit or restrict trade in price-controlled goods.⁹⁷

3.102. The number of goods subject to price control increased substantially during the review period. In the previous Review in 2008, retail prices of cigarettes, infant milk powder, motor vehicles, rice, and sugar were reported to be capped. Currently, there are 19 categories of goods for which maximum retail prices are set (Table 3.12); for example, retail prices for rice ranges from B\$0.76/kg to B\$1.25/kg, and sugar is sold at B\$1.25/kg.⁹⁸ In December 2012, Brunei also introduced a minimum retail price for cigarettes.⁹⁹ Hoarding of price-controlled goods is prohibited, with the exception of cars.¹⁰⁰ The Price Controller sets prices for all products except for subsidized

⁹⁵ ASEAN Competition Policy and Law. Viewed at: <http://www.aseancompetition.org/aegc/aegc-members/brunei-darussalam>; and ASEAN (2013b).

⁹⁶ For details, see: <http://aseanconsumer.org/misc/downloads/misc-listoflegislations.pdf>. ASEAN Coordinating Committee on Consumer Protection (2008).

⁹⁷ Price Control Act (Chapter 142), Revised Edition 2002, as amended by S 88/12.

⁹⁸ MOF online information. Viewed at: <http://www.mof.gov.bn/index.php/services-sss/rice-and-sugar>.

⁹⁹ PowerPoint presentation by JPKE, "Briefing on Price Control Act Cap 142 (Amendment)". Viewed at: [http://www.depd.gov.bn/projects/control/Price_Control_Act\(Amendment\)Order_2012updated.pdf](http://www.depd.gov.bn/projects/control/Price_Control_Act(Amendment)Order_2012updated.pdf), and JPKE online information. Viewed at: <http://www.depd.gov.bn/control.html>.

¹⁰⁰ Articles 7 and 8 of the Price Control Act (Chapter 142), Revised Edition 2002, as amended by S 88/12; and Price Control Act, Order made under Section 7(1) (S 94/12).

goods: the price for sugar and rice is set by the Supply and State Stores Department (SSSD), while the price for gasoline is set by the Energy Department.¹⁰¹ Prices are reviewed when deemed necessary.

Table 3.12 Price-controlled goods, 2014

Maximum price	
1. Asphalt	11. Gasoline (Premium 97, Super 92 and Regular 85)
2. Automotive gas oil (diesel)	12. Passenger motor vehicles
3. Powdered infant milk	13. Plain flour
4. Bitumen	14. Rice
5. Bottled LPG	15. Ready-mix concrete
6. Bricks (clay and concrete)	16. Reinforcement bar
7. Cement	17. Sand
8. Cooking oil (canola, corn, palm, vegetable, sunflower, and soya bean)	18. Stone (aggregate ¾)
9. Dual purpose kerosene	19. Sugar (white, refined, granulated, cane sugar, fine grain)
10. Milk (condensed and evaporated)	
Minimum price	
1. Cigarettes and tobacco	

Source: Price Control (Maximum Prices and Charges) Order 2012 (S 91/12) and Price Control (Minimum Prices and Charges) Order 2012 (S 92/12).

3.3.3 State trading, state-owned enterprises, and privatization

3.103. Brunei has not filed notifications on state trading enterprises with the WTO. According to the authorities, Brunei does not have any state-trading enterprise.

3.104. Subsidized rice and sugar are imported and distributed through the Supply and State Stores Department (SSSD), under the Ministry of Finance (MOF), to ensure adequate domestic supply.¹⁰² Rice is mainly imported from Thailand, in particular through the Brusiam Food Alliance Co., a joint-venture between MOF and a Thai rice miller.¹⁰³ SSSD does not sell rice and sugar directly to consumers but to registered local vendors. SSSD imports and distributes four varieties of rice (Thai Hom Mali, Vietnamese fragrant, Thai white, and Thai glutinous) and white refined sugar. Local vendors that wish to import other varieties of rice and types of sugar must obtain an import permit from SSSD and an approval permit from Customs (section 3.1.5.2).¹⁰⁴

3.105. Since Brunei's previous TPR, the public sector has continued to exert a direct influence on the economy, mainly through state-owned enterprises (SOEs). Most of these still operate under monopoly or hold exclusive rights in many sectors, including oil and gas (section 4.2.1.2), manufacturing (section 4.3), banking (section 4.4.2.2), telecom (section 4.4.3), and air transport (section 4.4.4.1). In particular, the State participates in the oil and gas sector mainly through Petroleum Brunei and British Shell Petroleum, in various manufacturing industries through Semaun Holdings, and in telecommunications via TelBru and Progresif Cellular Sdn Bhd (Table 3.13).

Table 3.13 Main state-owned enterprises, 2014

Sector	SOE	State share (%)
Air transport	Royal Brunei Airlines	Majority
Banking	Baiduri Bank Bank Islam Brunei Darussalam	Majority Majority
Manufacturing	Semaun Holdings	50
Oil and gas (downstream)	Brunei LNG Brunei Methanol Company	50 25
Oil and gas (marketing)	Brunei Shell Marketing	50
Oil and gas (midstream)	Brunei Gas Carriers Brunei Shell Tankers	80 50

¹⁰¹ In these cases, the Price Controller is responsible for enforcing retail prices.

¹⁰² MOF online information. Viewed at: <http://www.mof.gov.bn/index.php/services-sss/rice-and-sugar>; and <http://www.mof.gov.bn/index.php/trading-division>.

¹⁰³ MOF online information. Viewed at: <http://www.mof.gov.bn/index.php/news/369-new-rice-supplier-to-feed-bruneis-population>.

¹⁰⁴ MOF online information. Viewed at: <http://www.mof.gov.bn/index.php/services-sss/rice-and-sugar>.

Sector	SOE	State share (%)
Oil and gas (upstream)	Brunei National Petroleum (Petroleum BRUNEI) Brunei Shell Petroleum	100 50
Technical support services to governmental agencies	Royal Brunei Technical Services	100
Telecom (fixed-line operator)	Telbru	100
Telecom (mobile operator)	Progresif Cellular Sdn Bhd	100
Trade in agricultural products	Brusiam Food Alliance Company	..
Halal food and non-food products	Brunei Halal	100

.. Not available.

Source: Information obtained by the WTO Secretariat.

3.106. In line with its National Vision 2035, Brunei seeks further participation of foreign investors to help achieve economic diversification. It has embarked in a Privatization Master Plan which is in the process to be completed.¹⁰⁵

3.3.4 Government procurement¹⁰⁶

3.107. Brunei is not a party to the WTO Agreement on Government Procurement.

3.108. Government procurement is regulated by the 1983 Financial Regulations 327-340; Ministry of Finance (MOF) Circular No. 3/2004 (6 October 2004); MOF Circular No. 2/2009 (25 July 2009); and MOF Circular No. 1/2014 (20 March 2014). MOF Circular No. 2/2009 was issued to standardize the tender fee charged to suppliers and review of the performance bond/Banker's Guarantee charged to awarded suppliers. MOF Circular No. 1/2014 was an update to the performance bond/Banker's Guarantee rates charged to awarded suppliers.

3.109. Procurement procedures seek to maintain equity, integrity, and efficiency in the tendering process and ensure purchases are at the best value for money, including price, quality, delivery timelines, supplier's reliability, and after-sale service. Procurement of goods, services, and works is carried out by ministries and departments.

3.110. Procurement methods are determined according to specific thresholds. Purchases of up to B\$2,000 may be acquired off the shelf or directly from known suppliers. For procurement above B\$2,000 and not exceeding B\$50,000, ministries/departments must invite at least three qualified suppliers to submit written quotations. Tenderers/vendors who want to participate in quotation must at least have the same nature of business and/or registered with the relevant agency with the type of quotation being issued.

3.111. Procurement of goods, services, and works exceeding B\$50,000 is made through open tenders. Tenders comprised between B\$50,001 and B\$500,000 are considered by the Mini Tender Board (MTB) in each ministry and tenders above B\$500,000 by the State Tender Board (STB) in the Ministry of Finance. If no contract is awarded under an open tender, a selective tender may be used upon approval by STB/MTB. Only contractors identified as capable of supplying goods, services or works may participate in the selective tender. Open tenders may also be waived upon STB/MTB approval in case supply of goods, services, and works is urgently needed or call for tenders is not feasible.

3.112. Only some tenders require suppliers to register with the relevant ministry/departments. The registration aims to ensure that companies participating in certain areas (e.g. construction, supply of medical products and ICT projects) are qualified in terms of their financial capabilities, employees, manpower and equipment. Although a local partner is not mandatory, foreign enterprises are recommended to form a joint-venture with local partners to improve their chances of being awarded a contract as local partners may better liaise with the authorities and ease the registration process.

¹⁰⁵ APEC Competition Policy and Law Database online information. Viewed at: <http://www.apeccp.org.tw/doc/Brunei.html#Policy>.

¹⁰⁶ This section is based on MOF State Tender Board online information. Viewed at: <http://www.mof.gov.bn/index.php/general-information-state-tender-board>.

3.113. Tenders and quotations are announced at least two weeks prior to the closing date. They are published in Malay and/or English in the weekly Government's newspaper *Pelita Brunei*¹⁰⁷, and may also be accessed on most of the governmental websites. Tenders may also be advertised in local and/or international newspapers.

3.114. Electronic submission of tender documents is not yet accepted; only hard and soft copies in CD-ROM are allowed. Proposals must be in English and prices in Brunei dollars. Tenders are open, recorded, and forwarded by STB or MTB to ministries/departments for evaluation based on, *inter alia*, budget, technical, financial, and commercial criteria. Recommendations made by the ministries/departments are subsequently considered by STB or MTB and endorsed by the Sultan (in his capacity of Minister of Finance) or the relevant minister. Brunei does not yet have a review body on government procurement, but suppliers' complaints on the decisions taken by STB or MTB may file with the relevant ministries/departments. The evaluation, recommendation, approval, and implementation process must not exceed three months from the closing date of a tender.¹⁰⁸

3.115. When procurement is supplied through a quotation, the relevant ministry/department evaluates the offers and makes recommendation to the Quotation Committee for approval. Quotation Committees are formed at the relevant ministry/department. Suppliers may file complaints on decisions taken by a Quotation Committee with the relevant ministries/departments.

3.116. In addition, statutory bodies, i.e. BEDB or AITI, conduct their own procurement procedure. In July 2010, the Centre of Science and Technology Research and Development (Ministry of Defence) was established to administer military procurement.¹⁰⁹

3.3.5 Intellectual property rights

3.3.5.1 Overview

3.117. The main change to Brunei's IPR regime during the review period was the entry into force of a new patent legislation (section 3.3.5.2) and the restructuring and transfer of industrial property administration from the Attorney General's Chambers (AGC) to the Brunei Economic Development Board (BEDB). The Patent Registry Office (PRO), created in 2012 under BEDB, took gradually over the registration process from AGC.¹¹⁰ PRO was converted into the Brunei Intellectual Property Office (BruIPO) on 1 June 2013.¹¹¹

3.118. Brunei acceded to the following IPR treaties during the review period (date of accession in parentheses): Paris Convention for the Protection of Industrial Property (17 February 2012); Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (24 July 2012); and Hague Agreement Concerning the International Registration of Industrial Designs (24 December 2013). Accession to the Madrid Protocol for the protection of trademarks is foreseen; and accession to the WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty is under consideration.¹¹² Brunei's increased participation in international IP treaties is pursuant to ASEAN commitments for simplified and harmonized IP protection and registration in the ASEAN Economic Community.¹¹³ In 2009, the ASEAN Patent

¹⁰⁷ Viewed at: <http://www.pelitabrunei.gov.bn/>.

¹⁰⁸ MOF State Tender Board online information. Viewed at: <http://www.mof.gov.bn/index.php/tender-process>.

¹⁰⁹ USTR (2013b).

¹¹⁰ The Registry of Patents was transferred from AGC to PRO in January 2012, followed by the Registry of Industrial Designs in October 2012 and the Registry of Trade Marks in June 2013.

¹¹¹ BruIPO online information. Viewed at: http://www.brunei-patents.com.bn/index.php?option=com_k2&view=item&layout=item&id=6&Itemid=277.

¹¹² Brunei adhered to the Berne Convention in 2006. BruIPO online information. Viewed at: http://www.brunei-patents.com.bn/index.php?option=com_k2&view=item&layout=item&id=60&Itemid=279; and BEDB Press Release, 4 May 2013. Viewed at: http://www.bedb.com.bn/news_readmore.php?id=284.

¹¹³ See ASEAN IPR Action Plan 2004-10 and the Workplan for Copyright and IPR Action Plan 2011-15. Viewed at: http://www.aseanip.org/ipportal/index.php?option=com_content&view=category&id=218&Itemid=653.

Examination Cooperation (ASPEC) was established. It allows IP offices of ASEAN member States share search and examination reports.¹¹⁴

3.3.5.2 Patents

3.119. The Patents Order 2011 (S 57/11), supported by the Patents Rules 2012 (S 19/12)¹¹⁵, entered into force on 1 January 2012. It established a national and independent patent system in Brunei and repealed the Inventions Act (Chapter 72) and the Emergency (Patents) Order 1999 (S 42/99). Under the Inventions Act (Chapter 72), patent protection was granted through re-registration of patents granted in Malaysia, Singapore, and the United Kingdom (including through the European Patent Office). Applications had to be filed within three years from the date the original patent was granted. Protection in Brunei was granted as long as the patent remained valid in the country of origin.¹¹⁶ After the Patents Order 2011 (S 57/11) had entered into force, re-registration was still possible during a transition period.¹¹⁷

3.120. To claim protection under the Patents Order 2011 (S 57/11), patentable invention must be new¹¹⁸, involve an inventive step, and have an industrial applicability. Surgical, therapeutic, and diagnostic methods are excluded from patentability.¹¹⁹

3.121. The patenting process may take up to 4 years (Chart 3.3). Foreign applicants are recommended to file applications through an authorized patent agent with a local address in Brunei.¹²⁰ Applicants may claim priority for applications filed earlier in signatory countries of the Paris Convention or in WTO Members.¹²¹ Since Brunei's accession to the Patent Cooperation Treaty (PCT), they may also file applications using the PCT route.

3.122. Brunei's patent system has three characteristics: (a) a first-to-file system, i.e. the first applicant to file an application has priority over others for the same invention; (b) a formality-based system, i.e. BruIPO does not conduct search and examination; and (c) a self-assessment system, i.e. applicants may request the certificate of grant although the examination report shows the invention does not fully meet the patentability criteria. Request for search and examination are processed by BruIPO and based on the approach chosen by the applicant: (a) "local approach", i.e. BruIPO outsources local search and examination to examiners¹²²; (b) "foreign approach", i.e. BruIPO relies on search and examination reports issued by prescribed foreign patent offices¹²³ for a corresponding application; and (c) "mixed approach", BruIPO relies on search reports issued by prescribed foreign patent offices for a corresponding application and requests the conduct of an examination.¹²⁴ BruIPO processed 19 requests for search and examination over 2012-13¹²⁵; 95% was conducted under the mixed approach and 5% was under the local approach.

¹¹⁴ Brunei does not participate in ASEPEC (March 2014). For more information on ASPEC, see ASPEC Notice Procedures, 30 April 2012. Viewed at:

http://www.bruipo.com.bn/files/ASPEC_Note_Procedures_new_-_30Apr2012.pdf.

¹¹⁵ The Patent Rules 2012 were amended in 2013 (S 11/13).

¹¹⁶ For further information, see WTO document WT/TPR/S/196/Rev.1, 4 June 2008; and Mirandah, G. (2012).

¹¹⁷ For transitional provisions, see Section 115 of the Patents Order 2011 (S 57/11).

¹¹⁸ If an invention is disclosed, the novelty criterion continues to apply provided application is filed within 12 months of disclosure.

¹¹⁹ However, products used therein may claim patent protection. Part III of the Patents Order 2011 (S 57/11).

¹²⁰ BruIPO Factsheet on Patents. Viewed at: http://www.brunei-patents.com.bn/files/updated_BRUIPO_-_Patent_leaflet.pdf; and European Commission (2013).

¹²¹ Section 17 of the Patents Order 2011 (S 57/11).

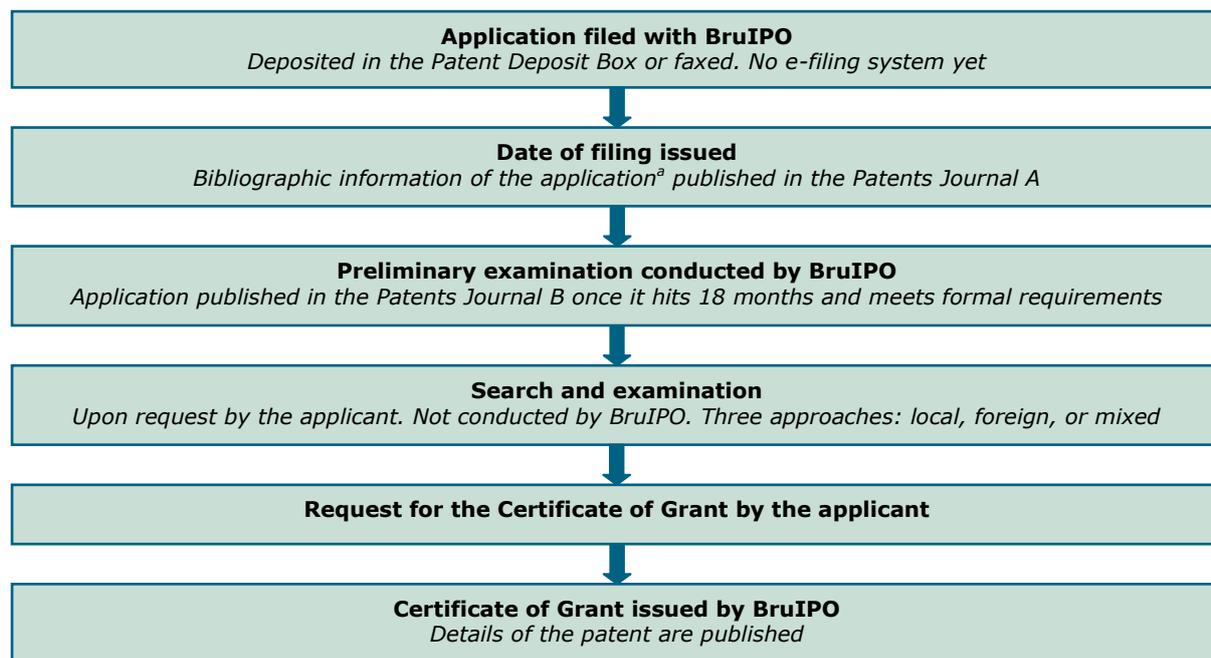
¹²² Danish, Austrian, and Hungarian patent offices.

¹²³ Australia; Canada; European Patent Office; Japan; Korea (Rep. of); New Zealand; United Kingdom; and United States.

¹²⁴ BruIPO News, "Understanding the Patent System", 9 May 2012. Viewed at: http://www.brunei-patents.com.bn/index.php?option=com_k2&view=item&id=46:understanding-the-patent-system&Itemid=275; and PowerPoint presentations by BEDB, "Effective Utilization of Patent Classification Systems", December 2013. Viewed at: http://www.wipo.int/edocs/mdocs/aspac/en/wipo_reg_ip_tyo_13/wipo_reg_ip_tyo_13_t5.pdf; and "Patent Registry Office: An Overview". Viewed at:

http://www.wipo.int/edocs/mdocs/aspac/en/wipo_asean_ip_tyo_12/wipo_asean_ip_tyo_12_refbrunei.pdf.

¹²⁵ PowerPoint presentation by BEDB, "IP Data Availability and Use of IP Data by IP Offices: National Experiences", December 2013. Viewed at: http://www.wipo.int/edocs/mdocs/aspac/en/wipo_ip_reg_mnl_13/wipo_ip_reg_mnl_13_t12c.pdf.

Chart 3.3 Patenting process

a Name of the applicant, application number, filing date, invention title, and priority date (if any).

Source: WTO Secretariat with information provided by the authorities.

3.123. Upon grant, the term of protection is 20 years from the date of filing (or priority date if claimed).¹²⁶ Patent term may be extended in certain instances, in particular for pharmaceutical products that could not be exploited due to the process of obtaining marketing approval.¹²⁷ Protection for re-registration granted during the transition period, is 20 years from the date of filing of the original patent.¹²⁸

3.124. To maintain a patent in force, the owner must pay an annual renewal fee from the fifth year of the grant until expiration.¹²⁹ Rights over a patent are lost if the patent is not renewed. However, restoration of lapsed patents due to unpaid fees may be possible.¹³⁰ Effective 1 January 2012, all re-registration patents are liable to pay the annual renewal fee upon evidence that the foreign patent has not been revoked is provided.¹³¹

3.125. Local applicants intending to file a patent abroad must be authorized by BruIPO.¹³²

3.126. The use of patents may be authorized under non-exclusive compulsory licences in return for payment of a fee to the patent owner.¹³³ Compulsory licences may be granted by the High Court if a market for the patented invention is not being supplied or is not being supplied in reasonable terms in Brunei.

3.127. While there are no specific provisions contained in the Patents Order 2011, according to the authorities parallel imports are allowed.

¹²⁶ Section 35 of the Patents Order 2011 (S 57/11).

¹²⁷ Section 36 of the Patents Order 2011 (S 57/11). See also Section 54 of the Patent Rule (S 19/12) as amended by S 11/13.

¹²⁸ Section 115 of the Patents Order 2011 (S 57/11); and *Patent Journal* Issue No. 2014/02A, 28 February 2014.

¹²⁹ For fees, see BruIPO online information. Viewed at: http://www.brunei-patents.com.bn/index.php?option=com_k2&view=item&layout=item&id=19&Itemid=306 (First Schedule of the Patents Rules 2012 (S 19/12) as amended by S 11/13).

¹³⁰ Section 40 of the Patents Order 2011 (S 57/11).

¹³¹ BruIPO Revised Practice Note 2012/01. Viewed at: http://www.brunei-patents.com.bn/files/Patents%20Rules/Patent_Practice_Note_2012_01_Rev_.pdf.

¹³² Section 33(1) of the Patents Order.

¹³³ Part XI of the Patents Order 2011 (S 57/11).

3.128. Brunei has no specific legal provisions to protect undisclosed information. However, provisions exist under the common law. Civil actions may be brought against unauthorized disclosure and unfair commercial use of undisclosed information.¹³⁴

3.129. In line with its National Vision 2035, which focuses on R&D and innovation as an engine for economic development and diversification (section 1.3), Brunei is encouraging patent registration by locals. This seems to have discouraged patent registration by foreigners (Table 3.14).

Table 3.14 Patent indicators, 2008-13

	2008	2009	2010	2011	2012	2013
Application	75	43	40	53	33	62
Locals	0	0	0	0	20	27
Foreigners	75	43	40	53	11	35
PCT	n.a.	n.a.	n.a.	n.a.	2	0
Registration	75	43	40	53	33	62

n.a. Not applicable.

Source: PowerPoint presentation by BEDB, "IP Data Availability and Use of IP Data by IP Offices: National Experiences", December 2013. Viewed at: http://www.wipo.int/edocs/mdocs/aspac/en/wipo_ip_req_mnl_13/wipo_ip_req_mnl_13_t12c.pdf.

3.3.5.3 Trademarks, industrial designs and industrial layouts

3.130. There was no change to the legislation on trademarks, industrial designs, and industrial layouts of integrated circuits (layout designs) during the review period (Table 3.15).

Table 3.15 Overview of trademarks, industrial designs, and layout designs

	Trade marks	Industrial designs ^a	Layout designs
Criteria	Trade Marks Act (Chapter 98, Revised Edition 2000) Trade Marks Rules 2000 (S 27/00) Be a sign or symbol visually perceptible, capable of graphic representation, and capable of distinguishing goods/services of one trader from another	Emergency (Industrial Designs) Order 1999 (S 7/00) Industrial Designs Rules (S 23/00) Be new Have industrial applicability	Emergency (Layout Designs) Order 1999 (S 8/00) Be original
Procedure	File application with BruIPO Formal & substantive examination (BruIPO) 2 months to oppose an application Priority claim ^b	File application with BruIPO Formal examination only (BruIPO); no substantive examination conducted Priority claim ^b	Protection is automatic
Duration	10 years from the date of registration (or priority date if claimed), renewable for 10 years	5 years from filing date of application (or priority date if claimed), renewable for 10 years	10 years from the date of commercial exploitation if commercially exploited within 5 years of creation; 15 years in all other cases

a Does not apply to computer programs which are covered by copyright, and layout designs.

b Priority may be claimed for applications filed earlier in signatory countries of the Paris Convention or in WTO Members.

Source: WTO Secretariat on the basis of information provided by the authorities.

3.131. The Trade Marks Act (Chapter 98) protects trade, service, collective, and certification marks. If a mark is not used within five years of registration, third parties may request registration to be cancelled.¹³⁵ Brunei applies the international trade mark classes outlined in the Nice Agreement 7th Edition of the International Classification of Goods and Services; it has not yet adopted the latest classification. The authorities indicated that foreigners represented 95% of total

¹³⁴ WTO document IP/Q/BRN/1, IP/Q2/BRN/1, IP/Q3/BRN/1, and IP/Q4/BRN/1, 13 October 2003.

¹³⁵ Section 47(1) of the Trade Marks Act (Chapter 98).

registrations (3,257) over the 2008-13 period; they must have a local address for the purpose of registration.¹³⁶

3.132. The Act also provides for the registration of geographical indications as collective or certification marks.¹³⁷ However, the owner of such collective or certification mark cannot prohibit the honest (industrial and commercial) use of geographical indications.¹³⁸ Brunei is exploring the possibility of introducing a more comprehensive geographical indication system.

3.133. An industrial design is eligible for registration if it has been applied by industrial process to more than 50 articles (Table 3.15).¹³⁹ According to the authorities, 111 applications for industrial designs were registered over the 2008-13 period; foreigners accounted for 92% of total registration. The low level of registrations by locals is explained by a lack of information on industrial design protection.¹⁴⁰ Since 2013, applicants have been able to file international applications for industrial designs.

3.134. Brunei is finalizing its plant variety protection legislation and preparing for accession to the International Union for the Protection of New Varieties of Plants (UPOV). It was granted observer status in UPOV in 2012.¹⁴¹ The Patent Order 2011 provides for a system of plant protection.

3.3.5.4 Copyright and related rights

3.135. An overview of the main legal provisions governing the protection of copyright and related rights is in Table 3.16. The copyright legislation was amended in 2013 to enhance enforcement provisions (section 3.3.5.5). Copyright legislation is reviewed by the Attorney General's Chambers (AGC).

Table 3.16 Overview of copyright and related rights

Legislation	Emergency (Copyright) Order 1999 (S 14/00), as amended by S 92/13 ^a
WIPO (in force)	Berne Convention (30.08.2006)
Registration	Protection is automatic
Duration of copyright	<ul style="list-style-type: none"> Literary^b, dramatic, musical, and artistic works: author's life + 50 years Computer-generated work: 50 years from the date the work was made Sound recordings and films: 50 years from the date the work was made; or if it was released earlier, 50 years from the date of release Broadcasts and cable programmes: 50 years from the date they were broadcast or transmitted Typographical arrangement of published edition: 25 years from the year it was first published
Related rights	<ul style="list-style-type: none"> Performers' rights and persons with recording rights in relation to a performance: 50 years from the year the first performance took place

a Further amendments to the Copyright Order are expected with stricter fines for infringement.

b Includes computer programs and databases.

Source: WTO Secretariat with information provided by the authorities.

3.3.5.5 Enforcement

3.136. During the review period, Brunei made concerted efforts to curb copyright piracy, in particular with respect to the legal framework. The copyright legislation was amended in 2013 to

¹³⁶ BEDB online information. Viewed at: http://www.bedb.com.bn/documents/misc/tm_info.pdf.

¹³⁷ First and Second Schedule of the Trade Mark Act (Chapter 98), Revised Edition 2000.

¹³⁸ First and Second Schedules of the Trade Marks Act (Chapter 98), Revised Edition 2000.

¹³⁹ Industrial Designs Rules (S 23/00), Rule 5.

¹⁴⁰ BruIPO News, 3 October 2012. Viewed at:

http://www.bruipo.com.bn/index.php?option=com_k2&view=item&id=62:few-locals-look-for-protection-for-designs&Itemid=275.

¹⁴¹ BruIPO online information. Viewed at: http://www.brunei-patents.com.bn/index.php?option=com_k2&view=item&layout=item&id=60&Itemid=279; UPOV Final Report on 6th East Asia PVP Forum Meeting, 3 July 2013. Viewed at: http://eapvp.org/report/items/docs/6_Final%20Report%206th%20EAPVP%20Forum%20Meeting.pdf; and UPOV document CC/86/7, 25 September 2013.

enhance enforcement provisions.¹⁴² Fines and prison sentences were substantially increased from B\$5,000 to B\$20,000 and from 2 years to 5 years, respectively, the Royal Brunei Police Force (RBPF) is now allowed to enter premises, stop and search vehicles without warrants, and access computerized data.¹⁴³ These efforts led to Brunei's removal from the USTR Special 301 Watch List in 2013.¹⁴⁴

3.137. Successive anti-piracy campaigns led to police raids in the retail market and confiscation of pirated music, movies, and software entertainment. For the first time, a local manufacturer of pirated copyright was sentenced to prison.¹⁴⁵ Local and foreign artists may now exercise their rights through the new Brunei Authors and Composers Association (BeAT) established in 2011 to collect royalties. Since 2013, the Customs Law Enforcement Division is present at the border to enhance control and monitoring on the importation and exportation of prohibited, restricted and controlled goods, including IPRs.¹⁴⁶

3.138. In March 2014, BruIPO launched a campaign to raise IPR protection awareness among the public.¹⁴⁷ However, copyright piracy remains a problem with some shops selling pirated works, including counterfeit works originating in neighbouring countries. Illegal downloading from the internet is reportedly also growing fast in Brunei.¹⁴⁸

3.139. The agencies responsible for IPR enforcement are the RBPF and the Royal Customs and Excise Department. Brunei's IPR legislation provides for civil remedies and criminal sanctions against IPR infringement. Prosecution of offences is initiated by the Criminal Justice Division of the Attorney General's Chambers upon complaints filed by the right holders.¹⁴⁹ The Intermediate Court and the High Court are competent to hear civil proceedings and the Magistrate's Court, the Intermediate Court, and the High Court to hear criminal proceedings.¹⁵⁰

3.140. On suspicion of counterfeit and pirated imports, trademark and copyright owners may give written notice to Customs requesting imports to be seized at the border. The written notice must detail the infringing works or goods and the expected shipment into Brunei. Imports are seized for a maximum of ten working days; suspected counterfeit works or goods are treated as prohibited imports. During the detention period, the owner determines whether imports are counterfeit and decides on legal proceedings. Suspected counterfeit works or goods remain within Customs premises pending the court's decision. If legal proceedings do not commence within the ten-day period, imports are released. In addition, if Customs is aware of imports of suspected counterfeit works or goods, it may advise the right holder (if known) to file a notice.¹⁵¹

¹⁴² Emergency (Copyright) Order 1999 (S 14/99), as amended by S 92/13.

¹⁴³ *Brunei Times*, 19 December 2013. Viewed at: <http://www.bt.com.bn/2013/12/19/stiff-fine-copyright-violation>.

¹⁴⁴ Brunei was placed on the List on 2009. USTR (2013a).

¹⁴⁵ USTR (2012); *Brunei Times*, 3 June 2013. Viewed at: <http://www.bt.com.bn/2013/06/03/brunei-cracking-down-copyright-infringement>; and *Brunei Times*, 26 May 2012. Viewed at: <http://www.bt.com.bn/news-national/2012/05/26/no-access-dvds-many-eye-online-piracy>.

¹⁴⁶ At the border, any uncustomed goods (prohibited/restricted/controlled) will be seized and issued notice of seizure for action to be taken.

¹⁴⁷ BEDB Press Release, 15 March 2014. Viewed at: http://www.bedb.com.bn/news_readmore.php?id=317.

¹⁴⁸ U.S. Department of State online information. Viewed at: <http://www.state.gov/e/eb/rls/othr/ics/2013/204609.htm>; and IIPA (2012).

¹⁴⁹ ASEAN IP Portal online information. Viewed at: http://www.aseanip.org/ipportal/index.php?option=com_content&view=category&layout=blog&id=83&Itemid=448.

¹⁵⁰ WTO document IP/N/6/BRN/1, 27 November 2001.

¹⁵¹ Trade Marks Act (Chapter 98), Section 82; Emergency (Copyright) Order 1999 (S 14/99), Section 109; PM Office and Attorney General's Chamber (2011), *The Economic Contribution of Copyright-Based Industries in Brunei Darussalam*, August. Viewed at: http://www.wipo.int/export/sites/www/copyright/en/performance/pdf/econ_contribution_cr_bn.pdf.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, Forestry and Fisheries

4.1.1 Agriculture

4.1.1.1 Main features and recent developments

4.1. Agriculture's contribution to Brunei's economy remains marginal; along with fisheries and forestry, it accounts for about 1% of GDP. Area suitable for agriculture in Brunei is limited due to the large proportion of land covered by rainforest (section 4.1.3). Some 7,193 ha are used for agricultural purposes, 61.6% for crops and 38.4% for livestock. The sector employed 13,887 persons in 2013, with crops as the largest employer.¹ Brunei imports the bulk of its food requirements, except for some livestock products, as domestic production is not sufficient to meet local demand. The share of food imports in total merchandise imports went from 12.3% in 2008 to 13.3% in 2013 (Table A1.1).

4.2. Brunei's agricultural production increased from B\$225.4 million in 2008 to B\$291.7 million in 2013 (Table 4.1). Livestock contributed 53.8% to total agricultural output in 2013, compared with 58.4% in 2008. Crops production (including flowers, fruits, rice, and vegetables) accounted for 16.6% of total gross output value in 2013 (down from 18.3% in 2008).

4.3. The agri-food processing industry increased its participation in agricultural production from 23.3% in 2008 to 29.6% in 2013, supported by growing domestic demand for halal food and the authorities' efforts to market the "Brunei Halal brand" at regional and international level.² The involvement of local SMEs in the agri-food industry is significant, with 376 entrepreneurs engaged and 1,740 persons employed in 2013.³ Agri-food is one of the industries identified by Brunei that may rise value-added in the economy, have potential for exports, and create jobs (section 1.3).

Table 4.1 Agricultural production, 2008-13

(B\$ million)

	2008	2009	2010	2011	2012	2013
Crops	41.4	45.0	42.7	43.9	59.3	48.5
Flowers	2.1	1.5	1.5	1.6	1.8	2.5
Fruit	5.7	9.4	5.8	4.6	20.0	8.9
Rice	2.6	2.7	3.4	4.9	5.7	4.0
Vegetable	29.5	30.1	30.4	31.3	29.7	30.4
Other crops	1.5	1.4	1.7	1.4	2.0	2.7
Livestock	131.6	130.1	132.0	139.9	159.4	157.0
Beef	0.3	0.3	0.1	0.3	1.0	1.0
Broiler chicken	86.7	84.6	85.3	94.1	107.3	104.4
Eggs	21.2	22.4	23.3	23.0	24.7	25.9
Goat	0.0	0.0	0.0	0.1	0.1	0.2
Dairy milk	0.0	0.0	0.0	0.0	0.0	0.0
Day old chick	15.3	15.5	16.0	15.5	18.5	17.8
Fertilized eggs	8.0	7.4	7.3	7.0	7.8	7.0
Other livestock	0.0	0.0	0.0	0.0	0.0	0.6
Agri-food processing	52.5	53.2	53.8	57.2	62.8	86.2
Total	225.4	228.3	228.4	241.0	281.5	291.7

Source: Data provided by Agribusiness Services Unit, Department of Agriculture and Agrifood.

4.4. No FDI in agriculture was registered during 2008-13. Foreign investment in primary sectors is capped at 70% (section 2.3.3.1).

¹ Data provided by Agribusiness Services Unit, Department of Agriculture and Agrifood (DOAA).

² MIPR online information. Viewed at:

http://www.industry.gov.bn/index.php?option=com_content&view=article&id=81&Itemid=102; and Oxford Business Group online information. Viewed at:

http://www.oxfordbusinessgroup.com/economic_updates/adding-value-agriculture-brunei-darussalam.

³ In 2012, the Small Entrepreneurs Food Incubator (SEFI) centre was established to provide basic facilities for the entrepreneurs on bakery production. The ongoing monitoring program on issues like processing, food safety and quality has been given emphasis through the setting up of food development centre in line with ISO 17025.

4.1.1.2 Agricultural policy

4.5. The Department of Agriculture and Agrifood (DOAA), under the Ministry of Industry and Primary Resources (MIPR), is responsible for agricultural development and food production. Brunei's key agricultural policy objective are ensuring food security and achieving self-sufficiency by increasing local production of crops (notably rice), livestock and agri-food. DOAA aims to promote a market-driven sustainable and competitive agribusiness focusing, *inter alia*, on halal and food products with more value-added, high quality and safety.

4.6. Brunei has reached nearly full self-sufficiency in some livestock products, notably broiler chicken and egg production (Table 4.2). This has been possible largely because of the involvement of the private sector. Some six large-scale companies account for 65% and 90%, respectively, of total production of broiler chicken and eggs. Despite a recent increase in local production of beef and goat meat (Table 4.1), Brunei is still a major importer of these products.

Table 4.2 Agricultural self-sufficiency, 2008-13

(%)

	2008	2009	2010	2011	2012	2013
Livestock						
Broiler chicken	99.1	98.8	98.9	99.2	96.8	97.1
Beef (buffalo and cattle)	0.8	0.9	0.3	0.7	2.4	1.7
Egg	99.6	99.1	99.9	99.3	97.6	96.7
Goat	21.0	3.5	8.1	42.4	50.6	37.0
Crops						
Fruit	19.5	23.4	17.8	15.4	39.2	21.0
Rice	2.8	2.8	3.3	4.4	5.1	3.6
Vegetable	65.6	62.3	62.6	62.8	62.2	59.3

Source: Data provided by Agribusiness Services Unit, Department of Agriculture and Agrifood.

4.7. Brunei's self-sufficiency in vegetables decreased from 65.6% in 2008 to 59.3% in 2013 (Table 4.2). However, the local leafy vegetable production has allowed 90% self-sufficiency in recent years. The outbreak of pests and diseases in 2013 reduced the domestic production of fruits and rice which significantly affected self-sufficiency as compared to 2012.

4.8. In 2009, the "National Rice Production Towards Self-Sufficiency in Brunei Darussalam Programme" was launched. Local rice production almost doubled during the review period (Table 4.1). Brunei faces various constraints in rice production areas, such as unavailability of suitable land, inadequate irrigation and drainage infrastructures, insufficient supply of water due to lower water capacity in the main dam, limited usage of high yielding varieties, and lack of expertise in certain fields.

4.9. Steps are being taken by DOAA to increase rice yield, expand areas under rice cultivation, while an irrigation project that involves about 1,000 ha of rice production area in the Brunei Muara district is to be completed in 2015.⁴ In addition, DOAA recently launched a new high technology rice mill that will increase production, provide flatbed dryers to farmers, and built proper rice storages and packaging.⁵ Moreover, the National Rice Processing Centre Master Plan is being developed in order to achieve the 60% self-sufficiency target set by 2035.

4.10. The involvement of private companies is expected to further boost rice production in Brunei through a more efficient use of resources, and better farm management. Private companies are being encouraged to support smallholders as service providers in terms of farm mechanization and transportation (e.g. in land preparation, transplanting or harvesting).

⁴ R&D activities have also been enhanced to speed up the process of developing new rice varieties to increase crop productivity with minimal risks of pests and diseases outbreaks. The Rice Farmers Field School was established to strengthen capacity building and foster rice farm management in all four districts.

⁵ This mill can process 3.5 tonnes per hour and allows supply of high quality rice to the local market.

4.11. At the regional level, ASEAN has also taken initiatives to improve food security. The ASEAN Plus Three⁶ Emergency Rice Reserve Agreement was signed in 2011 to ensure sufficient stocks of rice in anticipation of unforeseen circumstances. Brunei contributes 3,000 tonnes to the stock.⁷

4.12. Agri-food has been identified as one of Brunei's strategic industries to promote value-added, exports, and jobs in the economy (section 2.2).

4.13. MFN and preferential tariffs on agriculture (WTO definition) are zero (Tables 3.2 and 3.3). Specific import duties apply to 8 coffee lines and 8 tea lines.⁸ The bound average tariff for agriculture is 23.1% which allows scope for an increase of the applied rates of agricultural products within their bindings (section 3.1.4.2).

4.14. Some agricultural products, e.g. eggs, salt, and sugar, are subject to import and/or export restrictions (sections 3.1.5 and 3.2.3). In addition, imports of beef and poultry are subject to Halal requirements and may be imported only from approved abattoirs (section 3.1.8).

4.15. For some agricultural products (e.g. cooking oil, plain flour, milk, rice, and sugar) maximum retail prices are set by the Price Controller (section 3.3.2.3).

4.16. At the time of Brunei's previous Review, the authorities indicated that technical capacity was being developed to calculate the aggregate measures of support (AMS).⁹ However, Brunei has yet to make AMS notifications to the WTO.

4.17. Rice and sugar are imported mainly by the Supply and State Stores Department (SSSD), under the Ministry of Finance, and sold to SSSD registered suppliers. However, SSSD does not have exclusive rights as registered suppliers may import rice and sugar other than those imported by SSSD, subject to an import permit from SSSD and an approval permit from Customs (section 3.1.5).¹⁰ Most rice is however imported by SSSD which has signed contracts with suppliers from Thailand, Viet Nam and other neighbouring countries to diversify domestic supply hence ensuring stocks to satisfy local consumption.

4.18. Brunei maintains a system of subsidy for rice and sugar to protect consumers from increases in commodity prices. The DOAA, through the Agriculture and Agrifood Incentive Scheme (SIPA), provides farmers and agri-food producers with inputs (e.g. padi seeds, fertilizers, chemical poisons) and other materials such as food packaging and machineries at a 50% subsidized price.¹¹ To apply to SIPA, applicants must fill in the incentive register form with DOAA. In addition, one of SIPA component is the Paddy Guarantee Price Purchasing Scheme. Local rice producers registered with DOAA may be eligible for the Purchasing Scheme; to qualify, they are required to grow only local rice varieties recommended by DOAA.¹² Under the scheme, DOAA buys rice to local producers at a price of B\$16 per 10 kg. Retail price for consumers is set at B\$12 per 10 kg.¹³ Rice and sugar imported by SSSD are also subsidized (Table 4.3).

⁶ ASEAN member States, China, Japan, and the Republic of Korea.

⁷ APTERR online information. Viewed at: <http://www.apterr.org/>.

⁸ The authorities provided the *ad valorem* equivalents for 15 out of these 16 lines.

⁹ WTO document WT/TPR/M/196/Add.1, 10 April 2008.

¹⁰ SSSD online information. Viewed at: <http://www.mof.gov.bn/index.php/services-sss/rice-and-sugar>; and WTO document WT/TPR/M/196/Add.1, 10 April 2008.

¹¹ Prices of inputs, e.g. fertilizers, pesticides, and herbicides may be viewed at: <http://www.agriculture.gov.bn/>.

¹² WTO document WT/TPR/M/196/Add.1, 10 April 2008.

¹³ Oxford Business Group (2009).

Table 4.3 Prices of rice and sugar imported by SSSD

(B\$/10 kg)

	Wholesale price	Wholesale price to registered SSSD suppliers	Retail price
Thai Hom Mali rice	57.50	11.50	12.50
Vietnamese fragrant rice	57.50	11.50	12.50
Thai white rice	38.50	7.70	8.50
Thai glutinous rice	35.50	7.10	7.60
Refined white sugar	57.20	11.44	12.50

Source: MOF online information. Viewed at: <http://www.mof.gov.bn/index.php/services-sss/rice-and-sugar>.

4.1.2 Fisheries

4.19. The Department of Fisheries (DoF), under the MIPR, is responsible for managing and administering fishery resources and fishing activities in Brunei's exclusive economic zone. Fisheries are governed by the Fisheries Order 2009 (S 25/09)¹⁴, which came into force in 2009 and repealed the Fisheries Act (Chapter 61).¹⁵ Subsidiary legislation enacted under the Fisheries Act has remained in force, including the Fisheries Regulations.¹⁶

4.20. Under the Fisheries Order 2009, licences are issued to local fishing boats and commercial fishing vessels authorized to fish in Brunei's waters under a joint-venture arrangement. There are three types of fishing licences: individual small-scale licences issued by DoF and small-scale fishing licences and commercial fishing licences approved by MIPR and issued by DoF.¹⁷ Licences for foreign fishing boats must be applied for by a local agent; a security deposit may be required to cover potential fines or claims resulting from the activities carried out by the foreign fishing boat.¹⁸ In 2013, there were 2,520 fishing boats, including 45 commercial boats.¹⁹ To date, no foreign fishing vessels have been registered. The registration of fishing boats and commercial fishing vessels is made by the Marine Department (see below).²⁰

4.21. Misuse of fishing licences and small-scale fishermen without licences are reported to be among the most common problems in Brunei's waters. To address these issues, DoF has strengthened the surveillance programme and enhanced awareness of the importance of fishing licences among fishermen.²¹ Moreover, Brunei's "Action Plan To Prevent, Deter and Eliminate Illegal, Unreported and Unregulated (IUU) Fishing" was launched in 2011. Its main objectives are in line with those of the Regional Action Plan to Combat IUU Fishing: (i) to enhance and strengthen the overall level of fisheries management in Brunei's waters; (ii) to sustain fisheries resources and the marine environment; and (iii) to optimise the benefit of adopting responsible fishing practices. IUU fishing is estimated to cost Brunei over B\$19 million annually.

4.22. During the review period, registration for fishing boats was introduced. The Merchant Shipping (Registration of Fishing Vessels and Pleasure Craft) Regulations 2011 (S 52/11) came into force in April 2012 and repealed the Merchant Shipping (Harbour and Pleasure Craft) Regulations 1986. The registration process was introduced to manage fishing boats as part of Brunei's efforts towards safety of vessels and security in Brunei's waters, including combating IUU fishing. The 2011 Regulations made fishing boat registration with the Marine Department mandatory prior to applying for a fishing licence. In addition, fishing gears must be licensed by DoF before registration of fishing boats is processed.²² Full implementation of the registration process may take time as capacity of the fishing community increases.

¹⁴ As amended by S 81/10; no substantial changes were introduced.

¹⁵ Under the Fisheries Order 2009, DoF has, *inter alia*, more enforcement powers through a wider range of officers (including now from the Navy and Air Force), as well as the possibility to enter and inspect premises and vehicles without a warrant.

¹⁶ The Fisheries Regulations are contained in Chapter 61. For a complete list of subsidiary legislation, see AGC online information. Viewed at: <http://www.agc.gov.bn/>.

¹⁷ For documentation requirements, see Southeast Asian Fisheries Development Center (2011).

¹⁸ Part VII of the Order.

¹⁹ Data provided by the Department of Fisheries (DoF).

²⁰ Southeast Asian Fisheries Development Center (2012).

²¹ Southeast Asian Fisheries Development Center (2011).

²² See Section 13 of the Fisheries Order 2009 (S 25/09).

4.23. Brunei has no shipyard capable of building fishing boats exceeding 24 meters. These are imported subject to an import permit valid for a three-month period. The fishing boat must be brought into Brunei before registration may start.²³

4.24. Fisheries' limits are divided into four zones indicated by a demarcation line based on depth and distance parallel from the shoreline: from 0 to 3 nautical miles (nm) seaward for Zone 1; 3.1-20 nm for Zone 2; 20.1-45 nm for Zone 3; and 45.1 nm to 200 nm for Zone 4. A moratorium on small-scale fishing in Zones 1 was implemented in January 2008 to ease the fishing pressure due to overfishing, and to protect the nursery and breeding grounds of fishes as well as the coral reef areas. Commercial fishing, such as trawling, purse seining and long lining are banned within Zone 1.

4.25. In 2014, Marine Protected Areas (MPAs) were established near Brunei's coastlines limiting or possibly banning fishing activities in such areas to ensure biodiversity conservation and protection of Brunei's marine life, including coral reefs and associated ecosystems, and the replenishment of depleted fish stocks. Brunei also aims to support sustainable shallow shelf demersal fisheries through protection of spawning of commercial species and export of larvae of those species. Brunei's reefs already show early warning signs of reef degradation, such as depressed populations of large predatory fish such as sharks.

4.26. On 8 June 2013, Brunei imposed a ban on the catch and landing of all shark species from its waters, and their sales in the domestic market. Brunei's ban on the importation and trade of shark products has been in place since August 2012 on food security and environmental considerations.

4.27. Fish processing establishments and fish culture farms must also be licensed.²⁴ Only licensed fishing boats may berth in Brunei's fish landing complexes (Muara Fish Landing Complex and Kuala Belait Fisheries Centre). In addition, vehicles entering the complexes must be authorized.²⁵

4.28. Capture fisheries led by commercial fisheries accounts for nearly 80% of Brunei's total fishery production over the review period (Table 4.4). Brunei seeks to develop capture fisheries, in particular in Zones 3 and 4 where exploitation levels are untapped. Basic infrastructures for landing the fish, cold storage, fish-sorting and downstream processing areas are some of the facilities provided to promote good fish handling and food safety.

Table 4.4 Fisheries production, 2008-13

(Tonnes)

	2008	2009	2010	2011	2012	2013
Capture fisheries	15,576.3	16,797.2	15,329.2	13,506.7	13,625.8	14,320.0
Commercial fisheries (%)	78.4	93.1	91.3	73.1	71.1	78.8
Aquaculture	566.4	460.6	423.8	301.8	556.3	606.0
Cultured shrimps (%)	77.4	76.9	69.2	52.0	70.4	75.3
Fish processing industry	822.6	599.1	564.1	1,249.9	2,031.1	3,326.0
Total	16,965.3	17,856.9	16,317.1	15,058.4	16,213.2	18,252.0

Source: Department of Economic Planning and Development (various issues), *Brunei Darussalam Key Indicators*, Bandar Seri Bagawan; and data provided by the Brunei authorities.

4.29. Brunei's aquaculture production is relatively small and dominated by cultured shrimps (Table 4.4).²⁶ Nonetheless, Brunei aims to make aquaculture the main component of its fisheries industry by 2023 with an estimated value of B\$200 million. To attract more local and foreign investment in aquaculture, Brunei is providing sites with basic infrastructure (e.g. access roads, electricity, sea water supply and potable water, telephone lines) to reduce investors' costs.

²³ Southeast Asian Fisheries Development Center, "Necessary Information (Minimum Requirements) for Boat Registration, 15 April 2014". Viewed at: <http://www.seafdec.or.th/iuu/index.php/publications-reports?view=docman>; and Southeast Asian Fisheries Development Center (2012).

²⁴ Fisheries (Fish Processing Establishments) Regulations 2002 (S 28/02) as amended by S 35/04; and Fisheries (Fish Culture Farms) Regulations 2002 (S 30/02).

²⁵ Fisheries (Fish Landing Complexes) Regulations 2002 (S 31/02).

²⁶ Major export markets for Brunei's frozen cultured shrimps are China, Japan, Republic of Korea and the United States.

4.30. Brunei is taking steps to produce high quality shrimps for exports through high technology and integrated farming. Recently, Brunei started exporting Specific Pathogen Free (SPF) shrimp to China and Malaysia. In addition, it has converted into an aquaculture R&D centre and has been successful in commercializing a disease-free black tiger prawn.²⁷ Fish processing production mainly is sold on the domestic market.²⁸ DoF has also established the Aquatic Animal Health Service Centre, a state of the art laboratory for disease surveillance, and will introduce Brunei Good Aquaculture Practice (Brunei GAP) by 2015 to maximize aquaculture production and ensure that cultured products comply with international standards.²⁹

4.31. Production from the fish processing industry went from 823 tonnes in 2008 to 3,326 tonnes in 2013 (Table 4.4), due to a significant increase in frozen shrimp and fish, as well as new products such as Surimi which is now exported by large-scale firms.

4.32. Fisheries activities are eligible to receive loans and other support, including tax exemptions (section 3.2.4.2), the Export Refinancing Scheme (section 3.2.5), and the SME Development Fund administered by MIPR (section 3.3.1.3).

4.33. Brunei's MFN tariff on fish and fishery products is zero (Table 3.3).

4.1.3 Forestry

4.34. Rainforest covers almost 75% of Brunei's land area of 527,000 ha.³⁰ However, annual logging production is limited (Table 4.5) as large forest areas are protected from commercial development under Brunei's domestic policy and involvement in the tripartite Heart of Borneo initiative. In addition, Brunei maintains a reduced cut policy which limits annual timber logging production to 100,000 m³ from Reserved Forests (see below).³¹ There are 24 sawmills licensed by the Department of Forestry which operate under the quota of logs.

Table 4.5 Logging production, 2008-12

	2008	2009	2010	2011	2012
Round timber ('000 m ³)	99.2	141.9	117.9	105.7	98.8
Sawn timber ('000 m ³)	39.7	48.7	45.2	41.6	41.5
Bakau poles ('000)	99.7	134.1	170.9	173.0	135.5
Charcoal ('000 kg)	29.7	17.7	22.7	35.5	30.9

Source: Department of Economic Planning and Development (various issues), *Brunei Darussalam Key Indicators*, Bandar Seri Bagawan.

4.35. The Department of Forestry, under the MIPR, is the main authority in charge of managing, conserving and protecting Brunei's forests and forest resources. It aims to support Brunei's diversification strategy through the development of the forestry sector by providing investment opportunities to the private sector on the basis of sustainable forest management. The implementation of Brunei's Selective Felling System aims to ensure the sustainable growth and production of the local timber industry on the basis of biological diversity conservation, and soil and water conservation.³²

4.36. In line with the National Forestry Policy 1989³³, the Department of Forestry classifies the National Forest Estate (Reserved Forests) into: Protection Forests, Production Forests, Recreational Forest, Conservation Forests, and National Park. To date, the National Forest Estate cover 41% of Brunei's total land area; 138,000 ha are reserved for production of timber to supply domestic

²⁷ Ministry of Foreign Affairs and Trade (2012); and MIPR online information. Viewed at: http://www.bruneimipr.gov.bn/index.php?option=com_content&view=article&id=139&Itemid=74.

²⁸ Ministry of Foreign Affairs and Trade (2012).

²⁹ Brunei GAP will be based on the ASEAN Shrimp GAP.

³⁰ The forests are in excellent condition and offer a wide array of socio-economic and environmental benefits. FAO (2010).

³¹ Occasionally, timber extraction is conducted in the state land to allow for priority development projects such as highway construction. Round timber extracted from these areas also contributes to the annual round timber production, thus, the data might exceed 100,000 m³.

³² Brunei's Selective Felling System only removes matured timber within the capacity of the forest ecosystem growth and leaves healthy forest residual trees for future harvest.

³³ Viewed at: http://www.forestry.gov.bn/dept_policy.htm.

demand. Brunei is committed to dedicate 55% of its total land area to reserved forest.³⁴ In addition, the authorities have implemented a plantation programme to maintain sustainable stocks for timber supply.³⁵

4.37. To increase the contribution of forestry to economic diversification, the Department of Forestry focuses on encouraging (i) imports of raw material for the development of downstream processing industries and (ii) exports of value-added timber products.³⁶ The first value-added timber products were exported in 2010.³⁷ In addition, economic contribution of forest resources may be enhanced through nature tourism which has developed strongly and is one of Brunei's top tourism products.

4.38. During the review period, there were no changes to the Forest Act (Chapter 46)³⁸ and the Forest Rules (Chapter 46 Rules 1)³⁹ which regulate forest industry. Logging in Reserved Forests requires a license from the Department of Forestry. Royalties are levied on forest products.

4.39. Brunei's average MFN tariff on wood and articles of wood is 3.5% (ranging up to 10%), while that of pulp of wood, paper and paperboard is zero (Table 3.3).

4.40. To ensure domestic supply and for environmental reasons, Brunei continues to restrict imports and exports of timber and products thereof (sections 3.1.5.2 and 3.2.3).

4.2 Energy sector

4.2.1 Oil and gas

4.2.1.1 Recent developments

4.41. The hydrocarbons industry continues to dominate Brunei's economy in terms of contribution to GDP, government revenues and merchandise exports (section 1.3). However, production in the oil and gas sector shrunk at an annual average rate of -1.8% during 2008-13. Production of crude oil peaked at about 210,000 barrels a day (b/d) in 2006 and declined to 135,200 b/d in 2013 (Table 4.6).⁴⁰ According to the authorities, this reduction is temporary and the result of maintenance work at the oil refinery and offshore platforms.

Table 4.6 Oil and natural gas production, export and domestic consumption, 2008-13

	2008	2009	2010	2011	2012	2013
Production						
Petroleum ('000 barrels/day)	174.1	166.7	169.9	165.9	159.0	135.2
Natural gas (MMscf/day)	1202.1	1140.1	1208.1	1255.8	1230.6	1200.9
Export						
Petroleum ('000 b/day)	152.9	148.2	155.3	154.8	150.5	126.4
LNG (MMBtu/day)	999,622	920,240	945,801	985,204	957,647	961,393
Price						
Oil (US\$/barrel)	101.0	64.4	79.3	116.1	117.6	115.1
LNG (US\$/MMBtu)	12.9	10.5	11.6	16.5	17.9	16.9
Domestic consumption						
('000 barrels)						
Mogas	1880.1	1879.8	1943.4	2030.7	2138.9	2176.7
Kerosene	26.5	22.6	27.8	20.0	52.5	53.6
Jet A-1	696.7	666.7	820.0	838.6	619.7	642.0
Diesel	1603.4	1681.2	1850.7	2070.0	2157.8	2014.4
LPG	177.8	180.1	180.6	187.4	194.9	196.7

³⁴ Forestry Department online information. Viewed at: http://www.forestry.gov.bn/frst_forest.htm.

³⁵ Department of Economic Planning and Development (2010).

³⁶ Forestry Department online information. Viewed at: http://www.forestry.gov.bn/proj_development.htm; and Department of Economic Planning and Development (2010).

³⁷ Oxford Business Group online information. Viewed at: http://www.oxfordbusinessgroup.com/economic_updates/brunei-branching-out.

³⁸ Revised Edition 2002 as amended by S 47/07.

³⁹ Revised Edition 2002 as amended by S 48/07.

⁴⁰ Oil production was also well below the government's target of 200,000-206,000 b/d set out for 2007-12. Department of Economic Planning and Development (2007).

	2008	2009	2010	2011	2012	2013
Bitumen	64.6	56.8	91.5	104.8	82.3	80.5
Lubricants	19.0	14.5	19.7	19.3	18.6	20.8
Gas (MMscf/day)	154.2	162.8	169.7	161.8	161.8	160.2

Note: MMscf = Million standard cubic feet; MMBtu = Million British thermal units.

Source: Data provided by the authorities.

4.42. Brunei has long-term plans to boost investment and production in the energy sector. The Energy White Paper released in 2014 lays out several key goals, including a target of attracting B\$70-80 billion in FDI by 2035.⁴¹ Moreover, the cumulative investment is expected to boost employment in the sector, to an estimated 30,000 people by 2017 and 50,000 in 2035, up from 20,000 in 2010.⁴²

4.43. Brunei's wealth is based on its hydrocarbon reserves. According to some private estimates it has around 1.1 billion barrels and a reserves-to-production ratio of about 18.2 years.⁴³ Exploration and development programmes are being carried out by oil companies to improve extraction from mature fields and open new fields both onshore and offshore (section 4.2.1.2). While the initial results of these programmes have been mixed, the Energy White Paper estimates that 3.5 billion barrels of new reserves will be added by 2035. As a result, the government aims to boost production levels from the current 372,000 barrels of oil equivalent per day (boepd), roughly 40% oil and 60% gas, to 430,000 boepd by 2017 and 650,000 boepd by 2035.⁴⁴

4.44. During the review period, oil prices fluctuated from as low as US\$64.4 per barrel in 2009 to US\$117.6 per barrel in 2012 in consonance with world demand.⁴⁵ In 2013, Brunei exported 92% of its total crude oil production (about 135,000 b/d); most of which went to Rep. of Korea (18%), Japan (16%), Australia (15%) and other countries in the region (Table 4.7). The remaining crude oil output (8%) is refined for domestic use. Despite Brunei's status as a net exporter of oil, it imports about 40% of the refined petroleum products it consumes (e.g. gasoline, gasoil, Jet A1 fuel, and kerosene), as it has limited domestic refining capacity.

Table 4.7 Oil and gas exports by destination, 2008-13

(US\$ million and % share)

	2008	2009	2010	2011	2012	2013
Crude petroleum						
Total (US\$ million)	5,652	3,484	4,494	6,563	6,477	5,307
Australia	18.4	17.6	21.5	19.6	15.8	15.2
China	0.7	8.5	13.2	8.9	5.2	2.7
Indonesia	36.3	23.0	13.0	12.8	6.9	11.3
India	6.1	16.4	10.8	15.3	17.0	16.2
Japan	6.1	2.7	7.4	6.1	8.2	6.6
Korea (Rep. of)	19.2	15.9	21.8	21.5	18.7	17.7
New Zealand	6.5	8.9	9.4	7.3	10.7	9.4
Thailand	1.4	3.1	1.1	1.1	6.8	7.6
Viet Nam	0.0	0.0	0.0	2.7	8.3	11.2
Others	5.5	3.0	1.8	4.7	2.4	2.1
Natural gas						
Total (US\$ million)	4,733	3,514	3,991	5,937	6,272	5,936
Japan	89.6	93.7	89.0	90.3	86.9	65.6
Korea (Rep. of)	10.4	6.3	11.0	9.7	13.1	15.2
Malaysia	0.0	0.0	0.0	0.0	0.0	6.5
Singapore	0.0	0.0	0.0	0.0	0.0	12.7 ^a

a FOB, not final destination.

Source: Data provided by the authorities.

⁴¹ This increased investment will be a central part of efforts to boost the amount of goods and services provided to the energy sector by local companies, from B\$400 million in 2010 to B\$7 billion by 2035. Oxford Business Group, Economic Update, 24 April 2014.

⁴² Support services, another source of employment for Bruneians, will get a boost too, with the Energy White Paper setting a target of reaching 50% local content for goods and services to the energy sector by 2017 and 80% by 2035. Oxford Business Group, Economic Update, 24 April 2014.

⁴³ Oxford Business Group (2013).

⁴⁴ Oxford Business Group, Economic Update, 24 April 2014.

⁴⁵ Largely because of its light (low-sulphur) crude oil, the average oil price for Brunei's crude was almost US\$5 per barrel above the average Brent crude spot prices in 2011. Oxford Business Group (2013).

4.45. Brunei produced an average of 1,200 MMscf of natural gas per day in 2008-13 (Table 4.6), and it is one of the world's largest producers of liquefied natural gas (LNG). The price for LNG increased from US\$12.9 per MMBtu in 2008 to US\$16.9 MMBtu in 2013.⁴⁶ In 2013, the bulk of Brunei's exports of natural gas went to Japan (66% of the total)⁴⁷, Rep. of Korea (15%), and Malaysia (6.5%). Natural gas is also used domestically for petroleum operators' own-use, power generation, liquefied petroleum gas (LPG) used domestically, and as a reserve for industrial purposes. Approximately 86% of Brunei's natural gas is exported as LNG.

4.2.1.2 Policy developments

4.46. Under the Petroleum Mining Act (Chapter 44), investors, including foreign investors, may apply for petroleum mining agreements in respect of state land, whether onshore or offshore; the applications are considered by the Sultan in Council.

4.47. Under the Income Tax (Petroleum) Act (Chapter 119), Brunei levies a corporate tax on petroleum and gas operations at a rate of 55%. Royalties and petroleum income tax are payable on concessions, and production sharing agreements (PSAs).

4.48. The State controls key enterprises in the oil and gas industry (section 3.3.3), notably Petroleum BRUNEI the national oil company⁴⁸, and Brunei Shell Petroleum (BSP) a joint-venture owned in equal shares by the Government and the Royal Dutch Shell Group.⁴⁹ Petroleum BRUNEI is responsible for managing assets in designated areas, and has the right to take a participating interest in certain blocks.

4.49. The Energy Department, under the Prime Minister's Office⁵⁰, is responsible for developing and implementing the Government's energy policies, including the oil and gas sector. The Energy Department also manages the BSP assets and Block A, while Petroleum BRUNEI manages other upstream assets assigned to it. Other responsibilities of the Energy Department include: exploiting Brunei's oil and gas reserves; promoting the development of downstream industries; fixing crude oil prices; and ensuring compliance with internationally acceptable technical, accounting, health and safety standards.

4.50. Despite efforts to introduce competition in the sector, the largest oil and gas operator and producer remains BSP by virtue of its control of Brunei's major oil and natural gas fields. BSP has two petroleum agreements with the Government until the end of 2022.⁵¹ BSP is taking new measures to improve extraction particularly from mature fields.⁵² These measures include a more holistic approach to water flooding to alter reservoir dynamics⁵³, deploying new technology to access difficult oil fields⁵⁴, and an enhanced oil recovery pilot project.⁵⁵

⁴⁶ The LNG market was dramatically affected by the nuclear shutdown in Japan after the tsunami in March 2011, which combined with additional demand from fast-growing economies in Asia, led to a substantial jump in LNG imports and spot prices.

⁴⁷ For the production and distribution of LNG, the Japanese company Mitsubishi is in a joint-venture partner with Shell and the Brunei Government in the following private limited companies: Brunei Liquefied Natural Gas (BLNG), Brunei Gas Carrier (BCG), and Brunei Shell Tankers (BST).

⁴⁸ Petroleum BRUNEI, 100% owned by the State, is also known as Brunei National Petroleum Company Sendirian Berhad (Sdn Bhd, meaning private limited).

⁴⁹ Shell has had a presence in Brunei for more than a century and was one of the six companies that first explored for oil in the Sultanate in 1899. BSP had a monopoly on all upstream and downstream activities until 1999, when the Government awarded some exploration blocks to other companies.

⁵⁰ The Energy Department reports to the Minister of Energy at the Prime Minister's Office.

⁵¹ The Onshore Petroleum Mining Agreement and the consolidated First and Second Offshore Petroleum Agreement.

⁵² BSP operates in seven oil fields and 4,750 reservoirs, which illustrates the compartmentalized nature of oil and gas in Brunei. The most important field is the offshore Champion which has some 40% of Brunei's oil reserves and produces 90,000 b/d. Oxford Business Group (2013).

⁵³ For example, BSP is drilling new wells and constructing offshore structures which could extend the life of the Champion field by 30 years. Oxford Business Group (2013).

⁵⁴ In Seria, the oldest oil field in Brunei, BSP is using the longest fish hook well ever drilled, measuring 4km in length. Oxford Business Group (2013).

⁵⁵ This project could increase production by 25% from the Seria oil field. Oxford Business Group (2013).

4.51. While BSP operates a concession, the exploration and development of a number of new onshore and offshore blocks have been offered on production sharing basis.⁵⁶ This includes the various blocks assigned to PetroleumBRUNEI such as Blocks CA1, CA2, L, N and Q (Table 4.8).

Table 4.8 Main petroleum activities, 2014

Companies and ownership	Activities	Agreement
A. Upstream activities		
BSP (Brunei Government 50% and Royal Dutch Shell 50%)	Onshore (422 km ²), offshore (5,062 km ²)	Concession
Shell Deepwater Borneo (53.9%) and PetroleumBRUNEI (46.1%)	Block A (804 km ²)	Concession
TOTAL E&P Borneo B.V. (37.5%), Shell Deepwater Brunei (35%) and PetroleumBRUNEI (27.5%)	Block B (392 km ²)	Concession
TOTAL E&P Deep Offshore Borneo B.V. (54%), BHP Billiton (22.5%), HESS (13.5%), Petronas Carigali Overseas (5%), Canam Brunei Oil (5%)	Block CA1 (5,850 km ²)	Production sharing
Petronas Carigali Brunei (45%), Canam Brunei Oil (30%), Shell Deepwater Borneo (12.5%), Diamond Energy Exploration and Production (6.25%), ConocoPhillips (6.25%)	Block CA2 (6,024 km ²)	Production sharing
Kulczyk Oil Brunei Limited (40%), AED South East Asia Limited (50%), QAF Brunei (10%)	Block L (1,123 km ²)	Production sharing
Petronas Carigali Brunei (50%), Shell Deepwater Borneo (50%)	Block N (883 km ²)	Production sharing
Shell Deepwater Borneo (50%), Petronas Carigali Brunei (50%)	Block Q (1,116 km ²)	Production sharing
B. Midstream, downstream and marketing activities		
Brunei LNG (Brunei Government (50%), Shell Overseas Trading (25%), Mitsubishi (25%))	Commercial LNG plant for export	Joint-venture
Brunei Methanol Company (Mitsubishi Gas Chemicals (50%), Itochu Corporation (25%), PetroleumBRUNEI (25%))	Produces methanol for export	Joint-venture
Brunei Shell Tankers (Brunei Government (50%), Shell Overseas Trading (25%), Mitsubishi (25%))	Owns tankers chartered to Brunei LNG to transport LNG	Joint-venture
Brunei Gas Carriers (Brunei Government (80%), Shell (10%), Mitsubishi (10%))	Owns tankers chartered to Brunei LNG to transport LNG	Joint-venture
Brunei Shell Marketing (Brunei Government (50%), Shell Overseas Holding (50%))	Supply and marketing of petroleum products	Joint-venture

Source: Information provided by the authorities.

4.52. BSP also operates the only refinery in Brunei with a capacity of 12,000 b/d for its crude distillation unit and 7,000 b/d for its reformer unit, which meets about 60% of the domestic demand for refined petroleum products. China's Zhejiang Hengyi Group is set to invest US\$4 billion in a new refinery and petrochemicals complex, with a capacity of 175,000 b/d. This would represent the biggest FDI project in Brunei so far. The tentative date for the start of refinery operations is 2018.⁵⁷ The Government aims to make Brunei self-sufficient in refined products, with remaining capacity available for export.

4.53. Brunei is keen to encourage investment in downstream activities related to the petroleum and natural gas sector and has set aside 1 trillion cubic feet (tcf) of gas for industrial use. Currently, 0.5 tcf is utilized by Brunei Methanol Company (BMC) that started operations in 2010 and now produces 850,000 tonnes per year. The remaining 0.5 tcf will be allocated for future petrochemical projects.

4.54. In order to meet its ambitious oil production target, in recent years Brunei has been signing agreements with emerging oil-producer nations to play an active role in regional oil industries and ensure reserves abroad. For example, Petroleum BRUNEI is looking at investing in Myanmar's oil

⁵⁶ This reflects the additional risks associated with the new blocks, allowing the Government to partake in a profit sharing partnership while also helping to minimize risk.

⁵⁷ Under the first phase of its project, Hengyi is constructing a 1.5 million tonne per year light naphta facility, a 1.5 million tonne per year paraxylene unit, and half a million tonne per year benzene plant. Under the second phase, Hengyi will invest some US\$3.5 billion to expand the refinery to produce olefins. Oxford Business Group (2013).

and gas sector, and in November 2012 signed an MOU with PetroVietnam.⁵⁸ Brunei is also to provide Timor-Leste with expertise and support.⁵⁹

4.55. Petroleum products for local consumption are marketed solely by Brunei Shell Marketing Company (BSM) although some of its stations are operated by independent operators or franchises. Retail/end-user prices of gasoline, diesel, kerosene, and bottled LPG have been regulated since 1978, under a Price Stabilization Agreement between the Government and BSM, under which the Government subsidizes prices if the price of crude oil rises above a certain level. The cost of petrol delivered to the stations is fixed, as are margins and final prices. Fuel prices range from B\$0.36 per litre for regular (Ron 85) to B\$0.53 per litre for premium (Ron 97), while diesel is sold at B\$0.31 per litre. Since 2011, subsidization costs amount to over B\$350 million per year.⁶⁰

4.56. Currently, about 24,000 people work in the energy sector. Together, the private limited companies BSP, BLNG, BSM and BST constitute the largest employer in Brunei after the Government with some 5,000 jobs. By 2035, the Government aims to create 50,000 jobs in the oil and gas sector, 80% of which will be held by Bruneians.⁶¹

4.57. Brunei's average MFN tariff on petroleum is 0.5%, ranging up to 2.2% (Table 3.3).

4.2.2 Electricity

4.58. The electric industry in Brunei is governed by the Electricity Act 1973 and Electricity Act (Amendment) Order, 2002. The Department of Electrical Services (DES), under the Prime Minister's Office, is responsible for the generation, transmission, and distribution of electricity. Other than DES, electricity is also generated by an independent power producer (IPP), the Berakas Power Company (BPC).

4.59. In total, Brunei has an installed power capacity of 806 MW. In 2013, total production reached 3,900 GWh, while consumption stood at 3,400 GWh. Nonetheless, still some 0.3% of the population living in remote areas does not have access to the national grid and have stand-alone generators. The largest consumer of electricity is the residential sector, followed by the commercial sector, government buildings, and industry.

4.60. Brunei has the cheapest electricity rate and the highest energy intensity of all ASEAN countries. The Government spends some B\$40 million per year on its electricity subsidy, out of a total annual energy subsidy of about B\$1 billion.⁶² In addition, the Government consumes itself over 700 GWh of electricity in terms of lightning and power in the public sector, and pays the bill of unpaid utilities charges for the general public (B\$230 million in 2011). To address this, Brunei is taking steps to reduce 45% its energy intensity by 2035 (with 2005 as base year) and improve efficiency.⁶³ To do so, in 2012 a new electricity tariff for the residential sector was introduced, i.e. a progressive electricity tariff structure (as opposed to the regressive regime which existed since 1969) to reduce the government power subsidy by more than half.

4.61. Almost 99% of electricity uses natural gas as the main fuel while the rest is generated by diesel fuel.⁶⁴ The Government is, therefore, exploring ways to increase renewables usage and reduce carbon emissions, including a smart grid and solar plants. The Government aims to have at least 10% of power generation from renewable energy by 2035. The Government is developing a "Feed-in-Tariff" policy to accelerate the use of renewable energy.

⁵⁸ This could also present opportunities for other firms operating in Brunei. Shell has said that it is also interested in participating in Myanmar. Oxford Business Group (2013).

⁵⁹ Timor-Leste is seeking partnerships to develop oil refineries and a liquefied natural gas plant. Oxford Business Group, Economic Update, 24 April 2014.

⁶⁰ Lawrey, R. and Pillarisetti J. R. (2011).

⁶¹ Oxford Business Group (2013).

⁶² Oxford Business Group (2013).

⁶³ Brunei's energy intensity target also aims to contribute to APEC's goal of reducing 45% its regional energy intensity by 2035.

⁶⁴ Prime Minister's Office (undated).

4.3 Manufacturing

4.62. Non-oil and gas manufacturing accounted for 0.9% of GDP in 2013 (compared with 0.8% in 2008). The main large-scale industries are cement production, garment making, and production of pre-cast concrete structures. Other industries include building material products; electronic and electrical products, such as cables, switchboard, and assembly appliances; mineral water; canned food; dairy products; silica sands products; and publishing and printing. Brunei is a net importer of cement and steel. Buoyed by large-scale infrastructure projects included in Brunei's Development Plan 2007-12, imports of cement and steel grew by 78% and 62%, respectively, over the period.⁶⁵

4.63. Overall, the performance of the manufacturing sector has been weak in the last years mainly due to the relatively high cost of doing business; shortage of skilled and unskilled workers; lack of competitiveness of local products; and limited access to financing for micro, small and medium-sized enterprises (MSMEs), which compose 98% of local companies and employ some 92% of the private sector workforce.⁶⁶

4.64. Manufacturing has continued to be encouraged in order to reduce Brunei's dependence on its petroleum resources, and a number of incentives are used to encourage investment in priority sectors identified by the Government. The incentives include financial assistance to local companies; a lower corporate income tax rate of 20% from 2010; industries granted "pioneer status" are eligible for tax relief of up to five years for investments between B\$500,000 and B\$2.5 million; investments in excess may be granted eight-year tax relief, extendable by three years if they are located in a high-tech industrial park (section 2.4.1.1 and Table 2.2).⁶⁷ In addition, companies can also receive exemption from import duties on machinery, equipment, component parts, accessories, building structures and raw materials (section 3.2.4.2).

4.65. In priority sectors in which private investment is not forthcoming, the Government invests directly, mainly through its company Semaun Holdings (section 3.3.3).⁶⁸ To date, Semaun Holdings has launched nine joint-ventures in areas such as aquaculture, food processing and fine glass crystal manufacturing where economic diversification is sought.⁶⁹

4.66. The Brunei Industrial Development Authority (BINA), under the Ministry of Industry and Primary Resources, had traditionally been the principal custodian of manufacturing development policy. Since 2001, however, the Brunei Economic Development Board (BEDB) has risen to the fore by promoting and managing large-scale industrial estates, including industrial parks that cater to downstream petrochemicals plants.⁷⁰ By comparison, BINA concentrates on domestic-business focused designs that provide average plots sized between 0.2 ha and 2 ha.

4.67. The design and location of these new industrial parks are expected to assist Brunei's long-term diversification plans. Widely dispersed across Brunei, they are also intended to provide more employment opportunities for Bruneians, and support other economic activities, especially SMEs. There are two flagship sites: the industrial site of Pulau Muara Besar (PMB), and the Sungai Liang Industrial Park (SPARK). PMB is located adjacent to Brunei's main seaport at Muara and is site for the US\$4 billion Zhejiang Hengyi Group's integrated refinery and petrochemicals plant. SPARK is home to BMC's US\$600 million plant (section 4.2.1.2 above).

4.68. In addition, six other sites currently under development will cater to the industrial clusters identified in Brunei's Vision 2035: downstream oil and gas industries, health care and health

⁶⁵ Oxford Business Group (2013).

⁶⁶ Prime Minister's Office (undated).

⁶⁷ Oxford Business Group (2013).

⁶⁸ Semaun Holdings, whose board of directors consists mainly of government officials, is fully funded by the Government of Brunei.

⁶⁹ Semaun Holdings online information. Viewed at:

http://semaunholdings.com/index.php?option=com_content&task=view&id=21&Itemid=30; and http://semaunholdings.com/index.php?option=com_content&task=view&id=20&Itemid=37.

⁷⁰ BEDB's functions include attracting and promoting FDI in export-oriented manufacturing and services companies; encouraging micro businesses and strengthening local enterprises towards internationalization; fostering R&D and innovation through the development of a national innovation system that encourage knowledge creation and commercialisation in science and technology and creative sectors; and supporting and promoting intellectual property, infrastructure development, including operation and maintenance for large-scale industrial estates, while facilitating partnerships between local and foreign firms.

services (including pharmaceuticals and medicine), information and communications technology (ICT), and halal products.⁷¹ These are: (i) Salambigar Industrial Park which is already host to Simpor Pharma, a joint-venture between Viva Pharmaceutical from Canada and one of Brunei's equity fund manager, Aureos-BICB⁷²; (ii) the Rimba Digital site which has already attracted US\$102 million investment from a joint-venture between the Government of Brunei and CAE, a Canadian global leader in civil aviation and defence company to set up a Multipurpose Training Centre which will cater both local and regional markets; (iii) the Telisai Industrial Park that will accommodate mixed industries; (iv) the Bukit Panggal project will host energy-intensive industries; (v) the Brunei Agrotech Park will have halal and agro-business; and (vi) the Anggerek Desa Technology Park.

4.69. Manufacturing companies are eligible to receive financial support through various initiatives: (i) the Industrial, Commercial and Entrepreneurial Development Programme has allocated B\$742 million for the implementation of 42 projects⁷³; (ii) various grants and loans are given to MSMEs (Table 3.11); and (iii) the Promising Local Enterprise Development Investment Fund has B\$15 million to support local companies that wish to expand abroad.⁷⁴ In addition, exporters of manufactured goods are granted income tax exemptions (section 3.2.4.2), and receive loans through the Export Refinancing Scheme (ERS) (section 3.2.5).

4.70. Exports of stone and gravel are prohibited, while exports of some other manufacturing products are restricted (section 3.2.3).

4.71. Brunei's average MFN tariff on manufacturing (major division 3 of ISIC, Revision 2) is 1.9%, ranging up to 30% on some chemical products (Table 3.3).

4.4 Services

4.4.1 Overview

4.72. During the period under review, services grew in general faster than the rest of the economy (section 1.1). As a result, the share of private services (excluding construction and utilities) in real GDP went from 25% in 2008 to 29% in 2013. The leading services subsectors were: business services (6% of GDP in 2013), wholesale and retail trade (5.8%), transport and communications (5.5%), and finance (4.3%).

4.73. Under the GATS, Brunei made specific commitments in 4 of the 12 sectors listed in the Services Sectoral Classification List: business services (professional, computer, and rental or leasing services without operators); communication services (telecommunication); financial services (insurance, and banking and other financial services); and transport services (air transport).⁷⁵ Further commitments were made in telecommunications services under the Fourth Protocol. In its Article II (MFN) exemptions, future liberalization with regard to foreign equity participation is subject to discretionary changes and dependent on Brunei's development requirements. Brunei also has a preference for recruiting labour from traditional sources of supply to ensure social cohesion in the country. Sector-specific MFN exemptions are also proposed to be maintained for legal services, radio and television services, financial services, reinsurance and retrocession, and banking and other financial services. Brunei submitted an initial conditional offer on services in the framework of the DDA.⁷⁶

4.74. Brunei also has services commitments under the ASEAN Framework Agreement on Trade in Services (AFAS). The AFAS aims to enhance cooperation and substantially eliminate restrictions to trade in services among member states, with a view to realizing a free-trade area in services. Individual commitments contain horizontal and sector-specific commitments and MFN exemptions.

⁷¹ Halal food processing, packaging and biotechnology will be established to support halal food industry.

⁷² This estate has 121 ha and accommodates, *inter alia*, food and beverages, pharmaceuticals, cosmetics and light manufacturing industries.

⁷³ Prime Minister's Office (undated).

⁷⁴ This Fund, under the BEDB, works alongside the B\$3 million Enterprise Technical Assistance Scheme capped at B\$300,000 per recipient over two years to support the cofounding of professional consultants.

⁷⁵ WTO document GATS/EL/95, 15 April 1994.

⁷⁶ WTO document TN/S/O/BRN, 13 May 2005.

4.75. During the review period, Brunei remained active in negotiating and implementing regional trade agreements (RTAs), all of which include services provisions, with the exception of the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) for which provisions on services and investment are under negotiation. A positive-list approach was followed in all RTAs where there is much diversity in Brunei's services commitments (Table A2.2). In most cases, commitments under Brunei's RTAs go beyond its GATS schedule/offer.

4.4.2 Financial services

4.4.2.1 Overview

4.76. As of June 2014, Brunei had 7 commercial banks, 1 restricted bank, and 61 non-banking financial institutions comprising: 1 Islamic Trust Fund (Perbadanan Tabung Amanah Islam Brunei (TAIB)⁷⁷; 9 insurance companies; 4 *takaful* (Islamic) operators; 3 finance companies⁷⁸; the Employees Trust Fund (ETF)⁷⁹, 23 money changers, 21 remittance companies, and 1 pawnbroker.

4.77. Since its establishment in 2011, the Autoriti Monetari Brunei Darussalam (AMBD) is responsible for the supervision and regulation of the financial system (section 1.1).⁸⁰ According to the IMF, AMBD has introduced various initiatives to help maintain financial stability and improve asset quality, notably through the establishment of the Credit Bureau.⁸¹ Since September 2012, the Credit Bureau, under the Regulatory Department of AMBD, provides financial institutions with Credit Reports to help them determine their customers' credit-worthiness.⁸² The Credit Bureau also assists the AMBD in making its policy decisions. In September 2014, the Credit Bureau introduced the Self-Inquiry service to the public, which allows individuals or commercial entities to access their own credit reports. The service aims to improve transparency, credit awareness, and incentivise individuals/commercial entities to build and maintain a good credit reputation towards a healthy credit culture.

4.78. In March 2013, in order to facilitate credit access, ensure adequate returns to depositors and support long-term diversification plans, the AMBD introduced interest rate regulations on some products provided by financial institutions to their customers. The AMBD has also imposed tighter consumer lending regulations (section 4.4.2.2), which, according to the authorities, has had a positive effect on financial intermediation since overall credit in Brunei went from B\$5.2 billion in December 2012 to B\$5.5 billion in June 2014. On aggregate basis, banks' profitability (profit before tax) also increased 60.6% from December 2012 to December 2013.

4.79. The Brunei Darussalam's Deposit Protection Corporation (BDPC), under the Ministry of Finance, is responsible for the implementation of the asset maintenance regulation and for the National Deposit Insurance Scheme.

4.80. Brunei aims to become a regional financial centre for Islamic financial services: Islamic banking, *Takaful* (Islamic insurance) and Islamic capital market products. The National Syariah Financial Supervisory Board was established in 2006 to enhance the Syariah governance and supervision as well as stimulating the growth of the sector.⁸³ The Board is responsible for making

⁷⁷ TAIB's main objective is to give saving facilities for people to undertake the Haj pilgrimage to Mecca. It also provides limited deposit and investment and financing facilities.

⁷⁸ The three finance companies (two local and one foreign) provide mainly hire-purchase financing for cars and other consumer durables.

⁷⁹ The ETF, established in 1993, was initially a compulsory pension scheme for all new public sector employees and was extended in 1994 to include all private sector employees, except those working for an employer with an approved provident fund.

⁸⁰ With the enactment of the Autoriti Monetari Brunei Darussalam Order 2010, AMBD took over some duties of the Ministry of Finance: Financial Institutions Division, Brunei International Financial Centre, Brunei Currency and Monetary Board, and part of the Research and International. AMBD online information. Viewed at: www.ambd.gov.bn.

⁸¹ Section 42A of the AMBD Order, 2010.

⁸² The data collected for the Credit Report includes: basic personal profile (e.g. name, identification number or business registration and employment details); credit facility account details such as credit facility type, credit limit, outstanding balance and payment history; dishonoured cheques, if any; and legal suits filed by financial institutions, if any. The Credit Bureau does not express any opinion or recommendation about the credit worthiness of the borrower in the Credit Report.

⁸³ AMBD acts as the Secretariat of the Board.

sure that all Islamic products are in accordance with Syariah Law before they are allowed to be distributed.⁸⁴

4.81. Brunei does not have its own stock exchange and the capital market still is in an infant stage. A new Securities Market Order came into force on 25 June 2013 (Table A2.1); its regulations have been drafted and are expected to come into force in 2015. The new legislation covers both Islamic and conventional investment activities, and replaced the Securities Order 2001 and Mutual Funds Order 2011, with the aim of facilitating the growth and development of the capital market, and enhancing investor protection.⁸⁵

4.82. Brunei is not a signatory to the Fifth Protocol to the GATS (on financial services).

4.4.2.2 Banking

4.83. Brunei's banking system is characterized by a dual system consisting of 1 Islamic bank and 6 conventional banks, and an Islamic Trust Fund set up under its own statute. Out of the 7 banks, 2 are international⁸⁶, 3 regional and 2 domestic. In addition, three offshore banks operate, and the three licensed finance companies are wholly owned subsidiaries of three licensed banks in Brunei. As of June 2014, local banks held about 60% of the banking assets, while 35% was held by the 2 international banks.

4.84. The largest Islamic financial institution in Brunei is Bank Islam Brunei Darussalam (BIBD). It captures a significant proportion of government business and is the main bank for government payroll.⁸⁷ As of June 2014, BIBD had about one-third of both total banking assets and deposits. BIBD has also been active in the *sukuk* (Islamic bond) market, co-leading a US\$1 billion issuance for the Government of Indonesia.

4.85. The main change in terms of Brunei's banking legislation since its last Review is the adoption of the Islamic Banking Order 2008 which harmonized Islamic and conventional banking regulations. The legal framework for banking is also composed of: Banking Order 2006; International Banking Order 2000; Finance Companies Act (Chapter 89); Hire Purchase Order 2006; Pawnbrokers Order 2002; and Money-Changing and Remittance Businesses Act (Chapter 174); and Moneylenders Act (Chapter 62). Annual licences fees charged by the AMBD range from B\$2,000 for money changes to B\$50,000 for headquarters of a licensed bank.⁸⁸

4.86. According to the IMF, Brunei's commercial banks are well capitalized, profitable and highly liquid (Table 4.9).⁸⁹ In terms of capital requirements, all banks are currently mandated to have a minimum regulatory capital to risk weighted assets ratio of 10%, and top-quality capital ("Tier 1) to risk weighted assets ratio of 5%, which are above the Basel I and Basel II requirements.⁹⁰ Basel III tightens the definition of capital; raises the minimum capital requirement to 4.5% (up from 2% in Basel II) and of "Tier 1" to 6% (up from 4% in Basel II) of risk-weighted assets, after deductions; introduce a maximum Leverage Ratio; and usher in liquidity requirements for banks to withstand liquidity stress over periods of one month (Liquidity Coverage Ratio) and one year (Net Stable Funding Ratio). According to the authorities, all banks in Brunei fully comply with Basel III.⁹¹

⁸⁴ AMBD online information. Viewed at: www.ambd.gov.bn.

⁸⁵ Oxford Business Group (2013).

⁸⁶ Hong-Kong and Shanghai Banking Corporation (HSBC) and Standard Chartered Bank (SCB).

⁸⁷ BIBD has 14 branches and the largest network of ATMs in Brunei.

⁸⁸ AMBD online information. Viewed at: <http://www.ambd.gov.bn/regulatory/banking-specialized-markets>.

⁸⁹ IMF Public Information Notice No. 13/71, 26 June 2013.

⁹⁰ Basel III strengthens prudential requirements on banks with a view to achieving a safer financial system. New guidelines on capital, liquidity, maturity and leverage aim at reducing the incentives for building-up high-risk, highly leveraged banks assets responsible for the 2008-09 financial crisis. Bank for International Settlements online information. Viewed at: www.bis.org/bcbs/basel3.htm.

⁹¹ Implementation of Basel III is to be formalized and will be communicated to all the banks soon.

Table 4.9 Selected financial soundness indicators of commercial banks, 2008-13

(%)

	2008	2009	2010	2011	2012	2013
Capital adequacy ^a	14.0	18.0	21.1	18.8	20.9	20.4
Non-performing loans ratio ^b	9.3	11.2	8.5	7.6	6.8	5.7
Loans to deposits ^c	..	42.6	42.0	38.0	40.0	40.9
Demand deposits/total deposits ^c	..	25.7	27.4	28.0	27.2	27.8

.. Not available.

a Regulatory capital to total risk weighted assets.

b Based on loans overdue for more than 90 days.

c Excluding government deposits.

Source: Data provided by the authorities.

4.87. Since the introduction of the asset maintenance ratio in 2011 as part of the bank's obligations under the Deposit Protection Scheme (DPS)⁹², a shift in banking assets from offshore to onshore has occurred which in principle allows for more funds to be better channelled to domestic sectors. With the introduction of consumer credit regulations the bank's exposure to the personal loan portfolio has decreased from 64% of total credit in the banking system in 2005 to 30% as of June 2014.⁹³ In turn, this has enabled banks to allocate more funds to productive activities and SMEs.

4.88. With Brunei's banking sector looking for new opportunities for revenue growth and the government keen to position Brunei as a prominent regional financial centre, treasury services could provide new opportunities. However, there are no regional treasury centres in Brunei and its regulatory framework and incentive structure would need to change to attract such business. Moreover, Brunei needs to become more competitive and reduce its relatively high banking fees and transaction costs.⁹⁴

4.4.2.3 Insurance

4.89. A significant consolidation in the insurance market has taken place in Brunei over the last few years. Indeed, the number of companies went down from 21 in 2006 to 13 as of September 2014, partly due to the increase in the minimum capital requirement from B\$1 million to B\$8 million for both general and life insurance.⁹⁵ Brunei's insurance market is relatively small given the size of the population, the demand for life insurance is limited because Brunei has a welfare system that offers full health care coverage and a generous pension scheme from the age of 60, and most insurance firms do not have the capital to underwrite large-scale projects associated with the lucrative oil and gas industry.

4.90. Nine insurance firms in Brunei are conventional, of which 4 are domestic *takaful* and the rest foreign.⁹⁶ Like in banking, Brunei's *takaful* companies have been increasing their participation in the market and now account for 50% of gross premiums (31% in 2008), a fifth of all assets and a third of total claims. The largest player in the conventional insurance market is National Insurance with almost 40% market share.⁹⁷

⁹² AMBD works with the Deposit Protection Corporation to ensure that the DPS is implemented.

⁹³ AMBD rules limit the exposure of all banks' to personal loans to 30% of their portfolio. However, to stimulate a more conducive banking environment and to encourage increased deployment of excess liquidity within Brunei, the personal loans cap was increased to 40% (up from 30%) of total loans as of February 2014.

⁹⁴ Brunei's average cost for a bank transaction is US\$7.51 (compared, for example, to US\$0.29 in Singapore and US\$9.39 in Hong Kong-China), and its average monthly bank fees are US\$18.64 (against Singapore's US\$13.52 and Hong Kong-China's US\$6.06). Brunei also has high fees for incoming, outgoing and urgent foreign payments. Oxford Business Group (2013).

⁹⁵ Insurance Order 2006 and its regulations.

⁹⁶ Brunei's *takaful* companies are: Insurans Islam TAIB, Takaful Brunei Am and Takaful Brunei Keluarga.

⁹⁷ National Insurance is owned: 70% by Bruneian investors, 25% by Allianz Global Corporate & Speciality's Singapore branch, and 5% by Mitsui Sumitomo Insurance. Oxford Business Group (2013).

4.91. The prospect of establishing a local reinsurance company with substantial paid-up capital is being discussed. Nowadays most of the money earned by domestically operating reinsurers of local insurance schemes goes abroad with the insurers themselves.⁹⁸

4.92. In 2013, gross premiums for all general insurance companies totalled B\$182.5 million (up from B\$115.8 million in 2008). In general business, *takaful* operators were heavily concentrated in motor insurance, and dominated the market with 40% of total general premiums. In life business, conventional insurers remain the biggest market players as products offered are more extensive compared with *takaful*.

4.93. Insurance legislation is composed of: Insurance Order 2006; International Insurance and Takaful Order 2002; Motor Vehicle Insurance (Third Party Risks) Act, Chapter 90; and Takaful Order 2008.

4.94. The Insurance/*Takaful* and Capital Market Supervision Division, under AMBD, undertakes the registration, licensing and supervision of insurance and *takaful* companies, their intermediaries, capital market intermediaries, securities and mutual funds (conventional and Islamic). The main elements of supervision include a security deposit with the Government of B\$1 million for insurers underwriting motor insurance, and for licensed life and/or general insurers under the Insurance Order 2006; minimum paid-up capital requirements of B\$8 million and for foreign branches the equivalent in surplus of assets over liabilities; a solvency margin for general insurers of 20% of net premium income (NPI) of the previous year; and guidelines for the appointment of foreign employees and motor insurance agents. Application fees range from B\$250 for captive insurance to B\$1,500 for life and general insurance (composite), while annual fees go from B\$1,500 to B\$12,000 depending on the type of license.

4.95. The Brunei Insurance and Takaful Association (BITA), a representative body for both conventional and Islamic insurers was established in November 2013. General insurers, both conventional and *takaful*, have agreed in principle to a cap on commission to agents ranging from 15% to 25% across the various lines of business.⁹⁹

4.96. Brunei made GATS commitments for direct insurance (life and non-life), reinsurance and retrocession, insurance and intermediation (broking and agency services) and auxiliary services (consultancy, actuarial risk assessment, risk management, and maritime loss adjusting). In general, Brunei's schedule reflects current requirements and restrictions, including commercial presence only through companies registered in Brunei for direct insurance; and purchase of compulsory insurance for motor third-party liability and workmen's compensation only from insurance companies established in Brunei.

4.4.3 Telecommunications

4.97. Brunei aims to increase the contribution of the information and communication technology (ICT) sector to the economy from 1.6% of GDP in 2010 to 6% by 2015. Brunei is making key investments in submarine cables and fibre-to-the-home infrastructure upon which its ICT transformation will be based (see below). There has also been significant investment in a rural telecoms network, allowing rural and remote areas access to telephone and the Internet.

4.98. While fixed-telephone subscribers decreased to 57 per 100 inhabitants in 2013¹⁰⁰, the mobile network has continued to grow over the last few years and mobile penetration had reached 115% by 2013 (up from 106% at end 2008) (Table 4.10). Internet users increased from 46% to over 60% during the same period. By 2013, there were some 23,800 broadband subscriptions (compared with 16,900 in 2008). Overall, Brunei is ranked 58th out of 157 countries in the latest ITU's Development Index.¹⁰¹

⁹⁸ Oxford Business Group (2013).

⁹⁹ Oxford Business Group (2013).

¹⁰⁰ Consumers worldwide continue to move away from fixed-line telephony by using, *inter alia*, not only mobile phones but also Voice over Internet Protocol (VoIP) services and other options.

¹⁰¹ ITU's ICT Development Index (IDI) is a composite index combining 11 indicators into one benchmark measure that serves to monitor and compare developments in ICT across countries. Brunei has a relatively

Table 4.10 Selected telecommunication indicators, 2008-13

	2008	2009	2010	2011	2012	2013 ^a
Fixed telephone subscriptions ('000)	80.8	80.5	79.9	79.9	70.9	56.7
Fixed phone lines per 100 inhabitants	21.54	21.18	20.66	20.30	17.74	14.18
Mobile cellular subscriptions ('000)	398.9	412.9	435.1	443.2	469.7	468.8
Mobile cellular per 100 inhabitants	106.36	108.62	112.49	112.66	117.49	115.41
Internet users (%)	46	49	53	56	60	..
Broadband subscriptions ('000)	16.9	20.0	21.7	20.5	17.8	23.8
Broadband per 100 inhabitants	4.5	5.3	5.6	5.2	4.5	5.9

.. Not available.

a Preliminar.

Source: ITU online information, "ICT Statistics Database". Viewed at: <http://www.itu.int/ITU-D/ict/statistics/>; and information provided by the authorities.

4.99. The Ministry of Communications sets national policies for the development of the telecoms sector. The Authority for Info-communications Technology Industry (AITI), an independent statutory body under the Minister of Communications, is the telecoms regulator and ICT industry development promoter. Brunei started the restructuring of the sector in 2001 with the adoption of the following legal framework: the Telecommunication Successor Company Order 2001, the Telecommunications Order 2001, and the AITI Order 2001. These Orders replaced the Telecommunications Act of 1952.¹⁰²

4.100. The Telecommunications Order 2001 confers upon AITI the exclusive privilege to operate and provide telecommunication systems and services in Brunei and allows AITI to issue licences to operators and to manage the radio communications spectrum. AITI's licensing regime is technologically neutral, with no distinction drawn on the basis of the technology used. It has a two-tier licensing structure: the InTi (Infrastructure Provider for the Telecommunication Industry) licence is required by licensees who own infrastructure, and the SeTi (Service Provider for the Telecommunication Industry) licence is required by those who provide retail services through wholesale arrangements with InTi licensees. There is no specific regulation to govern prices and tariffs, but AITI has the power to give regulatory directions to licensees in the public interest and to ensure fair and efficient market conduct.¹⁰³

4.101. Telekom Brunei (TelBru), a state-owned company registered under Brunei's Companies Act, continues to be the only operator in the fixed-line market.¹⁰⁴ TelBru also provides basic telephony and a range of value-added services such as leased-line services, dial-up internet, ADSL broadband, VoIP, ATM lines and pre-paid calling cards.

4.102. Competition in Brunei's mobile telephony market was introduced in 2005. Nonetheless, there are only two mobile operators: Progressif Cellular Sdn Bhd (PCSB)¹⁰⁵, and the DST Communications Sdn Bhd (DSTCom) since 1995.¹⁰⁶ At the end of 2013, B-mobile and DSTCom had about 15% and 85%, respectively, of total mobile subscribers. In November 2013, DST introduced 4G long term evolution (LTE) network which provides faster, and more spectrally-efficient technologies for mobile broadband.

high income level but comparatively low IDI value, therefore focused policies and government action could quickly lead to higher ICT levels. ITU (2013).

¹⁰² See WTO (2008).

¹⁰³ AITI may also issue Codes of Practice in connection with the provision of telecom services, the conduct of telecom licensees, or to govern the prices and tariffs charged for telecom services.

¹⁰⁴ TelBru's predecessor, Jabatan Telekom Brunei/Telecommunications Department (JTB) was responsible for the deployment of telecoms infrastructure and provision of services in Brunei, as well as being the regulator. Under the Telecommunication Successor Company Order 2001, JTB was transformed into TelBru.

¹⁰⁵ In July 2014, PCSB replaced B-mobile Communications Sdn Bhd (B-mobile) who had been in operations since February 2005. B-mobile, previously a joint-venture between TelBru and QAF Comserve, was the first mobile operator in February 2005. It introduced the first 3G and 3.5G mobile networks.

¹⁰⁶ The DST Group are companies incorporated in Brunei since 1995. Its operations include the telecoms networks, mobile communications, trunked radio services, broadband internet and leased lines. Its mobile subsidiary, DSTCom, joined the mobile market in 1995 with a AMPS network.

4.103. TelBru, PCSB, and companies in the DST group are locally-owned and controlled and have no significant foreign participation. AITI's licensing framework implements policies which require that licensees are locally majority-owned or controlled.

4.104. Overall, Brunei is ranked 27th out of 161 countries in the latest ITU's ICT Price Basket. This study finds that measured as a percentage of GNI per capita, fixed-telephone and mobile prices are relatively low in Brunei (ranking 16th and 21st in the world, respectively), but fixed broadband is relatively expensive (52nd).¹⁰⁷

4.105. In 2008, the responsibility for the Broadcasting Act (Chapter 180) was transferred from the Prime Minister's Office to the Ministry of Communications. AITI is undertaking a complete review of the telecoms regulatory framework to have a single converged regulator for telecoms and broadcasting under AITI by 2015.¹⁰⁸

4.106. As part of the convergence exercise, AITI is developing a Telecommunications and Broadcasting Competition Code which will be Brunei's first-sector specific competition code and will mandate, *inter alia*, interconnection between fixed network suppliers and other service providers, local loop unbundling, infrastructure-sharing, and specific obligations to prevent anti-competitive behaviour, in particular affecting licensees with significant market power. The Competition Code, expected to be implemented in 2015, aims to promote efficiency and competitiveness in telecoms and broadcasting, ensure ease of market entry, and provide certainty to telecoms and broadcasting market players.

4.107. A new Tariff Regulation Code of Practice will be introduced to regulate retail and wholesale tariffs for telecoms and broadcasting infrastructure and services. The Code will implement *ex ante* tariff regulation methodologies to ensure that affordable prices are offered in Brunei, encourage competition, and ensuring transparency and certainty in the market. It will also streamline the existing filing and tariff control systems.

4.108. The introduction of the Competition and Tariff Regulation Codes aims to support the emergence of a competitive retail service provider industry which will complement Brunei's three phase fibre-to-the-home network by 2017. The Government, through TelBru and with the support of AITI, is developing nationwide fibre-to-the-home infrastructure. Phase one is being implemented by TelBru aiming to reach 30% of households. Phases two and three will follow so as to reach, respectively, 80% and 100% of households.

4.109. Brunei is partner in the US\$400 million South-East Asia-Japan Cable (SJC), which will connect 8,900 km between Brunei; Japan; Hong-Kong, China; the Philippines; and Singapore with an option to extend to Thailand and Viet Nam.¹⁰⁹

4.110. AITI is undertaking some initiatives to provide a platform for recognition and funding for the local ICT industry, such as AITI Accredited Business (AAB) Status, ICT Accredited Business (ICTAB), AITI Grant Scheme, and the AITI Market Creation Programme. AAB and ICTAB is a centralized directory of ICT companies in Brunei, indicating financial and business track record. In 2010, AITI introduced both the Grant Scheme to give partial financial assistance to develop "Brunei-Made" solutions for businesses (section 3.3.1.5), and the AITI Market Creation Programme to assist local ICT SMEs to obtain a ready market for their Brunei-Made ICT products and services.

¹⁰⁷ Fixed broadband continues to be a critical service for achieving the full benefits of the internet as a development enabler, because it remains the primary means of accessing high-speed, high-capacity and reliable internet services. ITU (2013).

¹⁰⁸ Currently, AITI is only responsible for regulating the telecoms industry. Companies wishing to become Internet Protocol Television (IPTV) providers also require a broadcasting licence from the Ministry of Communications. This requirement for a licence from a separate broadcasting authority will no longer be the case once AITI creates a converged regulator.

¹⁰⁹ SJC would be Brunei's third international connection, the other two being the Asian-American Gateway (linking it to Malaysia; Singapore; Thailand; Viet Nam; Hong Kong, China; and the United States), and the SEA-ME-WE 3 cable which has connections to South East Asia and Africa.

4.4.4 Transport

4.4.4.1 Air transport

4.111. The Department of Civil Aviation (DCA) in the Ministry of Communications is responsible for ensuring safe and secure air transport services. The regulatory regime for air transport is contained in the Civil Aviation Order 2006 (S 63/06) and subsidiary legislation, including the Civil Aviation Regulations 2006 (S 69/06), the Airport Fees and Charges Regulations, the Air Transport and Commercial Flying (Licensing) Regulations, and the Air Traffic Control Regulations.¹¹⁰ There were no changes to the regulatory framework during the review period.

4.112. There is one airport in Brunei. Brunei International Airport (BIA) is owned by the State and managed by DCA. To cope with substantial increase in passenger traffic (Table 4.11), BIA passenger terminal is being modernized and expanded to improve facilities and double annual capacity from 1.5 million to 3 million passengers. The project awarded to a Malaysian-Bruneian joint-venture, is supervised by the Brunei Economic Development Board (BEDB) and DCA; completion is expected by end-2014. No upgrade of BIA freight terminal, which has capacity of 50,000 tonnes a year, is foreseen.¹¹¹

Table 4.11 Air traffic indicators, 2008-13

	2008	2009	2010	2011	2012	2013
Passengers ('000)	1,554.9	1,535.6	1,929.3	2,017.2	1,680.9	1,714.5
Inward	632.3	626.4	781.3	814.9	715.0	..
Outward	638.4	638.8	777.3	808.6	705.1	..
In transit	284.2	270.4	370.7	393.7	260.8	..
Aircraft movements	14,500	14,867	17,876	16,541	13,860	25,458
Scheduled	12,386	12,021	13,552	12,916	13,038	..
Non-scheduled	2,051	2,825	4,313	3,596	772	..
Chartered	63	21	11	29	50	..
Freight (tonnes)	19,592.8	19,191.3	27,651.0	28,125.9	23,863.6	23,771.2
Inward	12,525.7	12,042.4	16,184.0	16,765.1	15,123.4	..
Outward	7,067.1	7,148.9	11,467.0	11,360.8	8,740.2	..

.. Not available.

Source: Department of Economic Planning and Development (various issues), Brunei Darussalam Economic Bulletin; and information provided by the authorities.

4.113. Air carriers must obtain an air operator's certificate and an operating licence issued by DCA.¹¹² During the review period, two airlines, the Philippine's Cebu Pacific and the Malaysian MASWings, launched flights to Brunei. To date, there are six regional airlines using BIA.¹¹³ The national flag carrier, Royal Brunei Airlines (RB) operates to 14 destinations (as of 17 October 2014), mainly within the region.¹¹⁴ In 2011, its decision to cut long-haul routes and concentrate on the regional market led to a sharp drop in passengers in transit at BIA (Table 4.11); most of RB passengers on long-haul flights were passengers in transit as the airline sought to convert Brunei into a hub between Europe and Oceania.¹¹⁵ Air freight is provided by RB and Syabas Airmark Aviation Sdn Bhd.¹¹⁶

4.114. Air fares and freight rates must be filed with and approved by DCA at least 25 days prior to implementation.¹¹⁷

¹¹⁰ Subsidiary legislation includes the regulations enacted under the Air Navigation Act (Chapter 113) (Section 55(3)) which was repealed by the Civil Aviation Order 2006 (S 63/06). Complete list of subsidiary legislation, see AGC online information. Viewed at: <http://www.agc.gov.bn/>.

¹¹¹ Ministry of Foreign Affairs and Trade (2012); Oxford Business Group (2011); and BEDB online information. Viewed at: http://www.bedb.com.bn/bisop_deliverinfrastructure.html#moder.

¹¹² Civil Aviation Order 2006 (S 63/06) and Civil Aviation Regulations 2006 (S 69/06).

¹¹³ Air Asia (Malaysia), Cebu Pacific (Philippines), Malaysia Airlines, MASWings (Malaysia), Royal Brunei Airlines, and Singapore Airlines.

¹¹⁴ RB online information. Viewed at: <http://www.flyroyalbrunei.com/brunei/>.

¹¹⁵ Oxford Business Group (2011); and Oxford Business Group (2013).

¹¹⁶ *Brunei Times*, 8 July 2010. Viewed at: <http://www.bt.com.bn/business-national/2010/07/08/not-business-usual-bruneis-transport-sector>.

¹¹⁷ Civil Aviation Order 2006, Sections 30-31.

4.115. Airport-related charges include landing, parking, and housing fees¹¹⁸; and a passenger service fee.¹¹⁹ Landing fees are based on the aircraft's maximum weight at take-off¹²⁰; they do not differ from peak and off-peak hours. Fixed charges are set for parking (B\$0.40/10 m²) and housing (B\$0.80/10 m²); the first three hours of parking are free of charge. The passenger service tax rate is B\$12 for all passengers embarking at BIA, except those travelling to the Brunei-Indonesia-Malaysia-Philippines East Asia Growth Area (BIMP-EAGA) cities (B\$5). To encourage increased connectivity and flight frequency, incentives on landing and parking fees were introduced in early 2013 and may be granted to air carriers (Table 4.12).

Table 4.12 Incentives on landing and parking fees

	Recipient
First 6 months: no fees	Airlines operating to/from BIA providing new services to/from new destinations
Next 6 months: 50% discount	New airlines operating to BIA from new destinations
Next 1 year: 25% discount	Freight carriers operating to/from BIA
First 6 months: 50% discount	Airlines increasing flight frequency
Next 6 months: 25% discount	
25% discount	Passenger charter services from new destinations

Source: Department of Civil Aviation online information. Viewed at: <http://www.civil-aviation.gov.bn/>.

4.116. Ground services (fuel supply, flight planning) are provided by RB and private company Glamco Aviation Sdn Bhd.¹²¹ In addition, Brunei International Air Cargo Centre (BIACC) handles all freight transiting through BIA.¹²² Wholly-owned RB subsidiary Royal Brunei Catering provides catering services to all aircrafts.¹²³

4.117. Brunei has liberalized international air transport through bilateral, regional, and plurilateral agreements. To date, it has signed 36 bilateral air agreements (Table A4.1). During the review period, a number of bilateral air services agreements were updated including with Japan, Kuwait (State of), United Kingdom, and Saudi Arabia (Kingdom of). Open sky arrangements are provided in five agreements.¹²⁴

4.118. Since 2009, three regional open sky agreements¹²⁵ liberalized traffic rights (passenger and freight) with the view to establishing the ASEAN Single Aviation Market.¹²⁶ ASEAN air carriers are granted full traffic rights under the 3rd, 4th, and 5th freedoms between cities with international airports within the region. In addition, ASEAN engaged in negotiating open sky agreements with dialogue partners. An agreement with China entered into force in 2011. Other partners (EU, India, Japan, and Republic of Korea) have expressed interest in negotiating similar agreements.

4.119. Brunei is party to the Multilateral Agreement on the Liberalisation of International Air Transportation (MALIAT) Agreement.¹²⁷ It grants full traffic rights for passengers under 3rd, 4th,

¹¹⁸ Airport Fees and Charges Regulations, as amended by S 16/13.

¹¹⁹ Airport Passenger Service Charge Act (Chapter 188), Revised Edition 2000; and Airport Passenger Service Charge (Exemption) Order 2004 (S 30/04).

¹²⁰ See: <http://www.civil-aviation.gov.bn/index.php/services/aeronautical-information-services/93-services/ais/118-rate-of-landing-charge>. Unscheduled flights are subject to different rates. See: <http://www.civil-aviation.gov.bn/index.php/services/aeronautical-information-services/93-services/ais/116-landing-fees-for-unschedule-landings>.

¹²¹ Glamco online information. Viewed at: <http://www.glamco.info/index.php>.

¹²² BIACC is jointly owned by RB, Royal Brunei Technical Services, and private company Circle Freight International Sdn Bhd.

¹²³ Royal Brunei Catering online information. Viewed at: <http://www.rbccatering.com/>.

¹²⁴ Agreements with Australia; Japan; New Zealand; Singapore; and the United States provides for an air liberalization index exceeding 25.

¹²⁵ Multilateral Agreement on Air Services (signed 2009/ratified by Brunei 2010); Multilateral Agreement on Full Liberalization of Passenger Air Services (2010/2013); and Multilateral Agreement on Full Liberalization of Freight Services (2009/2010).

¹²⁶ ASEAN (2010b). Viewed at: <http://www.aseansec.org/wp-content/uploads/2013/07/BAP-2011-2015.pdf>.

¹²⁷ Other parties are Chile; the Cook Islands; Mongolia (freight only); New Zealand; Samoa; Singapore; Tonga; and the United States.

and 5th freedoms to all parties and under 7th and 8th freedoms to Chile, New Zealand, and Singapore; and (ii) full traffic rights for freight under the 7th freedom to all parties.¹²⁸

4.120. Brunei made commitments for rental of aircraft with crew under the GATS.¹²⁹

4.4.4.2 Maritime transport

4.121. Maritime transport is governed by the Merchant Shipping Order 2002 (S 27/02)¹³⁰ and subsidiary legislation.¹³¹ There were no substantial changes to the regulatory framework during the review period.

4.122. The Marine Department in the Ministry of Communications is responsible for, *inter alia*, vessel registration (including fishing boats (section 4.1.2) and vessel licensing. Registration with the Marine Department is mandatory for locally-owned vessels and self-propelled foreign-owned vessels exceeding 1,600 tonnes. In addition, those vessels not exceeding 100 tonnes must also be licensed by the Department; licences are valid for one year.¹³² Licensing applies to both locally- and foreign-owned vessels. However, foreign-owned vessels under this category are only allowed to be used as pleasure boats. Brunei's merchant fleet comprises 1 cargo ships and 8 tankers; no bulk carriers or container ships are registered.¹³³

4.123. Shipping services are provided by 49 foreign companies and represented by 14 shipping agents. In 2010, the authorities considered the creation of a national shipping company with the view to addressing ASEAN connectivity issues and lowering freight fees. Foreign shipping companies are reported to charge high cargo fees as vessels leaving Brunei are not fully loaded due to the small volume of domestic production.¹³⁴ To date, no further actions have been taken to create a national shipping company.

4.124. The Ports Department, under the Ministry of Communications, is responsible for port development, except navigational assistance to vessels entering Muara port which is provided by the Marine Department.¹³⁵ The authorities have commissioned a study to corporatize and subsequently privatize the Ports Department.¹³⁶ Port activities are regulated by the Port Act (Chapter 144).¹³⁷ There was no change to the legal provisions on ports during the review period.

4.125. There are three ports owned, managed, and operated by the Ports Department: (i) Muara is Brunei's deep-water port through which 90% of the merchandise trade, except oil and gas, is channelled; (ii) Kuala Belait port facilitates the movement of cargo comprising materials for offshore oil and gas activities via supply vessels; and (iii) Bangar operates a domestic route for cargo transported by barges.¹³⁸ The Ports Department also operates the Passenger and Car Ferry Terminals in Serasa to connect passengers to Labuan (Malaysia), as well as the Cruise Ship Centre which provides facilities for passengers/tourists calling via Cruise Vessels. In addition, there are private terminals located in Seria and Lumut where crude oil and LNG are loaded for shipment.

4.126. Muara has two terminals for conventional cargo and containers that provide 24/7 service. Muara container terminal (MCT) is operated and maintained under a concession contract which

¹²⁸ MALIAT online information. Viewed at: <http://www.maliat.govt.nz/>.

¹²⁹ For details, see: WTO/World Bank I-TIP Services database. Viewed at: <http://i-tip.wto.org/services/default.aspx>.

¹³⁰ As amended by S 23/09.

¹³¹ Subsidiary legislation includes the regulations enacted under the Merchant Shipping Act (Chapter 145) (Section 216(3)) which was repealed by the Merchant Shipping Order 2002 (S 27/02). Complete list of subsidiary legislation, see: AGC online information. Viewed at: <http://www.agc.gov.bn/>.

¹³² Parts II and VI of the Merchant Shipping Order 2002 (S 27/02) as amended by S 23/09; and Merchant Shipping (Registration of Ships) Regulations 2006 (S 62/06) as amended by S 23/09.

¹³³ Department of Economic Planning and Development (2013b); and UNCTAD (2013).

¹³⁴ Oxford Business Group (2013); and *Brunei Times*, 8 July 2010. Viewed at: <http://www.bt.com.bn/business-national/2010/07/08/not-business-usual-bruneis-transport-sector>.

¹³⁵ Marine Department online information. Viewed at: http://marine.gov.bn/function_duties.htm.

¹³⁶ Ports Department online information. Viewed at: <http://www.ports.gov.bn/news/2013/20130615.htm>.

¹³⁷ Revised Edition 1984, as amended by S 17/88 and S 26/02.

¹³⁸ Ministry of Foreign Affairs and Trade (2012); and *Brunei Times*, 27 August 2009. Viewed at: <http://www.bt.com.bn/home-news/2009/08/27/muara-port-expansion-key-becoming-transit-hub>.

was taken over by New Muara Container Terminal Services¹³⁹ in 2009. During 2008-13, the volume of container throughput and cargo handled by Muara port increased (Table 4.13). However, MCT continued to operate well below its annual capacity (220,000 to 300,000 TEUs).¹⁴⁰ To help increase traffic and mitigate port fees, which are among the highest in the region, incentives were introduced, including extended free storage period, lower terminal handling charges, and reduced port tariffs.¹⁴¹

Table 4.13 Muara Port traffic, 2008-13

	2008	2009	2010	2011	2012	2013
No. of vessels	1,970	1,726	1,950	1,879	1,736	1,816
Containers (TEUs)	90,372	85,577	93,243	101,401	116,551	111,817
Cargo (tonnes)	948,033	927,316	1,049,695	1,044,154	1,212,235	1,041,516

Source: Information provided by the authorities.

4.127. During the review period, the Ports Department completed two additional inland container depots to reduce congestion and facilitate movement of cross-border cargos. The extension of the container wharf is expected to start in 2015 and be completed by end of 2016.¹⁴² In addition, the Ports Department and the Tourism Brunei Board work jointly to convert Muara into a port of call for cruise liners in order to promote tourism development. Over the 2007-13 period, 168 cruise vessels (150,901 passengers) docked at Muara.¹⁴³

4.128. Brunei made no commitments under the GATS on maritime transport.

4.4.5 Tourism

4.129. Tourism has been identified as a contributor to economic development and diversification (section 1.3). During the review period, there was an increase in the number of tourist arrivals (Table 4.14). However, there is room for further improvement as tourism's share in the economy remains relatively small at about 2% of GDP.

Table 4.14 Tourism indicators, 2008-13

	2008	2009	2010	2011	2012	2013
Tourist arrivals ('000)	2,741	2,548	2,791	3,104	3,506	3,668
Air	226	157	214	242	209	225
Land	2,267	2,086	2,095	2,558	2,974	3,011
Sea	248	305	482	304	323	432
Average stay (day)	3.5	3.5	3.5	3.5	3.5	3.5
No. of hotels	..	..	33	34	34	40
Foreign-owned	..	..	1	1	1	1
No. of rooms	..	..	2,998	3,008	3,008	3,224
% of occupancy	..	..	48.38	47.20	45.97	53.11
No. of tour operators	26	24	24	24	17	20

.. Not available.

Source: Information provided by the authorities.

4.130. Brunei does not have a comprehensive legal framework for tourism. The Brunei Tourism Board (BTB) is responsible for coordinating with various government agencies to promote the sector. The Tourism Development Department, under MIPR, is responsible for implementing

¹³⁹ NMCTS is a wholly-owned subsidiary of the Philippines-based port operator International Container Terminal Services Inc. ICTSI online information. Viewed at: <http://www.ictsi.com/operations/new-muara-container-terminal-services-sdn-bhd-nmcts-negara-brunei-darussalam/>.

¹⁴⁰ Oxford Business Group online information. Viewed at: <http://www.oxfordbusinessgroup.com/news/change-air-regional-and-local-regulatory-reforms-are-set-open-sector>.

¹⁴¹ Ports Department online information. Viewed at: <http://www.ports.gov.bn/news/2013/20130601.htm>, and Oxford Business Group (2011).

¹⁴² Other strategic projects are in the pipeline, including a consultancy study on Port Masterplan and Land Use and a Dedicated Trailer Parking project, as well as the new tender for a new operator for the Muara Container Terminal when the contract with New Muara Container Terminal Services ends in 2015.

¹⁴³ Ports Department online information. Viewed at: <http://www.ports.gov.bn/news/2013/20130322.htm>.

tourism-related policy. The Brunei Tourism Master Plan 2011-2015 identifies 25 initiatives and 69 projects aimed at consolidating and diversifying Brunei's tourism products and enhancing capacity building, transport infrastructure, and the regulatory framework.

4.131. Holiday is the main reason for visiting Brunei, followed by business. Tourists are mainly from ASEAN and the Far East, in particular Malaysia and China. In addition, many visitors transit through Brunei International Airport or enter the country (by land or sea) for one-day visits.¹⁴⁴ In 2011, RB cut several long-haul routes which had an impact on tourism development as long-haul flights represented 15% of total flight arrivals, and 90% of long-haul travellers were passengers in transit.

4.132. Brunei's tourism offer is based on nature and Islamic culture and heritage. Brunei's rainforest (75% of total land) is amongst the top 10 in the world. Islamic tourism is developed in cooperation with Tourism Malaysia through joint-packages.¹⁴⁵ Brunei has potential to develop cruise tourism and is taking steps to attract cruise liners (section 4.4.4.2).

4.133. Travel agent services are regulated under the Travel Agents Act (Amendment) Order 2012 and the Travel Agents Act (Amendment) Regulation 2012. Travel agents must be licensed by the Tourism Development Department. Licences are issued for a one-year period and renewed for a one year or three year period.

4.134. Investors may apply to obtain loans at a preferential rate under the Enterprise Facilitation Scheme (section 3.3.1.3). In addition, they may claim income tax exemption for investment made in the tourism industry, other than hotels, for a period of 11 years (section 2.4.1.1). Since 1999, there have been 25 applications for EFS and 3 applications for MFS.

4.135. Brunei has made no GATS commitments in tourism services. It is a member of the UN World Tourism Organization. As part of the ASEAN Tourism Strategic Plan 2011-15, a Mutual Recognition Arrangement for Tourism Professionals was signed in 2009 to allow free movement of tourism professionals within ASEAN.¹⁴⁶ The MRA covers 32 job titles, ranging from housekeeping, front office, food and beverages services, and food production for hotel division, travel agencies and tour operators for travel division.

¹⁴⁴ Department of Economic Planning and Development (2013a); Oxford Business Group (2013); and UNWTO 25th CAP-CSA Joint Meeting 12-14 April 2013. Viewed at: <http://asiapacific.unwto.org/event/25th-csacap-joint-meeting-unwto-conference-sustainable-tourism-development>.

¹⁴⁵ Oxford Business Group (2013).

¹⁴⁶ ASEAN online information. Viewed at: <http://www.asean.org/communities/asean-economic-community/category/other-documents-11>.

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5 APPENDIX TABLES

Table A1. 1 Merchandise trade by product group, 2008-13

	2008	2009	2010	2011	2012	2013
Total exports (US\$ million)	10,543.5	7,173.9	8,887.1	12,463.9	12,979.7	11,431.7
	(% of total)					
Food and live animals	0.0	0.0	0.0	0.0	0.0	0.1
Beverages and tobacco	0.0	0.0	0.0	0.0	0.0	0.0
Crude material, inedible except fuel	0.1	0.1	0.2	0.1	0.1	0.1
Mineral fuels, lubricants and related materials	97.8	96.1	95.2	95.4	95.8	96.5
Crude petroleum	53.2	47.7	50.4	50.8	48.2	44.7
Liquefied natural gas	44.6	48.4	44.7	44.7	47.5	51.8
Animal and vegetable oils and fats	0.0	0.0	0.0	0.0	0.0	0.0
Chemicals	0.0	0.1	1.1	1.6	1.9	0.8
Manufactured goods by materials	0.3	0.4	0.4	0.4	0.4	0.7
Machinery and transport equipment	0.8	2.1	1.8	2.0	1.2	1.1
Miscellaneous manufactured articles	0.9	1.1	1.2	0.4	0.4	0.4
Other	0.1	0.1	0.2	0.1	0.1	0.2
Total imports (US\$ million)	2,573.6	2,400.6	2,535.6	3,600.0	3,565.0	3,611.60
	(% of total)					
Food and live animals	12.3	2.1	14.3	12.4	13.5	13.3
Beverages and tobacco	2.1	2.3	2.2	1.3	1.5	1.4
Crude material, inedible except fuel	0.6	1.0	1.2	1.4	1.4	1.1
Mineral fuels, lubricants and related materials	2.6	3.2	5.1	7.9	10.3	7.5
Animal and vegetable oils and fats	0.5	0.3	0.4	0.4	0.4	0.3
Chemicals	7.2	8.0	8.9	6.5	7.3	8.0
Manufactured goods by materials	22.0	22.4	20.3	19.6	23.9	20.4
Machinery and transport equipment	43.8	39.6	36.1	42.5	31.1	36.6
Miscellaneous manufactured articles	8.3	10.2	10.7	7.4	9.8	10.6
Other	0.6	0.9	0.9	0.6	0.9	0.8

Source: WTO Secretariat calculations, based on figures taken from the Brunei Darussalam Statistical Yearbook 2012; and data provided by the authorities.

Table A1. 2 Merchandise trade by destination and origin, 2008-13

	2008	2009	2010	2011	2012	2013
Total exports (US\$ million)	10,543.5	7,173.7	8,887.1	12,464.0	12,979.7	11,431.7
	(% of total)					
ASEAN	24.2	17.1	12.4	13.9	14.7	23.2
Viet Nam	0.0	0.0	0.1	1.5	4.6	5.3
Thailand	0.8	1.9	0.9	0.8	3.6	4.2
Indonesia	20.0	10.8	7.1	6.8	3.5	4.7
Singapore	1.7	2.6	2.8	1.8	1.8	4.4
Malaysia	0.3	1.6	1.5	3.0	0.7	3.9
Philippines	1.4	0.3	0.1	0.1	0.5	0.7
Japan	43.2	46.1	43.5	43.4	44.1	39.8
Korea, Rep. of	14.8	11.6	16.7	16.0	15.7	16.3
India	3.2	8.6	5.6	8.1	8.9	7.6
Australia	10.4	7.3	10.3	9.9	7.5	7.3
New Zealand	3.0	4.4	4.2	3.6	5.1	4.1
China	0.4	4.0	6.6	4.3	2.7	1.4
United States	0.6	0.6	0.2	0.1	0.7	0.1
Chinese Taipei	0.0	0.0	0.1	0.3	0.3	0.1
EU-27	0.1	0.2	0.2	0.2	0.2	0.1
Hong Kong, China	0.0	0.0	0.2	0.1	0.0	0.0
Norway	0.0	0.0	0.0	0.0	0.0	0.0
United Arab Emirates	0.0	0.0	0.0	0.0	0.0	0.0
Canada	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.2	0.0	0.0
Total imports (US\$ million)	2,573.6	2,400.6	2,535.6	3,600.0	3,565.0	3,611.6
	(% of total)					
ASEAN	47.9	51.8	51.2	44.7	52.3	50.9
Singapore	20.4	25.6	19.1	19.5	23.6	19.1
Malaysia	18.7	19.4	23.6	18.5	19.9	21.9
Thailand	5.2	4.0	5.4	4.2	5.8	5.0
Indonesia	2.7	2.4	2.6	2.0	2.3	4.3
Viet Nam	0.1	0.2	0.2	0.2	0.3	0.3
Philippines	0.7	0.3	0.3	0.3	0.3	0.3
Myanmar	0.1	0.0	0.0	0.0	0.0	0.0
China	6.9	5.9	7.8	9.2	11.4	11.3
EU-27	10.4	10.3	10.2	7.8	9.5	9.3
United States	13.7	13.0	9.7	9.8	7.8	11.9
Japan	8.5	8.9	10.0	5.8	7.5	5.8
Korea, Rep. of	3.2	2.5	2.2	16.0	3.8	3.4
Chinese Taipei	1.8	1.6	1.9	1.6	1.4	1.1
Australia	1.4	1.5	1.9	1.3	1.4	1.4
Hong Kong, China	2.6	0.9	1.1	0.7	1.3	1.1
India	0.8	1.1	0.9	0.8	1.0	1.0
Canada	0.3	0.3	0.3	0.2	0.3	0.3
Switzerland	0.2	0.2	0.3	0.3	0.3	0.3
New Zealand	0.5	0.4	0.5	0.4	0.3	0.3
Brazil	0.1	0.0	0.0	0.0	0.2	0.1
United Arab Emirates	0.4	0.2	0.2	0.1	0.2	0.3
Other	1.4	1.4	1.8	1.2	1.4	1.7

Source: WTO Secretariat calculations, based on figures taken from the *Brunei Darussalam Statistical Yearbook 2012*, and data provided by the authorities.

Table A2. 1 Main trade-related legislation, 2014

Subject	Acts and orders	Chapter or Gazette ref.	Entry into force	Last amended
Air transport	Airport Passenger Service Charge Act Civil Aviation Order 2006 (repeals Air Navigation Act (Chapter 113))	Chapter 188 S 63/06	1999 2006	
Business environment	Arbitration Order 2009 (repeals Arbitration Act (Chapter 173)) Business Names Act Companies Act Co-operative Societies Act (as amended) Criminal Asset Recovery Order 2012 (repeals the Anti-Money Laundering Act (Chapter 209)) Electronic Transaction Act International Arbitration Order 2009 International Business Companies Order 2000 International Limited Partnership Order 2000 International Trusts Order 2000 Miscellaneous Licences Act Registered Agents and Trustees Licensing Order 2000 Limited Liability Partnership Order 2010	S 34/09 Chapter 92 Chapter 39 Chapter 84 S 47/12 Chapter 196 S 35/09 S 56/00 S 45/00 S 55/00 Chapter 127 S 54/00 S117/10	2010 1958 1957 1975 2012 2001 2010 2000 2000 2000 1983 2000 Not yet in force	2012 2012 2012 2013 2011 2011
Competition	Consumer Protection (Fair Trading) Order 2011 Monopolies Act (as amended)	S 64/11 Chapter 73	2012 1932	
Customs	Customs Order 2006 (repeals Customs Act (Chapter 36)) Excise Order 2006 (repeals Excise Act (Chapter 37))	S 39/06 S 40/06	2006 2006	2013
Energy	Electricity Act	Chapter 71	1973	
Financial services	Autoriti Monetari Brunei Darussalam Order 2010 Banking Order 2006 Deposit Protection Order 2010 Finance Companies Act Hire Purchase Order 2006 Insurance Order 2006 International Banking Order 2000 International Insurance and Takaful Order 2002 Islamic Banking Order 2008 (repeals Islamic Banking Act (Chapter 168)) Money-Changing and Remittance Businesses Act Moneylenders Act Pawnbrokers Order 2002 Securities Market Order 2013 (repeals Mutual Funds Order 2001 and Securities Order 2001) Takaful Order 2008	S 103/10 S 45/06 S 110/10 Chapter 89 S 44/06 S 48/06 S 53/00 S 43/02 S 96/08 Chapter 174 Chapter 62 S 60/02 S 59/13 S 100/08	2011 2006 2011 1973 2006 2006 2000 2002 2008 1995 1922 2005 2013 2008	2012 2011 2012 2006 2011 2011 2011 2011 2011 2011
Fisheries	Brunei Darussalam Fishery Limits Act (as amended) Fisheries Order 2009 (repeals Fisheries Act (Chapter 61)) (as amended)	Chapter 130 S 25/09	1983 2009	2010 2010
Forestry	Forest Act (as amended)	Chapter 46	1934	2007
Government procurement	Financial Regulations 327-340	n.a.	1983	
Hydrocarbons and mining	Petroleum (Pipe-Lines) Act Mining Act Petroleum Mining Act	Chapter 45 Chapter 42 Chapter 44	1920 1920 1963	
Investment	Investment Incentives Order 2001 (repeals Investment Incentives Act (Chapter 97))	S 48/01	2001	2011

Subject	Acts and orders	Chapter or Gazette ref.	Entry into force	Last amended
IPR	Emergency (Copyright) Order 1999	S 14/00	2000	2013
	Emergency (Industrial Designs) Order 1999	S 7/00	2000	
	Emergency (Layout Design) Order 1999	S 8/00	2000	
	Merchandise Marks Act	Chapter 96	1953	
	Patents Order 2011 (repealed Inventions Act (Chapter 72))	S 57/11	2012	
	Trade Marks Act	Chapter 98	2000	
Manufacturing	Industrial Co-ordination Order 2001	S 44/01	2001	
Maritime transport	Merchant Shipping Order 2002 (repeals Merchant Shipping Act (Chapter 145))	S 27/02	2002	2009
	Ports Act	Chapter 144	1986	2005
Price control	Price Control Act	Chapter 142	1974	2012
SPS	Agricultural Pests and Noxious Plants Act	Chapter 43	1971	
	Halal Meat Act	Chapter 183	1999	2010
	Infectious Diseases Act (repeals Quarantine and Prevention of Disease Act (Chapter 47))	Chapter 204	2003	2009
	Poisons Act	Chapter 114	1957	1996
Taxation	Income Tax (Petroleum) Act (as amended)	Chapter 119	1963	2012
	Income Tax Act (as amended)	Chapter 35	1949	2013
TBT	Halal Certificate and Halal Label Order 2005	S 39/05	2008	2012
	Misuse of Drugs Act	Chapter 27	1978	
	Public Health (Food) Act	Chapter 182	2001	2012
	Tobacco Order 2005	S 49/05	2008	
Telecom	Telecommunications Order 2001 (repeals Telecommunications Act (Chapter 54))	S 38/01	2006	
Tourism	Travel Agent Act	Chapter 103	1982	2012

n.a. Not applicable.

Note: Legislation is passed by the Sultan as orders and published in the Government Gazette Part II. Orders are converted into acts after revision by the Attorney General's Chambers (AGC) and incorporated into the Laws of Brunei. Currently, the Laws of Brunei compiles 220 Acts (referred to as Chapter). Orders and Acts have the same legal effect and are equally enforceable. (ASEAN Law Association online information, "Chapter 2: Sources of Law". Viewed at: <http://www.aseanlawassociation.org/legal-brunei.html>; and information provided by the authorities).

Source: WTO Secretariat, based on AGC Legislation Online. Viewed at: <http://www.agc.gov.bn>; and information provided by the authorities.

Table A2. 2 RTAs that entered into force during 2008-14

ASEAN member States, Australia, and New Zealand (AANZFTA)	
Title	Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area
Parties	ASEAN, Australia, New Zealand
Date of signature/entry into force	February 2009/January 2012
End of transition period	2026
Services covered	Positive list approach to scheduling of services sectors in Annex 3 of the FTA. Specific commitments made in 8 out of 11 sectors identified in the Services Sectoral Classification List (GATT document MTN.GNS/W/120, 10 July 1991). No commitments made on: distribution; environmental; and recreational, cultural and sporting services. Other commitments made on energy services
Selected features	Advance origin/classification/valuation ruling on request; trade in services; investment; movement of natural persons; dispute settlement; intellectual property
WTO consideration status	Factual presentation not distributed
Brunei's merchandise trade with Australia and New Zealand (2013)	Australia: 1% of total imports; 7.3% of total exports New Zealand: 0.1% of total imports; 4.1% of total exports
WTO document series	WT/REG284/N/1 and S/C/N/545, 9 April 2010
ASEAN member States and India	
Title	Agreement on Trade in Goods (falling under the Framework Agreement on Comprehensive Economic Co-operation between ASEAN and the Republic of India, 2003, as amended in 2009)
Parties	ASEAN, India
Date of signature/entry into force	Goods: October 2009/June 2010 Services: July 2014/not yet in force
End of transition period	2021
Services covered	Positive list approach to scheduling of services
WTO consideration status	Factual presentation not distributed
Brunei's merchandise trade with India (2013)	1% of total imports; 7.6% of total exports
WTO document series	WT/COMTD/N/35, 23 August 2010
ASEAN member States and Japan	
Title	Agreement on Comprehensive Economic Partnership Among Japan and Member States of ASEAN
Parties	ASEAN, Japan
Date of signature/entry into force	Goods: March 2008/not yet in force Services: under negotiation
End of transition period	2018
Selected features	Agreement applies to goods only; provisions on services and investment are under negotiation
WTO consideration status	Factual presentation not distributed
Brunei's merchandise trade with Japan (2013)	5.8% of total imports; 39.8% of total exports
WTO document series	WT/REG277/N1, 14 December 2009, and WT/REG277/N2, 27 July 2011.
ASEAN member States and the Republic of Korea	
Title	Agreement on Trade in Goods (falling under the 2005 Framework Agreement on Comprehensive Economic Co-operation among the Governments of the Republic of Korea and ASEAN)
Parties	ASEAN, Korea
Date of signature/entry into force	Goods: August 2006/January 2010 Services: November 2008/May 2009
End of transition period	2016
Services covered	Positive list approach to scheduling of services sectors in Annex/SC1 of the FTA. Specific commitments in 8 out of 11 sectors identified in the Services Sectoral Classification List (GATT document MTN.GNS/W/120, 10 July 1991). No commitments made on: distribution; environmental; and, recreational, cultural and sporting services. Other commitments made on energy services
Selected features	Transitional safeguard; dispute settlement
WTO consideration status	Factual presentation not distributed
Brunei's merchandise trade with Korea (2013)	3.4% of total imports; 16.3% of total exports
WTO document series	WT/REG287/N/1; WT/COMTD/N/33; S/C/N/559; S/C/N/560, 8 July 2010; S/C/N/559/Add.1; S/C/N/560/Add.1, 3 May 2011

Brunei-Japan	
Title	Agreement between Japan and Brunei Darussalam for an Economic Partnership
Parties	Brunei and Japan
Date of signature/entry into force	18 June 2007/31 July 2008
End of transition period	2023
Services covered	Positive list approach to scheduling of services sectors in Annex 8 of the FTA. Specific commitments made in 9 out of 11 sectors identified in the Services Sectoral Classification List (GATT document MTN.GNS/W/120, 10 July 1991). No commitments made on: environmental; and recreational, cultural and sporting services. Other commitments made on energy services
Selected features	Bilateral safeguard measures; investment (negative list approach to scheduling of liberalization commitments); energy, improvement of business environment, customs procedures and cooperation in areas such as agriculture, forestry and fisheries, environment and human resource development
WTO consideration status	Factual presentation completed
Brunei's merchandise trade with Japan (2013)	5.8% of total imports; 39.8% of total exports
WTO document series	WT/REG244/N/1 and S/C/N/466, 4 August 2008; WT/REG244/1, 6 July 2009; WT/REG244/2, 4 September 2009; WT/REG244/3, 15 October 2009; WT/REG244/M/1, 28 September 2009; WT/REG244/M/1, 28 September 2009

Source: WTO Secretariat and information provided by the authorities.

Table A4. 1 Modalities of bilateral air transport agreements

Partner	Date of signature	5 th freedom	7 th freedom	Cabotage	Cooperation	Designation	Withholding ^a	Pricing ^b	Capacity ^c	Exchange of statistics	Air liberalization index
Australia	24.03.2004	Yes	No	No	Yes	Multiple	PPoB	DD	PD	Yes	27.0
Austria	13.02.1997	No	No	No	No	Multiple	SOEC	DA	PD	Yes	4.0
Bahrain, Kingdom of	27.06.1990	No	No	No	No	Single	SOEC	DA	PD	Yes	0.0
Belgium	18.02.1994	Yes	No	No	No	Single	SOEC	DA	PD	Yes	6.0
Cambodia	19.08.2000	Yes	No	No	No	Multiple	SOEC	DA	PD	Yes	10.0
China	05.05.1993	No	No	No	No	Multiple	SOEC	DA	PD	Yes	4.0
Egypt	08.11.1993	No	No	No	No	Multiple	n.a.	DA	PD	Yes	4.0
Germany	27.04.2000	Yes	No	No	No	Multiple	CoI	CoO	PD	Yes	17.0
Hong Kong, China	09.01.1989	No	No	No	No	Multiple	PPoB	DA	PD	Yes	12.0
India	06.11.1995	Yes	No	No	No	Multiple	SOEC	DA	PD	Yes	10.0
Indonesia	24.07.1986	Yes	No	No	No	Single	SOEC	DA	B1	Yes	10.0
Japan	28.10.2011	Yes	No	No	Yes	Multiple	SOEC	ZP	FD	Yes	26.5
Korea, Republic of	05.08.1992	No	No	No	No	Multiple	SOEC	DA	B1	Yes	8.0
Kuwait, State of	14.11.1994	Yes	No	No	No	Single	SOEC	DA	PD	Yes	6.0
Lao PDR	30.04.1998	Yes	No	No	No	Multiple	SOEC	DA	PD	Yes	10.0
Macao, China	24.05.1998	No	No	No	No	Single	PPoB	DD	PD	Yes	14.0
Malaysia	23.06.1994	Yes	No	No	No	Multiple	SOEC	DA	B1	Yes	14.0
Maldives	03.05.1986	Yes	No	No	No	Single	SOEC	DA	B1	Yes	10.0
Malta	26.11.1996	..	..	..	..	..	..	..	..	..	..
Myanmar	03.08.1995	Yes	No	No	No	Multiple	PPoB	DA	PD	Yes	18.0
Nepal	10.07.1986	Yes	No	No	No	Single	SOEC	DA	PD	Yes	6.0
Netherlands	17.01.1996	No	No	No	No	Single	SOEC	DA	PD	Yes	0.0
New Zealand	04.03.1999	Yes	Yes	Yes	Yes	Multiple	PPoB	ZP	FD	No	50.0
Oman	10.09.1988	Yes	No	No	No	Single	SOEC	DA	PD	Yes	6.0
Pakistan	29.12.1987	Yes	No	No	No	Single	SOEC	DA	PD	Yes	6.0
Philippines	24.08.1987	Yes	No	No	No	Single	SOEC	DA	B1	Yes	10.0
Qatar	12.11.1994	No	No	No	No	Multiple	SOEC	DA	PD	Yes	4.0
Russian Federation	14.05.1998	No	No	No	No	Multiple	SOEC	DA	PD	Yes	4.0
Saudi Arabia, Kingdom of	09.02.1992	Yes	No	No	No	Single	SOEC	DA	PD	Yes	6.0
Singapore	24.05.1997	Yes	Yes	No	Yes	Multiple	SOEC	DD	FD	No	34.0
Switzerland	22.11.1994	Yes	No	No	No	Single	SOEC	DA	PD	Yes	6.0
Thailand	13.01.1987	Yes	No	No	No	Single	SOEC	DA	PD	Yes	6.0
United Arab Emirates	29.03.1993	Yes	No	No	No	Multiple	SOEC	DA	PD	Yes	10.0
United Kingdom	23.11.2007	No	No	No	Yes	Multiple	SOEC	DD	FD	No	22.0
United States	20.06.1997	Yes	No	No	Yes	Multiple	SOEC	DD	FD	No	28.0
Viet Nam	28.11.1991	No	No	No	No	Single	SOEC	DA	PD	Yes	0.0

n.a. Not available.

a CoI: community of interest. PPoB: principal place of business. SOEC: substantial ownership and effective control.

b CoO: country of origin. DA: double approval. DD: double disapproval. ZP: zone pricing.

c B1: Bermuda I. FD: free determination. PD: pre-determination.

Source: WTO ASAP, and information provided by the authorities.