

30ct

CA1  
EA967  
90S24

DOCS

SRI International

# CANADIAN HIGH COMMISSION

## SECTORAL ANALYSIS - BRUNEI DEFENSE INDUSTRY

March 1990

SRI International  
Southeast Asia & South Pacific  
Regional Headquarters

Project #7895

<p>Dept. of External Affairs Min. des Affaires extérieures</p> <p>APR 7 1995</p> <p>RETURN TO DEPARTMENTAL LIBRARY RETOURNER A LA BIBLIOTHEQUE DU MINISTERE</p>
---

43 271 662



333 Ravenswood Ave. • Menlo Park, California 94025  
(415) 326-6200 • Cable: SRI INTL MPK  
Telex: 344-486 • Fax: (415) 326-5512

65 Chulia Street • #28-04, OCBC Centre,  
Singapore 0104 • Tel: 5343331  
Telex: RS 55272 SRISEA • Fax: 5326447



# SECTORAL ANALYSIS - BRUNEI DEFENSE INDUSTRY

## CONTENTS

This report covers the following topics :

	<i>Page</i>
• <b>Background</b>	
- <i>Directional Emphasis of Sector</i>	1
- <i>Economic Overview</i>	3
- <i>Current Situation</i>	3
- <i>Demand for Defense Equipment and Services</i>	3
- <i>Process of Supplying Equipment to the Ministry of Defense</i>	4
• <b>Competitor Analysis</b>	
- <i>Key Participants in the Food Industry</i>	5
- <i>Future Trends</i>	5
• <b>Appendices</b>	
- <i>Key Industry and Government Contacts</i>	
- <i>Other Tax Incentives Administered by the Economic Development Board</i>	
- <i>List of Defense Agents Located in Singapore</i>	

**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.

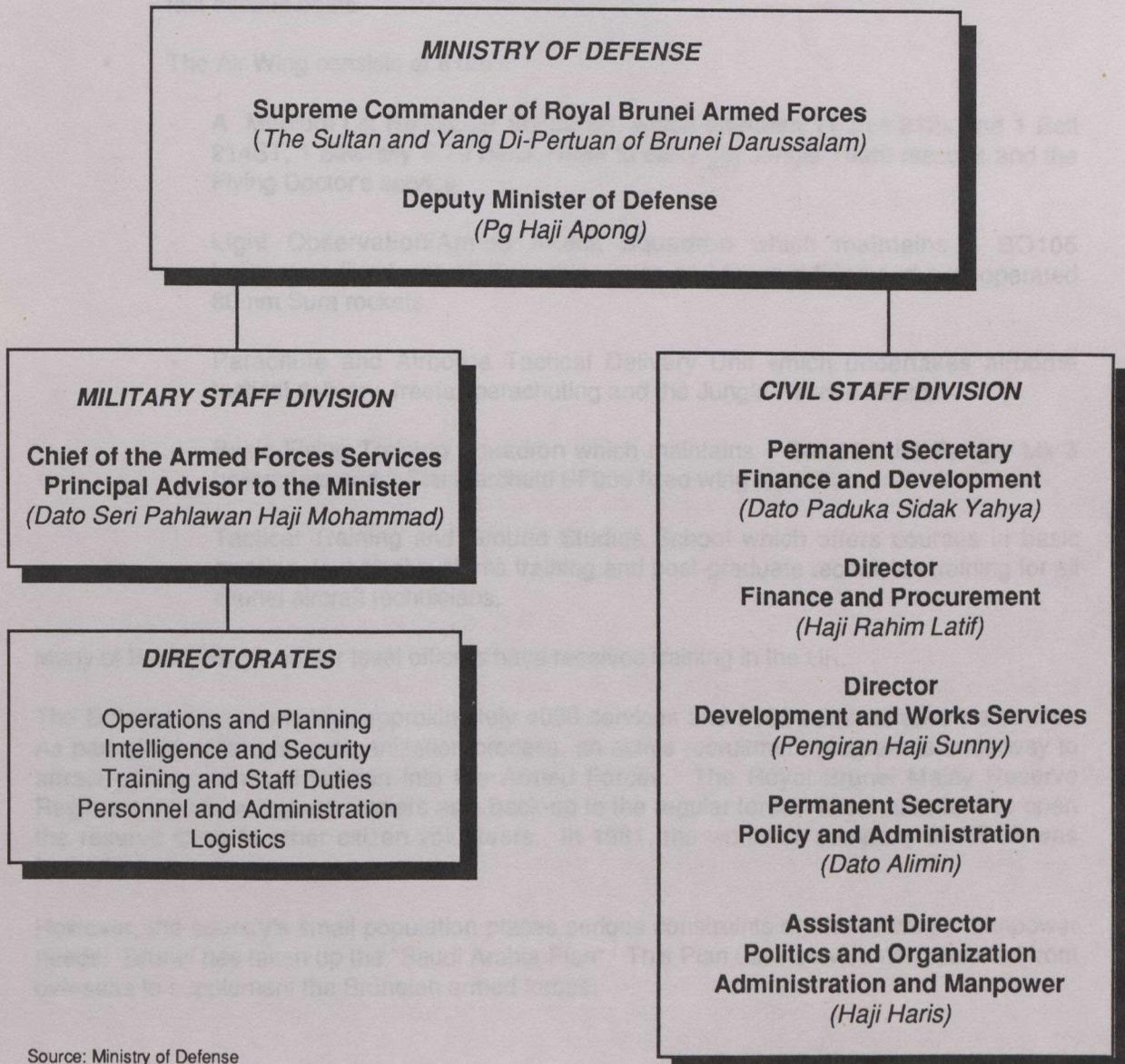


## **BACKGROUND**

### **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**



Source: Ministry of Defense



## BACKGROUND ...

### 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.

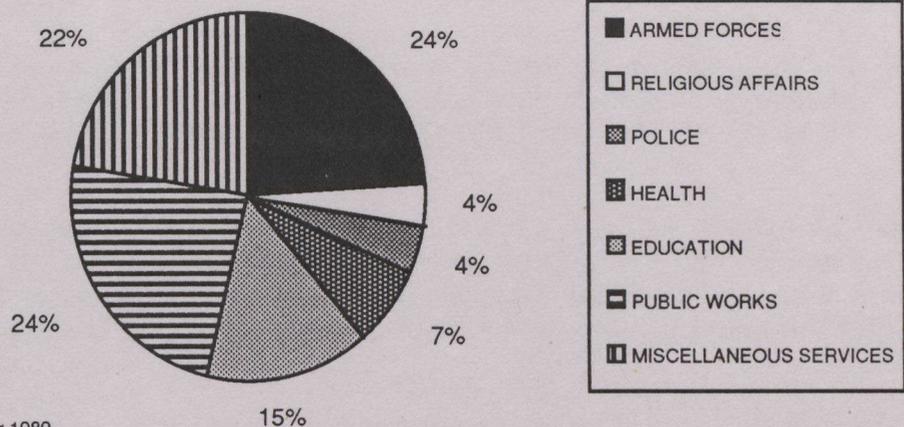


### ECONOMIC OVERVIEW

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.

ESTIMATED GOVERNMENT EXPENDITURE  
1988



Source: Munibah, December 1989

### 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.



## **BACKGROUND ...**

### **COMPETITOR ANALYSIS**

#### **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.

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.

In 1989, the government purchased Fast Jet Aircraft Hawk 100 (British Aerospace), 3 CN 235 Maritime Patrol Aircraft (IPDI Indonesia) and S211 Intermediate Training Aircraft (Sai Marcati, IT). These new aircraft will provide combat and utility services for the military and the "Flying Doctor" service.

In 1989, the Defense Ministry placed an order for 16 single seat for 2000 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 airport. 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 Aerospatiale (France).

Other capital equipment purchases in 1989 to upgrade the Flotilla include a Corvette Offshore Patrol Vessel (Thynorol, 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 persistence in seeking contracts with MOD officials.



## **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 airport. 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 (Thincroft, 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.

STI International  
Southeast Asia & South Pacific  
Regional Headquarters

Project #7095



# SECTORAL ANALYSIS - BRUNEI DEFENSE INDUSTRY

## APPENDICES March 1990

SRI International  
Southeast Asia & South Pacific  
Regional Headquarters

Project #7895



## 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  
 Facsimile : (02) 20445  
 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** -

- Minister 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 : (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 : (02) 31111  
 Contact :

**BG Pehin Dato Indera Setia** - Commander

**Department of Civil Aviation**

Ministry of Communications  
 Brunei International Airport  
 Telephone : (02) 30488  
 Facsimile : (02) 31706  
 Contact :

**Dato Job Lim** - Director



## OTHER TAX INCENTIVES ADMINISTERED BY ECONOMIC DEVELOPMENT BOARD

OTHER TAX INCENTIVES ADMINISTERED BY  
ECONOMIC DEVELOPMENT BOARD

Tax Incentives	Tax Concession										
<ul style="list-style-type: none"> <li>Pioneer Status</li> </ul>	<p>A. Exemption of the 30% corporate tax for a pioneer status company from the day it commences production:</p> <table data-bbox="685 526 1188 727"> <thead> <tr> <th>Fixed Capital Expenditure</th> <th>Tax Exemption Period</th> </tr> </thead> <tbody> <tr> <td>Up to B\$250,000</td> <td>2 years</td> </tr> <tr> <td>B\$250,000- B\$500,000</td> <td>3 years</td> </tr> <tr> <td>B\$500,000 - B\$1 million</td> <td>4 years</td> </tr> <tr> <td>Over B\$1 million</td> <td>5 years</td> </tr> </tbody> </table> <p>B. Exemption from customs duty on plant, machinery, old equipment installed in the pioneer factory.</p> <p>C. Exemption from import duty on raw materials (not available or produced in Brunei) for production of pioneer products.</p>	Fixed Capital Expenditure	Tax Exemption 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
Fixed Capital Expenditure	Tax Exemption 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										
<ul style="list-style-type: none"> <li>Expansion of established institutions</li> </ul>	<table data-bbox="652 1090 1205 1211"> <thead> <tr> <th>New Capital Expenditure Requirement</th> <th>:</th> <th>Tax Exemption Pioneer</th> </tr> </thead> <tbody> <tr> <td>Less than B\$258,000</td> <td>:</td> <td>3 years</td> </tr> <tr> <td>Over B\$250,000</td> <td>:</td> <td>5 years</td> </tr> </tbody> </table>	New Capital Expenditure Requirement	:	Tax Exemption Pioneer	Less than B\$258,000	:	3 years	Over B\$250,000	:	5 years	
New Capital Expenditure Requirement	:	Tax Exemption Pioneer									
Less than B\$258,000	:	3 years									
Over B\$250,000	:	5 years									
<ul style="list-style-type: none"> <li>Foreign Lenders</li> </ul>	<p>Exemption of 20% withholding tax on interest paid to non-resident lenders if .....</p> <ul style="list-style-type: none"> <li>the loan utilized for the purchase of productive equipment</li> <li>the credit facilities are obtained through financial agreement with the foreign lending company</li> <li>the amount of loan is not less than B\$200,000</li> </ul>										



**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 : (65) 242 0014

Facsimile : (65) 242 0029

Telex : 20957

Contact :

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

Aerospace &amp; Defense Consultants

81-A Frankel Avenue

Singapore 1545

Telephone : (65) 242 0019

Facsimile : (65) 242 0029

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)



