



A comparative study of economic development between Brunei Darussalam and Kazakhstan

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ABSTRACT

This study aims to compare the two countries of Brunei Darussalam and Kazakhstan in the context of economic development, government policies, key economic sectors, and challenges faced. Despite differences in population, geography, and natural resources, both countries have made significant strides. Brunei's prosperity relies on oil and gas, while Kazakhstan diversifies its economy. However, both countries have made significant progress in their economic development efforts. The research employs qualitative analysis and explores factors such as social, political, and economic aspects shaping government policies. The results highlight the unique challenges and opportunities each nation faces, providing valuable insights for countries pursuing prosperity in a global context.

Keywords: Comparison; economy; Brunei Darussalam; Kazakhstan

1. INTRODUCTION

In this era of globalization, economic development takes center stage for many countries worldwide. Robust economic growth is deemed essential for attaining prosperity and enhancing the quality of life for their citizens. Brunei Darussalam and Kazakhstan stand as two nations that have made notable strides in their pursuit of economic development. Despite differing characteristics in terms of geography, population, and natural resources, both have successfully navigated challenges to achieve remarkable economic progress.

This study aims to compare the economic development of Brunei Darussalam and Kazakhstan and analyze the key factors contributing to the disparities in their economic

trajectories. The factors under scrutiny encompass social, political, and economic aspects that shape government policies and impact pivotal economic sectors in each nation.

To begin, it is imperative to grasp the backgrounds and unique features of Brunei Darussalam and Kazakhstan, the focal points of this comparative analysis. Brunei Darussalam, situated in Southeast Asia, boasts a relatively modest population and abundant natural resources, particularly in oil and natural gas reserves. On the other hand, Kazakhstan, located in Central Asia, boasts a vast landmass and a substantial population. It also possesses ample natural resources, including oil, natural gas, and various metals.

Both countries have achieved remarkable economic growth in recent decades. Brunei Darussalam, heavily reliant on the oil and gas sector, has managed to attain impressive per capita income levels and reduce poverty rates. Meanwhile, Kazakhstan has experienced rapid economic development since gaining independence from the Soviet Union. The country has successfully diversified its economy, experiencing substantial growth in sectors such as energy, mining, industry, and tourism.

2. METHOD

This research is a descriptive qualitative study designed to unveil insights through a comparison of the study object using secondary data sources. Data analysis employs an inductive-deductive approach with a juridical perspective. Qualitative research elucidates the 'meaning of data' or phenomena, which researchers can discern by presenting evidence. The interpretation of these phenomena relies heavily on the researcher's analytical skills and acumen.

3. RESULTS AND DISCUSSION

A. Brunei Darussalam's economic growth

Brunei Darussalam is a country with an absolute monarchy style of government based on Islamic law. The Sultan serves as both the head of state and head of government, concurrently holding the positions of prime minister and minister of defense. He is assisted by the Sultanate's advisory council and several ministers. Brunei Darussalam is situated in the southwest of Borneo Island, specifically in Sabah.

In terms of the socio-economic status of its people, Brunei Darussalam is a wealthy nation, thanks to its abundant natural resources, particularly petroleum and natural gas. The country has made significant investments in public facilities to enhance the quality of life for its citizens. Services such as telephone, water, electricity, public transportation, education, and healthcare are all provided free of charge. The population is not required

to pay individual taxes, and taxes are primarily levied on oil companies. Most of the country's economic needs are met through imports, including food and electronic devices from neighboring countries such as Singapore, Malaysia, Indonesia, as well as from Japan, the United States, and the United Kingdom. Brunei's primary export is petroleum, mainly to the United States, Singapore, and Korea, resulting in a substantial foreign exchange surplus.

At the government policy level, Brunei Darussalam has implemented strategies to support sustainable economic growth. The government has launched Vision 2035, a comprehensive plan aimed at achieving economic sustainability, enhancing human capital development, and promoting economic equity. This policy includes measures to diversify the economy, stimulate private sector growth, and increase investments in non-oil sectors.

However, despite making significant strides in economic development, Brunei Darussalam also faces unique challenges. The nation is working to reduce its dependency on the oil and gas sector, diversify its economy, and enhance the quality of its human resources.

Below, we can observe the economic growth of Brunei Darussalam in 2018, where the country experienced significant growth. Several factors contributed to the increase in the nation's economic growth that year, including:

- The rise in global crude oil prices had a positive impact on Brunei Darussalam's economy as an oil producer. In 2018, the average Brent oil price reached US\$71 per barrel, marking a 31% increase from the previous year.
- Economic diversification was achieved through the development of non-oil and gas sectors, such as tourism and the petrochemical industry. These sectors became strategic focal points in efforts to reduce dependence on specific natural resources.
- The government implemented accommodating fiscal and monetary policies to support economic growth, including income tax exemptions for individuals earning below BND1000 and increased public spending on infrastructure.

In 2019, some of the factors contributing to Brunei Darussalam's economic growth included:

- An increase in global crude oil prices, which positively impacted the nation's economy as an oil producer.

- Continued economic diversification through the development of non-oil and gas sectors, including tourism, finance, and manufacturing industries.
- Investments in infrastructure to enhance connectivity and support overall economic activity.
- The government's continued use of accommodating fiscal and monetary policies to bolster the country's economic growth.

However, in 2020, Brunei Darussalam's economic growth declined due to the global economic impact of the COVID-19 pandemic. Nevertheless, several factors still contributed to economic growth in the country, including:

- Growth in the mining and quarrying sector: Despite the global decline in oil prices in 2020, the Brunei Darussalam government continued oil and gas production to sustain state revenues.
- Increased investments in health and transportation infrastructure: The government increased investment in health and transportation infrastructure to address the effects of the COVID-19 pandemic and fortify its economic foundation.
- An accommodative monetary policy by the Central Bank: The Central Bank of Brunei Darussalam adopted an accommodative monetary policy by reducing the benchmark interest rate to encourage banks to lend to businesses, thereby maintaining their financial liquidity.
- Government support for non-oil sector development: The Brunei Darussalam government continues to strive for economic diversification by strengthening the tourism, finance, and manufacturing sectors to reduce dependence on the energy sector.¹

Although Brunei Darussalam managed to maintain its economic growth in 2020, in 2021 there were several factors that caused the country's economic growth to decline. Here is the explanation:

- Declining oil and gas production: As one of the oil and gas-producing countries, a decrease in production in this sector has a significant impact on Brunei Darussalam's economy.

¹ Syamimi, S.N., Khalid, A.M., & Samad, F.A. (2021). Economic Impact of Covid-19 on the Global Economy and Policy Response. *International Journal of Academic Research in Accounting, Finance and Management Sciences*.

- The persistent impact of the COVID-19 pandemic: The COVID-19 pandemic continues to exert a significant influence on global economic activity, including in Brunei Darussalam. This impact includes reduced demand for goods and services, the closure of small and medium enterprises, and restrictions on the mobility of people.
- Dependence on the energy sector: Despite the Government of Brunei's efforts to diversify the economic base through the development of non-oil sectors such as tourism and manufacturing, the country's reliance on the energy sector remains high. Consequently, fluctuations in world oil prices continue to affect the country's economy.

In addition, the Brunei Darussalam government has also made various efforts to strengthen key sectors in the country's economy such as oil and gas, tourism, and creative industries. In July 2021, for example, the Brunei Government launched the "Brunei Wawasan 2035" program which aims to increase the country's competitiveness at the regional and global levels by developing quality human resources and boosting investment in strategic sectors. However, the COVID-19 pandemic situation still has an impact on the economy of Brunei Darussalam, such as the decline in world crude oil demand, which has significantly reduced oil and gas revenues. However, the recovery measures taken by the Government together with businesses and the community can help accelerate the recovery of economic conditions in the future.²

Brunei Darussalam's economic growth is influenced by several economic factors, including.

- Energy Sector: Most of the country's revenue comes from the oil and natural gas sector, so fluctuations in world oil prices greatly affect Brunei's economy. Government policies in managing these natural resources will have a significant impact on future economic growth.
- Manufacturing Industry: In addition to the energy sector, the manufacturing industry is also an important contributor to Brunei's economic growth by increasing value-added gross domestic product (GDP). However, there is still a need to encourage the development of the manufacturing industry to compete in the international market.
- Foreign Investment: Foreign investment can have a positive impact on economic growth through technology transfer and increased production and

² Elhady N.M.A.E.S., Ahmed E.M.H.EE.D.Y., & Abdalla T.I.O.H.(2021). The Impact of Covid - 19 on FDI Flows to Developing Countries .Journal Of Economics And Business Research.

productivity of local businesses. Conducive policies are needed to attract foreign investment and facilitate investors in doing business in Brunei.

- Adequate Infrastructure: Transportation infrastructure is one of the critical factors for Brunei's economic growth. Adequate infrastructure development can improve connectivity between regions within the country and also with neighboring countries.³

There are several social factors that differentiate Brunei Darussalam's economy from other countries in the Southeast Asian region.

- Population prosperity: Brunei Darussalam has a relatively high level of prosperity compared to neighboring countries in the Southeast Asian region, such as Indonesia and Malaysia. This is due to the oil and gas sector being the backbone of Brunei Darussalam's economy, as well as the pro-prosperity fiscal policies implemented by the Government.
- Dependence on foreign labor: Despite Brunei Darussalam's relatively small population, there are many foreign workers employed in certain sectors. Labor migration is crucial to Brunei Darussalam's economic growth due to the lack of local labor in certain fields such as banking and the construction industry.
- Social structure of the Malay community as the ethnic majority: The majority of Brunei Darussalam's population is of Malay descent and their culture and traditional values still strongly influence the country's economy. Traditional values such as obedience to authority and family loyalty are influential in Bruneian economic decision-making.
- Absolute monarchy political system: The government in Brunei adopts an absolute monarchy political system with the Sultan as the head of State, which allows for faster and more effective decision-making but also poses challenges to structural reform efforts. This centralized government provides political stability and helps the country maintain its status as the second largest petroleum producer in Southeast Asia.⁴

There are several political factors that distinguish Brunei Darussalam's economy from other countries in the Southeast Asian region.

³ Sulaiman, M., Halim, A., & Aziz, N. (2018). Economic Growth Factors in Brunei Darussalam: An Empirical Study . International Journal of Academic Research in Business and Social Sciences, Vol 8 (No 11), hlm: 1-16.

⁴ Douglas, R.H., & Hill D.T.(2018). "The Political Economy of Brunei Darussalam: A Survey". Journal Of Southeast Asian Economies.

- **Absolute Monarchy System:** Brunei Darussalam has an absolute monarchy system of government, where the Sultan as the head of state has ultimate decision-making power. This system provides political stability that helps the country maintain its status as the second largest oil producer in Southeast Asia.
- **Dependence on oil and gas sector:** Most of Brunei Darussalam's state revenue comes from the oil and gas sector. This is due to the abundant oil and natural gas reserves as well as the pro-prosperity fiscal policies implemented by the Government.
- **Pro-Wealth Fiscal Policy:** The Brunei government has introduced a number of infrastructure development programs such as improved transportation and tourism to improve the people's ability to earn money.
- **Restrictions on press freedom:** The government of Brunei Darussalam has control over the mass media in the country, limiting press freedom and imposing censorship on the information circulated. These measures are aimed at maintaining political stability as well as maintaining the country's good image in the eyes of the international community.⁵

B. Kazakhstan's economic growth

Kazakhstan is the only country in Central Asia that shares a border with Russia. The border between these two countries is the longest in the world (about 7,590 km) and is still in the process of being demarcated. In addition, Ethnic Russians make up about 21% of Kazakhstan's population, mostly living in the northern regions of the country close to the border.

Kazakhstan is the largest economy in Central Asia. The country has abundant reserves of natural resources, including crude oil, natural gas, precious metals such as gold and uranium, as well as iron ore and other mining materials. Since independence from the Soviet Union in 1991, Kazakhstan has experienced rapid economic growth.

According to a World Bank report in 2020, Kazakhstan's economic growth reached around 4%. However, the COVID-19 pandemic has had a significant impact on Kazakhstan's economy such as a decline in world oil prices (which is one of the country's main commodities), a decrease in global demand for consumer goods and industrial products due to restrictions on international mobility and disruptions in global supply chains.

⁵ Ozhan,T.(2019).Press Freedom and Political Stability in Asia. Journal of Conflict Resolution.

To deal with these conditions, the Government of Kazakhstan is making various efforts to strengthen its domestic business ecosystem by encouraging foreign direct investment (FDI) in strategic sectors such as renewable energy, information & communication technology. In addition, labor market reforms are also carried out to increase the productivity of local workers in order to compete with foreign workers.⁶

In 2018, Kazakhstan experienced economic growth of 4.1%. The growth was supported by several economic factors including:

- Energy sector: As one of the world's largest oil producers, the energy sector played an important role in Kazakhstan's economy in 2018. The sector's contribution to GDP amounted to more than a quarter.
- Tourism: In a bid to diversify its economy, Kazakhstan is looking to boost tourism as a new source of revenue. The number of foreign tourists to the country rose by around 10% in 2018.
- Foreign direct investment (FDI): A significant influx of FDI was also an important factor in Kazakhstan's economic growth in 2018. There was an increase of nearly \$24 billion US dollars in foreign direct investment compared to the same period in the previous year.

In 2019, Kazakhstan experienced economic growth of 4.5%. The growth was supported by several economic factors which include:

- Energy sector: As one of the world's largest oil producers, the energy sector was the main driver of Kazakhstan's economy in 2019.
- Economic diversification: The government of Kazakhstan seeks to encourage the diversification of its economy with a focus on developing the manufacturing and financial services industries.
- Foreign direct investment (FDI): A significant influx of FDI was also an important factor in Kazakhstan's economic growth in 2019. There was an increase of nearly \$24 billion US dollars in foreign direct investment compared to the same period in the previous year.

In 2020, Kazakhstan experienced a slowdown in economic growth of 2.6% due to the impact of the COVID-19 pandemic on the world. However, there were several economic factors that continued to support the country's economic growth in that year:

⁶ Kassenkhanova, D., & Tleuov, A. (2020). Impact of COVID-19 on Kazakhstan's economy: challenges and opportunities. *Journal of Central Asian Studies*, Vol III (No 1), hlm 51-62.

- Agriculture Sector: Although the contribution of the agricultural sector in Kazakhstan's GDP is relatively small, amid the COVID-19 pandemic the demand for food products has increased, providing positive support to the economy.
- Foreign direct investment (FDI): The influx of FDI has also been an important factor in strengthening and stabilizing the Kazakhstani economy during the Covid-19 pandemic.
- Economic diversification: The government of Kazakhstan seeks to encourage the diversification of its economy by focusing on the development of manufacturing and financial services industries as well as renewable energy in an effort to reduce dependence on natural resource commodities such as crude oil.⁷

Although still in a COVID-19 pandemic situation, Kazakhstan is expected to experience economic recovery in 2021. Some of the economic factors providing support are as follows:

- Mining Sector: Natural resources such as petroleum and natural gas remain the mainstay of Kazakhstan's economy in 2021.
- Foreign direct investment (FDI): The influx of FDI has also been an important factor in strengthening and stabilizing the Kazakhstani economy during the Covid-19 pandemic.
- Economic diversification: The government of Kazakhstan continues to encourage the diversification of its economy with a focus on developing the manufacturing and financial services industries as well as renewable energy in an effort to reduce dependence on natural resource commodities such as crude oil.
- Mass vaccination program: the mass vaccination program was carried out by the Government of Kazakhstan to reduce the rate of spread of the Corona virus so that it could reopen the tourism sector which was sluggish due to restrictions on international mobility during this pandemic.

Kazakhstan's economic growth is influenced by several factors including:

- Energy Sector: Most of the country's revenue comes from the oil and natural gas sector, so fluctuations in world oil prices greatly affect Kazakhstan's economy. Government policies in managing these natural resources will have a significant impact on future economic growth.

⁷ Kassenkhanova, D., & Tleuov, A. (2020). Impact of COVID-19 on Kazakhstan's economy: challenges and opportunities. *Journal of Central Asian Studies*. Vol IV(No II), hlm 118-132.

- Mining: In addition to the energy sector, the mining sector is also an important contributor to Kazakhstan's economic growth by increasing the value added of gross domestic product (GDP). However, there is still a need to encourage diversification of the industry so that it is not overly dependent on certain commodities.
- Foreign Investment: Foreign investment can have a positive impact on economic growth through technology transfer and increased production and productivity of local businesses in Kazakhstan. Conducive policies are needed to attract foreign investment and facilitate investors in doing business in the country.
- Adequate Infrastructure: Transportation infrastructure is one of the important factors for the growth of the Kazakhstani economy. Adequate infrastructure development can improve connectivity between regions within the country and also with neighboring countries.⁸

The following is an explanation of Kazakhstan's economic differences in terms of social factors, as follows:

- Income Gap: There is a significant income gap among the people of Kazakhstan. This is due to factors such as the lack of formal employment opportunities for the rural population and reliance on the energy sector to create jobs.
- Low Unemployment Rate: Although the unemployment rate in Kazakhstan is relatively low compared to neighboring countries, there are still some groups of people who experience unemployment or underemployment. These groups include young people, women, disabled people, as well as people with ethnic minority or migrant backgrounds.
- Education And Health: Investment in the education and health sectors is an important priority for the government of Kazakhstan. The aim is to improve the accessibility of public services to all citizens.⁹

Political factors also affect Kazakhstan's economic growth. Good political stability can give investors confidence to invest and create new jobs, while political instability can hinder the country's economic growth.

⁸ Kalyuzhnova, Y., & Nygaard, C. (2014). Determinants of Economic Growth in Kazakhstan: An Empirical Analysis. *Europe-Asia Studies*, vol 66 (no 7) hlm 1146-1165.

⁹ Kassenkhanova, D., & Tleuov, A. (2019). Social Factors of Economic Growth in the Republic of Kazakhstan. *Journal of Central Asian Studies*, Vol III (No II), hlm:48

Factors such as political stability, market openness, and transparent regulations are key to attracting foreign investment in Kazakhstan. Pro-business government policies and support for the private sector also accelerate the country's economic growth.

However, there are still many challenges in political factors in Kazakhstan such as corruption in the public sector and differences between the central government and autonomous regions in terms of policy making.¹⁰

C. Comparative Results of the Economies of Brunei Darussalam and Kazakhstan

A comparison of the economies of Brunei Darussalam and Kazakhstan shows significant differences in several aspects, such as natural resources, economic structure, and market size.

- **Natural Resources:** Brunei has large oil and natural gas reserves, making the energy sector the backbone of the country's economy. Meanwhile, Kazakhstan also has abundant oil and natural gas reserves but not as large as Brunei. In addition, Kazakhstan is also rich in mineral resources such as iron ore, copper, gold, and uranium.
- **Economic Structure:** Brunei relies on the oil and gas sector as the main driver of its economic growth and so is still limited to crude oil or LNG (liquefied natural gas) production activities. Kazakhstan has diversified its economy by increasing investment in areas ranging from logistics to information technology.
- **Market Size:** Although both countries have relatively small populations compared to neighboring countries in Southeast Asia or Central Asia, Brunei has a higher per capita income than Kazakhstan due to rapid progress in adding value to gross domestic product (GDP) through the upstream oil and gas industry.
- **Quality Of Life:** Kazakhstan has a relatively high quality of life compared to its Central Asian neighbors. Factors such as per capita income, life expectancy, and access to public services have contributed to the improvement in the quality of life of the people of Kazakhstan over the past few decades.

4. CONCLUSION

In conclusion, Brunei Darussalam and Kazakhstan have distinct paths to economic growth, each with unique opportunities and challenges. Brunei, with its small population

¹⁰ Baimukhanbetova, Z., Sabyrova, A., & Abdiyeva, G. (2020). Political Factors of Economic Growth in the Republic of Kazakhstan . *Journal of Advanced Research in Law and Economics* vol XI hlm 1176-1182.

and abundant energy resources, has achieved high per capita income by focusing on the energy sector. Policies like providing free public services and taxing oil companies have boosted prosperity. However, diversifying the economy away from oil and gas remains a challenge, despite initiatives like Vision 2035. Kazakhstan, on the other hand, has a larger population and diverse resources. Since gaining independence, it has diversified its economy, attracting foreign investment and experiencing steady growth. Still, it faces issues like income inequality and political complexities, including corruption.

In terms of social factors, Brunei enjoys higher prosperity due to its oil wealth, while Kazakhstan deals with income disparities and access to education and healthcare challenges, especially in rural areas. Politically, Brunei operates as an absolute monarchy, ensuring stability and control over energy resources. Kazakhstan faces political challenges but fosters a pro-business environment to encourage foreign investment. Both nations aim to address the impact of the COVID-19 pandemic and have plans for economic diversification and improvement. While they differ, their experiences offer valuable lessons for nations striving for prosperity in a global context.

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