



Manufacturing Sector Brief

# BRUNEI DARUSSALAM



## COUNTRY OVERVIEW

The Sultanate of Brunei has 5,765 km of the main land, is located on the island of Borneo, in Southeast Asia. Brunei is only and completely bordered by Malaysia with the exception of the coast overlooking the South China Sea. The country has a small population of 0.46 million and 79% of them are Muslim.

Brunei has the second-highest GDP per capita among ASEAN countries, following Singapore. Brunei's GDP in 2019 was approximately US\$13.5 billion - the bulk of it contributed by crude oil and natural gas production (accounting for 60% of GDP and more than 90% of export).

Table 1: GDP % According to Economic Sector

● Sector	● GDP%	
	2015	2018
Agriculture	1.1	1
Industry	60.2	62.2
Manufacturing	14.5	14.1
Services	38.7	36.7

source ADB, 2019



## MANUFACTURING SECTOR OVERVIEW

Investors in non- oil and gas sector should take note of the new national economic development strategy known as Wawasan 2035 which includes manufacturing as one of its five priority sectors. Manufacturing sectors are concentrated in Sungai Liang Industrial Park which is slated as petrochemicals manufacturing zone; Bukit Panggal Industrial Park for energy-intensive manufacturing activities; Salambigar Industrial for pharmaceutical, including Brunei's very own Simpoh Pharma.

The government policies and strategies are favourable to investors in the agri-food processing sector including food ingredients especially for Halal foods. In recent years, aquaculture was a major strategic focus, resulting in the development of the seafood processing industry such as frozen fish, crackers, fish balls and cakes, fish nuggets, shrimp pastes, marinated fish and dried fish. Investors in Halal food are guided by Brunei's well-established guidelines and standards for handling and manufacturing of Halal food products.

Investors should take note of the the Brunei Economic Development Board efforts which identifies several key industry clusters within export-oriented manufacturing including pharmaceuticals, food and food ingredients, petrochemicals, integrated petrochemicals refinery, and renewable energy.

### Pharmaceuticals

The pharmaceutical industry especially Halal pharmaceuticals in Brunei is growing supported by relevant guidelines and standards for the handling and manufacturing of halal pharmaceutical products.

Vivapharm (Brunei) Sdn. Bhd at the Lambak Kanan East Industrial Site is the biggest halal pharmaceutical manufacturing plant in Brunei. It focuses on exporting Halal-certified natural health products, over-the-counter and prescription drugs to the Asia Pacific regional markets, Middle East, Western Europe, and the United States.

### Petrochemicals

Brunei's economy has been dominated by the oil and gas upstream and downstream industries for the past 90 years. The Japan-Brunei consortium, Mitsubishi Gas Chemical Co Inc, Itochu Corporation and Brunei Petroleum built a USD 600 million methanol plant in Brunei at Sungai Liang Industrial Park (SPARK) which began operation in 2010. This paved the way for more petrochemical downstream industries in Brunei such as ammonia and urea.

### Renewable Energy

Investors should take note of Brunei Darussalam's plan to open up new frontiers and develop capabilities in renewable energy. Endowed with abundant deposits of silica sand the country intends to position itself as a hub for solar glass manufacturing as well as solar cells and modules production.



## BRIEF PROFILE OF MSMEs IN THE SECTOR

MSMEs accounted for 97.2 percent of enterprises, 35.5 percent of gross domestic product (GDP) and employed 57.3 percent of the workforce in 2018. Most MSMEs belong to the services sector and are dominated by traditional wholesale and retail trade. SMEs in the manufacturing sector accounts for 11.1 % of total SMEs (2017).

MSMEs in Brunei are yet to participate in global value chains. MSMEs have the opportunity for increased international market access, taking advantage of the government's aim for Brunei to become a Halal hub. There are several SMEs supporting agencies such as The National Chamber of Commerce and Industry (NCCI) and The Young Entrepreneurs Association of Brunei (YEAB) which provide entrepreneurial guidance and support to MSMEs. They also provide platforms such as Al-Huffaz Management (Islamic education matching), Tarbiyyah Global (Islamic program for children), and Mindplus (digital learning platform) to enhance Islamic-based entrepreneurship.



## POLICIES AND REGULATIONS

In order to encourage FDI in the domestic economy the government removed post-incorporation procedures for starting a business, increased transparency of land administration system for property registration, and strengthened minority investor protections.

Foreign investors can fully own incorporated companies, foreign company branches, or representative offices, but not sole proprietorships and partnerships. The rate of corporate income tax is the same whether the company is locally or foreign-owned and managed.

Companies involved in the exportation of agriculture, forestry, and fishery products can apply for tax relief on export profits. Sole proprietorships and partnerships are not subject to tax.

Several business facilitating agencies (the Brunei Economic Development Board (BEDB), FDI Action and Support Center (FAST), and Darussalam Enterprise (DARE)) have been established to support foreign investment.



## NATIONAL DEVELOPMENT PLAN FOR THE SECTOR

Wawasan 2035, aims to expand both the oil and gas downstream and economic clusters outside of the oil and gas sector. This includes support to expand local business development programs by boosting opportunities for small and medium-sized enterprises (SMEs).

There are increasing opportunities to set up halal-certified manufacturing companies especially premium halal products for global market.



## INVESTMENT AND MARKET OPPORTUNITIES

Brunei has Free Trade Agreements (FTA) with Australia, New Zealand, China, India, and South Korea, and a Comprehensive Economic Partnership Agreement with Japan as well as Bilateral Investment Treaties with Bahrain, China, Germany, India, the Republic of Korea, Kuwait, Oman, and Ukraine.

The highest FDI inflows in the manufacturing industry in 2017 which was valued at USD 500.6 million. Malaysia was the immediate source of investments, which amounts to USD 496.6 million.



## ISSUES AND CHALLENGES

Although Brunei ranked 56<sup>th</sup> out 190 economies in World Bank Doing Business ranking, Nonetheless, foreign companies will likely experience challenges in the following areas:

- lacking in transparency and less number of regulations and guidelines.
- inefficient bureaucracy
- MSMEs limited access to financing
- very small labour force with narrow skill sets (primarily to the oil and gas sector). Regulations are relatively restrictive regarding the employment of foreign workers and high wages for local labour force.
- expansion of pharmaceutical manufacturing sector faces challenges in terms of limited supporting infrastructure.
- MSMEs have limited options to link with large manufacturers to integrate into the global value chain.
- MSME access to bank credit is limited and the government-owned Bank Usahawan and DARE were unable to meet MSME demand for financing.



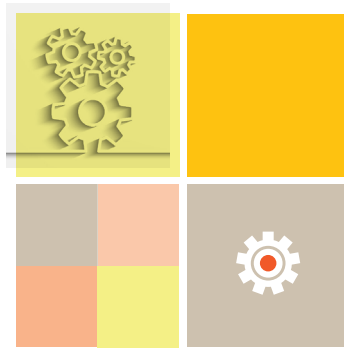
## RECOMMENDATIONS

Investors and businesses in the manufacturing sector could benefit from policies which supports bringing in labour force from neighbours Malaysia and Indonesia for sustainable growth in the manufacturing sector.



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