
SUMMARY

1. Brunei Darussalam (Brunei) is a small economy rich in hydrocarbon resources. It ranks among the wealthiest economies in Southeast Asia and remains highly dependent on oil and gas. Its economic performance is closely correlated to fluctuations in the price of oil. In 2023, the oil and gas sector (excluding downstream activities) contributed 47% to GDP and generated 75% of government revenue. It was followed by the services sector, which accounted for around 38% of GDP, with public administration, finance, and wholesale and retail trade being the main activities. Brunei maintains a relatively open regime and sees trade as a key component for achieving its economic goals under its Vision 2035 Strategy. The State remains Brunei's main employer.

2. During the review period (2015-24), Brunei's need for economic diversification became more urgent owing to, *inter alia*, successive declines in oil prices, disruptions in oil production, and the impact of the COVID-19 pandemic, which led to consecutive fiscal deficits for the first time since the financial crisis, causing an erosion of public finances. Brunei sought to maintain a prudent fiscal policy, reduce expenditures, and accelerate the diversification of its economy.

3. Despite these challenges, the economy grew in general at a positive rate. In 2023, real GDP grew by 1.4% and inflation stood at 0.4%. Brunei's monetary policy remains based on a currency board arrangement that is supported by a long-standing currency interchangeability agreement between Brunei and Singapore. Under this system, the Brunei dollar is pegged to the Singapore dollar; according to the IMF, this practice has been critical in ensuring macroeconomic stability.

4. During this period, the Government's diversification efforts focused on attracting FDI, creating a conducive business environment, developing the private sector, and promoting the production of more value-added goods and of non-oil and gas activities. In this regard, Brunei identified five sectors for development: (i) downstream activities of oil and gas; (ii) food manufacturing; (iii) information and communication technology (ICT); (iv) tourism; and (v) services. Of these sectors, oil downstream activities witnessed the most remarkable expansion following the completion of a new refinery complex. Since 2020, Brunei has significantly increased the exports of refined oil products and, to a lesser extent, petrochemicals. The food sector also benefited from reforms with a view to strengthening it and supporting the halal industry. Efforts to develop the other sectors are ongoing. Brunei is also seeking to enhance its participation in global value-chain activities, which is still in the very early stages.

5. Brunei implemented various measures to, *inter alia*, support MSMEs, streamline customs procedures, enhance its intellectual property regime, and establish a competition policy framework. It also promoted initiatives to support the participation of women in the economy, notably through capacity-building. According to World Bank estimates, in 2023, women's participation rate in the Bruneian labour market was 55.4%.

6. In 2020, Brunei adopted its national climate change policy to guide its green transition and achieve carbon neutrality by 2050. As part of this policy, a mandatory greenhouse gas reporting mechanism was launched in 2023, and a carbon pricing mechanism is to be implemented by 2025. The Government is also exploring ways to increase the use of renewable energy and aims to have at least 30% of power generation from renewable energy by 2035. During the review period, the Energy Efficiency (Standards and Labelling) Act was introduced as a part of an energy efficiency and conservation initiative. Fuels remain subsidized.

7. Throughout the review period, Brunei maintained a merchandise trade surplus, which increased from USD 2.2 billion in 2016 to USD 3.7 billion in 2023, driven by the increase in the exports of refined oil products. In 2023, goods exports and imports totalled USD 11.2 billion and USD 7.5 billion, respectively. The oil and gas sector accounted for 42% of total exports (nearly 80% when including refined oil products) and for 64% of total imports. In 2023, Brunei's main export markets were Australia, Singapore, and China, while its main suppliers of imports were Malaysia and the United Arab Emirates, reflecting Brunei's increased demand for crude oil for refining. In trade in services, Brunei continued to record a trade deficit, driven mostly by an increase in imports of construction and other business services. In 2023, the deficit amounted approximately to USD 1.3 billion, accounting for 8.6% of GDP. During the review period, Brunei succeeded in securing new FDI, notably in the downstream oil and gas and chemicals sectors.

8. Brunei is an original Member of the WTO and grants at least MFN treatment to all of its trading partners. In February 2024, Brunei ratified the Agreement on Fisheries Subsidies. Brunei is neither a party to the Information Technology Agreement nor to the plurilateral agreements on government procurement and trade in civil aircraft. It has never been involved in a trade dispute at the WTO. Brunei submitted various notifications during the review period, including one concerning standards and labelling of energy, and some notifications under the Trade Facilitation Agreement (TFA). However, several notifications are pending, including on state trading enterprises, quantitative restrictions, import licensing, agriculture and subsidies, and countervailing actions.

9. During the review period, four RTAs to which Brunei is a party entered into force: the (ASEAN) Trade in Services Agreement; the ASEAN-Hong Kong, China FTA; the Comprehensive and Progressive Agreement for Trans-Pacific Partnership; and the Regional Comprehensive Economic Partnership (RCEP). Brunei's RTAs, except RCEP, have been notified to the WTO.

10. Brunei's main investment legislation is the Investment Incentives Order, 2001, unchanged since the previous Review; no substantial changes were introduced to the incentives granted to domestic and foreign investors under the Order. It was decided in 2018 that permanent residents and foreigners would no longer be able to purchase land and property through power of attorney or trust deeds. Leases up to 60 years are allowed.

11. Brunei continued to make progress in trade facilitation. It expanded the features of the Brunei Darussalam National Single Window (BDNSW) and consolidated its functions by discontinuing the e-customs platform. In 2017, it also implemented the Sutera Lane Merchant Scheme, its authorized economic operators programme. By the end of 2022, Brunei had implemented all of its commitments under the TFA. International trade costs involving Brunei declined in general between 2016 and 2022, in some cases by up to about 60%, but remain on average among the highest in Southeast Asia. In 2022, Brunei's trade costs were the lowest in transactions with Australia and most ASEAN partners, while the highest trade costs were recorded with certain economies in the Middle East, South America, and Europe.

12. Brunei maintains a relatively liberal trade regime. In 2024, more than 90% of tariff lines were duty-free and its simple average applied MFN tariff was 0.4%, one of the lowest among WTO Members. During the review period, Brunei reduced applied MFN tariffs, notably for non-agricultural goods, and eliminated the tariff bands of 20% and 30%. Currently, the highest rate is 15%. All agricultural goods, except for 26 lines, are duty-free. In 2024, the simple average applied MFN tariff for agricultural and non-agricultural goods (WTO definition) was virtually zero and 0.5%, respectively. Brunei has bound nearly 90% of its tariff lines using mostly ad valorem duties. The average bound rate is 25.4%.

13. During the review period, Brunei expanded the coverage of the excise tax applicable to imports and amended some of its rates. In 2024, an excise tax was applicable to 33% of its tariff lines, which corresponded to 3,729 lines, up from 692 tariff lines in 2014. In some cases, excise rates and import duties were jointly amended and tended to be negatively correlated to balance revenue considerations against other policy objectives, including the promotion of environmental and health objectives. Under Brunei's tariff schedule, goods are subject either to an import duty or an excise duty, but not both. About 60% of lines were free from both import duties and excise duties. Brunei does not have a VAT regime and does not apply any export taxes, charges, or levies.

14. Brunei does not have legislation for anti-dumping, countervailing, and safeguard measures.

15. Brunei prohibits and restricts the import and export of certain products based on safety, religious, health, environmental, and economic considerations. These measures have remained largely unchanged since the previous Review, with few additions. In 2017, Brunei introduced a licence requirement for importing and exporting fireworks, smoking pipes, used tyres, and e-cigarettes. Most licences and permits can be requested through the BDNSW.

16. Brunei supports exports and production mostly through fiscal incentives under its investment regime and, more recently, through other support initiatives focusing on MSMEs. These initiatives include grants and credits at preferential conditions to support their development, facilitate their access to finance, and encourage the adoption of digital solutions. In 2018, Brunei launched the I-Usahawan programme to promote the participation of entrepreneurs and MSMEs in tenders for

contracts with the Government, SOEs, and other public entities. At the institutional level, in 2016 Brunei established Darussalam Enterprise, Brunei's MSMEs promotion agency, and in 2017 Bank Usahawan, an SOE, focusing also on MSMEs. In 2017, Brunei's first free trade zone was introduced, although it is not yet operational.

17. In the area of standards and technical regulations, Brunei undertook institutional reforms with a view to strengthening its national standards body, notably in the area of certification and accreditation. Regarding sanitary and phytosanitary measures, Brunei introduced an import permit requirement on all food products in the legislation, thereby formalizing an existing practice. In 2017, it established the Brunei Darussalam Food Authority to centralize the regulatory functions concerning food safety. Additionally, in 2021, Brunei adopted a new legislation concerning animal health, which seeks to establish a unified and modern framework.

18. Brunei adopted the Competition Order, 2015, its first legislation defining the competition policy framework. The legislation, which is gradually being implemented, prohibits collusive agreements, the abuse of a dominant position, and mergers having a negative impact on competition. In 2017, Brunei established the Competition Commission of Brunei Darussalam (CCBD) and in 2020 it put into force the provisions regarding collusive agreements. By June 2024, the CCBD had conducted three investigations.

19. Brunei controls the retail prices for 11 types of goods, compared to 22 in 2014. Maximum prices are applied to rice, sugar, powdered milk, cooking oil, and various fuels. The products that are no longer subject to maximum prices are plain flour, milk (condensed and evaporated), and construction materials. The minimum prices for cigarettes and tobacco were also lifted.

20. SOEs play a critical role in Brunei's economy and dominate strategic areas like the oil and gas sector. Since 2016, Brunei has undertaken the corporatization of certain public entities, particularly in the areas of postal and maritime services, as well as agriculture. Brunei's public procurement system has remained largely unchanged since the previous Review. The system follows a decentralized approach for contracts not exceeding BND 250,000. In 2022, new financial regulations were adopted to enhance the governance of public funds and standardize procurement procedures across public entities. In April 2024, Brunei launched an e-procurement platform for online tendering.

21. In the area of intellectual property, Brunei adopted its first legislation on the protection of plant varieties in 2015, which provides for the protection of plant breeders' rights for up to 25 years. In 2017, it also put into force the Madrid Protocol and amended its legislation accordingly, to operationalize the procedures for the international registration of trademarks. Brunei also acceded to the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, bringing the number of WIPO-administered agreements to which it is party to nine.

22. Agriculture's contribution to Brunei's economy remains small; along with forestry and fisheries, it accounts for 1.2% of GDP. Rice and sugar are imported mainly by the Treasury Department and sold to registered suppliers; the Department has exclusive rights to import certain varieties of rice. Brunei maintains a system of subsidy for, inter alia, rice, sugar, seeds, fertilizers, pesticides, and food packaging; it started to stop providing subsidies to machineries from June 2020 in stages. Brunei does not allow the exportation of logs and sawn timber.

23. The hydrocarbons industry continues to dominate Brunei's economy in terms of contribution to GDP, government revenues, and merchandise exports. In 2019, the Petroleum Authority of Brunei Darussalam was established and is vested with exclusive mineral rights and powers with respect to Brunei's petroleum resources. 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; it operates through the concession agreements. A new refinery complex started its operations in November 2019.

24. The authorities encourage manufacturing to reduce Brunei's dependence on its petroleum resources; several incentives are used to encourage investment in priority sectors (e.g. food and ICT). The Brunei Darussalam Economic Development Board continues to promote and manage large-scale industrial estates, which are widely dispersed across Brunei. In 2023, the manufacturing sector (excluding activities related to oil and gas products) accounted for less than 2% of GDP.

25. On 26 June 2021, Autoriti Monetari Brunei Darussalam was renamed as Brunei Darussalam Central Bank (BDCB), which is responsible for the supervision and regulation of the financial system. Brunei aims to become an international hub for Islamic financial services, including Islamic banking, takaful (Islamic insurance), and Islamic capital market products. In terms of banking, the BDCB modified several prudential regulations during the review period. Since 2017, the BDCB has focused on enhancing governance and risk management practices in the insurance/takaful sector. Brunei does not have its own stock exchange. The BDCB continues to monitor the progress of fintech participants in the FinTech Regulatory Sandbox, which is intended to test whether new financial products and services meet regulatory requirements. In 2023, the financial sector accounted for 6.2% of GDP.

26. The telecommunication sector had a major structural change during the review period. In September 2019, the United National Networks (UNN) consolidated all networks previously owned by telecom providers; providers now need to obtain access to UNN's network infrastructure to begin providing services. In addition, number portability was introduced in 2020. There is no specific regulation to govern prices and tariffs, but the authorities are empowered to give regulatory directions to licensees in the public interest and ensure fair and efficient market conduct. In 2020, Brunei adopted the Digital Economy Masterplan 2025 to guide the country's digital transition, and in 2023 it introduced 5G technology.

27. The tourism sector is still recovering from the impacts of the COVID-19 pandemic and is expected to fully recover in 2025. In 2023, hotel and restaurant activities contributed 1.3% to GDP. For travel agencies, foreign equity participation in tour operator services must not exceed 70%. Similarly, for hotel lodging services, if a joint venture corporation is composed of Bruneian individuals or Bruneian-controlled corporations or both, the aggregate foreign shareholding in the joint venture corporation shall not exceed 70% foreign equity. Regarding tourist guide services and other consultancy services in tourism, foreign ownership must not surpass 70%. Foreign tour guides must obtain a local tourist guide licence in Brunei to provide tour guide services. In addition, a private company must have at least two directors, and at least one must be a local resident.

28. In sum, during the review period, Brunei managed to maintain an overall positive economic performance despite facing multiple shocks. Recognizing the importance of economic diversification, Brunei intensified its efforts to promote non-oil and gas activities and produce more value-added goods as shown by the development of the downstream oil sector. Brunei implemented reforms to strengthen its business environment and support the development of the private sector, with a strong focus on MSMEs. Legal and/or institutional reforms were implemented, for example, in the areas of competition, SPS, TBT, intellectual property, energy, and telecommunications. Brunei also sought to enhance its participation in world markets and took measures to facilitate customs procedures and further simplify its tariff regime. Four new RTAs have entered into force since the previous Review. Looking ahead, growth in 2024 is expected to continue at 2.4%, according to the IMF. The downstream oil sector is set to grow further as the country plans to increase refinery capacity by 2028. Initiatives to revitalize the tourism sector are also ongoing, and a Tourism Industry Roadmap 2024-2035 is being prepared to guide these efforts. These plans to diversify the economy, alongside ongoing reforms, are encouraging and will be critical for ensuring both fiscal and economic sustainability, and to support Brunei's transition towards a greener economy.