Brunei struggles to prepare for life after oil and gas

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Xi promises to help Brunei reduce oil and gas reliance

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Xi's visit marks a new chapter in China-Brunei relations
Except at peak times in the district of Gadong – packed with small shops and restaurants, and has the only shopping mall of note – there’s barely any traffic congestion in the Brunei capital, Bandar Seri Begawan.

The low-rise business district appears to be in Sunday mode even in the middle of the week. Small boats shuttle back and forth between downtown and the “kampung air” – or water villages, clusters of wooden houses perched on stilts above the river.

Most other Bruneians in the capital live in fairly modest looking apartment buildings, and aside from the gleaming mosques and palace, it’s not so apparent that this is one of the richest countries on earth based on per capita GDP. All Bruneians enjoy free education, free health care, generous pensions. Most work for the government or government-linked entities. Aside from that, there’s a bit of petty trading, mostly in the hands of ethnic Chinese.

Brunei’s affluence rests entirely on oil and gas. But those reserves – which account for two thirds of GDP – are set to run out in around 20 years. So the race is on for Brunei to diversify its economy – what it calls Vision 2035.

“It’s a very big challenge for a country with about 400-thousand people with a population that can be considered extremely complacent,” says Jatswan S. Sidhu, a professor and Brunei specialist at University of Malaya in Kuala Lumpur.
“The Brunei government has been focusing on a few niche areas. One of them is Brunei becoming a hub of the halal food industry and the other is becoming like an Islamic Singapore -- a financial hub and with a niche in Islamic banking. A lot of money and a lot of effort has been put in that direction,” he says.

But until recently, the progress looked quite meager.

When Chinese president Xi Jinping visited Brunei last month, he released a joint statement with Sultan Hassanal Bolkiah expressly stating that China will help Brunei achieve its goal of diversifying its economy...its Vision 2035.

That’s already happening.

At Universiti Teknologi Brunei, a Chinese tech company called Sesame World has established a joint venture. It has developed highly directional audio speakers that can
be used, for instance, in large open spaces like supermarkets. And as well as training students in acoustical technology it is also teaching advanced computer graphics too. The company has even got a public shout-out from the Brunei sultan for its efforts.

“Some of our students have gone on to start their own companies,’ says Yang Jianfeng, CEO of Sesame World. “Some are working in big companies. We have students doing masters and PhDs in computer graphics and many in electroacoustic science. All of them can help Brunei to enrich its industries and to increase diversification.”

China might seem like an obvious partner for such a venture, as well as other areas in which China is investing and Brunei is keen to develop such as ports, petrochemicals and steel. But the halal food industry might seem a less obvious fit.
At an on-shore site outside the capital, Chinese company Hiseaton Fisheries is rearing fry of several fish species, which will be transferred to offshore ocean pens once they are larger to be raised to maturity.

“After processing, we will export our fish products taking advantage of Brunei’s favorable environment to breed high quality fish and sell our fish products to the whole world,” says Hiseaton Fisheries managing director Cherry Wei. “Having the halal certification from Brunei, we can sell our products to Middle East markets other countries cannot penetrate.”

The recent surge of Chinese investments is helping Brunei reduce its over-reliance on oil and gas drop by drop. But formidable challenges remain.
It practices strict Islamic law, with tight restrictions on alcohol consumption for instance. That will hinder the development of its tourism sector, including ecotourism, with the more relaxed Malaysian states of Sarawak and Sabah right next door. It doesn’t make it the most attractive choice for expatriates either.

Privately, several of the Chinese nationals I meet privately confide that they aren’t so keen to bring their families out or to live there for a long term.

*In any case, says Sidhu,* “Its immigration policies are extremely rigid. If you really want to create niche areas you really have to allow more relaxed migration policy when it comes to the migration of professionals, for example."

Also, foreign investors find it difficult to source local workers for the less comfy jobs on offer.

It’s that complacency among the population that Professor Sidhu spoke of. Not only does the government have to do its part to make Brunei attractive to investors. Bruneians themselves need to recognize the pressing need to transform the country’s economic landscape if they are going to continue to enjoy their enviable standard of living after the oil and gas run out.