

BRUNEI DARUSSALAM

TRADE SUMMARY

The U.S. goods trade surplus with Brunei was \$59 million in 2009, shifting from a deficit of \$3 million in 2008. U.S. goods exports in 2009 were \$100 million, down 10.1 percent from the previous year. Corresponding U.S. imports from Brunei were \$42 million, down 63.6 percent. Brunei is currently the 141st largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Brunei was \$26 million in 2008 (latest data available), down from \$28 million in 2007.

In December 2009, the United States announced its intention to enter into a regional Asia-Pacific trade agreement called the Trans-Pacific Partnership (TPP), with the objective of shaping a high-standard, broad-based regional agreement. This agreement will create a potential platform for economic integration across the Asia-Pacific region, a means to advance U.S. economic interests with the fastest-growing economies in the world, and a tool to expand U.S. exports, which are critical to U.S. economic recovery and the creation and retention of high-paying, high-quality jobs in the United States. In addition to Brunei, the TPP negotiating partners currently include Australia, Chile, New Zealand, Peru, Singapore, and Vietnam.

IMPORT POLICIES

Tariffs

Brunei has bound nearly 93 percent of its tariff lines. The average bound rate, *i.e.*, the rate that generally cannot be exceeded under WTO rules, is 25.8 percent, and applied rates averaged 3.6 percent in 2008 (down from 4.8 percent in 2007) and ranged from 0 percent to 30 percent. With the exception of a few products – including coffee, tea, tobacco, and alcohol – tariffs on agricultural products are zero. Roughly 130 products, including alcoholic beverages, tobacco, coffee, tea, petroleum oils, and lubricants are subject to specific rates of duty and higher rates of overall protection.

Brunei offers preferential tariff rates to many Asia-Pacific countries under its various trade agreements. As a member of the Association of South East Asian Nations (ASEAN), Brunei is cutting intraregional tariffs as agreed under the ASEAN Free Trade Agreement. Brunei also accords preferential access to its market to Australia/New Zealand, China, India, Korea, and Japan (as part of free trade agreements concluded by ASEAN); to Chile, Singapore, and New Zealand (as part of the Trans-Pacific Strategic Economic Partnership); and to Japan (under a bilateral Economic Partnership Agreement).

GOVERNMENT PROCUREMENT

All procurement is conducted by Ministries, Departments and the State Tender Board of the Ministry of Finance. Most invitations for tenders or quotations (procurements below the B\$250,000 (approximately \$168,000)) are published in a bi-weekly government newspaper, but often are selectively tendered only to locally registered companies. The relevant ministry may approve purchases up to a B\$250,000 threshold, but tender awards above B\$250,000 must be approved by the Sultan in his capacity as Minister of Finance based on the recommendation of the

State Tender Board. The award process often lacks transparency, with tenders sometimes not being awarded or being re-tendered for reasons not made public.

Military procurement is a closed process. The Ministry of Defense selectively invites companies to bid on large procurements. Similarly, Royal Brunei Technical Services, a semi-government-owned military enterprise, does not publish open tenders.

Brunei is not a signatory to the WTO Agreement on Government Procurement.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Brunei was listed on the Watch List in the 2009 Special 301 report, primarily because of high copyright piracy rates in Brunei. Movie and software piracy remains rampant in Brunei's marketplace. Pirated optical discs and unlicensed software are openly sold in legitimate retail shops and department stores throughout Brunei. While enforcement has been a longstanding issue, Brunei enforcement authorities undertook several raids in August 2009 in connection with a Recording Industry Malaysia (RIM) music anti-piracy campaign that has been conducted in cooperation with the government. Those raids have had an immediate effect in reducing music piracy in Brunei, though the long term effect of these actions – and the government's willingness to prosecute the violators – is still to be determined. Another concern relates to the long delay in Brunei's drafting of amendments to the copyright law. The amendments would provide police with *ex officio* authority to take action against pirated products, but the amendments, first drafted several years ago, have not yet been finalized.

OTHER BARRIERS

Transparency is lacking in many areas of Brunei's economy. Brunei has not yet notified its state trading enterprises to the WTO Working Party on State Trading Enterprises. Brunei operates state-owned monopolies in key sectors of the economy such as oil and gas, telecommunications, transport, and energy generation and distribution. In addition, Brunei's foreign investment policies are unclear, particularly with respect to limits on foreign equity participation and the identification of sectors in which foreign investment is restricted.