

# Chapter 3

## Enhancing the Utilisation of Free Trade Agreements in Brunei Darussalam

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## CHAPTER 3

### Enhancing the Utilisation of Free Trade Agreements in Brunei Darussalam

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*This paper analyses the utilisation of free trade agreements (FTAs) in Brunei using trade statistics, official data of the issuance and receipt of preferential Certificates of Origin (COOs). This is supported by results driven from focus group discussion (FGD) with Bruneian business representatives. Brunei has seen steady growth in FTA utilisation, mainly focused on specific products (crude oil, liquefied natural gas, and methanol) exported by large firms. This paper proposes national and regional policy measures to further enhance the use of FTA in Brunei.*

Keywords: ASEAN, FTA, RCEP, ASEAN Economic Community, Brunei Darussalam

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## 1. Context

### 1.1. Background

Brunei Darussalam (Brunei) is a relatively open economy. Brunei joined the World Trade Organization (WTO) in 1995 and committed more than 93 percent of tariff lines on the most-favored-nation (MFN) basis. The applied MFN tariff was 4.8 percent in 2007 (zero for agriculture and 5.4 percent for non-agricultural products, ranging from zero to 30 percent). However, the bound MFN rates remain relatively high at 25.8 percent (WTO, 2008). This creates an opportunity for Brunei to make further concessions to particular countries of interest for Brunei by utilising free trade agreements (FTAs).

Brunei views FTAs as ‘a vital part of its foreign trade policy to maximize the potentials of free and open trade for its people in an ever-globalizing world’.<sup>2</sup> In other words, FTAs are perceived mainly from the exporters’ point of view for improving market access for products in which Brunei has comparative advantage. Brunei also posits its FTA policy in the context of diversifying its economy so as to develop new exporting industries: ‘[Brunei] strongly believes that active engagement in FTAs with a number of key strategic partners will open up markets for Brunei’s exports and services, and will help facilitate the flow of foreign direct investment into Brunei Darussalam.’<sup>3</sup>

Table 3.1 lists the FTAs signed by Brunei. As the sixth member of the Association of Southeast Asian Nations (ASEAN), Brunei is an initial member of the ASEAN Free Trade Area (AFTA). The AFTA, signed in 1992 and brought into force in 1993, covered trade in goods.<sup>4</sup> It was transformed into the ASEAN Trade in Goods Agreement (ATIGA) in 2010, under which Brunei has eliminated tariffs in more than 99 percent of tariff lines. This means that Brunei has improved access to the other ASEAN markets, especially the ASEAN-6 countries, which have eliminated more than 99 percent of tariff lines. ASEAN initiated its regional efforts for services liberalisation in 1995, with the ASEAN Framework Agreement on Services. With this framework agreement, services liberalisation has made steady progress via ‘packages’: from time to time ASEAN countries renew and deepen their services

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<sup>2</sup> Ministry of Foreign Affairs and Trade (MOFAT) website, ‘Brunei Darussalam’s FTA Policy’, at <http://www.mofat.gov.bn/index.php/free-trade-agreements-ftas/brunei-darussalam-s-fta-policy> (accessed on 23 October 2013).

<sup>3</sup> Ibid.

<sup>4</sup> The name of the legal document was Agreement on the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area. Thus, the AFTA was also referred to as CEPT or AFTA-CEPT.

commitments. Brunei made liberalisation commitments in 82 sectors in the 7th Package (ERIA, 2012). The most recent package was the ASEAN Framework Agreement on Services 8th Package, signed in 2012. Under this framework agreement, Bruneian services firms potentially enjoy improved market access to the other ASEAN countries, while ASEAN services firms are able to operate in the country.<sup>5</sup> The second FTA that Brunei signed was the Trans-Pacific Strategic Economic Partnership (P4), in which Brunei, Chile, New Zealand, and Singapore participate. The P4 is known as a high-quality FTA, covering both goods and services, among others. It was conceived as a basis for the Free Trade Area of the Asia Pacific, which is the mid-term goal of the Asia-Pacific Economic Cooperation (APEC) 21 economies. Brunei has expanded its geographical scope of FTAs via ASEAN+1 FTAs. These are FTAs signed among the ASEAN-10 countries and ASEAN's FTA partners. As of 2013, the FTA partners were Australia, China, India, Japan, Republic of Korea, and New Zealand. Most of the ASEAN+1 FTAs include both goods and services, and sometimes even wider issues such as investment and economic cooperation. The ASEAN-India and ASEAN-Japan FTAs do not yet include services.<sup>6</sup> Brunei's only bilateral FTA is with Japan, signed in 2008, which covers both trade in goods and services, among others.

On top of these existing FTAs, Brunei is negotiating two 'mega-FTAs': the Regional Comprehensive Economic Partnership (RCEP) and the Trans-Pacific Partnership (TPP). The RCEP covers the ASEAN+6 countries<sup>7</sup> and aims to consolidate the existing ASEAN+1 FTAs with 'broader and deeper engagement with significant improvements over the existing ASEAN+1 FTAs'.<sup>8</sup> The TPP has its basis in the P4, of which Brunei is an original member, but adds many new agendas, aiming to be a '21st century' FTA. But the core remains the same: trade in goods and services.

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<sup>5</sup> However, with weak services industries in the home market, the benefits for Brunei probably come more from the efficient services operations of foreign firms in the Bruneian market.

<sup>6</sup> In December 2012, the ASEAN-India Commemorative Summit announced the successful conclusion of trade in services and investment agreements under the AIFTA. The agreement, however, had yet to be signed by the time of writing (May 2014). Similarly, while ASEAN and Japan have reached the substantial conclusion of the negotiations on the Services and Investment Chapters of the ASEAN-Japan Economic Partnership Agreement (AJCEP), such agreements have not been signed yet.

<sup>7</sup> ASEAN-10, Australia, People's Republic of China, India, Japan, Republic of Korea, and New Zealand.

<sup>8</sup> RCEP Guiding Principles and Objective, adopted by the RCEP Economic Ministers in August 2012.

## 1.2. Questions

Twenty years have passed since Brunei signed the AFTA in 1992. The AFTA became more substantive in 2002 when most tariff lines became five percent or lower. The year 2010 was a cornerstone: more than 99 percent of products became zero-tariff within ASEAN. Most of the 'normal track' products in the ASEAN-China FTA (ACFTA) and ASEAN-Korea FTA (AKFTA) also became zero-tariff in 2010. On top of the eight existing FTAs, Brunei is also negotiating the RCEP and the TPP.

The most important question is whether the existing FTAs are fully utilised by firms in Brunei. If not, what are the possible policy measures that the Government of Brunei (or ASEAN, the RCEP, or the TPP as a region) should pursue to enhance FTA utilisation? What can the ongoing negotiations of the RCEP and the TPP add to existing FTAs?

## 1.3. Objectives

This paper addresses these three questions as a contribution to the ERIA research project, 'The Use of FTAs in ASEAN.'<sup>9</sup> As the number of firms in Brunei utilising FTAs is limited, ERIA hosted in September 2013 a focus group discussion (FGD) among 14 representatives of business associations and chambers of commerce,<sup>10</sup> supplemented by two separate interviews with business executives. The summarised version of the survey questionnaire conducted in the other ASEAN countries was discussed [Appendix]. The Ministry of Foreign Affairs and Trade (MOFAT) of Brunei provides its official data of Certificates of Origin (COOs) for this study.<sup>11</sup>

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<sup>9</sup> This ERIA research was conducted in collaboration with the ASEAN Business Advisory Council.

<sup>10</sup> Participants from ERIA were Yoshifumi Fukunaga, Lili Yan Ing, and Ikumo Isono.

<sup>11</sup> In Brunei, COOs are issued by MOFAT's Department of Trade Development.

## 2. Key Findings

### 2.1. Use of FTAs

#### 2.1.1. Use of FTAs by Firm Characteristics (Size, Ownership, Location, Exporting/Importing)

According to the official data of MOFAT, nine firms applied for preferential COOs in Brunei in 2012 (i.e. export from Brunei), including the joint ventures between the Government of Brunei and foreign firms such as Brunei Shell Petroleum, as well as local firms. Most firms are large or medium-sized (i.e. with 100 employees or more).

#### 2.1.2. Official Data on the Use of FTAs by Agreements Over the Years

Tables 3.2 and 3.3 present the official data of COO provision by MOFAT, from 2008 to 2012. Table 3.2 shows the trade value of exports and imports using COOs. Table 3.3 shows the numbers of COOs issued (exports from Brunei) and received (imports to Brunei).

##### (1) Exports

The total number of COOs issued in Brunei in 2012 was 230. The number peaked in 2010 with 333. However, export value using preferential COOs has steadily increased since 2008. This means that Bruneian exporters have used FTAs' preferential market access with increasing efficiency, achieving a larger export value with fewer COOs. Another possibility could be that in 2010 many firms applied for COOs as an experiment but later learned that FTAs do not apply to their trade. Both scenarios suggest that firms have gone through a learning process in FTA utilisation at the initial stage of implementation.

Over time, the most frequently used FTA for exports (both in terms of number of COOs and value) was the AKFTA for HS27 products (mineral, oil, gas, etc.). In 2012, 120 Form AK COOs were issued in Brunei. In the same year, goods valued at more than US\$2 billion were exported from Brunei, enjoying preferential treatment under the AKFTA. We can assume that the exports went to the Republic of Korea, not to the other ASEAN countries,<sup>12</sup> because Brunei's exports can enjoy ATIGA preferences (which are more comprehensive than the AKFTA, and thus Bruneian exporters should be using the ATIGA) and Brunei is probably not able to enjoy the benefits of regional accumulation due to its

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<sup>12</sup> The AKFTA provides preferential market access from Brunei to the Republic of Korea and the other nine ASEAN countries.

relatively weak manufacturing base. The Republic of Korea has maintained tariffs on many products on an MFN basis but eliminated them for Brunei under the AKFTA. These products include those in which Brunei is competitive: petroleum and natural gas (both listed on HS2709), and methanol (HS2905). For example, and most importantly, the Republic of Korea eliminated tariff under the AKFTA on crude oil and liquefied natural gas in 2008, for which the MFN applied tariff in 2006 was five percent.<sup>13</sup>

The AIFTA is the second most frequently used FTA for Brunei's exports, and is mainly used for HS2709 goods (mineral, oil, gas, etc.) with an export value of US\$1.1 billion and with 25 COOs issued in Brunei in 2012. Once again, we can reasonably assume that the AIFTA was used for exports to India rather than to the other ASEAN countries for the same reason as in the case of the AKFTA. Interestingly, India put HS2709 products on the sensitive track, for which it retains the five percent tariff for ASEAN countries. However, India made a special commitment on the same product solely for Brunei: its tariff was reduced to three percent in 2010, was further cut to two percent in 2011, and then to one percent in 2012, with the products becoming free of tariff in 2013, while its MFN tariff rate is five percent. India also reduced its tariff on methanol from 7.5 percent to six percent (in 2010) then to five percent (in 2014), which may give incentives for Bruneian producers to use the AIFTA, as well. However, India has retained its tariff for natural gas without giving special preference to Bruneian products.

The ATIGA (formerly AFTA-CEPT) is in the third place, with US\$445 million worth of exports and 41 COOs issued in Brunei in 2012. As COOs should be obtained by export destination countries, the ATIGA (potentially used for nine ASEAN countries) has a larger number of COOs relative to export values. More than 95 percent of ATIGA exports were crude oil for Viet Nam, for which Viet Nam has eliminated tariff, down from a 15 percent MFN tariff rate in 2007. The second-largest exported product was methanol to the Philippines, Indonesia, and Malaysia.

The ASEAN-China FTA, the ASEAN-Australia and New Zealand FTA, and the Brunei-Japan Economic Partnership Agreement (BJEPA) were also used by Brunei exporters, but to a much smaller degree. Interestingly, and probably more importantly, two FTAs were never used in the five years (2008–2012) for exports: the AJCEP and the P4. First, the BJEPA

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<sup>13</sup> In 2011, the MFN applied tariff for crude oil was three percent. In other words, the preferential tariff margin became smaller than expected in 2006.

was used but the AJCEP has never been used. There are several possible explanations for this. First, the BJEPA came into force in 2008 while the AJCEP came later in 2010. Once firms started using the BJEPA and became accustomed to it, there would be no reason for them to switch to the AJCEP unless the AJCEP provided deeper tariff reduction. Second, regional cumulation potentially gives incentives for firms to switch to the AJCEP, even if the preferential tariff rates are the same between the AJCEP and the BJEPA. However, regional cumulation does not mean much for Brunei. Transport costs from and to Brunei are high, and frequent inter-firm trading across the border (which we observe in Thailand, Indonesia, Malaysia, etc.) does not exist in Brunei. Third, Japan is the largest exporting destination for Brunei, with trade dominated by crude oil and liquefied natural gas. As both products are tariff-free in Japan, the value of the BJEPA (or potentially the AJCEP) will be in ‘other products’: chemical products (methanol is tariff-free on an MFN basis, thus other chemical products), light oils, agricultural products (especially tropical fruits such as durian and mango), and shrimp.<sup>14</sup> The P4 was not used either for different reasons. Within the P4 membership, Singapore is practically zero-tariff on an MFN basis and thus the FTA does not provide additional benefits. New Zealand is a relatively important trading partner, as the eighth-largest exporting destination for Brunei (IMF Database, 2013). New Zealand is also a relatively open economy and does not levy any tariff on crude oil. Thus, Brunei does not need an FTA for its exports to New Zealand.<sup>15</sup> In addition, Brunei does not have significant trading relations with Chile and thus the P4 is not being used.

The descriptions above contain several general points. First, Brunei’s exports focus on a limited number of products, especially crude oil, natural gas, and methanol (Table 3.4). When the export destination is tariff-free for those products (e.g. in Japan), the value-added of an FTA covering trade in goods will be limited to ‘other products’. On the other hand, if the importing country (e.g. the Republic of Korea and Viet Nam) levies a tariff on those products on the MFN basis, but has eliminated them due to the availability of an FTA, then the FTA utilisation will be significant. The Bruneian producers/exporters of those products are large firms with some foreign capital (e.g. Brunei Shell Petroleum), and thus

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<sup>14</sup> These products are listed as examples of improved market access to Japan due to the BJEPA in the briefing by Japanese Ministry of Economy, Trade and Industry: [http://www.meti.go.jp/policy/trade\\_policy/epa/country/pdf/brunei.pdf](http://www.meti.go.jp/policy/trade_policy/epa/country/pdf/brunei.pdf) (accessed on 23 October 2013).

<sup>15</sup> If an FTA is useful for Brunei–New Zealand Trade, then the P4 should be used more than the ASEAN–Australia and New Zealand FTA as the P4 came into force earlier and also the P4 is known as practically a 100 percent tariff-elimination FTA.

one can assume that they have the capacity to learn about and utilise FTAs more effectively than smaller firms. The future agenda for Brunei, therefore, will be to nurture smaller firms in other industries and help them utilise FTAs.

## **(2) Imports**

In Brunei, FTAs are much less frequently used for imports than in exports. In 2012, the total import value using preferential COOs was US\$140.4 million, which was one-twentieth of the export value using preferential COOs. Both the export value and the number of COOs received in Brunei steadily increased from 2008 to 2012.

The ATIGA is the most frequently used FTA for Brunei's imports, with trade worth US\$78.9 million. The majority of exports comprise HS85 products (electrical transformers, etc.), followed by HS84 products (air conditioners, etc.), HS40 products (tires, etc.), HS94 products (wooden furniture), and HS44 products (plywood). The originating country data are not readily available in the information provided by MOFAT.<sup>16</sup>

The ACFTA ranks second in FTA utilisation for imports to Brunei, with trade amounting to US\$58.4 million in 2012. The utilisation has dramatically increased since 2010 when Brunei eliminated tariff on the 'normal track 1' products. Next to Singapore, the People's Republic of China is the second-largest import partner for Brunei and thus this figure is a natural result. The product details are not available.

The AKFTA and the BJEPA were also used for imports worth more than US\$789,000 in 2012. Usage of the ASEAN-Australia and New Zealand FTA is small and the other three FTAs (AIFTA, AJCEP, and P4) have not been used in the past five years. India is an important export destination for Brunei, and many professional Indian workers reside in Brunei. But India is not a major import origin for Brunei and hence the non-utilisation of the AIFTA for imports to Brunei is not surprising. For the AJCEP, the same argument as in the case of exports to Japan applies: the BJEPA was implemented earlier and thus Japanese firms do not have much incentive to switch from the BJEPA to the AJCEP. The P4 does not help Singapore much, as Brunei has already offered significant market access in the CEPT or the ATIGA. New Zealand and Chile are not competitive in the products on which Brunei levies a tariff, especially electric equipment and machinery.

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<sup>16</sup> In general, Singapore is the largest and Malaysia is the fourth-largest import partner for Brunei. Considering the product categories enjoying ATIGA preferential market access to Brunei, these two countries also probably share dominant positions in the ATIGA trade.

The import aspects of FTAs should not be undervalued, although this topic may not be politically appealing. Lower tariff enhances the efficiency of the economy. It is reasonable for Brunei to eliminate or reduce tariffs when it does not have comparative advantage in the products, which is a rationale for Brunei's FTA policy, as well. This is because tariffs are not a significant revenue source for the country. The benefit of reduced tariff for imports to Brunei will be equally enjoyed by large and small firms, as well as manufacturing and services industries.

### 2.1.3. Constraints Leading to Non-Usage of FTAs, Analysed by Firm Size

The FGD, supplemented by interviews, revealed the business perspectives on FTA utilisation by the Bruneian private sector. The discussion focused primarily on the challenges faced in the export trade but some points below relate to imports.

ERIA, in collaboration with the ASEAN Business Advisory Council, organised an FGD with 14 out of 21 key business associations in the manufacturing and services sectors in Brunei. The manufacturing and services sectors contributed an average of 13.8 percent and 44.3 percent, respectively, to the Bruneian economy in 2000–2013.

The FGD provided some interesting findings. Among others, fewer than half of the 14 participants asserted that they knew about FTAs and only four claimed that they used FTAs. Why is the use of FTAs in Brunei relatively low?

Source: FGD organised by ERIA in collaboration with ASEAN Business Advisory Council in Bandar Seri Begawan.

First, Bruneian businesses complained that FTA-related information is not sufficiently disseminated by the government. Most of the firms that attended the FGD stated that they had heard of FTAs but that they did not know the details. Some firms even believed that the AFTA was still under discussion, while, in fact, the AFTA has been available for the past 20 years. MOFAT claims that it makes best efforts to disseminate information. One possible way to explain the perception gap is a representation issue. Although MOFAT consults with businesses, the participants in the discussions do not fully represent the private sector. For example, only large firms were invited. Another possibility is that the information provided by MOFAT does not fully address practical issues that firms will face

in utilising FTAs.<sup>17</sup> The MOFAT website has all the basic information on FTAs, i.e. legal texts, tariff schedules, and services schedules.<sup>18</sup> In addition, the MOFAT website explains the key concepts of FTAs such as COOs and rules of origin. It should be noted in this context that some other countries such as Japan disseminate information in a more business-friendly way. For example, the Japan External Trade Organization crafts business manuals for each FTA and makes them available on the Internet. Japan's Ministry of Economy, Trade and Industry provides briefing materials on each FTA, including 'examples of improved market access'.<sup>19</sup> The Republic of Korea is also known for its enthusiasm for promoting FTA utilisation (Cheong, 2014]). There are certain FTA utilisation enhancement strategies that Brunei could learn from its trading partners. Also, business associations in Brunei should collaborate with the government in reaching small and medium-sized enterprises.

Second, Bruneian firms point out that there are 'other barriers' even if tariff is eliminated via FTAs. Two types of non-tariff measures (NTMs) are specifically mentioned by the discussion participants: standards (food and beverages) and special import licensing (food).<sup>20</sup> Both national and regional efforts are needed to minimise the NTM issues. At the national level, regulatory-oversight agencies with strong analytical capabilities should be set up to carry out NTM reviews in individual countries. At the regional level, the ASEAN Secretariat might consider organising the collection of NTM data according to the multilateral template and using the data to produce a report on NTMs in the ASEAN area in the next two to three years (Cadot, Munadi, and Ing, 2013). ASEAN economic ministers recently endorsed the 'National Level and Regional Level Work Programme on NTMs'<sup>21</sup> in the Bandar Seri Begawan meeting in August 2013. The serious implementation of the Work Programme will be the first priority in this aspect.<sup>22</sup>

Third, limited capacity of relevant authorities, both in Brunei and exporting

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<sup>17</sup> It was a typical complaint by the Republic of Korea's business about the FTA information at the Government of the Republic of Korea's website (Choeng, 2014).

<sup>18</sup> The authors detect, however, that some information on the ASEAN Free Trade Area links to the wrong pages of the ASEAN Secretariat's website (such as services packages).

<sup>19</sup> As exemplified in footnote 14 of this paper for BJEPA.

<sup>20</sup> Valued-added tax or VAT was also mentioned as a 'trade barrier'. But VAT is neutral to the origin of products and hence should not be considered as a trade barrier.

<sup>21</sup> The details of the Work Programme were not publicly available as of October 2013.

<sup>22</sup> Key Outcomes of the 10th AEC Council Meeting, 45th ASEAN Economic Ministers' Meeting and Related Meetings, 18–21 August 2013, Bandar Seri Begawan, Brunei Darussalam: <http://www.asean.org/images/2013/economic/key%20outcomes%20and%20highlights%20for%2045th%20aem%20and%20related%20meetings.pdf> (accessed on 23 October 2013).

destinations, is said to be a challenge for FTA utilisation. Even if the rules are implemented in accordance with the treaties, some officials, especially those in the local agencies of neighbouring countries (which are often important export destinations for smaller Bruneian firms), do not necessarily understand well the new rules. Diplomatic channels via MOFAT and Bruneian embassies overseas can help solve this type of problem. In addition, the training of officials in Brunei will be a most important initial step.

Finally, one of the FGD participants from the private sector highlighted the issue of a competitive mindset, saying small and medium-sized enterprises in Brunei are competing for a larger pie in a small market: even if a firm learns to use an FTA, the firm has a significant incentive to keep its know-how secret. There are no easy solutions to this.

#### **2.1.4. Perceptions of the Costs and Procedures of FTAs, by Firm Size**

Firms participating in the FGD did not consider as problematic the costs and complexity of the procedures for acquiring COOs for FTA utilisation. In the general context (not in the FTA context), the World Bank's *Doing Business* study shows that Brunei is ranked 40th in the 189 countries trading across borders, which means its operations are more efficient than those of most developing countries.<sup>23</sup> However, it still requires about 19 days to prepare all the necessary export documents to acquire COOS. There are many East Asian countries (or economies) ranked higher than Brunei: Singapore, Hong Kong, the Republic of Korea, Malaysia, Japan, Thailand, Taiwan, New Zealand, and Indonesia. Brunei must continue to improve the business environment.

One effort to do so, particularly in the context of the ATIGA, is a self-certification scheme, where exporters need not apply for COOs for each trade once they have been accredited by governments. A self-certification scheme has already started to function in Brunei. Brunei has joined ASEAN's First Pilot Project for the Implementation of Regional Self-certification together with Malaysia, Singapore, and Thailand. According to MOFAT,<sup>24</sup> Brunei has already accredited 10 exporting firms, most of which are small and medium-sized enterprises. Out of the 10, however, only one firm has begun to use the scheme for its exports. This is not surprising as Brunei's main export destinations are out of local

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<sup>23</sup> World Bank website: <http://www.doingbusiness.org/data/exploretopics/trading-across-borders> (accessed on 23 October 2013).

<sup>24</sup> Interview with MOFAT on 11 September 2013.

geographical scope: e.g. Japan and the Republic of Korea are not members of the self-certification scheme. Brunei does not face challenges in the accreditation process: so far, it has only a limited number of exporters and they are experienced in FTA utilisation. Second, Brunei has already imported products from three ASEAN member states (Malaysia, Singapore, and Thailand) using the self-certification scheme. Based on Brunei's experience, ASEAN's regional scheme for self-certification seems promising. The prompt establishment of a regional framework (i.e. expansion from four countries in the First Pilot Project to 10 ASEAN countries), and possible expansion to the ASEAN+1 FTAs or RCEP, will help Bruneian business.

### **3. Key Recommendations**

Brunei has implemented its FTA policy to expand export opportunities. The FTAs are already utilised mainly by the larger firms for their exports of crude oil, liquefied natural gas, and methanol. However, small and medium-sized enterprises face challenges in fully understanding FTAs and benefiting from national engagement with them. To encourage FTA utilisation by Bruneian business, the following policies are recommended:

1. Improve the quality of guidelines and procedures for obtaining COOs, and improve transparency in obtaining them.
2. Improve the quality of government websites (with the possibility of using other media such as mobile phones, social media networks, etc.).
3. Continue efforts to minimise COO-related costs and simplify administrative procedures.
4. Improve capacity of officials of relevant government agencies (MOFAT, Customs), as well as those in the trading partners.
5. Intensify regional and national efforts to reduce Non-Tariff Measures.

**Table 3.1. List of Brunei Darussalam's FTAs**

<b>Name of FTAs</b>	<b>TIG Effective Year</b>	<b>TIS Effective Year</b>	<b>Note</b>
ASEAN Free Trade Area	1992	1995	
Trans-Pacific Strategic Economic Partnership (P4)	2006		Membership: Chile, New Zealand, and Singapore
ASEAN-China	2007	2007	
Brunei-Japan	2008		
ASEAN-Japan	2008	Under negotiation	
ASEAN-Korea	2008	2009	
ASEAN-India	2010	Signed in 2014	
ASEAN-Australia and New Zealand	2010		

FTA = free trade agreement, TIG = trade in goods, TIS = trade in services.

Note: The P4, Brunei-Japan FTA, and ASEAN-Australia and New Zealand FTA include both trade in goods and trade in services in one single treaty.

Source: WTO RTA Database.

**Table 3.2. Summary of Imports and Exports Using COOs, 2008-2012 (Value, US\$)**

FTA/EPA	Type of Form	Imports (US\$)					Exports (US\$)				
		2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
ATIGA	Form D	32,754,965	33,908,937	40,204,161	46,717,440	79,191,659	321,989	406,454	6,862,593	9,256,508	445,085,545
ACFTA	Form E	71,356	1,459,518	11,687,299	38,468,522	58,007,263	17,400	101,098	27,109,226	20,007,377	15,224,841
AKFTA	Form AK				93,584	2,269,586	860,157,438	967,410,580	1,551,349,087	1,769,311,279	2,026,000,097
AANZFTA	Form AANZ					57,651	-	-	48,456	190,424	208,599
AIFTA	Form AI						-	-	9,822	1,010,619,891	1,122,093,897
BJEPA	Form BJEPA			415,700	1,336,531	1,163,851	-	-	7,608	56,144	58,432
		<b>32,826,322</b>	<b>35,368,455</b>	<b>52,307,160</b>	<b>86,616,077</b>	<b>140,690,011</b>	<b>860,496,827</b>	<b>967,918,132</b>	<b>1,585,386,792</b>	<b>2,809,441,623</b>	<b>3,608,671,411</b>

AANZFTA = ASEAN-Australia and New Zealand Free Trade Agreement, ACFTA = ASEAN- China Free Trade Agreement, AIFTA = ASEAN-India Free Trade Agreement, AKFTA = ASEAN-Korea Free Trade Agreement, ATIGA = ASEAN Trade in Goods Agreement, BJEPA = Brunei-Japan Economic Partnership Agreement, COO = Certificate of Origin, FTA/EPA = free trade agreement/economic partnership agreement.

Source: Ministry of Foreign Affairs and Trade, Brunei Darussalam (as of 11 September 2013)

Table 3.3. Summary of Number of COOs Received and Issued in Brunei, 2008-2012

FTA/EPA	Type of Form	COOs Received					COOs Issued				
		2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
ATIGA	Form D	462	575	691	817	1,271	60	89	148	41	41
ACFTA	Form E	2	40	421	664	872	2	4	48	30	19
AKFTA	Form AK	-	-	-	6	18	31	70	127	117	120
AANZFTA	Form AANZ	-	-	-	-	1	-	-	6	17	20
AIFTA	Form AI	-	-	-	-	-	-	-	1	19	25
BJEPA	Form BJEPA	-	-	9	22	20	-	-	3	7	5
		<b>464</b>	<b>615</b>	<b>1,121</b>	<b>1,509</b>	<b>2,182</b>	<b>93</b>	<b>163</b>	<b>333</b>	<b>231</b>	<b>230</b>

AANZFTA = ASEAN-Australia and New Zealand Free Trade Agreement, ACFTA = ASEAN-China Free Trade Agreement, AIFTA = ASEAN-India Free Trade Agreement, AKFTA = ASEAN-Korea Free Trade Agreement, ATIGA = ASEAN Trade in Goods Agreement, BJEPA = Brunei-Japan Economic Partnership Agreement, COO = Certificate of Origin, FTA/EPA = free trade agreement/economic partnership agreement.

Source: Ministry of Foreign Affairs and Trade, Brunei Darussalam (as of 11 September 2013).

**Table 3.4. Total Exports Using COOs, by Product Group, 2012**

<b>No.</b>	<b>HS-2</b>	<b>Description (HS 2 Digit)</b>	<b>Specific Product Description</b>	<b>Total Export (US\$)</b>
1	03	Fish and crustaceans, molluscs, and other aquatic invertebrates	Frozen fish and prawns	209,546
2	16	Preparations of meats, of fish, or of crustaceans, molluscs, or other aquatic invertebrates	Canned sardines	10,000
3	19	Preparations of cereals, flour, starch, or milk; pastry-cooks' products	Mee Sedap	8,900
4	23	Residues and waste from the food industries; prepared animal fodder	Steam dried fish food	71,500
5	27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	Crude oil and natural gas	3,529,042,950
6	28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	Suci distilled water	58,432
7	29	Organic chemicals	Methanol (methyl alcohol)	78,080,680
8	39	Plastics and articles thereof	Gas pipe	32,920
9	44	Wood and articles of wood; wood charcoal	Timber molding	947,884
10	61	Articles of apparel and clothing accessories, knitted or crocheted	Garments	208,599
			<b>Total</b>	<b>3,608,671,411</b>

Source: Ministry of Foreign Affairs and Trade, Brunei Darussalam (as of 11 September 2013).

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## **Appendix: List of Questions for Discussion at the Focus Group Discussion**

### 1. General information

- Brief introduction about firms/business associations/chambers of commerce
- Description about member firms (note: member firms are referred to members of a business association/chamber of commerce): number of member firms and characteristics of members by size, ownership, location, and others

### 2. Production, sales and procurement (exports and imports)

- What are the main products of your firms/member firms?
- What are their main export destinations?
- Do your firm/member firms import input materials? Where do input materials usually come from?
- Do you use any preferential schemes for either exports or imports, or both?

### 3. How familiar are you with general preferential scheme (GPS)? How about free trade agreement (FTA)?

- Do your firms/member firms use any FTAs? Which FTAs do your firms/member firms often use?
- If your firms/member firms use FTAs, what are main benefits that your firms/member firms attain from FTAs? What are the main constraints for obtaining FTA certificate of origins (COOs)? How do you perceive the costs and procedures of obtaining COO FTAs
- If your firms/member firms currently do not use any FTAs, what are the main reasons for not using any of them?

### 4. As a businessman (woman), do you consider an FTA in expanding your business in the region?

### 5. How do you perceive the available information about FTA? What kind of media of communication do you think will be very useful and easy to be accessed by firms in communicating about FTAs and/or any other economic cooperation?

6. Do you have any suggestions on what kind of government support or the private sector's involvement (including business associations, etc.) are needed in order to maximize the use of FTAs by firms?
7. What are your key recommendations on moving FTAs towards regional comprehensive economic partnership (RCEP)?
8. Open discussion on other issues related to FTAs or regional integration

