

BRUNEI DARUSSALAM

Canada's relations with Brunei Darussalam are limited but expanding steadily in sectors of mutual interest. Diplomatic relations between Canada and Brunei were established in early 1984 after Brunei assumed full responsibility for its foreign and defence affairs. The relationship has since been pursued mainly through Commonwealth and Canada-ASEAN ties. Since Brunei has assumed the role of Canada's dialogue coordinator with ASEAN in 1988, the bilateral relationship has matured considerably and discussions between the two countries now cover a range of international and multilateral issues of mutual interest.

Recent Economic Developments

In 1988, it was estimated that the Brunei economy grew by approximately 2.0%. The energy sector is by far the most dominant sector of the economy of Brunei. It accounts for approximately three quarters of the GDP, 55% of all government revenues and nearly all the country's export revenues. While Brunei is highly dependant on the energy sector, the fluctuation in the price of oil has had little effect on domestic economic conditions, principally because of the country's small population, relatively modest budgets and large foreign reserves.

The construction sector is the second largest generator of economic activity after the oil sector. It is also the second largest employer after the government, which employs 45% of the country's labour force. The performance of the construction sector has improved markedly since 1986, mainly as a result of large public development expenditures. With respect to other sectors, it should be noted that manufacturing is limited and agriculture is poorly developed (Brunei currently imports 90% of its food requirements).

Brunei's two-way trade with the rest of the world is approximately \$3 billion a year. Japan is Brunei's largest trading partner, accounting for over 50% of its exports and 6% of its imports (in 1988). The United Kingdom and Singapore follow in importance with Singapore as Brunei's major source of imports (36% of the total in 1988). Trade with Canada is limited and amounts to approximately CDN \$2 million annually.

GDP growth for 1990 and beyond will largely depend on the price of oil. While its fluctuations are of no urgent consequence to Brunei's economic situation, they do emphasize the need for diversification away from the oil sector into capital and technology intensive activities. Recent government efforts through the National Development Plan have been directed at this type of diversification. Government priorities are the rapid development of local industries and the revitalization of the non-oil sector, particularly in the areas of forestry, fishery and manufacturing. The sixth Five-Year-Plan currently being drafted will provide a framework for economic development in Brunei during the period 1991-1995.

The Business Environment

The government of Brunei has set long term objectives to develop Brunei into a financial centre, as well as a centre for trade and maintenance services. To this end, no