

CANADIAN HIGH COMMISSION

SECTORAL ANALYSIS - BRUNEI DEFENSE INDUSTRY

March 1990



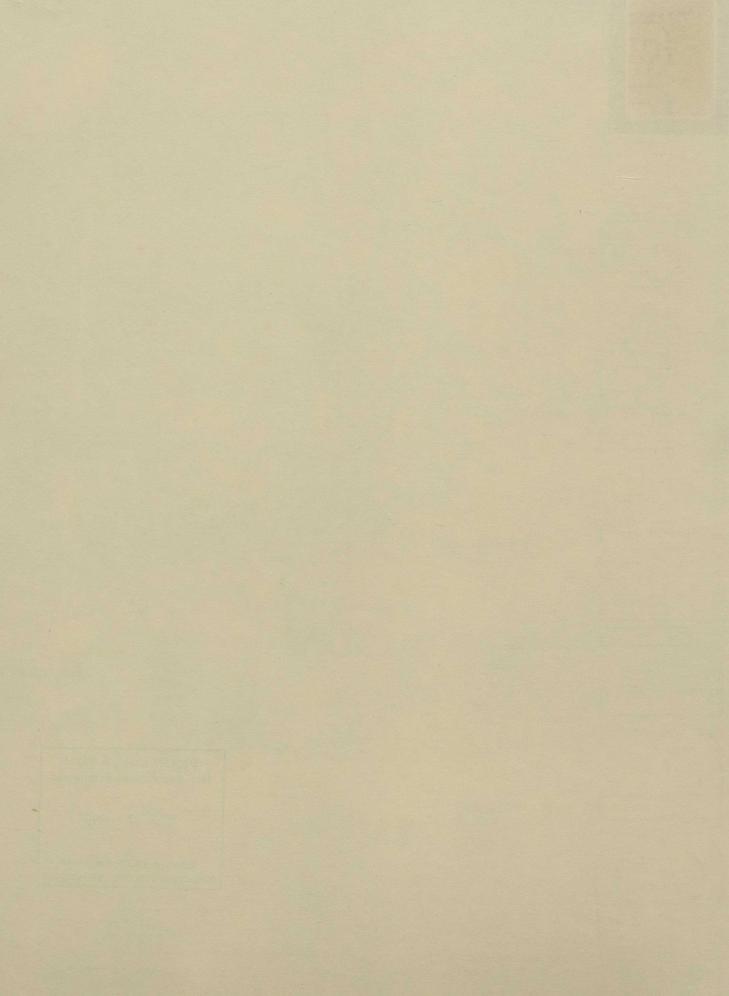
SRI International Southeast Asia & South Pacific Regional Headquarters

Project #7895

Dept. of External Affairs Min. des Affaires extérieures

APR 7 1995

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SECTORAL ANALYSIS - BRUNEI DEFENSE INDUSTRY

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SRI International
Southeast Asia & South Pacific
Regional Headquarters

The Canadian High Commission in Singapore, Commercial Section, commissioned SRI International to prepare this sectoral analysis overview. This report is designed to help Canadian organizations meet their initial information needs regarding participation in this sector in Brunei. The information presented is believed to be accurate and from sources SRI believes to be reliable. Readers are urged to verify pertinent information before committing resources.

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BACKGROUND

DIRECTIONAL EMPHASIS OF SECTOR

His Majesty The Sultan and Yang Pi-Pertuan serves as the Minister of Defense and the Supreme Commander of the Royal Brunei Armed Forces (RBAF). The Ministry, formed in 1961, comprises of the Military and Civil Staff Divisions and the Gurkha Reserve Unit. The military staff division is headed by the Chief of the Armed Forces Services and is the principal advisor on operational and military matters to the Minister.

MINISTRY OF DEFENSE ORGANIZATION CHART

MINISTRY OF DEFENSE

Supreme Commander of Royal Brunei Armed Forces (The Sultan and Yang Di-Pertuan of Brunei Darussalam)

Deputy Minister of Defense (Pg Haji Apong)

MILITARY STAFF DIVISION

Chief of the Armed Forces Services Principal Advisor to the Minister (Dato Seri Pahlawan Haji Mohammad)

DIRECTORATES

Operations and Planning
Intelligence and Security
Training and Staff Duties
Personnel and Administration
Logistics

Source: Ministry of Defense

CIVIL STAFF DIVISION

Permanent Secretary
Finance and Development
(Dato Paduka Sidak Yahya)

Director Finance and Procurement (Haji Rahim Latif)

Director
Development and Works Services
(Pengiran Haji Sunny)

Permanent Secretary
Policy and Administration
(Dato Alimin)

Assistant Director
Politics and Organization
Administration and Manpower
(Haji Haris)

BACKGROUND

PROFESSIONAL PARPHASIS OF SECTION

His Majesty The Suitab and Yang Pt Period's serves as the Missel of Delenee and the Supreme Communities of the Providence of the Providence of the Providence of the Milliam and the Communities of the Milliam and the Communities and the Communities of the Milliam and the Communities of the Milliam and the Communities of the Principal and the Principal Revision of the Principal Service and its the principal advisor on operational and military states as the Milliams.

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DIRECTIONAL EMPHASIS OF SECTOR ...

The Task Force of the Royal Brunei Air Forces comprises of land forces, the Flotilla and the Air Wing. These are grouped together as a brigade headed by two infantry battalions:

- The Task Force is equipped with armored reconnaissance vehicles and armored personal carriers. The Force is also supported by a basic Rapier air defense missile system and combat engineering equipment.
- The Flotilla is comprised of Riverine Class Patrol boats and hovercraft. Some are also equipped with SS11 and SS12 missiles, missile boats equipped with French Exocet missiles, 30mm anti-aircraft guns, a river division of two landing craft and 32 fast assault boats.
- The Air Wing consists of 6 units:
 - A Medium Lift Helicopter Squadron which operates 11 Bell 212s and 1 Bell 214ST, 1 Sikorsky S.70 Black Hawk to carry out Jungle Team rescues and the Flying Doctor's service.
 - Light Observation/Armed Attack Squadron which maintains 6 BO105 helicopters fitted with 12.7 machine guns and forward firing and pilot operated 80mm Sura rockets.
 - Parachute and Airborne Tactical Delivery Unit which undertakes airborne tactical delivery, freefall parachuting and the Jungle Rescue Team.
 - Basic Flying Training Squadron which maintains 4 Bell 206 Jet Ranger Mk 3 helicopters and 2 Siai Marchetti SF206 fixed wing aircraft.
 - Tactical Training and Ground Studies School which offers courses in basic aviation, technical systems training and post-graduate technician training for all Brunei aircraft technicians.

Many of the Ministry's senior level officers have received training in the UK.

The Defense sector employs approximately 4000 services and 2000 administrative personnel. As part of the military's re-organization process, an active recruitment program is underway to attract young men and women into the Armed Forces. The Royal Brunei Malay Reserve Regiment maintains trained soldiers as a back-up to the regular force. There are plans to open the reserve force to other citizen volunteers. In 1981, the women's company of RBAF was formed.

However, the country's small population places serious constraints on the military's manpower needs. Brunei has taken up the "Saudi Arabia Plan". This Plan uses servicemen recruited from overseas to supplement the Bruneian armed forces.

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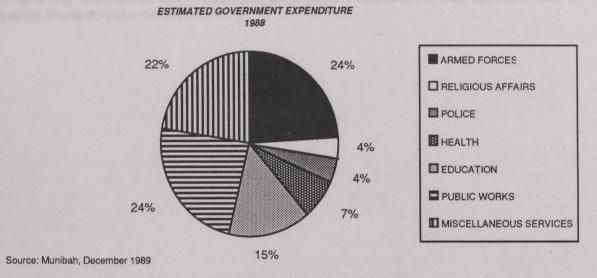
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ECONOMIC OVERVIEW

Although development plan allocations for the security sector have declined slightly, the RBAF and Police are of considerable importance to the government. Between 1986-1990, the Ministry of Defense was allocated 10% of the 5th Five Year Development expenditure Plan (B\$16.2 billion), whereas in the Fourth Plan (1980-1984) expenditure on Security totalled B\$271.8 million, or 15% of total plan expenditure, of which Armed Forces received B\$240 million and the Police, B\$32 million.

The Armed Forces were allocated 24% of the government's 1988 budget.



CURRENT SITUATION

In 1986, the Brunei government purchased B\$2,500 of parts for tanks and other armored fighting vehicles from Singapore, and B\$1,584 of parts for missiles and similar war ammunition from Switzerland. Because the majority of defense equipment is approximately 20 years old, there will be an increasing demand for spare and replacements parts, and maintenance equipment.

Demand for Defense Equipment and Services

The emphasis of expenditure within the defense sector will be on training and modernizing the skills of the military manpower. Training will be focused on raising the skills of all services arms to fight in coastal, riverine and jungle terrain.

The recent upgrading of the Air Wing facilities will require pilot training programs for the 18-23 year old recruits.

The Ministry is considering a communication integration systems (e.g Command Control Communication Intelligence, C3I).

There are investment opportunities for Canadian participants in infrastructure development within the Armed Forces. Projects include road construction and building construction. Under the 5th Development a training center headquarters, indoor ranges, rapier missile range launching site, and a cartridge and light ammunition store have been constructed. The Director of Development and Works Service handles these infrastructure projects.

RECORDER COVERNMENT

Although development plan about one south seator have becomed skipting, the RBAF and Police are of considerable impatiance to and covernment. Between 1980-1990, the Ministry of Deletice was allocated 1995 of the Still Tive Year Development expanditure Plan (19516.2 billion), whereas in the Fourth Plan (1960-1964) evice ratiose on Security retained 65271.8 million, or 15% of total plan expanditure, of whath Armod Lover received 65290 million and the Police, 8532 million.

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MARIED FORGS

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CURRENT SITUATION ...

Process of Supplying Defense Equipment to the Ministry of Defense

In Brunei, Royal Brunei Technical Services, (RBTS), was appointed by the Sultan of Brunei in 1988, to be the sole agent for contracting sensitive defense equipment (eg: radar, ammunition, armored vehicles, weapons, and intelligence hardware) to the Armed Forces and Police Force. Canadian. suppliers of sensitive equipment must deal directly with RBTS, whereas suppliers of non-sensitive equipment (eg: spare parts, civil aviation and open tender requirements) may approach local or Singapore based defense contractors.

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Process of Supplying Defense Egyppenent in the Affricay of Defense

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COMPETITOR ANALYSIS

KEY PARTICIPANTS IN THE DEFENSE INDUSTRY

Brunei's historical relationship with Great Britain has resulted in strong traditional links between the Brunei Ministry of Defense and the British Military. Since Independence in 1984, however, the MOD has been gradually reducing the number of British advisors within the Ministry, and advancing Bruneians into command positions. The reduction of British officers in the Ministry, however, will not minimize British military presence. According to local defense contractors, recent MOD purchases of British hardware and defense equipment will call for company representatives in Brunei to provide technical and training assistance.

In 1989, the government purchased Fast Jet Aircraft Hawk 100 (British Aerospace), 3 CN 235 Maritime Patrol Aircraft (IPTN Indonesia) and S211 Intermediate Training Aircraft (Siai Mercetti, IT). These new aircrafts will provide armed and utility services for the military and the "Flying Doctors" service.

In 1989, the Defense Ministry placed an order for 16 single-seat Mk 200s and dual-seat Mk 100s with British Aerospace. Under the same purchase agreement for fibre glass planes, British Aerospace has included a provision for the construction of additional airport facilities at the <u>airport</u>. The construction of another runway for military aircraft and maintenance equipment will increase the presence of British technicians and consultants.

In 1989, the government also purchased avionics and radars from Marconi, electronics from GEC, and equipment from Bell Helicopters (US) and Aerospatial (France).

Other capital equipment purchases in 1989 to upgrade the Flotilla include a Corvette Offshore Patrol Vessel (Thinycroft, UK).

FUTURE TRENDS

Because Brunei has a small population and limited resources, the market for defense equipment and services will remain limited. However, MOD will continue to seek contracts with suppliers who provide quality assurance, in-service support and training, and technology transfer. With the British expected to maintain a large market share, Canadian firms will need to apply determination and enthusiasm to seeking contracts with MOD officials.

COMPETITOR AMALYSIS

KEY PARTICIPARTS IN THE DEFENSE INDISTRY

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APPENDICES
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APPENDICES March 1990

SRI International Southeast Asia & South Pacific Regional Meadquarters

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KEY BUSINESS AND GOVERNMENT CONTACTS

GOVERNMENT AGENCIES IN BRUNEI

Economic Development Board

Ministry of Finance

Bandar Seri Begawan 2012

Negara Brunei Darussalam

Telephone

: (02) 41991

Ministry of Industry and Primary Resources

Bandar Seri Begawan 1220

Brunei Darussalam

Negara Brunei Darussalam

Telephone

: (02) 44822

Contact:

Pehin Dato Dr Haji Abdul Rahman

Minister of Industry & Primary Resources

Economic Planning Unit

Ministry of Finance

Bandar Seri Begawan 2012

Negara Brunei Darussalam

Telephone :

(02) 41991

Facsimile

(02) 26132

Contact:

Chua Peng Siong - Assistant Director

Datin Lawe - Head

Ministry of Development

Bandar Seri Begawan 1200

Negara Brunei Darussalam

Telephone :

(02) 41911

Facsimile

(02) 42298

Contact:

Pengiran Dato Dr Haji Ismail - Minister of Development

Majid Alias - Secretary

Ministry of Communication

Bandar Seri Begawan 1150

Negara Brunei Darussalam

Telephone

(02) 26640

(02) 20445 Facsimile

Contact:

Dato Haji Zakaria - Minister of Communications

Ministry of Defence

Bandar Seri Begawan

Negara Brunei Darussalam

Telephone :

(02) 30531

Facsimile

: (02) 30395

Contact:

MG Pengiran Haji Ibnu - Deputy Minister

:

Dato Paduka Haji Mohmd Alimin - Permanent

Secretary Administration

Ministry of Education

Old Airport

Bandar Seri Begawan

Brunei Darussalam

Telephone

(02) 41511

Facsimile

(02) 40250

Contact:

Pehin Dato Haji Abdul Aziz -

- Minster of Education

GENERAL BUSINESS ASSOCIATIONS

Brunei Malay Chamber of Commerce and Industry

Suite 411

Bangunan Guru-Guru Melayu Brunei

Jalan Kianggeh

P.O. Box 1099

Bandar Seri Begawan 1910

Telephone : (02) 27297/20649

Telex

: BU 2445

Brunei Darussalam State Chamber of Commerce

P O B 2246 Bandar Seri Begawan 1922

Telephone

: (02) 28533

Chinese Chamber of Commerce

Room 502-503. Goik Tee Building

66-67 Jalan McArthur

P.O. Box 281

Bandar Seri Begawan 1902

Telephone : (02) 22233

INDUSTRY SPECIFIC DEPARTMENTS

Royal Brunei Technical Services

Bandar Seri Begawan 1903

Negara Brunei Darussalam

Telephone : (02) 43757

Telex e troducts: (BU 2707 RBTSG

Facsimile

(02) 43767

Contact:

Musa Mahadi - Executive Officer, Logistics

Othman Maidin - Executive Officer, Finance

Task Force Headquarters

Bandar Seri Begawan 1903

Negara Brunei Darussalam

Telephone Contact:

BG Pehin Dato Indera Setia - Commander

: (02) 31111

Department of Civil Aviation

Ministry of Communications

Brunei International Airport Telephone

(02) 30488

Facsimile : (02) 31706

Contact: Dato Job Lim - Director

OSST ASSESSED TO THE

OTHER TAX INCENTIVES ADMINISTERED BY ECONOMIC DEVELOPMENT BOARD

OTHER TAX INCENTIVES ADMINISTERED BY ECONOMIC DEVELOPMENT BOARD			
Fax Incentives	Tax Concession		
Pioneer Status	A. Exemption of the 30% corporate tax for a pioneer status company from the day it commences production:		
CC Aerosenson Francisco AF anno Arabas Pagento 113 Maptons Scenific 113 Anno Arabas Maptons Scenific 113 Anno Arabas Anno Arab	Fixed Capital Tax Exemption Expenditure Period Up to B\$250,000 2 years B\$250,000- B\$500,000 3 years B\$500,000 - B\$1 million 4 years Over B\$1 million 5 years B. Exemption from customs duty on plant, machinery, old equipment installed in the pioneer factory.		
Parent Caracterias The Portion And Time Including Their Caracterias The Portion And Time Including Their Caracterias The Caracterias The Caracterias The Caracterias The Caracterias The Caracterias The Caracterias	Exemption from import duty on raw materials (not available or produced in Brunei) for production of pioneer products.		
Expansion of established institutions	New Capital Expenditure : Tax Exemption Requirement Pioneer Less than B\$258,000 : 3 years Over B\$250,000 : 5 years		
Foreign Lenders	Exemption of 20% withholding tax on interest paid to non-resident lenders if • the loan utilized for the purchase of productive equipment • the credit facilities are obtained through financial agreement with the foreign lending company • the amount of loan is not less than B\$200,000		

LIST OF DEFENSE AGENTS

GKL Equipment

P O Box 0141 Singapore 9161

Telephone

: (65) 862 0325

Contact:

Mr Eric Keen - Chairman and Managing Director

FXC Aerospace Pte Ltd

81-A Frankel Avenue

Singapore 1545

Telephone Facsimile

: (65) 242 0014 : (65) 242 0029

Telex : 20957

Contact:

David K Chew - Executive Director Walter Y P Kan - Executive Director

Dawalt

Aerospace & Defense Consultants 81-A Frankel Avenue Singapore 1545

Telephone

: (65) 242 0019 : (65) 242 0029

Facsimile Contact:

David Chew - Director

East Holdings Limited*

P O Box 298

Bandar Seri Begawan 1902

(Unit 112, 1st Floor)

(Bangawan Gadong Kumbang Pasang)

Telephone : (02) 21176 Facsimile

: (02) 21175

Contact:

Mr Ronald Lamond - Technical Director

* Agent to the Ministry of Defense specifically for NON-SENSITIVE equipment (eg: spare parts, civil aviation, shooting range hardware)

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LIST OF DETERMEE AGENTS

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Industria (85) 242 00 in

David N'Chain - Executive Director

Dawelf
Aniospace & Defende Consulte
DI-A Frankel Aunden
Ingapore 1645
Falaphone (66) 242
Falaphone (66) 242
Consulte
David Choos Gilledol

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