

world. Its economy is overwhelmingly dependent on the production and export of gas and oil. The state has plans for the development of its renewable resources as an alternative to total dependence on oil and gas, but has had limited success. Although in principle the Government encourages private enterprise, the most visible evidence of the country's prosperity, apart from the activities of Brunei Shell, is in public works. Brunei has excellent roads, and new schools, mosques and government buildings are being constructed at a very rapid pace. Nearly every home has electricity and television. Gasoline is subsidized, and food and consumer items are the cheapest in the region.

In the last two years oil production has been reduced over 20%, with a corresponding drop in royalty payments. Despite the lower payments, economic activity based on foreign exchange earning continues at a high level, particularly in building construction. It is assumed that Brunei will fall back on agriculture for export revenues when gas and oil resources are eventually exhausted. Brunei Shell Petroleum is currently financing a multi-million dollar study of the state's agricultural potential.

The Sultan has been channelling many of Brunei's oil dollars into arms. About a third of the country's budget is devoted to the procurement of military supplies.

Foreign Policy

The Sultan has expressed his wish that upon gaining independence Brunei should become a member of the Commonwealth. It also seems certain that Brunei will join ASEAN, either as a full or associate member, a move which has been encouraged by Britain, and is supported by the five ASEAN countries. Brunei attended the ASEAN Foreign Minister's Meetings in Manila in 1981 and in Singapore in 1982 as an observer. It is likely that Brunei will also join the United Nations in due course.

Relations with Malaysia, cool for a number of years after Brunei declined to join the Malaysian Federation in 1963, have improved markedly. Deputy Prime Minister Datuk Musa Hitam further cemented good relations with his visit to Brunei last March. Relations with Indonesia and the Philippines have also improved in recent years, after being seriously damaged in 1962 when Indonesia and the Philippines supported an abortive rebellion in Brunei against Sultan Sir Omar Ali Saifuddin, the present Sultan's father. Foreign Minister Mochtar of Indonesia has recently visited Brunei on a good-will mission. Singapore Prime