

Brunei in 2015

Oil Revenues Down, Sharia on the Rise

ABSTRACT

The oil price decline of 2015 caused significant losses for Brunei's economy. The country is still preparing the second phase of its Sharia reform that began in 2014. In addition to his other government positions, Sultan Hassanal Bolkiah appointed himself as minister of foreign affairs and trade, replacing Prince Mohamed Bolkiah.

KEYWORDS: Brunei, oil price crisis, fighting corruption, Sharia

BRUNEI DARUSSALAM, INHABITED BY 412,000 PEOPLE, remains the only ASEAN country without a parliament, general elections or an organized opposition—and nothing in 2015 indicated any changes to this status quo. Sultan Hassanal Bolkiah—prime minister, minister of finance, minister of defense, “Head of Islam,” and since 2015 also minister of foreign affairs and trade—is highly popular, enhanced by his carefully staged image as a “Caring Monarch.” In the Human Development Index, Brunei is the world's highest-ranking Muslim-majority country. Living standards are exceptional: Citizens do not pay personal income tax; they enjoy largely free education and health care, subsidized housing, and a pension from the age of 60. The government employs 25% of the working population. The dramatic decline in global oil prices in 2015, however, revealed the “Shellfare State's” most fundamental vulnerability, namely its over-dependence on oil and gas exports.

Since oil and gas revenues amount to over 90% of Brunei's exports and 67% of its GDP, the oil price fall—from USD 110 per barrel in July 2014 to less than USD 40 in December 2015, with a similar decline of liquefied natural gas (LNG) prices—caused painful losses. Despite increased production, oil and

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gas revenues declined by 20.7%, crude oil exports decreased by 40.7%, and total exports fell by 41.1% from September 2014 to September 2015. Imports dropped by 6.5%. Total trade saw a loss of 31.2%. The growth of sectors other than oil and gas at 2.5% had little impact, and the Asian Development Bank Outlook 2015 expected Brunei's economy to decrease by 1.5%, following a similarly negative trend (-2.3%) in 2014.

The Legislative Council—an advisory body without substantial legislative powers—approved a national budget of Brunei dollars (BND) 5.7 billion (USD 3.9 billion) for the fiscal year 2015/2016. Revenues amounted to BND 4.1 billion (USD 2.9 billion), resulting in a deficit of BND 1.6 billion (USD 1.2 billion). Officially, a “surplus from previous years” was used to make up the losses.¹ Several institutions faced budget cuts; defense spending was reduced by 25%. In contrast, the Ministry of Religious Affairs' budget was increased, reflecting the Sultan's much emphasized rejection of compromise on Islam-related matters. Although the Sultanate can afford the current losses, scenarios in which oil prices remain low are deeply worrying for the government. Abu Bakar Apong—previously minister of education, and since 2015 minister of home affairs—described the situation as possibly soon becoming “more complex” than the 1997 Asian and 2008 financial crises.²

Despite Brunei's decades-old mantra that economic diversification is urgent, it remains unclear how this could realistically be achieved. One such attempt, the strengthening of agriculture, showed little success. The government had in 2009 declared a target of 60% national self-sufficiency in rice production by 2015. In reality, only 4% was achieved, reflecting a more general imbalance between aspirations and outcomes. The economic part of the Sultan's “Vision 2035,” aiming at 6% per annum growth, is certainly at risk. Unless oil prices recover or production massively increases, the government and royal family may have to rethink some of their generous provisions and expenses.

As providing welfare is essential for the reciprocal patron-client relationship between the “Benevolent Ruler” and his subjects (alongside other resources of legitimation, most notably the national ideology *Melayu Islam Beraja*, commonly referred to by its acronym “MIB”³), cutting such expenses

1. “How Do We Plug Our Deficit?” *Brunei Times*, March 13, 2015.

2. Quoted in “Contingency Plan Needed For Dropping Oil Prices,” *Brunei Times*, March 8, 2015.

3. Literally, “Malay Islamic Monarchy,” the national ideology of MIB consists of three pillars that define the core of governmentally desired national identity: Supremacy of the Malay ethnic group and culture (M), Supremacy of Sunni Shafi'i Islam (I), and monarchical rule (B).

is not entirely without political risk. In 2015, the Sultan repeatedly addressed the problems at stake and stated that “economic diversification is needed as preparation for difficult and unexpected times.” He asked Bruneians to “escape the shackles of their comfort zones, where many are still too hopeful of getting jobs in the government.”⁴ Speaking of dangers resulting from possible future economic problems, he advised society “not to panic” and “remain calm as much as possible.”⁵

To encourage entrepreneurship, the government has made business licensing easier and enacted a new law, the Competition Order, with the purpose of preventing “collusion and abuse of dominance”⁶ in the Brunei market. It also started a campaign for promoting “financial literacy” and made May 28 “National Savings Day.” A total 49% of households have no savings, 24% need loans to cover their daily requirements, and 32% are not aware of the interest rate imposed on their credit cards. In June, the government introduced stricter lending regulations, including a loan cap at 60% for persons with a monthly net salary below BND 1,750 (USD 1,220). Individuals with low salaries are now forbidden from taking new loans that result in a total monthly debt repayment burden exceeding 60% of their net salary, thus helping to ensure their ability to cover their daily living expenses. One short-term effect has been dwindling car sales, declining 18% compared with 2014, in a country internationally ranked ninth in per capita car ownership.

The unemployment rate in 2015 was 6.9%. Legislative Council members discussed whether a “skyrocket(ing)” number of foreigners—presently 141,800—might soon “dominate” the job market.⁷ The Sultan publicly asked why important positions in the industrial sector were “still monopolized by foreign workers.”⁸ In 2015, Bruneians formed only 34% of the work force in the private sector. Envisioning a share of 66%, the minister of home affairs spoke of considering further regulation. The problem remains that many Bruneians prefer to work in the generous and secure public sector, so that companies often have little alternative but to hire externally.

On a more positive note, Brunei saw significant investments in the country’s infrastructure. A Chinese company was contracted to build a 1.6-mile

4. “HM Pushes For Entrepreneurship and Economic Diversification,” *Brunei Times*, March 8, 2015.

5. “Change Mindset On Jobs: HM,” *Brunei Times*, August 16, 2015.

6. “New Laws to Support Businesses,” *Brunei Times*, December 12, 2015.

7. “Caps on Expat Workers Won’t Hinder Growth,” *The Brunei Times*, March 10, 2015.

8. “HM: Strengthen The Economy,” *Brunei Times*, March 6, 2015.

(2.7-kilometer) sea-crossing bridge linking Brunei's mainland to the newly developed industrial island of Pulau Muara Besar (PMB), to be completed within three years. Once finalized, the oil industry-related PMB project will contribute an estimated BND 2.75 billion (USD 1.9 billion) per year to the economy. Another large project, an 18-mile (30-kilometer) bridge linking western Brunei with the Temburong District (previously only accessible through Malaysian territory or via sea), will be completed by early 2019.

There was an unprecedented anti-corruption initiative, apparently following top-down orders from His Majesty. The Sultan criticized "elements of lawlessness" in the Royal Brunei Police Force (RBPF). To underline his point, he made an unannounced visit to the RBPF headquarters and asked in a royal address (*titah*) "why only 21 per cent of criminal cases were solved in 2014," while the crime rate has constantly increased over the past three years. He also expressed his bewilderment over policemen "receiving or demanding bribes," "files [that] have gone missing," and officers involved in "immoral activities."⁹ The Prevention of Corruption Act was amended in September 2015; several newly defined offenses are now punishable by up to seven years in prison.

A number of police officers were arrested on corruption charges, including the former head of the Special Investigation Unit, Khairur Rijal Abu Salim. In April, prosecution against him was halted and he was detained under the Internal Security Act. He had reportedly protected criminals involved in gambling, prostitution, and alcohol sales; leaked information on police operations; and "planned . . . to control and determine the direction and extent of criminal activities in the country."¹⁰ He also accepted a car from a Malaysian national who had earlier been convicted of causing the death of his wife and expelled from Brunei, but was then illegally allowed to enter and exit the country again. Beyond the RBPF, a member of the Islamic bureaucracy was charged with misappropriating *zakat* (alms) funds, and eight employees of Brunei Shell Petroleum were charged with accepting bribes.

Since independence in 1984, Brunei has been the only ASEAN country that has unambiguously been defined as an "Islamic State" by its leadership, although its legal system still comprises coexisting British-derived civil law and Sharia law. In 2014 Brunei made international headlines by enforcing the Syariah [Sharia] Penal Code Order 2013 (SPCO), a reform expanding its Sharia

9. Quoted in "HM Censures Police For Corrupt Practices," *Brunei Times*, April 1, 2015.

10. "Detention Order Under Internal Security Act," *RTB News*, April 4, 2015.

legal system and making some stipulations applicable to non-Muslims. Criminal offenses had been part of Brunei's Sharia laws before, but the SPCO now also incorporates *hudud*¹¹ and *qisas*¹² punishments, most controversially including amputation and stoning.¹³ The Sultan had first announced plans for this Order in the mid-1990s; since then, several committees were tasked with drafting laws. This effort was initially opposed behind the scenes by some counter-forces in the government and royal family. The SPCO's enactment reflects the now uncontested influence of the Islamic bureaucracy on the Sultan's domestic policies and the gradual defeat of its critics over the past two decades.

The SPCO is being implemented in three stages. The first began in May 2014 with 55 "general offenses" (*ta'zir*). Heavier punishments (*hudud/qisas*) will be enacted in Stages II and III, beginning 12 and 24 months after an additional code regulating the SPCO's procedural law has been gazetted. Preparations for Stage II occurred throughout 2015. They go along with complex organizational challenges such as appointing SPCO-qualified judges¹⁴ as well as developing new institutional and enforcement structures.

Despite some foreign observers' claims, nothing indicates any intentional delay in the process, and the Sultan himself has explicitly dismissed such claims. Efforts at educating the public about the SPCO are still ongoing, and the Sultan and State Mufti's¹⁵ passionate commitment would cause a complete loss of face if the project were to be stopped. Whether the de jure enforced code's most drastic provisions will ever be applied de facto, however, remains to be seen. Also following enactment of the third stage, the previous Penal Code can still be used. And even where the SPCO will be applied, its harshest punishments are subject to strict procedural conditions emphasizing

11. Literally "limits/restrictions," *hudud* as a category of Sharia jurisprudence includes various crimes and punishments supposedly defined by God, as opposed to *ta'zir* crimes and punishments that a legitimate leader can define at his discretion.

12. Literally "retaliation," *qisas* covers several offenses against human beings and includes regulations for revenge punishments ("an eye for an eye"). However, mutually agreed upon forms of compensation such as "blood money" (*diya*) can replace the *qisas* punishment.

13. For an analysis of the SPCO and its tensions with international human rights law, see Human Rights Resource Centre, *Keeping the Faith: A Study of Freedom of Thought, Conscience and Religion in ASEAN*, (Jakarta: HRRC, 2015), pp. 53–98.

14. "Syariah Court Judges to Get Further Training." *Brunei Times*, September 7, 2015.

15. The State Mufti, a post held by Abdul Aziz Juned since 1994, is the most powerful religious government official in Brunei. As Head of the Religious Council's Legal Committee, he was the leading architect of the latest Sharia reform. His office holds the exclusive right to issue fatwas (Islamic legal opinions) which, unlike in other countries, are legally binding in Brunei.

the principle of doubt, and mechanisms that allow judges to reduce or lift sentences, e.g. through a “declaration of repentance” for apostates.

Government-controlled media constantly emphasized the SPCO’s validity. Following the Ministry of Religious Affairs’ “clarification,” a local newspaper had to correct an article about Islamic alms that had mistakenly quoted pre-SPCO legislation. However, there were only a few SPCO-based court cases in 2015, including a Muslim fined for cross-dressing. Another visible enforcement move has been a ban (with exceptions) on eating or selling food in public during Ramadan.

Brunei’s Sharia reforms did not substantially affect its excellent relationship with Western countries. After five years of negotiations, Brunei was among the 12 countries that concluded talks for implementing the Trans-Pacific Partnership (TPP) in Atlanta, Georgia, USA on October 5, 2015. The government expects the Sultanate’s economy to benefit significantly from increased market access, trade and investment once the TPP is ratified. Earlier attempts by a group of 119 U.S. members of Congress to remove Brunei from the TPP group “until [it] revokes its inhumane criminal code”¹⁶ were unsuccessful.

In the field of counter-terrorism, Brunei and the U.S. cooperated “nearly every day.”¹⁷ State Mufti Abdul Aziz Juned sharply condemned ISIS in Syria/Iraq and stressed that, “Islam is a religion that avoids bloodshed, which is not allowed *unless it is based on Islamic law*” (emphasis added).¹⁸ The outgoing Syariah High Court Judge Metussin Baki similarly denounced ISIS’s doctrines as “deviant teaching,”¹⁹ an official term in Brunei for outlawed forms of Islam such as the Shia, Al-Arqam, Baha’i, and some mysticist Sufi orders that paradoxically now fall under the same category as ISIS.

In October, the Sultan restructured his cabinet. Most notably, he appointed himself minister of foreign affairs and trade, a post held by his brother Prince Mohamed Bolkiah since 1984. The Prince remains a Privy Council member and key business figure. Crown Prince and Deputy Sultan Al-Muhtadee Billah is now the only direct member of the royal family left in Hassanal Bolkiah’s cabinet. On a lower level of politics, voting and office-holding regulations for heads of sub-districts (Penghulu Mukim) and village heads (Ketua Kampung) were modified and their salaries increased.

16. “TPP Talks in Ottawa: Brunei’s Brutal Sharia Law Raises Questions About Future of Fair Trade Deals,” *The Huffington Post Canada*, October 7, 2014.

17. “US-Brunei Anti-Terror Role Seen,” *Brunei Times*, May 9, 2015.

18. “Islam Is Not A Religion of War,” *Brunei Times*, January 31, 2015.

19. “Muslims Must Be Wary of Extremism,” *Brunei Times*, January 18, 2015.