

Economic System in Brunei Darussalam with Respect to The Application of *Wasatiyyah*¹

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Abstract: *Wasatiyyah* concept is often referred to as the appropriate method practiced in the application of all aspects of human life. This is due to the fact that moderation and balance are the best approaches in eliminating extremism in all matters including economy. Relevance of *Wasatiyyah* is seen through the elements of fairness, balance, best and justice in implementing economic system to perform more balanced and accurate approach than the models, concepts, and theories introduced by conventional economic system. Brunei Darussalam has developed progressively since 1967, particularly in the area of economy, for instance being one of the highest Gross Domestic Product (GDP) per capita countries in the world. Nonetheless, there are still vast of areas to improve particularly in diversifying the economy, poverty, efficient management of funds and many more. Therefore, this paper aims to explore the history and developments of the economy of Brunei for the past five decades and to examine the existence of *wasatiyyah* in Brunei's economic system. This research paper used the method of document analysis to discuss the matter in

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composite. This research hoped to contribute to Brunei in achieving one of its 2035 visions that is 'dynamic and sustainable economy with income per capita within the top 10 countries in the world'.

Keywords: Islam, *Wasatiyyah*, History, Development, Brunei Darussalam and Economic.

Introduction

Wasatiyyah is generally a new concept in Brunei that was brought to light by his majesty during *Majlis Ilmu* in 2015 whereby he urged Bruneians to explore and have in depth understanding of *Wasatiyyah* (Majlis Ilmu, 2015). The concept of *Wasatiyyah* is closely related to faith and worship that is true faith and fair practice and not extreme with the elements of excellence, fair and justly balance (Hanafi, 2014). Interestingly, the understanding and application of *Wasatiyyah* in the context of economy was new and required further research. Thus, in addressing his majesty's speech, this research aims to uncover the concept of *Wasatiyyah* in the context of Brunei Darussalam's economic system.

Brunei's economic system not merely focused to achieve short-term support, but rather focuses on much longer term aspects (Othman, 2010). That is, developing and sustaining the economy. Hence, the government needs to ensure the sustenance for the people of Brunei are sufficient and fairly distributed. It is crucial to have a just and responsible government that always assured the three pillars of its development are always empowered, namely on the growth, the distribution of resources and the empowerment of values

and morals in its system. These three pillars are interconnected and should not be separated from one another as *Wasatiyyah* is a mechanism based on the principle of justice, excellent and balance.

The application of *Wasatiyyah* strives to ensure balances occur in any economic development agenda (Hanap, 2014). For example, in the effort to grow and ensure the continuing growth of the country's economy, the government must consider the fair and equitable distribution of the economy. According to (Bello, 2008), failure to manage fair and equitable distribution of economics may trigger a phenomenon of social and economic imbalances among people who can eventually defraud a country. In turn, may lead to much greater conflicts.

The persistent drop in world oil prices today has resulted in too many ripple effects such as the income, government revenue and development programmes which has worsen the poverty crisis and led to negative economic growth. Even though, Brunei has been affected by the volatility of oil prices but Brunei still managed to remain strong from the shocks. In the past, it has been hit by two shocks which are from the Asian financial crisis and the Amadeo Crisis (Bhaskaran, 2007). Both were dealt with in a sensible manner implying that the system overall has the capacity to respond effectively to shocks. This could be because *Wasatiyyah* elements embedded in the economic system has made it resilient to any kinds of shock. For that reason, this paper aims to describe the history and development of the economy of Brunei for the past five decades, to determine

the existence of *Wasatiyyah* in Brunei's economic system. It is hoped that the findings will strengthen its strategy through *Wasatiyyah* to achieve one of its 2035 visions that is 'dynamic and sustainable economy with income per capita within the top countries in the world'.

Research Methodology

In attempting to search the research findings and attaining the research objectives, the qualitative approach based on the content analysis study design was carried out using the library study method. Researcher uses data collection technique based on document analysis to obtain research findings. Generally, discussion regarding the concept of *Wasatiyyah* is evaluated and analysed through past studies such as thesis, journal articles, papers, papers, press reports, internet statements and many more. Once the data is collected, researcher then understand and interpret those data while looking for whether there are patterns that are interesting or prominent or dubious. The data is then analyzed to examine whether there are elements of *Wasatiyyah* exists in the current economic system of Brunei Darussalam or respectively.

This paper begins with discussing on the definition of *Wasatiyyah*, then reviewing the economic system of Brunei for the past 5 decades. Then, observing the existence of the three elements of *Wasatiyyah* in the current economic system of Brunei Darussalam. Lastly, the researcher concludes this paper with recommendations and suggestions for future research.

The Definition of *Wasatiyyah*

Wasatiyyah creates a major shift of excellence in the world and the hereafter. It does not mean 50:50 or middle or moderate approaches but an approach that brings together three most important elements to practice in order to attain *Ummtan Wasatan*. These are justice, excellence and justly balanced (Hanapi, 2014), Muzammil (2007), Hassan (2015) and Zulkifli (2008).

Wasatiyyah cannot be interpreted as *redha* with as long as fulfilling the minimum level as long as it can indicate medium and middle, which are explicitly opposite of excellence. This concept cannot be corresponded to simplicity as it can create a comfortable state to the people. This is supported by Pehin Datu Seri Maharaja Dato Paduka Seri Setia (Dr.) Ustaz Haji Awang Abdul Aziz bin Juned (2015) that *Wasatiyyah* is not moderate. It is not a moderate religion but religion that practiced highest, best, noblest, uppermost, fairest, greatest and most important. Furthermore, *Wasatiyyah* definition based on Ibn Kathir (1992) is best, most humble and being fair. The concept of being fair does not mean being extreme in matters of religion or daily affairs, while being best is to the aspects of *aqidah* and human relation without jeopardizing others for their own benefits.

Hijazi (1992) also defines *Wasatiyyah* as being fair and the best but 'fair' does not mean being extreme in matters pertaining to religion or daily affairs, while 'the best' is according to aspects of *Aqidah* and human relations without victimizing other people.

Sheikh al-sya'rawi (2004) has interpreted *Wasatiyyah* as people who are fair and chosen by using some concepts and ideologies to human thought as an example to explain the failure of capitalist and socialist economic system, which will only bring crisis to human society. It can be seen with countries that practiced merely capitalist or socialist system is unable to solve the economic problems. This issue cannot be resolved easily except by learning from the economic system practiced by Prophet Muhammad (PBUH). Therefore, it can be inferred that Islamic economic system is a fair system for all human beings and has the potential to solve the world's economic crisis faced today (Mirakhor & Askari, 2017).

In short, *Wasatiyyah* does not stand in between of excellence and weak. It is a concept that hinders someone from doing harm to others due to excessive eagerness in seeking for wealth. It can deduced that based on the definitions by prominent *Ulama* regarding *Wasatiyyah*, it is admixed of justice and equitable, well balanced and moderate without any excessiveness which will cause harm to people and excellence and best practices.

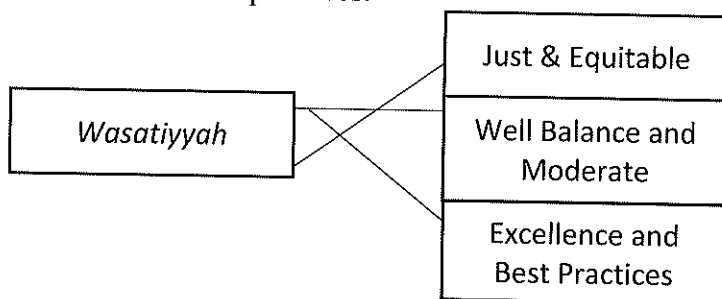


Figure 1: The elements of *wasatiyyah*

Most Islamic countries are far behind in economic development probably because they are less eager to exploit the world's wealth (Bello, 2008). People tend to misunderstand the concept of *Wasatiyyah* and this should not hinder them from being excellent, just and well balanced *Ummah* in seeking for Allah's bounty. In short, it is important for us to rethink again our understanding on this matter and emphasised that the concept should not hinder Muslims from being excellent, just and well balanced *Ummah* in seeking for Allah's bounty. Therefore, *Wasatiyyah* should exist to ensure that their attitudes and actions are not extreme and exceed the limits of morality, yet can achieve just, equitable, well balanced and excellent economy.

Brunei Darussalam Economic System

Brunei Darussalam is a small sultanate situated on the northern coast of Borneo and surrounded on its landward side by the East Malaysian state of Sarawak. Its land area is the second smallest among the Association of Southeast Asian Nations (ASEAN) member states, comprising 5,765 sq. km, 70 per cent of which is covered by rainforest. Its population, the smallest in ASEAN, comprises 418,780 residents who are scattered along or near the main roads and highways, and along the main river courses. They are mainly composed of Malays (around 66%), the Chinese community and indigenous groups (together nearly 15%), and a large expatriate population (nearly 20% of the resident population,

who are engaged in both professional and unskilled/semi-skilled occupations) (Jones, 2012).

Brunei Darussalam practices monarchy system of government (Duraman, 2011). In which, executive power resides in the His Majesty the Sultan, who is supported by a Council of Ministers or Cabinet. To reinforce his executive authority, the Sultan is prime minister (as well as minister for finance and minister for defence) and so has overall responsibility for the affairs of state. Day-to-day executive power and policymaking are exercised by ministers. The main institution of government administration is the civil service, which consists of 13 ministries and employs just over 48,500 people. The civil service is supplemented by a few statutory authorities (Jones, 2012).

The country is blessed with a rich natural resources endowment in the form of oil and gas. This natural wealth has made it into one of the richest countries in the region. Due to good macroeconomic and administrative policies set up by the government, the country has been enjoying relatively low inflation. As part of the economic activities, the exports of crude petroleum and LNG have benefited the economy in terms of foreign exchange reserves and sizable fiscal surpluses for most years (Jones, 2012).

According to (ADB, 2012; Cheong, 2013), Brunei has a high gross national savings figure of more than 50% of GDP in 2009, which according to the world-bank is regarded as the third highest in the world. Therefore, with being placed as the highest in macroeconomic environment in 2013 to 2014

Global competitiveness report but, in terms of economic growth Brunei has not performing as it was expected. This is due to the fact that Brunei's GDP is largely contributed by oil and gas sectors which are not infinite in nature. On the other hand, the non-oil and gas industry has only managed to grow at a rate of 3.4% per annum in the last 10 years. Worst case, between 2006 and 2012, Brunei's growth performance has been consistently worse than the world average, as well as of the ASEAN countries. If the economy continues to grow at this rate, it will be difficult for Brunei to achieve its *Wawasan 2035* goals (Ismail, 2011).

Researcher wonders if it is still feasible for Brunei to be amongst the world's top 10 countries in terms of per capita income by 2035 with the current economic situation. If Brunei did not act on this problem then Brunei will be out from the top 10 by 2025 and additionally will be ranked 19th in 2035 (Hashim. 2010). Lack of economic diversification has impact negatively to the economy of Brunei since we are depending solely on just one or two engines of growth. It is risky because if just one engine fails, the economy could contract and create massive dislocations.

Unfortunately, the persistent drop in world oil prices today has an immediate impact onto the income, government revenue and development programmes which may worsen the issue of poverty from unemployment due to negative economic growth (Bhaskaran, 2007; Cheong and Lawrey, 2009). Brunei also experienced from the volatility of oil prices. If Brunei has more diversified economies, then we will be able to withstand the changes in per capita of Gross

Domestic Product and government revenues (Lawrey, 2010), Rosnah (2008), Apong (2013).

Whole of nation approach is also vital to ensure proactive actions are to be made to achieve a good balance between economic growth, employment opportunities, equity, stability, appropriate risk management and inherent capacity (Bhaskaran, 2010). This shows Brunei to implementing the elements of *Wasatiyyah* by having a fair, justly balance and excellent economic system.

Brunei Economic Growth

Brunei operates a mixed economic system within the ambit of Islamic law. It provides variety of private freedom, combined with centralised economic planning and government regulation to ensure social needs of the citizens are being taken care of. This shows that Brunei is practicing *Wasatiyyah* as its economic system is not extreme to only one economic system. This country is practicing state intervention for its economic activities due to its uniqueness in promoting balance between social policies and also boosting economic activities (Bhaskaran, 2007).

Brunei is a high-income economy although income per capita has fluctuated from just below to just above US\$50,000 at purchasing power parity (Figure 1.1; Table 1.1). This is the second highest in ASEAN and East Asia, below Singapore but above Hong Kong. Gross domestic product (GDP) growth rates have varied greatly over the last 10 years from a high of 4.4 percent in 2006 to a low of -1.9 percent in 2008, reflecting the influence of the fluctuating

price of oil and gas in an oil-and-gas dependent economy (ADB, 2012, IMF 2012a and IMF 2012b).

Table 1: Economic growth and development for the past 5 decades

1960s	Brunei's economy did not show any significant growth. In fact before the discovery of offshore oil wells, the on shore wells were thought to have dried up. (Duraman, 2011)
1970s	In 1972 they have discovered off shore wells, which proved to be commercially viable and profitable. After they discovered the oil wells, the economy of Brunei began to improve. The oil price in 1972 has transformed Brunei into a rich sultanate. During the oil bloom, brunei recorded high economic growth. Real GDP grew at an average of 12.2% per annum between 1975 and 1979 (Duraman, 2011).

1980s	<p>First half of 1980s the GDP growth deteriorates with negative 3.7% but improved slightly 0.4% in the second half of 1980s. Over the period of 1981 to 1990 has been a negative GDP growth of 1.7% per annum. It was found that Brunei's growth performance in the 1980s was not badly affected by the world recession but also by the 'conservatism policy' introduced by the government to fix oil production at the ceiling of 150,000 barrels per day in 1981. However, the negative growth of the oil sector was somewhat offset by a rapid growth in the non-oil sector, notably government sector. The annual average growth of the government sector was as high as 14.7% per annum in the early 1980s but reduced to 7.2% per annum towards the end of the decade. The growth in the government sector can be partly be explained by rapid physical development which occurred prior to the independence in 1984. There were more development after the independence era. The non-government sector recorded low but positive average growth of 3.4% per annum (Duraman, 2011).</p>
1990s	<p>In 1991, the economy grew as the price of crude oil had risen as a result of the Gulf war which had destroyed many oil tanks resulting lack of supply from higher demand. After experiencing a negative growth of 1.1% in 1992, the economy rebounded by an average growth rate of 3.1%</p>

	<p>between 1993 and 1997 through contributions from the non-oil sector, particularly the service sector. In 1998, the development of the services sector, particularly in terms of construction, transportation, restaurants, retail and related retails growth was slowing down due to a reduction in progressive allocation which had slightly affected the economic growth to only 1%. Unlike the countries across the region where their private sector is actually what drives their economic growth. However, for Brunei Darussalam the development is largely dependent on government investment which has resulted to a negative impact on activity in private sector (Duraman, 2011).</p>
2000s	<p>Brunei experienced modest economic growth over the last ten years, except in 2008 and 2009. For 2008, GDP at constant prices recorded a negative growth of 1.9 percent. In 2009, the economy contracted by 1.8 percent (Table 1). This was due to contraction of 6.2 percent in 2008 and 4.6 percent in 2009 in the oil and gas sector, as both oil and gas mining and LNG manufacturing sub-sectors contracted (Brunei Government, 2010a). Real GDP growth had shown a positive improvement in 2010, growing at 2.6 percent, reflecting increased production of oil and gas and government development spending. GDP growth also slowed to 0.5 percent and 0.4 percent in 2004</p>

	and 2005 respectively, owing to temporarily lower oil and gas production as production facilities were repaired and upgraded (WTO, 2008). However, dependence on oil and gas has been reduced since 2000, as a range of non-oil sectors has been developed (ADB, 2011; Jones, 2012).
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Table 2: Economic Growth Rate from 2007 to 2016

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Growth rate	0.2	(1.9)	(1.8)	2.6	3.7	0.9	(2.1)	(2.5)	(0.4)	(2.5)

Source: JPKE, 2016

Although Brunei is ranked as one of the top GDP per capita country but this state depends almost entirely on a single non-renewable resource, petroleum. Its economy can be broadly divided into the oil and non-oil sectors. The oil sector produces crude oil, natural gas and related petrochemical products. The non-oil sectors can be further divided into government and non- oil private sectors which consists of primary, secondary and tertiary industries (Ismail, 2011).

According to Ismail (2011), the government involvement is related to the provision of 'public goods' or services, redistribution of income in cash and kind and maintenance of economic stability through macroeconomic policies. Social or public goods such as defence, law and order, and

public amenities that are expensive to produce are virtually in the hands of the government which acts as a natural monopolist. Other like education and health are provided by both the public and private sectors. The state's role is ensuring political and economic stability, controlling social disruptions and avoiding environmental degradation. Musgrave and Musgrave (1989), summarise state functions as allocation, distribution and stabilization. As an entity given a trust and confidence, executive role and decision making are fundamentally in its hand.

According to Yunos and Milohevic (2016) and Hon and Nicholas (1991) that Brunei Darussalam's economy has some peculiar features. It has one private oil company which accounts for over 90% of the country's exports and employs around 6% of the total labour force. The government sector employs more than half of the country's labour force and produces mostly non-traded goods or services. Utilities such as electricity, water, telephone and postal services are produced by government owned enterprises. The non-oil sector has yet to develop. As a consequence, about 80% of the country's domestic demands are met by imports. In addition, effect from over reliance of oil made Brunei's economy inconsistent as the economic growth influenced greatly by the price of oil during the year. This uncertainty and the risks of weaker growth scenarios have increased when growth in emerging markets and developing economies declined for five consecutive years in the period between 2010 and 2015 and the recent upward in 2016 has been modest. A similar economic downturn has occurred in Brunei. The recent downfall in the oil prices has caused the

country's once large current account surplus to a deficit. This has prompted the Brunei government to introduce budget cutbacks for the first time in many years.

While the good news for Brunei is that growth in emerging markets and developing economics, including Brunei, is projected to increase over the next few years (Crosby, 2007).

Table 3: Emerging Market and Developing Economies: Real GDP

Emerging Market and Developing Economies: Real GDP											Projections		
	Avg 98-07	08	09	10	11	12	13	14	15	16	17	21	
	2.0	-2.0	-1.8	2.7	3.7	.9	-21	-2.3	-0.2	-2.0	3.0	6.8	

Source: IMF, World Economic Outlook, April 2016

This projected growth is dependent on the demand for oil and gas remains high in the future; the threat of climate change will not put oil and gas restraints on oil exploitation. If crises do occur, they are temporary and will eventually go away. The continued growth scenario is also based on the assumption that Brunei will succeed in diversifying its economy, making way for SME (Small and medium size enterprises) and FDI (foreign direct investment) to fully flourish under an enabling environment and infrastructure (Duraman and Tharumarajah, 2010). Moreover, the Brunei sovereign fund aids in this diversification. If this is realised, the national vision of the country, Wawasan 2035, continues to be achieved incrementally. The main goals are met, with

high standards of living, near zero poverty, near full employment, a highly qualified and skilled society, a stable political climate with its people enjoying peace and harmony, with balance of cultural integration and support for Malay Islamic Monarchy's core values (Hashim, 2010) and Yunos and Milohevic (2016) .

National Development Plan

National Development planning is part of the state's proactive role in the development of Brunei's economy. This means that Brunei Darussalam is balancing its development planning with a total of 46.943 billion allocating to economy and social activities that is from the first NDP until the tenth NDP. This can be shown below:

Table 4: The Allocation of Funds for National Development Plan (NDP 1 – 10)

NDP	NDP 1	NDP 2	NDP 3	NDP 4	NDP 5	NDP 6	NDP 7	NDP 8	NDP 9	NDP 10
YEAR	1953-1958	1962-1966	1975-1979	1980-1984	1986-1990	1991-1995	1006-2000	2001-2005	2007-2012	2012-2017
BUDGET (BND)	0.1B	0.543B	0.5B	2.2B	3.7B	5.5B	7.2B	9.5B	9.5B	8.2B

Source: Duraman (2011)

In evaluating the development process of this economy, it is better for researcher to examine the economic development policies of Brunei Darussalam. The first National Development plan for Brunei Darussalam (1953 was a 5 years plan with an allocation of BND 100 million which was

to finance constructional work on roads, bridges, and buildings such as schools, hospitals, social services and the installation of technical equipment for radio, telephones and electricity. While, the second National Development Plan (1962) was specifically for economic diversification; increasing per capita of income through an increase in productivity level; maintaining high level of employment; maintain a relatively stable price level; developing an adequate and comprehensive national system of education of all; developing adequate public service facilities and encourage and promote the participation by the private sector. The development plan showed that Brunei has started to concern more about depending too much on oil and gas sectors. Hence the economic diversification was part of the national development agenda in the second NDP.

The third National Development Plan (1975) was basically extension from the second national development to maintain a high level of employment and diversify the economy through accelerated development of agriculture and industry. Diversification of economy started when they thought that the on-shore oil production reached its peak in 1960, so economic diversification was listed as a top objective to reduce dependency on oil. Despite economic diversification has remained underdeveloped but, most of the objectives have been fulfilled such as build deep-sea port at Muara, new international airport, and more.

The fourth National Development Plan (1980) is prior to the independence of Brunei that is 1980-1894. Due to this allocations of BND 2.2 billion funds was mainly for political

factors to ensure Brunei maintained its peace, security and prosperity in achieving its independence in 1983; to increase consciousness of the need to conserve energy resources brought by the continuous oil price increase; stricter procedures to obtain immigrant workers from the neighbouring countries and changing Geo-political situations as Brunei was not part of Malaya. It is interesting that not even the fourth and fifth NDP mentioned about industrialisation even though the third NDP stated about economic development through agriculture and industry.

The fifth National Development (1986) plan to provide for the various services and facilities for the improvement of the standard of living of the people such as maximising the Economic Utilisation of the Country's Natural Resources; allocating more Funds for the Productive Sectors; accelerating the Development of Human Resources; and Improving Facilities for Industrial Development. The Sixth National Development Plan (1991) with plan to further accelerating Human Resources Development; widening the Economic Base and Create a Favourable Climate for Industries; Optimising Government Expenditure; Sustaining the Development of the Oil/Gas Industry; Encouraging the Development of a Strong Private Sector and Maintaining a Clean and Healthy Environment. It can be summarized that the fourth and fifth NDP has showed that the government is more specific in its future direction of Brunei diversifying economic policy. It indicates the type of industries to be established, that is, export oriented as well as import substitution.

The Seventh National Development Plan (1996) emphasised on balancing socio-economic development through economic diversification, provision of adequate and well-planned infrastructure and public facilities, implementation of effective human resource development, implementation of social development projects, utilisation of appropriate technologies and continuous protection of the environment.

The Eighth National Development Plan is allocated for activities like Oil and Gas Industry; Economic Diversifications, value-added industries which can open up new employment opportunities as well as export; Human Resource Development; Formation of a more conducive environment for Investment; Enhancing the provision of infrastructural facilities and adequate well-planned public amenities; Active participation of the Private sector.

The Ninth National Development Plan (2001) is to implement development projects under different sectors such as industry and commerce sector; tourism sector, transport and communication sector, social services sector, HRD, education sector, environment sector, public utilities sector, science, technology and innovation, ICT and security sector.

The Tenth National Development Plan (2012) focus on developmental efforts to achieve faster and higher economic growth with the NDP theme of "Knowledge and Innovation, Increase Productivity, Accelerated Economic Growth" with six strategic development thrusts: Educated and Highly Skilled Population; High Quality of Life; Conducive

Business Environment; Productive and Progressive Economy Based on Knowledge and Innovation; Good Governance and Government Modernisation; High Quality and Sustainable Development Infrastructure.

The Application of *Wasatiyyah* in the Economic System of Brunei Darussalam

After assessing the economy of Brunei Darussalam it can be seen that Brunei have been practicing three *Wasatiyyah* values such as justice and equitable; well balanced and not extreme and excellence and best practices.

***Wasatiyyah*: Equitable and Fairness**

Equitable and Fairness are defined as being fair and reasonable in distributing the benefits to people of Brunei that majority of the Bruneians will be able to enjoy the outcome from the economic policies or anything else. It should be crafted so that there is an equitable distribution of income and wealth in the country, with no group feeling of being out or alienated. The commitment of the government is important in ensuring a continuous process, integrating both economic and social objectives for the country. Equitable economic system can be clearly seen in the national development plan from the year 1953 to 2017.

Brunei began to experience rapid structural change during 1951-1967. Some claimed that modern Brunei only began in 1950s the country's priority has improved the living conditions and the quality of life of its people. Especially, after gaining the independence in 1984, Brunei national development focused on the development of infrastructure

and the quality of life of its people (Duraman, 2011). To this end, public investment has been mostly directed to the social infrastructure, in particular human resources via education, health, sanitation, and utilities. Related areas such as industry and commerce, transport and communications, and security are also given great attention. The increasing amount of funds allocated to Brunei's development plans indicated the concern of its government for its development objectives.

Social services, public utilities and transport and communication have consistently been allocated a higher proportion of the budget allocation. This can be viewed as being consistent with the country's main objective of improving the people's living standards. The industrial and commercial sectors were not given much attention in the 3rd and 4th plan but then the government has realised the need for building the economic infrastructure in the 5th NDP when economic performance began to deteriorate due to the fall in oil prices. Ever since that the budget allocations for these sectors have increased steadily.

Among many things positive, Brunei has remained an extremely peaceful country with strong family values among all ethnic and religious communities of the country. The government spends substantial amount of money in providing free education and health facilities to its citizens, and permanent residents most of them Chinese migrants who came to the country during the British protective era and their descendants. Moreover, Brunei in terms of budgeting, they did not overspent their revenue, instead Brunei

government has spent moderately. Moderate spending means that it is neither extravagance nor niggardliness (Hanef, 2015).

Since 2005, unemployment rate has been stable at less than four per cent. To ensure that no citizen is deprived of basic human needs, the government has implemented various social safety net programmes. The effect of fair and just economy is that absolute deprivation is inexistent (Brunei Darussalam's Household Expenditure Survey, 2005).

Brunei Darussalam has been named the most improved economy in the world for the third year in a row in the World Bank's Doing Business Report 2018, which was released on Wednesday. The report, which measures the efficiency and regulatory environment of domestic businesses of 190 economies, records Brunei jumping a significant 16 places to rank 56 worldwide, with an increasing Distance to Frontier (DTF) score of 70.60 out of 100 and scoring improvements in DTF across eight indicators; further narrowing the gap between Brunei and the top performing economy.

The Asia-Pacific region had the highest number of economies recording the greatest overall number of reforms making it easier to do business, where Brunei and Thailand each implemented eight reforms. Brunei is positioned 11th, behind South Korea (3) and Japan (9); and ahead of rising Asian powerhouse, China at 18th; as well as India at 19th within the ASEAN region, Brunei maintains its 4th position behind Singapore (2), Malaysia (24) and Thailand (26);

followed by Vietnam (68), Indonesia (72), the Philippines (113), Cambodia (135), Laos (141) and Myanmar (171). This is in line with his recent speech in conjunction with his 71st birthday celebration, whereby he highlighted the need for continuous efforts to boost economic growth through the entries of Foreign Direct Investments (FDIs) and growth of micro, small and medium Enterprises (MSMEs).

Above all, this shows that the state not only ensuring that the distribution of the wealth of the country is not merely concentrating on developing the economy but also towards social infrastructure. In turn, Brunei enjoys a degree of political stability that few other countries enjoy. With political stability and a well-resourced government, Brunei is able to offer residents very good living conditions. Moreover, the crime is low and there is little obvious corruption which has showed that the population is well cared for and so is generally happy (Bhaskaran, 2007).

Wasatiyyah: Justly Balanced

Justly balanced signify that the economy of Brunei is not extreme to neither capitalist nor socialist economic system but rather a mixed economic system within the boundary of Islamic shariah. Economic policies for diversification should be crafted so that there is an equitable distribution of income and wealth in the country. Good balance between economic growth, employment, equity, economic stability and risk management.

Having maintaining and adapting its traditional values within the challenging modern world, Brunei's economic

system and development agenda is different from the conventional concept. For Brunei, variables such as culture, values and religion are essential elements and mean so much in its economic system and development plan. Its traditional values have been part and partial with Islamic religion hence, the adoption of these values are inevitable in every process. Furthermore, Brunei's constitution in 1959 S65/04 stated that the official religion of Brunei Darussalam shall be the Islamic religion. This showed that Islam has been the guide and has given a dominant weight in shaping the development direction of the country.

As the country's perception on development is incorporating some essential values, a high economic growth seems to be meaningless if it is undermined by a frequent social unrest and a series of political chaos. Such incidence can create tension and violate its development objectives. Therefore, it is vital to balance well with searching for wealth and political, social and economic stability.

Although Brunei's economy has some unique features that it has one private oil company which accounts for 90 per cent of the country's exports that is Brunei Shell Petroleum. Its extreme independence on oil and gas as the sole exporter made Brunei prone to more risks. Fortunately, in realising this problem the state has come up with various strategies to ensure economic diversification can be attained. Table 5 showed that the percentage of oil and gas to GDP has decreased gradually which means that activities of non-oil and gas sectors has started to play its role to ensure our economic income comes from various productive sectors

such as agriculture, livestock, forestry, fishery, manufacture of wearing apparel and textile, manufacture of food and beverage products, electricity and water, construction and many more.

Table 5: The percentage of GDP by Oil and Gas and Non- Oil and Gas Sectors

	2011	2012	2013	2014	2015	2016
% of GDP for Oil and gas Sector	70.52	69.06	59.67	58.91	59	52
% of GDP for Non-oil and gas sector	29.48	30.94	40.30	41.09	41	48

Source: JPKE (2016)

The undesirable economic experience resulted from upswing and downswing price of oil commodity which requires Brunei to form other economic base which should be from non-oil and gas sector. Indeed the idea of economic diversification had been made as early as 1961 in the ruler's speech when the on-shore oil wells declined and were thought depleting (*Titah* 1959-67, DYMM Paduka Seri Baginda Maulana Al-Sultan, Sir Omar 'Ali Saifuddin Sa'adul Khairi Waddien). The concern has been stated clearly as one of the objectives in its third NDP. In addition, the fifth and sixth NDPs showed that the state has been more specific in its future direction of Brunei diversifying economic policy by indicating the types of industries to be established that is export oriented as well as import substitution.

In summary, Brunei's national planning and development aims to provide balanced and sustained socio-economic development through a more outward-looking economic diversification strategy; the continued development of physical infrastructure and public facilities; the implementation of effective human resource development; the implementation of social development projects; the utilization of appropriate technologies; and the continuous protection of the environment.

Wastiyyah: Excellence

Wasatiyah is a way of life prescribed in Islam to enable the believers to execute the duty and responsibility as servants and vicegerent of Allah. The emphasis is on the best practice, excellence and prestige of work input, process and output. The term '*ummatan wasatan*' or 'excellent' community has been mentioned clearly in Surah al-Baqarah verse 143.

Brunei has been consistent with its managing ability to achieve both social and economic results. Hence, government participation through intervening market operations is essential since public sector is the most important channel for social policies which promotes the welfare of the citizens (Duraman, 1990).

In the literature, Cullins and Jones (1983) identify ways in which the state has channelled welfare provision. Thus, state role is ensuring political and economic stability, controlling social disruptions and avoiding environmental degradation. To add, state is also the prime mover in the development process of the country (Haddad, 1993). The reason for the state intervention is the best and excellent system is because

of its neutrality and benevolence if market failure exists. Although some might argue that it can cause economic inefficiency to some level (Musgrave and Musgrave, 1989). It is an excellent system because the state functions as allocations, distribution and stabilization.

As an entity given a trust and confidence, executive role and decision making are fundamentally in its hand. The National Development Plan (NDP) is an example of state intervention in the economic development. The impact of the NDP was positive in terms of government commitment in physical development.

Capitalist economic system might disagree with involvement of government in all the economic activities. Rather, this is considered as an important player in development process as also private sectors, but its participation should be within the boundary of assisting market to work efficiently. In other words, there are areas that government must use its 'powerful hand' but leave others to market's 'invisible hand' to determine resource allocation. In this respect, Brunei Darussalam is right by tradition law, to own petroleum deposits and wise to give the exploitation concession right to the experts. After all, the government is ultimately the custodian of future generation. It follows that the state itself must be the chief architect of the structural transformation. This is an area of importance in development to be pursued.

Brunei has substantial financial resources as the windfall gains from oil and gas have generally been well managed.

This is something that few countries actually do get right, demonstrating a degree of effectiveness and integrity in the economic system. As a result from better management of financial resources, Brunei enjoy a degree of political stability which has led to economic advantage since low political risk will reduce the cost of capital to invest in Brunei Darussalam. With this, Brunei is able to offer better living conditions as what enjoy by few countries whereby crime rate is low and generally the population is really happy with basic services such as utilities, schools and medical care are of global standards. To achieve this requires a whole- of- nation approach to ensure peace and stability can be achieved. This showed that this country applied *Wasatiyyah* which practices justice and equitable, moderate and well balanced and excellence and best practices in its economic activities.

Conclusion

When oil prices fall sharply, the economy weakens severely. This persistent low in oil prices has an immediate impact on the income, government revenue and development programme. Brunei has been hit by two shocks from the Asian financial crisis and the Amadeo Crisis. Both were dealt with in a sensible manner implying that the system overall has the capacity to respond effectively to shocks. This can be because of *Wasatiyyah* elements embedded in the economic system made it resilient to any kinds of shock. This paper aims to see the economic system and development in Brunei Darussalam for the past 5 decades, then examining the existence of *Wasatiyyah* elements in Brunei's economic system and development.

The *Wasatiyyah* elements introduced in this paper are: justice and equitable; well balanced and not extreme and excellence and best practices. The first element discusses about being equitable in the distribution of income for the development of both economy and social activities and also being justice to the poor by giving support and relevant assistance. The second element mentioned about Brunei is practicing mixed economy within the ambit of Islamic principles, then not extreme to oil and gas sectors only has helped Brunei to overcome hurdles in economic crises. The Third element describe that the state Intervention is the best and excellent system as it ensure that the country will be able to achieve political, social and economic excellence.

Although Brunei can be seen to have practiced *Wasatiyyah* elements in the economy, it can still open to more improvements to ensure that a just equitable well balance and excellent economy can be attained. This can be done by improving the domestic productivity and participation of Bruneian in economic activities & achieving a more balanced labour force, restructuring the economy by diversifying the productive base and raising the level of satisfaction of domestic demand through domestic production (Strategic importance), creating the right enabling environment whereby the state as a proactive enabler of economic development and diversification lastly sustaining the present level of social welfare in future and taking the necessary measure for preserving national identity and security. This research hoped that with the implementation of these values will support Brunei to

achieve one of its 2035 visions that is 'dynamic and sustainable economy with income per capita within the top 10 countries in the world'. Thus, further research should look into the involvement of *Wasatiyyah* elements to achieve Brunei Vision 2035.

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