

PAKISTAN – BRUNEI DARUSSALAM: ECONOMIC AND TRADE RELATIONS

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Abstract

The research article entitled “Pakistan Brunei Darussalam to Boost Economic and Trade Relations” is written with the purpose to examine the position of Pakistan – Brunei Darussalam economic and trade relations. Pakistan and Brunei Darussalam have little two-way trade despite good trade relations and there is a need to take measures to enhance it and is a high time for joint business ventures as the business community in Brunei Darussalam is highly impressed with Pakistan's growth rate. The exchange of trade delegations between the two countries would help boost the volume of bilateral trade. Both the countries were members of the Organization of Islamic Conference. There is a lot of scope for Brunei to make investment in Pakistan. Brunei can make direct investment in Pakistani infrastructures, banking, insurance, oil & gas, IT, textile, automobiles, construction and hotel industries, etc and can also enter into joint ventures with Pakistani counter parts.

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1. Introduction of Brunei Darussalam

Barunah!' exclaimed early settlers who reached the Brunei River. From the 14th to the 16th centuries Brunei Darussalam was the seat of a powerful sultanate extending over Sabah, Sarawak and the lower Philippines. The current Sultan represents one of the oldest continuously ruling dynasties in the world. The 1959 Agreement established a written constitution which gave Brunei Darussalam internal self-government. In 1971, the agreement was amended and revised to assert full internal independence except defence and external affairs. In 1967 His Highness Sultan Haji Sir Muda Omar Ali Saifuddien abdicated in favor of his son Pengiran Muda Mahkota Hassanal Bolkiah¹.

On January 1, 1984 Brunei Darussalam resumed full independence and the Sultan took office as Prime Minister, Finance Minister and Home Affairs Minister, presiding over a cabinet of six. In October 1986, the cabinet was expanded to 11 members, and Primary Resources designed to boost the country's development.²

Brunei Darussalam is alienated into four districts namely Brunei/Muara, Tutong, Belait and Temburong. Bandar Seri Begawan is the capital of Brunei Darussalam with an area of about 16 sq. Brunei Darussalam is located on the north-west of the island of Borneo, between east longitudes 114 degrees 04' and 11 degrees 23' and north latitudes of 4 degrees 00' and 5 degrees 05'. It has a total area of 5,765-sq. km. with a coastline of about 161-km along the South China Sea. It is bounded on the North by the South China Sea and on all the other sides by Malaysian State of Sarawak.³

In fact the land surface is developed on bedrock of tertiary age comprising of sandstone, shale and clays. The terrain in the western part of Brunei Darussalam is predominantly

hilly lowland below 91 meters, but rising in the hinterland to about 300 meters. The eastern part of the state consists predominantly of rugged mountain terrain, rising 1,850 meters above sea level at Bukit Pagon. The coast has a wide, tidal and swampy plain. Brunei Darussalam has an equatorial climate characterized by a uniform high temperature, high humidity and heavy rainfall. Temperatures range from 23 - 32 Degree Celsius, while rainfall varies from 2,500 mm annually on the coast to 7,500 mm in the interior. There is no distinct wet season. The population of Brunei Darussalam in 2004 is estimated at 357,800 persons, the said total, 186,200 are males and 171,600 females. The population distribution by district shows that Brunei/Muara District still has the largest share with a total 247,200 persons while Belait and Tutong Districts have 59,600 persons and 41,600 persons respectively. Temburong District has the smallest population of 9,400 persons.⁴

2. Trade Relations between Pakistan and Brunei

Pakistan - Brunei Darussalam have little two-way trade despite good trade relations and there is a need to take measures to enhance it. Pakistani entrepreneurs can initiate joint ventures with their counterparts in Brunei Darussalam in various sectors. It is a high time for joint business ventures as the business community in Brunei Darussalam is highly impressed with Pakistan's growth rate. The exchange of trade delegations between the two countries would help boost the volume of bilateral trade⁵ The Lahore Chamber of Commerce and Industry (LCCI) President Mian Shafqat Ali praised the Brunei Darussalam backing to Pakistan's efforts to become a full-dialogue member of ASEAN. According to him both the countries were members of the organization of Islamic Conference (OIC) and shared common perceptions on world issues and had a firm

commitment to the preservation of peace and security.⁶

The visit of Pakistan's prime minister to Malaysia, Brunei Darussalam, Thailand and Singapore was part of Pakistan's "look east" policy launched in October 2003. It was meant to strengthen relations in multiple fields and for developing institutional linkages with these East Asian countries. And there is a lot of scope for Brunei to make investment in Pakistan. Brunei can make direct investment in Pakistani infrastructures, banking, insurance, oil & gas, IT, textile, automobiles, construction and hotel industries, etc and can also enter into joint ventures with Pakistani counterparts. It is time to invest in Pakistan due to its growing performance, improving indicators and investment friendly pro-active policies of the government. There is no limit on foreign equity and foreigners can transfer capital, profits and dividends to their country. No permission is required to establish any industry in Pakistan by foreign investors.⁷

The setting up of a joint-investment company with Brunei was also a positive inclusion with a paid capital of US\$ 50 million that will explore possibilities in the industrial, manufacturing and non-manufacturing sectors, services, and marketing. As trade is exceedingly low level between Pakistan and Brunei (i.e., hardly US\$ 5 million), the setting of this joint-investment company will make a dent on trade between the two countries.⁸

Both the countries need to follow it up so that the opportunity available is not swept by the tides of quick flowing time. A total of \$ 60,000 has been donated to the Pakistani Earthquake Humanitarian Fund. The donation came from staff of Brunei Shell Petroleum (BSP), Brunei LNG, Brunei Shell Tanker (BST) and Brunei Shell Marketing (BSM), together with an additional contribution made by BSP. The cheque was presented by the Managing Director of BSP,

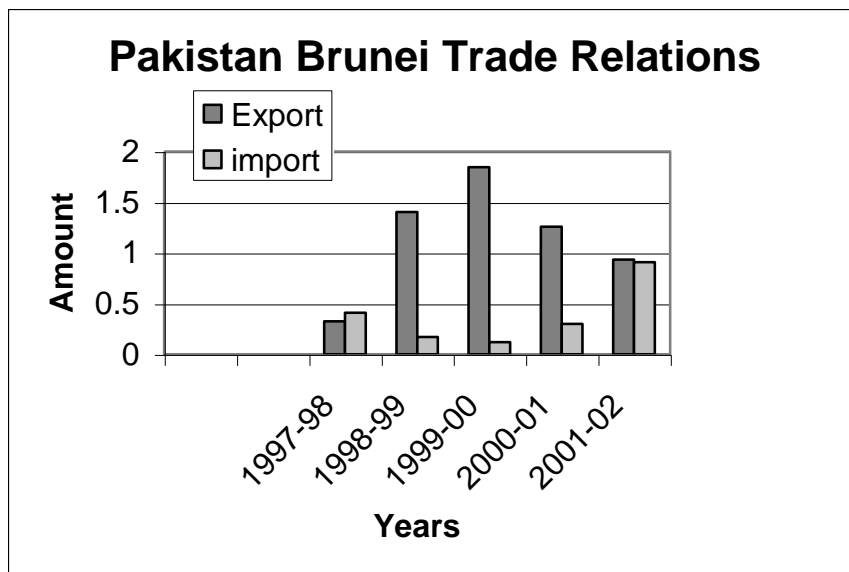
Doctor Grahaeme Henderson to the Acting High Commissioner of Pakistan to Brunei Darussalam, Mr. Sayed Abrar Hussien. It is hoped that the contribution will alleviate the sufferings of the victims. This contribution shows the continuing generosity of BSP, BLNG, BST and BSM staff to help others who is in need. The donation was held last night in Jerudong. The following table-1 and Figure-1 shows the trade balance of Pakistan with Brunei.⁹

Table 1: Pakistan and Brunei Trade Balance

(USA \$ Million)

Year	Export	Import	Balance of Trade	Total Exports of Pakistan	% Share in Total Export	Total Imports of Pakistan	%Share in Total Imports
1997-98	0.324	0.409	-0.09	8627.663	0.00	10118.021	0.00
1998-99	1.404	0.170	+1.23	7779.285	0.02	9431.656	0.00
1999-00	1.847	0.121	+1.73	8568.599	0.02	10309.425	0.00
2000-01	1.260	0.300	+0.96	9201.595	0.01	10728.918	0.00
2001-02	0.935	0.910	+0.03	9202.218	0.01	10342.865	0.01
Total	5.77	1.91	3.86	43379.36	0.06	50930.89	0.01

Source: Government of Brunei (2003) Chamber Secretariat, National Chamber of Commerce and Industry Bandar Seri Begawan. pp.7-9



It is clear from the above table-1 and figure 1 that exports to Brunei were more as compared to import from Brunei to Pakistan in the year 1997-98 Pakistan exports remained less as compared to import from Brunei. The balance of trade of Pakistan remained deficit just about 0.09 million US\$. In the year 1998-99 the balance of trade increased 1.23 million US\$ again balance of trade increased 1.73 million US\$ in the year 2000-01. Similarly the balance of trade went up by 0.96 US \$million and in the year 2000-02 the balance of trade increased by 0.96 million US \$. In the year 2001-02 the balance of trade increased by 0.910 million US \$ million.

Thus it is concluded that the trade of Pakistan with Brunei is very small because its share in total exports occurs just about 0.02, 0.02, 0.01 and 0.01 from 1998-99 to 2001-2002. So in future government should think to export there commodities which are here in access and in Brunei in scarcity. Pakistan mainly exports the following commodities to Brunei Darussalam. The following table-2: shows the Pakistan's major exports to Brunei till to 2002.¹⁰

Table -2: Pakistan Major Exporter
(Million UA\$)

S.No	Pakistan Major Exporter	1999-2000 Million US\$	2000-02 Million US\$
1.	Articles of apparel/ cloth access	68.000	38.480
2.	Textile Yarn and Fabric	1085.580	627.340
3.	Rice	94.310	38.780
4.	Cotton	000.00	432.560
5.	Metal Manufactures	000.00	5.6260
6.	Manufactures	000.00	56.260

Source: Government of Brunei (2003) Chamber Secretariat, National Chamber of Commerce and Industry Bandar Seri Begawan, pp.17-19

Table-3: Pakistan Major Imports
(Million US\$)

S.No	Pakistan Major Imports	1999-2000 Million US\$	2000-02 Million US\$
1.	Sp. Machinery for particular industry	2.590	0.000
2.	Non Ferro metals	0.000	213.850
3.	Tea	49.790	25.210
4.	Transport vehicles	8.570	22.670
5.	Telecommunications equipment	11.240	0.750

Source: Government of Brunei (2003) Chamber Secretariat, National Chamber of Commerce and Industry Bandar Seri Begawan, 14-17

It is clear that Pakistan mainly export textile yarn & fabric, articles of apparel/cloth accessories, sports goods, fish, footwear, cotton, rice, metals manufactures and others to Brunei.

Items of import from Brunei are namely paper, paper board and articles, inorganic chemicals jute raw excl, cutting and waste, non-Ferro metals, tea, transport vehicles,

telecommunication equipments, special machinery for particular industries. [IMF, Direction of Trade Statistics, Data for 2004 includes figures for the first three quarters.]¹¹

3. Pakistan and Brunei to Enhance Bilateral Trade

Pakistan-Brunei Darussalam set up a Joint Study Group (JSG) comprising experts from both sides to identify ways and means of enhancing bilateral trade including certain role. Pakistan suggested that study group could also look into the possibility of a Free Trade Agreement and Comprehensive Economic Partnership between the two countries. JSG will submit its report within 6 months of its establishment. The Second Pakistan - Brunei Darussalam Joint Commission Meeting (JCM) was held in Bandar Seri Begawan, Brunei Darussalam on March 16-17. Pakistani delegation was headed by Secretary Economic Affairs Division Khalid Saeed whereas the Brunei Darussalam delegation was led by Permanent Secretary, Ministry of Foreign Affairs and Trade, Brunei Darussalam Pengiran Dato Paduka Osman Patra.¹²

Pakistan and Brunei considered various possibilities of cooperation to promote Brunei Premium *Halal* Brand which include exporting livestock and meat into Brunei, joint venture companies in corporate farming and establishment/certification of abattoirs in Pakistan. Both sides initialed the Agreement on Avoidance of Double Taxation between the two countries and Agreement on Brunei-Pakistan Joint Investment Company was also signed during the Joint Commission Meeting.

Pakistan and Brunei agreed to consider enhancing of cooperation in labor and manpower sector and Pakistan offered the services of its highly professional, skilled and semi-skilled personnel who could contribute to the

development projects and operations in Brunei, similar to the arrangement that Pakistan has with Malaysia. Brunei promised to consider the proposal. It was agreed that both sides would follow up with the relevant agencies on Pakistan's request that the fellowship and membership of the College of Physicians and Surgeons of Karachi be recognized in Brunei Darussalam. Both sides also agreed to look into the possibility of concluding a visa waiver Arrangement for diplomatic and official passport holders. Brunei Darussalam would also consider expediting the visa approvals for businessmen from Pakistan traveling to Brunei.¹³

4. Pakistan, Brunei to Co-operate in Various Sectors

Pakistan and Brunei Darussalam have agreed to set up a Joint Commission to promote cooperation in the fields of defense, education, technical cooperation and human resource development. In March 1996, Pakistan and Brunei agreed to set up the Joint Commission under the terms of agreement signed and to convene the first meeting of the commission later in same year. Both countries agreed that the Islamic solidarity based on mutual respect and commonality of interests would benefit all the Muslim states and also assure them of a positive and dynamic role for promotion of international peace and progress. They reiterated their determination to act in concert to promote the consensus amongst the *Ummah* and to strengthen their deliberative flora, including the OIC.¹⁴

The two sides agreed that the establishment of peace and security of South Asia required non-use of force and peaceful settlement of disputes. The prime minister apprised Sultan Hassanah Bolkihah of the recent steps taken by Pakistan aimed at defusing tension in South Asia. Both sides expressed deep concern over the plight of the Kosovar

people and stressed that the UN Security Council must play an effective role in finding a political solution of the crisis and the deployment of an international peace keeping force which guaranteed the return of the refugees to Afghanistan at their homes in safety and honor and ensured respect of the basic rights of the Kosovar people.¹⁵

The Prime Minister of Pakistan Mr. Shoukat Azia extended an invitation to Sultan of Brunei to visit Pakistan. The Sultan of Brunei and Prime Minister of Pakistan reaffirmed the enduring kindness of the traditional friendship which existed between the governments and peoples of Brunei Darussalam and the Pakistan and which was characterized by lofty levels of mutual sympathetic and respect between the leaders of the two brotherly countries.¹⁶

Conclusions

It is concluded from the above study that:

- 1) Pakistan-Brunei wants two-way trade despite good trade relations and there is a need to take measures to enhance it. Pakistani entrepreneurs can initiate joint ventures with their counterparts in Brunei Darussalam in various sectors.
- 2) It is a right time for joint business ventures as the business community in Brunei the exchange of trade between the two countries would help boosts the volume of bilateral trade which still not sufficient. .
- 3) Brunei can make direct investment in Pakistani infrastructures, banking, insurance, oil & gas, IT, textile, automobiles, construction and hotel industries, etc and can also enter into joint ventures with Pakistani counterparts.

- 4) Both sides expressed their views that there was a need to increase bilateral trade for which all efforts would be made to facilitate exchange of business delegations and a greater exchange of goods and services.
- 5) Pak-Brunei signed a bilateral avoidance of double taxation agreement and expressed the hope that this would facilitate cross-border transactions and investment opportunities in various sectors.
- 6) Pakistan-Brunei encouraged the energy and petroleum authorities to explore the possibilities of energy cooperation, such as investment in refinery and human resource exchange program in oil and gas industry of Pakistan and to promote Brunei Premium *Halal* Brand which include exporting livestock and meat into Brunei.
- 7) Pakistan and Brunei agreed to consider enhancing cooperation on labor and manpower. The Pakistan side offered the services of its highly professional, skilled and semi-skilled personnel to Brunei.
- 8) The trade of Pakistan with Brunei is very small, because Pakistan mainly export primary products but not value added products so in future government should think to export there commodities which are here in excess and in Brunei in scarcity. It is also suggested that the government should export value added products to Brunei and improve her trade in future.

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