BRUNEI DARUSSALAM

Brunei Darussalam’s economic freedom score is 64.8, making its economy the 62nd freest in the 2022 Index. Brunei Darussalam is ranked 9th among 39 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

Brunei Darussalam has maintained positive economic growth over the past five years. Economic freedom peaked in 2017 and has dropped a full five points since then. Dragged down primarily by deteriorating fiscal health, Brunei Darussalam has fallen into the lower half of the “Moderately Free” category. Tax burden and trade freedom levels are good, but fiscal health is poor.

IMPACT OF COVID-19: As of December 1, 2021, 97 deaths had been attributed to the pandemic in Brunei Darussalam, and the government’s response to the crisis ranked 4th among the countries included in this Index in terms of its stringency. The economy grew just 1.2 percent in 2020.

BACKGROUND: Brunei Darussalam consists of two enclaves surrounded by Malaysia on the northern coast of Borneo. The sultan serves as prime minister, minister of defense, foreign minister, and minister of finance and appoints several advisory councils including a Legislative Council and Privy Council. The sultan’s 2019 decision to implement certain provisions of Sharia (Islamic) law was met with international condemnation. Oil and gas production, which provides 90 percent of government revenue and 90 percent of exports while generating few jobs, accounts for more than half of GDP. Most people work directly for the government. OPEC production caps and lower global oil prices have caused economic growth to stagnate. Brunei has little manufacturing capacity and imports most of its manufactured goods and food.
Only Bruneians may own land indefinitely; foreigners are limited to 99 years. Mortgages are recognized and enforced, and property registration has improved, but overall protection of private property is not strong. Although the constitution does not provide for an independent judiciary, the courts generally operate without government interference. Brunei is one of the world’s last remaining autocracies, and the sultan wields nearly absolute power. The level of corruption is relatively low.

Brunei has no personal income tax. The top corporate tax rate is 18.5 percent for most companies and 55 percent for oil and gas companies. The overall tax burden equals 24.0 percent of total domestic income. Government spending has amounted to 32.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 9.5 percent of GDP. Public debt is equivalent to 2.9 percent of GDP.

The Business Licenses Act Amendment of 2016 exempts many types of businesses from a business license requirement. The regulatory system lacks transparency. Skilled workers who are citizens often prefer to work for the government and receive better benefits. The government continues to provide heavy subsidies for such basic goods and services as fuel, power, food, health care, and education.

Brunei Darussalam has nine preferential trade agreements in force, and its trade-weighted average tariff rate is 0.2 percent. One formal nontariff measure is in place, but other impediments to trade flows persist. State-owned enterprises still dominate the economy, and foreign investment and ownership are limited. The small financial sector remains dominated by banks. Islamic financial services have grown in recent years.