Xi promises to help Brunei reduce oil and gas reliance

Brunei seems like an odd mix of places. With its large village of wooden houses perched on stilts above the water and its majority ethnic Malay culture and language, it closely resembles Malaysia.

But then, look at those spotless nearly crime-free streets, the landscaping and well-preserved green spaces, and the strong English language skills, it resembles Singapore.

China's Hengyi Group is investing billions in a vast petrochemical plant in Brunei. CCTV Photo

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Throw in the fact that it's a wealthy absolute monarchy made rich by oil and gas and it has something of a Gulf emirate about it.

With a population of just 420,000 people, nestled on the northern coast of Borneo, it rarely makes international news, and rarely gets state visits from major world leaders.

So the visit this week by Chinese President Xi Jinping is something of a landmark in this quiet sultanate. When I spoke to people on the streets of the capital about the visit, their answers surprised me.

"Brunei needs more exposure internationally and I hope it increases the chances of more investment in Brunei, especially foreign direct investment," said Eric Lim, part of the 10 percent of the population of Chinese origin.

"I think it's a good thing from the development perspective, to help boost our economy and progress here," said Haji Ali bin Haji Piuk, an ethnic Malay man.

Such sentiments might seem odd given that Brunei is one of the richest countries on the earth with its citizens paying no income or sales tax, enjoying free quality, first-rate education and healthcare, and generous pensions.

But Brunei's economy has been in recession for three straight years since 2015, due to low oil prices. Oil and gas revenue accounts for more than two-thirds of GDP and 90 percent of government revenue.
The government knows how unhealthy this situation is and has been striving for years to diversify the economy, with minimal success though.

"The Chinese investments are considered of paramount importance to Brunei especially in its way to diversify its economy away from oil and gas," Jatswan S. Sidhu, a Malaysian academic specializing in Brunei, told me.

After their bilateral meeting at Sultan Hassanal Bolkiah's palace, President Xi and the sultan issued a joint statement. Amid the talk about enhancing cooperation and strengthening ties, it's notable that the aim of "helping Brunei diversify its economy" showed up several times.

China is already doing that. Thanks in large part to Brunei's strategic location on the Belt and Road, China's involvement in the country has surged over the past three to five years.
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Bilateral trade grew by more than one-third last year and will grow even faster this year.

But it's in terms of foreign direct investment that the huge importance of the relationship has been most apparent.

China's Hengyi Group is investing billions of dollars in a vast petrochemical complex on an island off the coast. It will allow Brunei to process more of the hydrocarbons that it produces, adding value to its dwindling reserves.

China's Guangxi Beibu Gulf Port Group has formed a joint venture to take over the operation and help modernize and expand Brunei's container port. It also plans to build an industrial park near the port to attract Chinese and other investors.

Brunei has ambitions to be a major logistics hub for what's called the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area, with a acronym as BIMP-EAGA. The Chinese president pledged to help Brunei become the hub it has long dreamed of being.

"So even before the BRI, the government has always been thinking about it," Professor Sidhu said. "Now, with the BRI, of course, it provides added importance to Brunei being located right in the middle of Borneo and within access plus having state-of-the-art port facilities."

With other countries reluctant to invest in Brunei as its oil and gas reserves dwindle, China's commitment to expanding ties and investment isn't just welcome here. It might prove the key to Brunei being able to preserve in the decades ahead, the prosperity its people have accustomed to.