

Cranfield University

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MSc by Research

**‘DEVELOPMENT CULTURE’ IN SMALL ENERGY-
RICH ISLAMIC COUNTRIES: A CASE STUDY OF
BRUNEI DARUSSALAM**

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July 2008

“...It is my earnest wish to see the development programs, including the provision of land and housing for my landless native Subjects, carried out with greater vigour and enthusiasm to enable my people to enjoy a progressively higher standard of living. And as oil and gas are depleting assets it is my desire to see Brunei Darussalam's oil production maintained at a more rational level in keeping with the need to prolong the prosperity now enjoyed by my people. At the same time I would like to see her overseas investments to be more efficiently managed while efforts at economic diversification be further intensified. In these endeavors as Head of State, as well as Head of Government, I shall spare no effort in working for the benefit of my people...”

*His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah,
Speech to a UN Delegation, Brunei (2005)*

Speech on Brunei Joining the UN as its 159th Member Country, 15 September 1984

Abstract

The starting point for this study is the sense that the Brunei economy, whilst not stagnating, has been performing less well than other economies in the region and beyond. Of course, there is a need to compare like with like, and in this regard Brunei should be compared with other states possessing the same characteristics, ie, small, oil-dependent, Islamic, monarchies; and such a comparison suggests that Brunei is no Dubai. Accordingly, the study hypothesizes that Brunei is suffering from a resource ‘curse’; that the possession of oil and gas resources and ‘easy’ money have repressed the people’s work ethic and blunted the drive towards innovational and creative endeavour. The study focus is on Brunei, but a comparative evaluation is undertaken of three small, energy-rich, Islamic Gulf states: Bahrain, Oman and Qatar. By using proxies of economic performance, the research attempts to uncover the existence, or otherwise, of a development culture. Findings indicate that all four of the oil-dependent states suffer, to a greater or lesser extent, from a resource curse. However, the Gulf States have proved more successful than Brunei in diversifying their economies and overcoming the cultural slothfulness associated with a dependence on energy resources. This study identifies the benefits from the Gulf States’ experience of fusing capitalism with Islam, and, thus a principal finding of the study is that Brunei should emulate some of the major features of this development model. Explicitly, Brunei should pursue the growth opportunities of capitalism, but without sacrificing its own unique cultural identity.

Acknowledgements

The completion of my thesis entitled “Development Culture’ in Small Energy-Rich Islamic Countries: A Case Study of Brunei Darussalam’ would not have been possible without the guidance, support and advice of various esteemed individuals and organizations.

My most sincere gratitude, first and foremost, goes to my supervisor, Professor Ron Matthews, who has provided enormous intellectual and emotional support throughout my studies. His painstaking advice, valuable guidance and endless encouragement have been priceless and his presence has been a constant reminder of my commitment to complete this thesis despite all challenges. To those who have contributed so much to the production of this thesis, but must remain anonymous, I am hugely indebted and I offer my respect and my most sincere appreciation and gratitude.

Special appreciation must go to all my beloved children, especially, Abdul Azim, Azemah, Fadzilah and Abdul Mateen, for being my tower of strength, for making my existence worthwhile, and for the love and support they have always given me. My thoughts and thanks also go out to all members of my family and friends who have constantly showered me with love and surrounded me with much needed moral support to help me through much of life, particularly during the writing up of this thesis.

I owe much to the following individuals for their support in my research in the Gulf countries: (Bahrain) The Minister of Municipalities, Affairs and Culture, Sheikh Mansoor Hasan bin Rajab, for his hospitality during my stay in Bahrain and his kindness in allowing me to interact with officials from his Ministry and the Ministry of Finance, Mr Oun Ali for his relentless assistance throughout the visit, my brother, Syeikh Khalid bin Sharif, and his family for their generosity and kindness in sharing their rich experiences and views; (Qatar) Syeikh Faisal bin Qasim Al-Thani and family for their hospitality and willingness to share their views on Qatar's social development, Mr Ahmad Al-Manna who kindly pointed in the right direction for data, Mr Abdulla Al-Qahtani for his unreserved opinions and insightful comments, Dr Saleh Alnabit for enlightening us in the economic affairs of Qatar; (Oman) Syed Badr Al-Said and his family for their hospitality, generosity and support throughout my visit to Oman, Syed Nasr Al-Said and his staff for the unreserved support and efficiency in arranging the interviews with distinguished individuals. And to all who have given me support during my field research, I wish to express my gratitude.

I would also like to acknowledge the kind support from Dato Timothy Ong and his efficient and helpful staff from the Brunei Economic Development Board, who contributed not only to enlightening me, but also to adding value to my research through the supply of relevant data. It has been a most memorable experience working with them on data collection, forging friendship and excellent networking along the way.

Lastly, I would like to dedicate this thesis to my late parents, Haji Abdul Aziz bin Abdullah and Pengiran Hajjah Rashidah binti Pengiran Haji Mohd Salleh, for raising

me to become the fighter that I am. Above and beyond all those I have acknowledged for their support, my spiritual and never-ending gratitude to Allah the Al-Mighty without whom I am nothing.

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Chapter 1

ENERGY: THE RESOURCE 'CURSE'

1.0 Introduction

The significant differences between cultures, particularly between the West and the East, or to use the present day categorization, the North and the South, have often been highlighted as a key reason for the *impasse* in development between the two halves of the world.¹ Extensive efforts have been made, as evident in various social or development studies, to understand these differences in order to bridge the gap and arrive at agreeable solutions to many development issues. As the literature reveals, culture (associated with human values and ideals) is a strong driving force in the process of development; it shapes the thinking, attitudes and responses to development processes, and therefore is arguably the most significant factor deciding the development routes and results. It is therefore imperative to understand the various aspects of culture and their effects on development.

Development studies established in the 1940s, although generating controversial and still highly contested theories, have long posited that development involves many sectors, ranging from nation-states to individuals.² The impact of culture is therefore unquestionably relevant in designing development strategies and policies. This study proposes that traditional culture has to change in order that positive development may be achieved; a different culture has to exist to drive people towards progress - development must be embraced as a culture.

For the purpose of this study, the author will examine the role of culture in the development of Muslim countries, specifically the 'energy-rich' countries with similar attributes to Brunei Darussalam. The need is to analyze the factors influencing the success or failure of these countries to develop. The issue of economic development is central to this study in response to the perceived need for economic policy improvement efforts in Brunei.

1.1 Making the Case for a Study of Development Culture in Small Energy-Rich Islamic States

At the global level, the stereotype of Muslim countries is that they are overwhelmingly underdeveloped, save for a minority of oil-rich states.³ Whilst this is a dangerous generalization, the statement does, nevertheless, contain a grain of truth. Taking the opening part of this statement first, the peoples of the Muslim heartland, a region accounting for 30 countries and 700 million people from North Africa to Bangladesh, have become poorer as the world has globalized and developed.⁴ In 1980, the 57 countries of the Muslim world accounted for almost 14 percent of global exports, 25 years later the figure was below 5 percent – a contraction of 75 percent in a generation.⁵ The data on foreign direct investment further evidences the plight of these Muslim countries. In 2004, the combined foreign investment of all 57 of these Muslim states barely equated to the inflow of overseas capital into Singapore.⁶ With a rising population, it is easy to envisage the dangers from a large and growing pool of unemployed young people, including graduates, frustrated at the lack of economic opportunity.

The second part of this section's opening statement focuses on the minority of energy-rich Muslim states that, by contrast, have benefited from substantial increases in oil revenues. Bloated energy prices have been caused by the world's rapacious appetite for oil and gas, but whilst Muslim oil-producing nations have grown rich on the back of exploding revenues, it does not mean they have *pari passu* developed their economies.⁷ For many of the oil-rich states, there has been minimal development 'trickle-down' from their oil and gas sectors.⁸ Indeed, the majority of these oil-rich countries possess undiversified economies, deriving the majority of their government revenues⁹ from energy sales. Moreover, the development challenge is compounded for small energy-rich states because their economies are limited in size and lacking incentives for local entrepreneurial endeavour.

There is thus a commonly-held sense that small energy-rich states are somehow afflicted by the lack of an entrepreneurial class, by a culture not conducive to risk-taking, by an inability to take chances; the profit-motive, in other words, is absent. Possession of energy resources, then, does not automatically confer benefits to the development process, and in this regard, it is useful to note the 1998 observations of Heeks, with respect to Brunei :

'Following the oil price rises of the 1970s, many oil-producing developing countries – including a number of small economies – which had been relatively poor found themselves to be relatively wealthy. However, the existence of significant quantities of oil, gas or other minerals with strong export potential has rarely been seen as an unmixed blessing for national development. Concerns have come to be focused around concepts of a "Dutch disease" (Corden, 1984) or "resource curse thesis" (Auty, 1993), which

describe potentially negative outcomes associated with an economically-significant minerals export sector. As a result of these concerns and other factors, most oil-exporting countries have adopted conscious policies of diversification aimed at increasing the economic contribution of other sectors.'

The 'Dutch disease'/'resource curse' theses are rooted in the proposition that energy-rich countries have evolved a culture that is the antithesis of economic dynamism. Oil-driven wealth effects include the raising of local wage, salary and pension levels, particularly in the public sector, enabling single members of an extended family to support others not so fortunate. There is also the ancillary problem of an educational system not calibrated to the needs of high technology programmes, often favoured in the development plans of oil-rich states. This means, in turn, that increasing numbers of expatriate labour are imported from the advanced countries to service the demand for highly-skilled jobs and 'Third Country Nationals' from poorer states are required for the low-skilled, menial jobs. Furthermore, in some Muslim countries, rightly or wrongly, the lack of financial incentives to invest in the non-energy productive sectors of the economy and the accompanying lack of motivation to engage dynamically to innovate, create and grow indigenous business opportunities are factors which have become entwined in the Western psyche, with the values and culture of Islam. However, this is a misleading judgement, as evidenced by a considered understanding of the tenets of Islamic economics. Properly harnessed the precepts of the *Quran* promote, rather than suppress, business endeavour, but do so in a more spiritualistic and less hard-edged way when compared to Western capitalism.

The *Quran* advised believers,

“And when the prayer is finished, then may ye disperse through the land, and seek of the Bounty of Allah: and celebrate the Praises of Allah often (and without stint): that ye may prosper.”

Chapter 63 (Munafiqun) Verse 10¹⁰

The premise of this study, therefore, is that the Dutch disease/resource curse theses are not a universal proposition and that for small energy-rich Islamic countries, the opposite may be true. In other words, Islamic culture, rather than an impediment to development, may actually be an economic force for good. Accordingly, this study’s research agenda has been formulated to test this alternative proposition. The surprising lack of scholarly literature on Islamic business culture, however, means that testing the proposition will necessitate substantial primary research. As a good example of a small energy-rich Islamic country, Brunei is taken as the principal case study. The Middle-East Gulf states of Bahrain, Qatar and Oman will be investigated as small energy-rich Islamic country comparators that have successfully diversified their economies, facilitated by an Islamic ‘development culture’.

1.2 Aim

To identify and evaluate the principal attributes of a development culture in small ‘energy-rich’ Islamic countries, particularly focused on the comparative contexts of Brunei and selected Gulf States.

Enabling Objectives :

- Scope and explain the spectrum of development strategies available for the transformation of underdeveloped countries, focusing especially on small country development models.
- Articulation and evaluation of the impact of culture, generally, and Islamic culture, in particular, on economic development.
- Application of economic development and cultural change frameworks to the Brunei context.
- Analysis of the strengths and weaknesses of the ‘development culture’ evolved in small oil-rich Middle Eastern Gulf states.
- Evaluate and apply lessons learned from comparative evaluation, drawing policy implications for the evolution of an appropriate Brunei-Malay Islamic development culture.

1.3 Study Value

There is a dearth of academic study on small country development, but more so for those countries whose economies are heavily dependent on energy extraction and export. The challenge common to these mostly Islamic states is that of economic diversification, reducing dependence on oil and gas resources. However, a view abounds that the abundance of revenues generated by such resources has created economic inertia within these small countries. Given that oil and gas extraction is a capital-intensive activity, detached from the ‘local’ economy, there is a perceived lack of dynamism, enterprise and entrepreneurship amongst the host community, leading

in turn to both rising unemployment amongst school-leavers and graduates, and a rising dependence on expatriate workers for the highly skilled jobs.¹¹ Thus, the urgency of pursuing diversification is not driven solely by the need to prepare for the eventuality of resource depletion but also to secure the short-term goal of ‘economic security’. As far as can be established, no contemporary studies exist, at least in the public domain, that explore the relationship between economic development and cultural change in small energy-rich Islamic states. Consequently, the results from this study’s analysis will represent a contribution to knowledge, of clear benefit to policy-makers, corporate bodies and interested observers alike.

1.4 Conceptual Model

The core research problem of this study is the role of culture in the economic development of Brunei. Researching this problem is not straightforward, however, raising more questions than answers. For instance, what is meant by development? How important is country size to the development process? And how might development best be achieved?

Brunei is a small country of only 380,000 people with an economy highly dependent on energy resources. These resources will inevitably deplete, perhaps sooner rather than later, and it is therefore incumbent on the government to implement a robust diversification strategy. This raises yet another question, however, as to the nature of the strategy to be taken. From the demand-side, where are the markets for the diversified output? Will the products be competitive, given that Brunei is located in one of the world’s most competitive regions. On the supply-side, does Brunei’s

workforce have the skills needed for the highly-skilled requirements of modern manufacturing and professional activities? Moreover, Brunei's small economy provides an additional challenge, further adding to the complexity of the problem. Its small economy suffers from limited scale and, arguably, lower productivity and higher cost, making it difficult to secure competitive edge. Outside Brunei's energy sector, the country's small population base has acted as an impediment to foreign direct investment.¹²

Brunei's energy sector has been the key driver for the country's wealth, but in other respects, it has acted as a barrier to economic dynamism across the broader economy. Studies confirm that the Brunei's non-energy sectors are afflicted by what might be described as an economic 'malaise'. Despite efforts to diversify the economy (evidenced through national trade liberalization and regio-centric policies), it is apparent that there is an aversion to risk-taking and a general reluctance by local investors to take on long-term capital projects.¹³ The 'easy' returns from the energy sector may be partially to blame for this inertia, but Brunei's culture has also played a part in restraining profit-maximising business behaviour. The 'windfall' income effect of small energy-rich countries alongside the religious factor of spiritual fulfillment rather than that of material wealth combines to make for a powerful economic sedative, suppressing the economic vitality of the host economies. This raises two final questions:

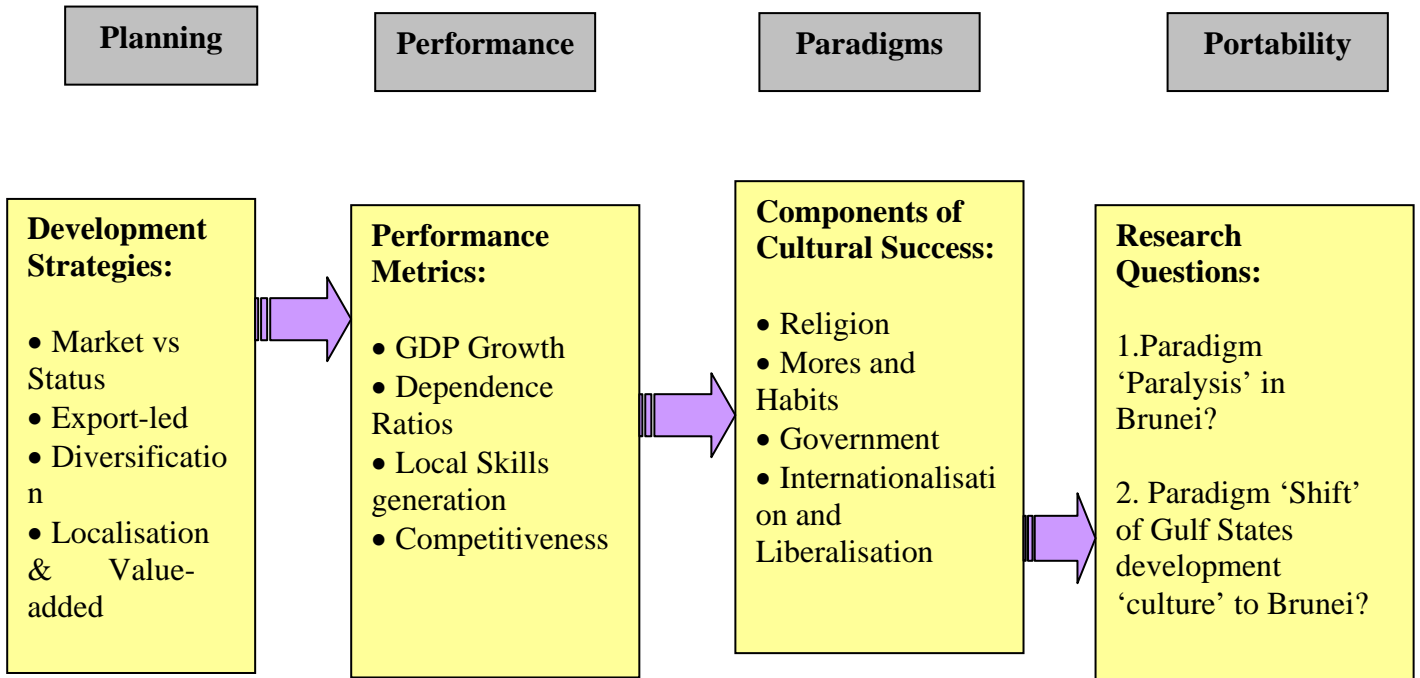
- 1) does culture act to retard development in other small energy-rich Islamic countries?
- 2) is the development culture of 'successful' small energy-rich Islamic countries transferable?

In an attempt to address these questions, a conceptual model has been designed and is shown at Figure 1.1 (Conceptual Model) overleaf.

This 'stage' model highlights, sequentially, four phases in the identification and implementation of a development culture policy approach in Brunei. The first stage overviews and evaluates the economic development strategies, culminating in a particular focus on small country development planning. An examination of small energy-rich country development performance follows, focusing on the experience of small energy-rich, monarchy-led, Islamic Gulf country experiences. The purpose here is to establish the *a priori* 'successful' development performances of Islamic countries, such as Bahrain, Qatar and Oman. This facilitates a search for the ingredients of economic development success by way of identification and modelling of a development culture paradigm of these States. Finally, given the hypothesised 'successful' indigenisation and diversification performance of the Gulf States, the research aims are to establish whether:

- a. Brunei's economic performance is comparable, and secondly,
- b. in the event that Brunei development is relatively less dynamic, that the small Gulf country development culture is portable.

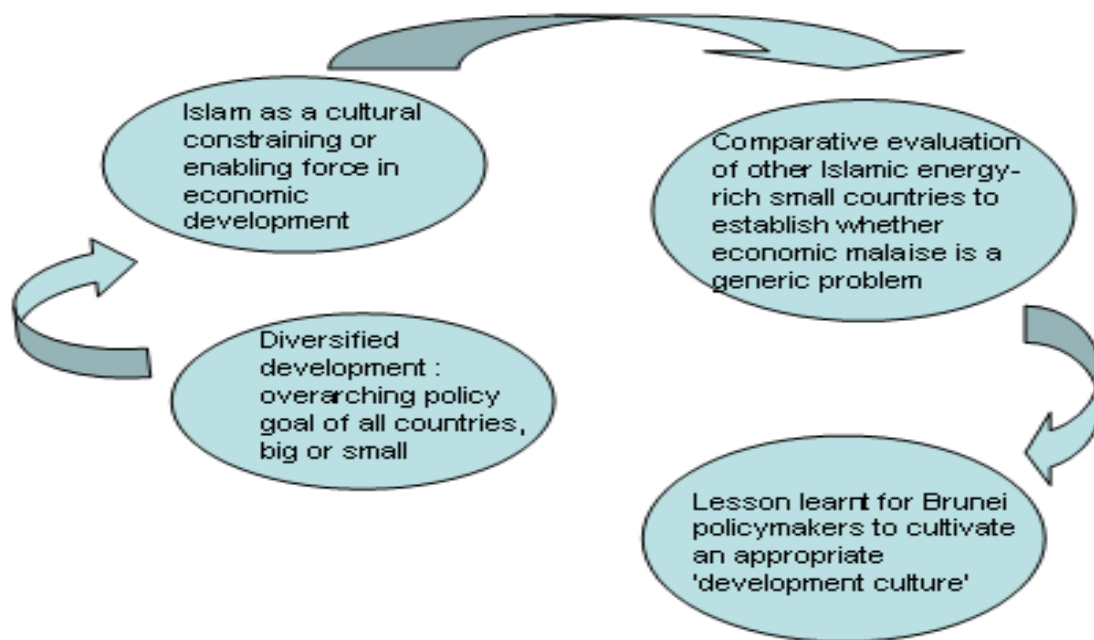
Identifying and Evaluating Principal Attributes of a Development Culture



Source: Author

The major areas of study in relation to the research problem are articulated in section 1.2, and laid out in the study structure of this thesis in section 1.6. The logic and progression of the study framework is justified as per Figure 1.2, below:

Figure 1.2: Conceptualising the Study Path Towards the Creation of a Brunei 'Development Culture' Model



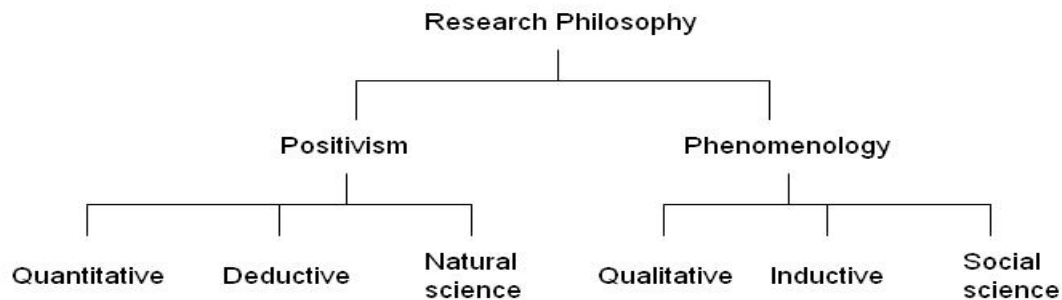
Source: Author

1.5 Research Methodology

The choice and design of research method is a critical component for undertaking any advanced research project. There are a number of methodologies available to researchers, with the choice influenced, to a large extent, by the nature of the study to be undertaken. At the highest level, the research process can be split into two separate, though often interlinked, schools of thought: positivism and

phenomenology. Figure 1.3, below, illustrates the distinction between these two research philosophies.

Figure 1.3: The Research Process



Source: Author

1.5.1 Positivism

The positivism research approach tends to be associated with the natural scientist, who is mainly concerned with observable events. Such events occur under controlled conditions, allowing data to be collected impartially. The events can be repeated, varying the conditions where necessary. Positivism emphasizes method, structure, repeatability and, importantly, the application of quantitative techniques. The research approach is deductive in nature; that is, the deduction of a hypothesis from existing theory. The hypothesis is derived from presently known facts, and is simply the starting point for research to be undertaken. Generally speaking, the hypothesis represents a proposition about a relationship between entities, their behaviour as a function of such a relationship, and so on. Experiments, often laboratory-controlled,

are then undertaken to test the hypothesis. As a result, the hypothesis may require modification. Further experiments can then be conducted to tighten its correlation to theory; indeed, it might be that theory may need to be revised based on the results of a successfully tested hypothesis. The whole point of positivism is that the starting point is the creation of a ‘groundless’ assumption, with the statements contained therein tested rigorously to establish statistical significance. The positivistic research approach is therefore an *a priori* method, where theory precedes observation.

1.5.2 Phenomenology

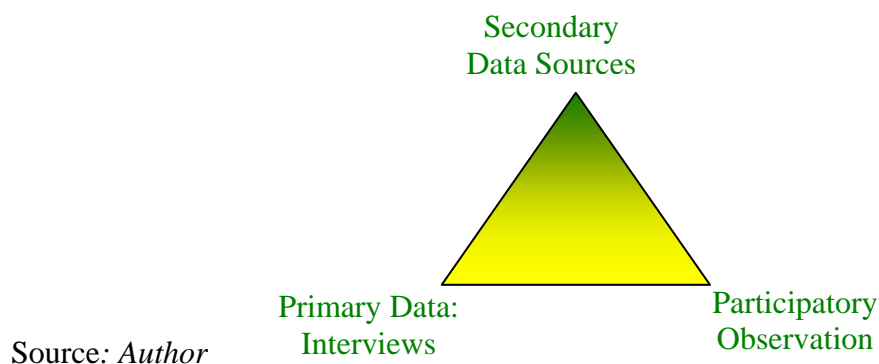
Unlike the physical sciences, business behaviour operates in the world of social sciences, where theories cannot be constructed under strict laboratory-controlled conditions. It would be inappropriate therefore to employ positivistic methods to the study of economics (and culture) because the outcomes are normally dependent on human behaviour where circumstances are often unpredictable and unique, and difficult, if not impossible, to recreate or repeat. These conditions introduce subjectivity into the interpretation of events, unacceptable to the objective natural scientist. As a consequence, an alternative phenomenological approach has evolved to build up a deeper understanding of what is happening rather than pre-supposing ‘scientifically’ what should be happening. The research approach supporting a phenomenological philosophy is termed induction. This constructs theory from observations, understanding the context and conditions of the outcomes from human interaction (especially in economic, political and cultural environments). Underlying ‘cultural’ reasons for business behaviour are fundamental to the inductive research approach where statistically sound generalizations and large sample sets may be

lower-order imperatives. Induction is therefore an *aposteriori* method, where theory succeeds experience and observation.

1.5.3 Research Approach Adopted in this Study

The present study focus lies within the social sciences domain and thus the appropriate research approach is phenomenological, relying less on statistical analysis and more on the qualitative interpretation of data. The research strategy will incorporate grounded theory and interviews, allowing descriptive and cross-sectional evaluation of data gained from primary and secondary data sources. The primary fieldwork will involve selected interviews and in the case of Brunei, it will also involve insights gained from participatory observation. This study's research design is important because the contribution to knowledge comes not only from the fieldwork in Brunei and selected Gulf States, but also from careful scrutiny of the limited secondary materials available on Islamic development and associated cultural studies. To ensure data accuracy, three separate data sources will be triangulated, thus ensuring cross-validation of data on the existence and impact of the resource curse in Brunei. Figure 1.4, below, details the data collection methods employed.

Figure 1.4: Triangulation Research Methodology



1.5.4 Secondary Data Sources

An extensive literature search will be undertaken, including books, learned journals and quality newspapers. Web-based searches will also form an important part of the data acquisition process. An important part of the research process will be the search for materials detailing the distinctive forms of Arab-Islamic and Malay-Islamic cultural models. The data search process will be eased because the author is bi-lingual in *Bahasa Melayu* and English and, through high-level government contacts, will have direct access to government officials in the countries under study.

1.5.4 Primary Data (Interviews)

Fieldwork in the Gulf will seek relevant information, particularly pertaining to country study reports, including government reports. Selected interviews will be conducted with senior officials in the three small Gulf countries under investigation, and also Brunei. The interviews will seek information on national development programmes, development strategies already applied, the key points of success and failure in the implementation of national development planning and lessons learnt from previous development endeavours.

1.5.6 Participatory Observation

The researcher has been a senior official in the governing authority of Brunei for most of her working life. She has thus been able to witness first-hand the negative impact of the resource curse on Brunei's economy. The existence of the 'curse' is difficult to

prove directly, but an attempt has been made in Chapter 5 to evidence its consequences by reference to proxy indicators, such as slower relative rises in national income and increasing dependence on oil exports. Through an analysis of historical, cultural and Islamic influences the researcher makes the argument that ‘Islamic-Capitalism’ can be a synergistic relation, as evidenced by the fieldwork in the Gulf countries. The ‘curse’ exists in the Gulf, but its impact is lessened by the efficiency of the politico-economic systems in place. Participatory observation in Brunei has enabled the researcher to construct an analytical ‘prism’ through which a generalized view of the perceived (development) malaise in Brunei can be examined.

1.6 Study Structure

This study focuses on Brunei and its search for diversification from dependence on energy resources. Diversification requires development opportunities to be created that are viable and sustainable. Accordingly, Chapter 2 of this study explores the literature to identify, explain and evaluate the spectrum of development ‘models’ ranging from broad-based theoretical constructs to the more practical policy-focused strategies of 21st century oil-dependent states.

Chapter 3 addresses the nexus between economic development and cultural change by addressing the role of culture (regressive, neutral or stimulative) in the development process. To begin, the focus is broad, capturing the essence of a range of cultural identities, narrowing down to an evaluation of the Islamic culture. The purpose of the discussion is to explore the ‘economics of Islam’ by reference to its cultural and philosophical roots, both generically and specifically in the context of Brunei.

In the way of providing a control group to the evaluation of Brunei's economic and cultural development 'model', Chapter 4 analyses the experiences of several small energy-rich Persian Gulf countries. Empirical research will seek to establish whether the role of culture in the economic development of these comparator countries (Bahrain, Oman and Qatar), has proved more effective than in the Brunei case. An analysis of development challenges in Brunei vis-à-vis the comparator countries may then reveal the causes of its *status quo*.

Having framed the Brunei-Malay Islamic culture, Chapter 5 describes and analyses the performance of Brunei's economy, particularly diversification and thereto employment opportunity over recent years. The purpose of this chapter is not only to probe the efficiency of the economy but also to identify the contribution that culture has made to economic transition/development.

Finally, Chapter 6 draws the threads of the study together. From the results of the comparative analysis, this final chapter offers conclusions and policy recommendations primarily to the Brunei authorities but also, to policymakers facing similar challenges further afield.

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Chapter 2

DEVELOPMENT STRATEGIES OF SMALL COUNTRIES

2.0 Development Objectives and Core Issues

The survival of nation-states depends largely on their economic strength. Independence and sovereignty stand on the basis of the country's autonomous ability to maintain the well-being of its peoples which in itself underpins political stability, economic sustainability and social security. We have seen the downfall of governments in many countries, and even breakups of nations and the creation of new nations as a result of, among other things, disaffection and discontentment of the majority resulting from not only mismanagement at the government level but also the ensuing lack of basic necessities, economic potential and opportunities.

There is mutuality in the sense that social stability and harmony rest on political and economic stability. Unrests, famine, unemployment, poverty and general underdevelopment may take place because of political and economic instability. Professor Gyimah-Brempong¹, using econometric techniques, asserts that political instability negatively affects economic development, directly and indirectly, just as slow or negative economic growth can lead to political instability.² For example, some of the African states which are rich in mineral resources still remain chaotic and underdeveloped despite the abundance of aid from the international communities.³ Of the 50 countries listed in Table 2.1 as the poorest and least developed (LDCs), 34 are in Africa (marked with *) and of these countries, four: Angola, Equatorial Guinea, Sudan and Yemen, are oil-exporting countries.⁴ Corruption and mismanagement at

the policy level, as well as the apparent disunity caused by tribal differences and cultural diversity, are key issues in accounting for these countries' underdevelopment. Other reasons cited as reasons for underdevelopment or poverty in these 50 LDCs include war, natural disasters, change of regime, political uncertainty and lack or mismanagement of economic resources.⁵

Table 2.1: List of Least Developed Countries

1	Afghanistan	18	Gambia*	35	Rwanda*
2	Angola *	19	Guinea*	36	Samoa
3	Bangladesh	20	Guinea-Bissau *	37	São Tomé and Príncipe *
4	Benin *	21	Haiti	38	Senegal *
5	Bhutan	22	Kiribati	39	Sierra Leone *
6	Burkina Faso *	23	Lao People's Republic	40	Solomon Islands
7	Burundi*	24	Lesotho *	41	Somalia*
8	Cambodia	25	Liberia*	42	Sudan*
9	Cape Verde *	26	Madagascar *	43	Timor-Lesté
10	Central African Republic *	27	Malawi *	44	Togo*
11	Chad *	28	Maldives	45	Tuvalu
12	Comoros *	29	Mali *	46	Uganda*
13	Congo Republic*	30	Mauritania	47	Tanzania*
14	Djibouti*	31	Mozambique *	48	Vanuatu
15	Equatorial Guinea*	32	Myanmar	49	Yemen*
16	Eritrea*	33	Nepal	50	Zambia*
17	Ethiopia *	34	Niger *		

Source: *UN Office of High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Developing States, 2003.*

* Countries in Africa

Political and economic stability breeds social stability, and social stability may, in turn, ensure a sustainable economy. To achieve this process and maintain the cycle, positive development has to take place. To continuously develop, there is a need for sustainability and without economic strength to support development, nation-states would either jeopardize their internal security or remain dependent on aid at the mercy of richer countries thus losing part or all of their freedom, integrity and sovereignty. It is believed, as evident in many developing countries, that when development becomes a preoccupation of the people, social problems may decline.

For the reasons outlined in the previous paragraphs, positive economic growth has always remained a key objective in development plans and strategies. Notwithstanding this fact, the development agenda has spread over a wider spectrum reflected in the ‘social, political, cultural, ethical, moral and religious influences.’⁶ It is therefore feasible to measure development by evaluating and analysing these influences over time. Positive change and growth in the three basic dimensions of national existence covering politics, economics and social issues, may reflect successful development strategies. It would however be prudent to identify and evaluate the mechanics which are responsible for the successful implementation of the development plans and strategies.

Various views, theories and models on development have surfaced over the last sixty years. The fact that reconstruction after the Second World War began with development in America and Europe gave a strong standpoint to the West, that development or so-called ‘modernization’ was originally a Western phenomenon. The

Cold War between the United States and Soviet Union influenced the political design of other states and gave rise to a competitive choice as to whether other nations should follow the capitalists or the socialists;⁷ a choice between the ‘progressive’ West or the ‘stagnant and closed’ East. In the process, other nation-states went through a series of changes in almost all domains of existence which subsequently changed their political, economic and social designs and characteristics in attempts to resemble the ‘successful’ West. These changes seemed a prerequisite to enter the classification of developed or developing nations. One major question arises, however: is it necessary for a nation-state to forsake its national identity and values reflected in its culture and moral ethics to achieve political, economic and social development modelled on the ‘West’?

Against this backdrop, there is a need to further understand what development means from the perspective of small energy-rich nations vis-a-vis their moral obligations at home and in the international arena. Understanding the theory of development and analysing the available development models may provide a template for the design of a more comprehensive development model for Brunei Darussalam. This chapter, thus, explores the literature to identify, explain and evaluate the spectrum of development ‘models’ ranging from broad-based theoretical constructs to the more practical policy-focused strategies of 21st century oil-dependent states.

2.1 Development Theory

Development studies under the premise of economic development first came to light with Adam Smith’s book, *An Enquiry into the Nature and Causes of the Wealth of*

Nations, published in 1776; that is, why are some countries rich and others poor? Various theories have emerged since then, though largely focused on economic growth and economic development. These theories, nevertheless, give an understanding of the processes and mechanics which, to a large degree, triggered the development studies pursued in the 1940s, later becoming institutionalized in the 1950s.⁸

Theorists and thinkers agree that development strives to achieve the following objectives, to:

- a. increase the availability of basic life-sustaining goods and widen the distribution of these goods, thus providing conducive conditions for development.
- b. raise the levels of living, ensuring that every individual achieves the most comfortable state of livelihood, morally, materially and spiritually, thus giving each individual the sense of well-being and self-respect.
- c. expand the range of economic and social choices to every individual thus giving them free choice and independence.⁹

These objectives help to outline the meaning of development. In all senses, development talks about the betterment of mankind in all aspects of life. Todaro describes development as “...the process of improving the quality of all human lives.”¹⁰ On an individual basis, development would mean the migration of a person from an uncivilized to a civilized state, transformation from being unskilled to being skilled, from weak to strong, and so on. Similarly, on a larger scale, national

development strives to achieve progress in its entire economic and social systems, to ensure continuous improvement in the maintenance of statehood and to provide platforms for sustainability amidst challenges and opportunities.

Development, however, is not limited to the improvement of quality in the pure economic sense but encompasses the whole array of social structure and related systems. The birth of non-governmental organizations, from as early as the 1800s,¹¹ is proof that other issues are equally significant whether as a driver, or the means or ends of the development cycle. Concerns for the environment, for example, and various contemporary debates on human rights, poverty reduction, education and various human development issues, further reflects the need to preserve our surroundings to ensure sustainability and continuous improvement. As suggested by the Director of World Development Institute, Mr Paul Streeten, "...Development must be redefined as an attack on the chief evils of the world today: malnutrition, disease, illiteracy, slums, unemployment and inequality."¹² These issues are definitely not limited to direct economic issues but encompass the social issues of health, education, welfare and human rights. He also noted that "... Measured in terms of aggregate growth rates, development has been a great success. But measured in terms of jobs, justice and the elimination of poverty, it has been a failure or only a partial success."¹³ This statement verifies that development is not only measured by growth rates but various other factors and influences and that the issue of poverty, unemployment and injustice are very much worldwide issues which underpin underdevelopment.

Potter defines development as ‘...A multidimensional process involving major changes in social structures, popular attitudes, including customs and beliefs, and national institutions, as well as the acceleration of economic growth, the reduction, if not eradication, of inequality and the elimination of poverty’.¹⁴ All these definitions, and many others, carry the substance of positive changes in what makes up the economic and social systems, ie. people. It may then be asserted that people are the main drivers and benefactors of change and they are ‘central to the concerns of sustainable development.’¹⁵ Therefore, it would be a mistake to omit the fact that habits and ethics, embodied in the ‘culture’, are important ingredients in the recipe for positive development. There is thus a need to invest in the development of human resources and their support systems. A negative change in areas pertaining to human development can result in backwardness, underdevelopment or even total dependence on foreign aid, and hence, servitude.

2.2 Changes in Development Theory

Development theories bear similarities, in that they refine ways of improving livelihood. They may be different from one another in that they focus on different issues and are driven by contemporary socio-economic or even politico-economic challenges. They all, however, essentially address the same issues, ie., poverty reduction and positive transformation mainly through economic reforms.

Adam Smith, Thomas Malthus, David Ricardo and Karl Marx, all addressed issues of growth of output and distribution of income between wages and profits. Driven by ideas of capitalism in the fifteenth and sixteenth century and the advent of industrial

capitalism in the late eighteenth century,¹⁶ early development theory was merely an extension of conventional economic theory, equating ‘development’ with economic growth and industrialization. Application of these theories brought about changes which established capitalist production and bourgeois society in Europe and North America. Bourgeoisie seen as a significant trademark for a ‘developed’ society¹⁷ hardly reached the rest of the world and as a result, Latin American, Asian and African countries were seen mostly as ‘underdeveloped’ which were primitive versions of European nations that could, with time, develop the institutions and standards of living of Europe and North America. Classical economists shared a vision that as long as these issues were not resolved, development remained a long way down the road.

As a result, the ‘stage theory’ mentality of economic development dominated early discussions of economic development. The ‘Linear stages’ theories, developed by German historicists, produced growth models which share the central role of savings and capital formation as their basic theme. As later made famous by Alexander Gerschenkron (1953, 1962),¹⁸ and, more crudely, Rostow,¹⁹ the stage theorists argued that all countries passed through the same historical stages of economic development and that current undeveloped countries were merely at an earlier stage in this linear historical progress while First World (European and North American) nations were at a later stage.²⁰

More enlightened attempts to arrive at an empirical definition of the concept of ‘underdevelopment’ as exemplified by the works of Hollis Chenery, Simon Kuznets and Irma Adelman²¹, led to the general conclusion that while there were not explicit

'linear stages', countries tended to, nonetheless, exhibit similar patterns of development, although some differences could and did persist.²² The task of the development economist, in this light, was to suggest 'short-cuts' by which underdeveloped countries might catch up with the developed and 'leap-frog' over the sequential stages.

Many economists had already felt uncomfortable with early development theory and the implicit assumptions behind 'stage' reasoning. Thus a new idea began to germinate – what may be termed as 'structuralism'.²³ The 'structural' thesis succinctly called attention to the distinct structural problems of the Third World countries: underdeveloped countries were not merely 'primitive versions' of the developed countries, rather, they had distinctive features of their own.²⁴ One of the distinctive features was that unlike European industrialization, Third World industrialization was supposed to occur while these countries existed alongside already-industrialized Western countries and were tied to them by trade. This, speculated a few, such as Singer, could give rise to distinct structural problems for development.

Coincidental with Singer, Prebisch formulated the famous 'dependence' theory of economic development, wherein he argued that the world had developed into a center-periphery relationship among nations. The Third World regressed to become the producer of raw materials for First World manufacturers and thus condemned to a peripheral and dependent role in the world economy. Thus Prebisch concluded that some degrees of protectionism in trade are necessary if countries are to enter a self-sustaining development path. Import substitution enabled by protection and

government policy, rather than trade and export-orientation, was the preferred strategy. Historical examples of government-directed industrialization, such as Meiji Japan and Soviet Russia, were held up as proof that there was more than one path to development as had been implied by the cruder 'stage' theories.

An alternative part was suggested by the new growth model, placing emphasis on the role of technological change. The original 1957 Solow study showed that technological change accounted for almost 90 per cent of US economic growth in the late 19th and 20th centuries.²⁵ Empirical studies on developing countries have shown different results. Krugman's 1994 study also maintained that economic growth in the East Asia was based on perspiration (use of more inputs) and not on inspiration (innovation). Even so, in post-industrial economy, economic development (including emerging countries) is now more and more based on innovation and knowledge. Creating business clusters is one of the strategies used. One well known example is Bangalore in India, where the software industry has been encouraged by government support, including Software Technology Parks.

Now over 50 years after development studies were first institutionalized, debates on development definitions and parameters continue to be the highlight of many conferences and meetings worldwide. To give a better understanding of the theories supporting these debates, the remainder of this section provides brief overview of the main theories.

2.2.1 Linear-Stages Theory

Theorists of the 1950s and early 1960s viewed the process of development as ‘a series of successive stages of economic growth through which all countries must pass’.²⁶ It was primarily an economic theory of development in which the right quantity and mixture of saving, investment and foreign aid were all that was necessary to enable developing nations to proceed along an economic growth path that historically had been followed by the more developed countries. Development thus became synonymous with rapid aggregate economic growth.

The most influential and outspoken advocate of ‘linear stages’ was the American economic historian, Walt Rostow. According to the Rostow Doctrine, the ‘transition from underdevelopment to development can be described in terms of a series of steps through which all countries must proceed’.²⁷ In his book, ‘Stages of Economic Growth’, he argued that the advanced countries had all passed the stage of ‘take-off’ into ‘self-sustaining growth’, and the underdeveloped countries that were still in either the traditional society or the preconditions stage had only to follow a certain set of rules of development to take off into self-sustaining economic growth.²⁸

Limitations of this economic theory of development were that savings and investment were not a sufficient condition for accelerated rates of economic growth. A further problem was the failure to take into account the crucial fact that contemporary Third World nations are part of a highly integrated and complex international system in which even the best and most intelligent development strategies can be nullified by external factors beyond the countries’ control. Whilst Rostow explains the development experience of Western countries well, he does not explain the experience of countries with different cultures and traditions.

2.2.2 Structural-Change Model

This replaced the linear-stages approach in the 1970s and focused on theories and patterns of structural change. It used modern economic theory and statistical analysis in an attempt to portray the internal process of structural change that a ‘typical’ developing country must undergo if it is to succeed in generating and sustaining a process of rapid economic growth.

Structural Change theory focuses on the mechanism by which underdeveloped economies transform their domestic economic structures from a heavy emphasis on traditional subsistence agriculture to a more modern, more urbanized and more industrially diverse manufacturing and service economy.²⁹ It employs the tools of neoclassical price and resource allocation theory and modern econometrics to describe how this transformation process takes place.

One of the best-known early theoretical models of development that focused on the structural transformation of a primarily subsistence economy was that formulated by the Nobel Laureate, W.Arthur Lewis, in the mid-1950s. The Lewis model explains how labour transfers in a dual economy.³⁰ The model argues that economic growth requires structural change in the economy whereby surplus labour in the traditional agricultural sector with low or zero marginal product, migrates to the modern industrial sector with a high and rising marginal product.

The other structural change model consists of the patterns-of-development analysis of structural change which focuses on sequential processes through which the economic, industrial and institutional structure of an underdeveloped economy is transformed over time to allow new industries to replace traditional agriculture as the engine of economic growth. Although the Lewis two-sector model was extremely valuable as an early conceptual portrayal of the development process of sectoral interaction and structural change, considerable modification in the assumptions and analysis to fit the reality of contemporary Third World nations was required.

2.2.3 Neocolonial Dependence Model

The definition of Neo-Colonial Dependence theory, by USAID (United States Agency for International Development) Glossary compilation, is “A model whose main proposition is that underdevelopment exists in Third World countries because of continuing exploitative economic, political and cultural policies of former colonial rulers toward less developed countries.”³¹ The neo-colonial dependence school emphasizes the unequal relationship between the developed and less developed countries and blames underdevelopment on conscious or unconscious developed country exploitation, which is perpetuated by a small elite ruling class within the less developed countries.³² This model is an indirect outgrowth of Marxist thinking. It attributes the existence and continuance of Third World underdevelopment primarily to the historical evolution of a highly unequal international capitalist system of rich country - poor country relationships.

2.2.4 New Growth Theory

For development economists of the 1950s and 1960s, growth was a complex process of economic, social, and political transformation. New economic concepts were created to capture some of its dimensions—for example, Lewis's "dual economy" and "surplus unemployment"; Schultz's "human capital"; Gerschenkron and Rostow's "stages of development" theory, "takeoff," and "catching up"; and Seers, Prebisch, and Hirschmann's "structuralism."³³

In the late 1980s and early 1990s, however, economists, working on development, came around to the simpler view that growth was a matter of getting national policies right. The right policies would mean lower fiscal deficits; lower import tariffs; fewer restrictions on international trade and capital flows; and a greater role for markets in allocating resources, regardless of history, political economy, or local institutions.³⁴

New Growth theory was developed as a response to criticism of the neo-classical growth model. It represents a key component of the emerging 1990's development theory brought about by disenchantment with traditional neoclassical models as the Third World Debt Crisis escalated and it became increasingly clear that traditional theory could not explain the dramatic differences in economic performance between countries. Neo-classical models did not explain the origins of growth and therefore they were seen as detached and unrealistic.

According to new growth theory, creativity is the main driver for economic development and is today the most important factor of production. The main feature of today's economic development is technical progress and creativity. Creativity replaces scarcity as a new paradigm in economics. Creativity is the most important factor of production because it improves labour and capital and extends resources. It also increases the quantity of final goods and tends to abundance. Therefore creativity creates an artificial resource base by integrating ideas and capital. Ideas therefore increase the quantity of goods produced through labour and capital. New Growth theory still fails to explain why some countries are richer than others because it overlooks the fact that economic growth in Third World countries is frequently impeded by inefficiencies arising from poor infrastructure, inadequate institutional structures and imperfect capital and goods market.³⁵

2.3 Development Challenges Facing Small Countries

The challenges and opportunities confronting countries may vary, but development remains the main policy objective, especially in the globalized world. New inventions and innovation lubricate competition in gaining a stronger foothold in the market. For big and developed countries, this may mean producing for self-sufficiency and exports; for the small and less developed countries, this may mean wider choices for local consumption and import reduction. To strive for equal shares of the market, the small and less developed states appear to have little chance as long as smallness remains as the main adjective. Small countries have to find a specialized niche in order to survive in the competitive world. What can a small country do to remain in the contest? *The report of the Commonwealth Secretariat/World Bank Joint Task*

*Force on Small States, in April 2000, noted that tackling development challenges of small states will take a combination of correct domestic policy action, continued external assistance and where achievable, improvements in the external environment.*³⁶ Some have succeeded to establish themselves as challengers to the developed countries and attained rankings in the world's most competitive economies, as seen in Table 2.2, below.

Table 2.2: The World's Most Competitive Economies 2006-2007

Country Rankings 2006	
1. Switzerland	9. Netherlands
2. Finland	10. United Kingdom
3. Sweden	11. Hong Kong
4. Denmark	12. Norway
5. Singapore	13. Taiwan, China
6. United States	14. Iceland
7. Japan	15. Israel
8. Germany	16. Canada

Source: *The Global Competitiveness Report 2006 - 2007*, World Economic Forum, Sep 2006.

For most of the small developing countries, trade liberalisation and globalisation present a risk of economic marginalisation. For activities pertaining to sectors of goods or services involving global markets, increasing or just maintaining

international competitiveness is generally difficult for small economies because of the intrinsic disadvantages they face, in particular, the implications of smallness and remoteness. Economic vulnerability is becoming a more complex reality as globalization forces, beside bringing in new trading opportunities, translate into competitive challenges and external shocks that may entail a risk of marginalization from the global economy.³⁷

2.3.1 Definition of Small States

Small countries represent a category of countries whose numbers are rapidly rising; their numbers increasing following decolonization after 1945.³⁸ There is no single definition of a small country because size is a relative concept. Although the definition of 'small' is unclear, it often refers to the demography or/and geography of a country. A threshold of 2 million citizens is conventionally considered the yardstick for defining small sovereign states. This threshold is used primarily to present stylized facts, however, for all other purposes, the size of countries can be ranked along a continuous scale. Simon Kuznets in his "Economic Growth of Small Nations"³⁹ used an upper limit of 10 million people. By this measure, 134 economies are 'small' today. The Commonwealth, in its work on small states, uses a threshold of 1.5 million people.⁴⁰ This includes some of the larger member states because they share many of the same characteristics of smallness. There are two main reasons for using population size (rather than territorial size or GDP) as a scaling criterion: first, population is highly correlated with territory size as well as with GDP and so it helps highlight limited resources of small states.⁴¹ Second, population is more homogenous

than territory or GDP, so it makes cross-country comparisons more meaningful. Using this definition, there are 47 small countries which are members of the World Bank.⁴²

Small states have per capita incomes and an average growth performance similar to large states. Their per capita income ranges from very poor African countries (Guinea-Bissau, with real purchasing power parity-adjusted per capita GDP of about US\$810) to wealthier Estonia (with per capita income of US\$10,100), oil-rich Bahrain (US\$15,500) or Luxembourg (US\$50,000).⁴³

Nevertheless, there is no definition, whether it be based on population, geographical size or GDP, which is likely to be fully satisfactory. In practice, there is a continuum with states larger than whatever threshold is chosen sharing some or all of the characteristics of smaller countries.

2.3.2 Geography and Demography

Without doubt, the geography or remoteness and isolation of many small countries, particularly in Africa and the Pacific, have significant economic and administrative implications. Isolation means that these countries are far from major centres of trade and commerce. It becomes more difficult to compensate for the drawbacks of limited size and small domestic markets by turning to the world markets. Transportation costs tend to be high, resulting from the distance of these countries from the principal export markets and their main suppliers of inputs. Further, in small states made up of dispersed island groups, such as in the Pacific, the development of even a small

domestic market can be constrained by distances between settlements and infrequent internal transport services.

One positive aspect of remoteness is that some isolated small countries have entitlements to vast areas of the ocean through Exclusive Economic Zones (EEZ). For example, the EEZ of Kiribati is approximately the same size as the entire Caribbean Sea.⁴⁴ However, successful and sustainable exploitation of such resources requires large investment as well as monitoring and policing of their use by national and foreign agents.

Demography also brings significant economic implications. If we use the Commonwealth population threshold of 1.5 million as a guide to 'smallness', there are currently 45 developing countries that fit into the category of the definition. Of these, 41 are members of the World Bank. Small population stresses the limitation on domestic market growth and local capability to achieve full process of development through high mass consumption. Almost all countries with a small population have not entered the industrialized stage (without foreign input) mainly because of a limited pool of skilled resources and high production costs. The main challenge of small demography is optimizing the full potential of the population for maximum economic benefit. Literacy and practical skills are mandatory and a positive mindset and attitude toward change and progress is imperative and non-negotiable. Besides the efficient support systems from infrastructure and management, there is a need to embrace a defined culture which fits into the equation of development.

2.3.3 Role of Government in Development

Government is a key driver in development and a strategic player in the planning and implementation of development plans.⁴⁵ The efficient and effective provision of a range of public goods and services, which, in part, includes education, health, social services, foreign relations and security, is a main feature of a responsible government. To the extent that there are indivisibilities in the provision of such public services, the fixed costs must be spread among the population. For a small country, this implies higher unit costs. The limited institutional capacity of the public sector tends to be stretched in small states, particularly so in those countries that have high internal transport costs.

As development cannot be induced purely by market forces, governments therefore have to engage in an active role: subsidize investment, coordinate investment activities, and undertake direct investment itself from the government budget. In the absence of private entrepreneurship, governments would have to continue to perform the entrepreneurial job while at the same time fostering the development of private entrepreneurs. This may be achieved by artificially increasing the rates of return from private investment through direct government subsidies; by engaging in joint government-private ventures; and by subsidizing management training programmes.

2.3.4 Productivity, Export and Trade

Most firms in small states are small largely because of small domestic markets and because poor endowments of physical resources limit entrepreneurial opportunities. Small firms are at a disadvantage because they cannot realize economies of scale

(which are important in some sectors), are not attractive business partners (often because they are less well-known and hence perceived as unreliable), and cannot spend significant funds on marketing, market intelligence and research and development.

Competitive advantage is more likely to occur when the domestic economy is large enough to support clusters of firms in any given sector, with horizontal and vertical relationships. Such opportunities, and the realization of economies of scope, whereby a large firm or cluster of firms use existing resources, skills and technologies to generate new products, are less available in small and isolated economies. Small size and isolation also limit development of new knowledge and technology oriented to the domestic market. For physical goods, the need to focus on production for distant and changing markets can make for particularly difficult, often risky, production-selection decisions which must take into account possibilities for the sharing of marketing costs. Small domestic markets and the difficulties in establishing export competitiveness are exacerbated by education and training limitations, poor market institutions and infrastructures, as well as small and sometimes inadequate local financial institutions and regulations.

A weak private sector also tends to limit the absorptive capacity of small states, both in terms of aid and investment (foreign and domestic). This is because participants in this sector lack the necessary skills in generating innovative project ideas and proposals, and in demonstrating their investment worthiness with respect to returns. A weak private sector may also lack the capacity to adjust to lower tariff protection and greater competition without transitional assistance.

2.4 Development of Energy-Rich Countries

Energy-rich countries are not necessarily economically rich although they have the capacity to be so if the energy resources promote positive and diversified development. Ranked fourth in the list of basic needs of people, energy is vital in the progress of human civilization and it is now intensely an economic concern. The demand for energy depends upon 'population growth, the rate of economic development, urbanization, changing lifestyles, the availability of resources and the prices of various energy carriers'. The need for energy has driven people to refine their exploration for new sources.

Exploration of new energy resources and experimentation with ways of converting raw materials into forms of useful energy have catalyzed economic and social development. An observation that "...there is no other source of energy more versatile than oil"⁴⁶ may just justify the increase in efforts for new oilfield discoveries. For countries like the Gulf States, Norway, and some other rich energy-producing countries, the efficient management of resources has financed successful development programmes. Norway, the second largest oil exporter, has a steady growth rate, almost no poverty and negligible unemployment.⁴⁷ Azerbaijan posted the highest growth rate (40.2%) in the Commonwealth of Independent States in January 2005,⁴⁸ increased its GDP by 48.1% and per capita income by 46.5% in January and February 2006, as a result of successful resource management.⁴⁹ These success stories point to the existence of diversification policies which are well-implemented.

But for some, for example, Nigeria, having energy as the dominant natural resource can lead to stagnant or regressive development of the nation or no development at all. At global level, it is noted that wealth from oil 'has done little or nothing to make the world's poor better' mainly because of misappropriation and mismanagement of funds raised from oil profits.⁵⁰ In non-transparent environments, characterized by political discretion and unclear property rights, where rent-seeking behaviour precludes all other economic activities, mismanagement of oil revenues leads to higher risks of unsustainable development. Entrenched graft in Angola, as well as Chad and Nigeria, has been noted to have a causal effect on underdevelopment in these countries.⁵¹ Human Rights Watch claimed more than US\$4 billion in oil revenue collected by government of Angola simply disappeared between 1997 – 2002.⁵²

Failure of diversification policy is central to slow or negative development in some of these energy rich countries. Most particularly noted cause is the 'Dutch disease' and 'resource curse' effect in oil-producing countries which is known to have occurred centuries back. 'Dutch disease'⁵³ is an economic concept explaining the relationship between exploitation of natural resources and a decline in the manufacturing sector. It is brought about when oil windfalls push up the real exchange rate of a country's currency, rendering most other exports non-competitive.⁵⁴ A persistent Dutch Disease provokes a rapid, even distorted growth of services, transportation, and construction, while simultaneously discouraging some industrialization and agriculture. A classic example of the 'Dutch disease' effect is Gabon, where decades of oil revenues have

undermined work ethics and negatively transformed Gabonese society. An *Economist* article noted,

*“Citizens aspire to soft billets in the civil service, and turn their noses up at menial jobs like taxi driving or shopkeeping, which they leave to immigrants from poorer places such as Togo and Mali. Agriculture in Gabon, as in Equatorial Guinea, is all but dead. Sadly for Gabon's petrocrats, however, the oil is running out. As output falls, the civil service may no longer be able to pay all its thumb-twiddlers, the migrant workers may go back home, and the Gabonese may have to relearn how to grow cocoa and drive taxis.”*⁵⁵

The ‘resource curse’ (also known as the paradox of plenty) refers to the paradox that countries with abundant natural resources have slower economic growth than those without natural resources.⁵⁶ Richard Auty used the term ‘resource curse thesis’⁵⁷ to describe how countries rich in natural resources were unable to use the acquired wealth to boost their economies and how these countries have lower economic growth than those countries less endowed. Most academics share the views of such economists as, Jeffery Sachs and Andrew Warner, that recognized the ‘resource curse’ as a major factor slowing the development in resource-rich countries.⁵⁸ The quote from the 16th-century French political philosopher, Jean Bodin, perhaps best describes the resource curse syndrome:

*“Men of a fat and fertile soil are most commonly effeminate and cowards; whereas contrariwise a barren country makes men temperate by necessity, and by consequence careful, vigilant and industrious.”*⁵⁹

Academics explained that ‘if oil is discovered in a poor country, it’s like winning the lottery: just as the laborer might abandon his job, the government makes so much

money exporting petroleum that it doesn't develop other industries'.⁶⁰ There are political reasons (which are beyond the scope of this thesis) which compel governments to take this route: they use the windfall to shelter their citizens from the painful process of competition, subsidizing inefficient businesses and expanding government payrolls. These strategies have somehow created severe and unintended anomalies in the form of a persistent dependence on oil for export earnings and fiscal revenues, overgrown public sectors whose omnipresence in the economy stifles the private sectors, distorted work incentives, and extreme dependence on government for employment.

In these cases, a 'development culture' is difficult to nurture, and, of significance to the present study, country reports reveal that Brunei is heavily affected by this resource curse syndrome. Brunei needs to devise a policy which energizes a transformation process leading its people to embrace a new culture to ensure diversification efforts pursue sustainable development. To achieve these policy-goals, there is a need to understand culture and cultural development.

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- a low-income criterion, based on a three-year average estimate of the GNI per capita (under \$750 for inclusion, above \$900 for graduation);
- a human resource weakness criterion, involving a composite Human Assets Index (HAI) based on indicators of: (a) nutrition; (b) health; (c) education; and (d) adult literacy; and
- an economic vulnerability criterion, involving a composite Economic Vulnerability Index (EVI) based on indicators of: (a) the instability of agricultural production; (b) the instability of exports of goods and services; (c) the economic importance of non-traditional activities (share of manufacturing and modern services in GDP); (d) merchandise export concentration; and (e) the handicap of economic smallness (as measured through the population in logarithm); and the percentage of population displaced by natural disasters.

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Chapter 3

CULTURE, DEVELOPMENT AND ISLAM

3.0 Culture and Development

The relationship between culture and development has been an ongoing issue and a topic of interest among scholars for generations. Many recognize this relationship on the understanding that human culture develops as people become more civilised and are continuously in need of improvement. Economic development becomes ever more significant to provide the means to achieve economic and social improvement; most often one of the end results of such progress is cultural change, and vice versa. In many cases, cultural factors often have huge potential that can be realised to contribute to improving living conditions. Cultural forms of expression, such as crafts or fashion, the work of museums and cultural tourism, for example, are a source of income and an important factor in economic stability, not merely a means of socio-cultural and political participation.

The key factor linking culture and development is people and together they form almost a complete system for the continuous existence of the human race. As noted in the UNESCO Culture and Development Commission Report 1995:

*Development divorced from its human or cultural context is growth without a soul. Economic development in its full flowering is part of a people's culture.*¹

Culture and development are thus tightly interlinked, but until recently, most economists have been reluctant to recognise culture as a determinant of economic growth. The cultural skills, knowledge and experiences in each set of circumstances are often wrongly understood as hindrances to cooperative development work. An overview of the last decade of development projects, however, shows clearly that traditional political and economic approaches are ineffective on their own.

Many theories of development marginalised the concept of culture as a driving force to the success of development projects although they used culture as explanations for economic phenomena. Adam Smith viewed culture in his book, *The Theory of Moral Sentiments*, published in 1759, as an integral part of the “Wealth of Nations”:

*‘How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it.’*²

Smith recognised that man, by nature, is a compassionate creature, having an abundance of good principles. In groups, these principles would eventually form a way of life which guides the community in the way they think, act and react. This way of life would go through a process of refinement, resulting in development, thus creating civilisation. Although Smith did not explicitly express culture as a determinant of growth, he recognised that natural human traits become a driving force towards an elevated quality of life. In his “*An Enquiry Into the Wealth of Nations*”, however, he downgraded cultural factors from this prominent position and subsequent economists largely followed his lead.³

Karl Marx bluntly argued that rather than culture determining economic relations, it is the underlying technology that determines the type of social structure prevailing and even the dominant culture. In the preface of his book, “A Contribution to the Critique of Political Economy”, Marx wrote,

‘In the social production of life, men enter into definite relations that are indispensable and independent of their will, relations of production which correspond to a definite stage of development of their material productive forces. The sum total of these relations of production constitutes the economic structure of society, the real foundation, on which rise legal and political superstructures and to which correspond definite forms of social consciousness. The mode of production of material life conditions the social, political, intellectual life process in general.’⁴

From the quote above, it may be deduced that people continue to improve their ways of life within the parameters of their culture and this continuous improvement process may be termed, civilisation. The technology that enables and supports the improvement process would then be embraced as a new way of life which, in turn, catalyses the change process.

Man designed culture from his natural attributes and his surroundings; driven and inspired by the need to survive and sustain livelihood. The process of cultural change thus continues over time, as needs inspire innovation and new inventions which bring forth new technologies and methodologies. It has never been easy to determine whether economic development singularly drives cultural change or vice versa. So far as we

know, the process of cultural change moves along the route of economic development which then conditions social and political development. It is therefore of major significance that culture is given adequate consideration in any aspect of development. The United Nations Educational, Scientific and Cultural Organization (UNESCO) advocates that 'culture is ... the context for development...' and recognises it as a principal element of development policies.⁵ The effectiveness of development policies hinges on, among other things, management efficiency and effectiveness. Schein, in giving views on how to succeed in corporate management, recognized culture as an important factor contributing to effective management, and wrote,

"Culture matters. It matters because decisions made without awareness of the operative cultural forces may have unanticipated and undesirable consequences..."⁶

Given the above, this chapter thus addresses the nexus between economic development and cultural change by addressing the role of culture in the development process. The effects of religion, traditions, customs and economy on culture is covered to give an understanding of how values and mindsets develop, leading to the creation of new cultures. This chapter also seeks to highlight the ingredients of a development culture which will serve as the template for the later empirical study framework. An evaluation of the Islamic culture through discussions on the economics of Islam, by reference to its cultural and philosophical roots, aims to rationalize the cultural conflicts faced by a Malay Muslim state, which also has experienced periods of colonialism. Brunei has come to a crossroads but the idea of shedding its national values in exchange for a development culture modelled on Western capitalism may not be easy. Nevertheless,

examining the impacts of Islam and colonialism thus may give an understanding of the origin of, and conflicts within, the Brunei culture and therefore assist in the development of a progressive culture for Brunei society in line with its development plans.

3.1 Cultural Development

In defining culture, there is a tendency to stray into defining civilisation. Thomas Dietrich, in his book, *'The Origin of Culture'*, differentiates between culture and civilisation whereby culture means religion, gods, myth, science, history and philosophy; while civilisation comprises cities, states and empires, power and politics and wars.⁷ From this differentiation, it is clear that a significant difference lies in the fact that culture is the passing of traits from one generation to another; civilisation is the result of culture. When humans started to pass down knowledge orally and materially, a living culture was passed down. The use of language, and later, writing, improved communication between people and refined the way knowledge was passed down and thus refines the process of cultural development.

There are four elements that would be passed on from generation to generation, as illustrated in Figure 3.1: *values* or a general state or habit of mind, which comprise ideas about what in life seems important and more worthwhile; the general state of intellectual development in society or *norms*, which consist of expectations of how people will behave in certain circumstances; *artefacts* or the general body of the arts, which are things or aspects of material culture derived from culture's values and norms;

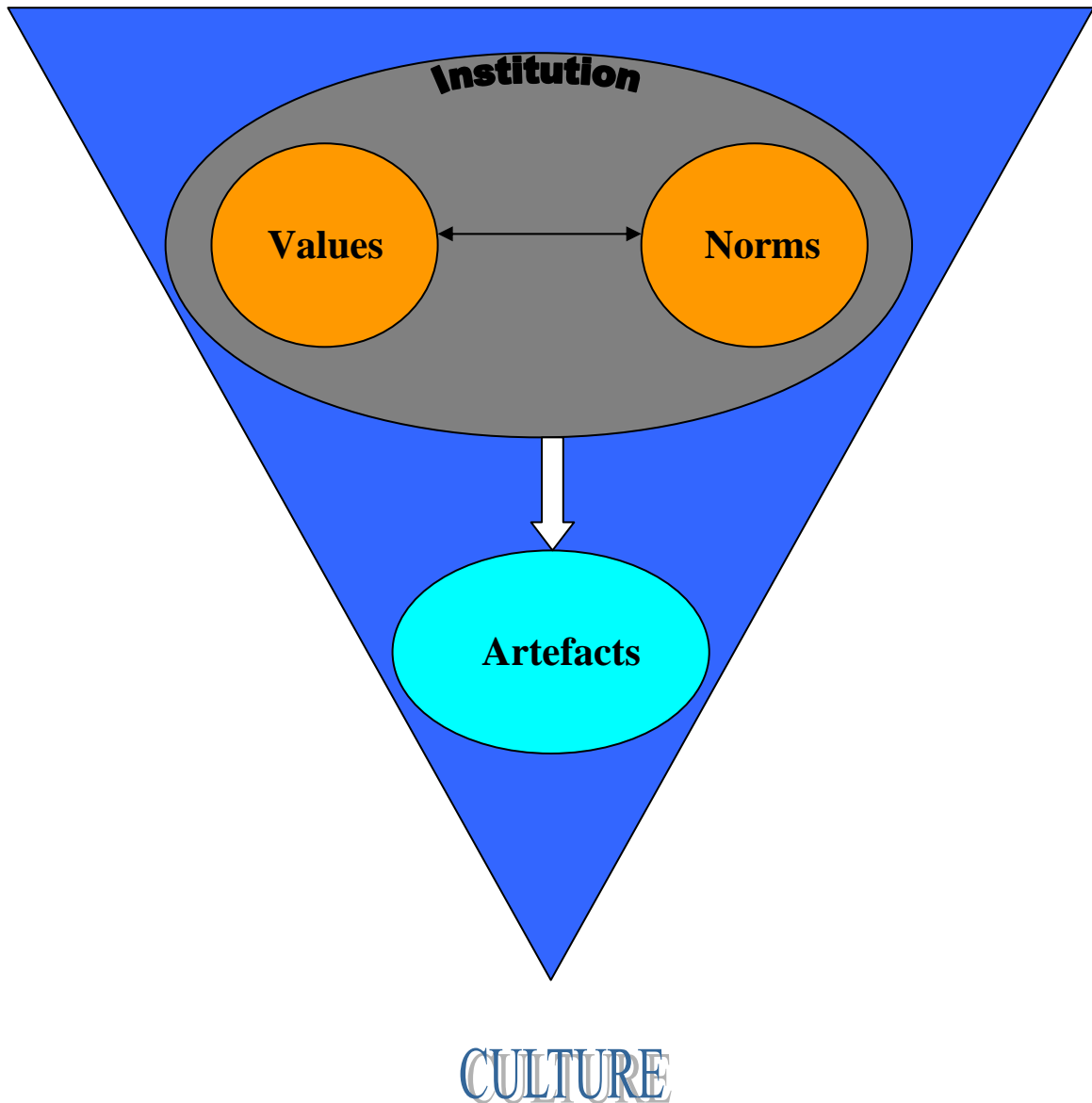
and *institutions*, which are societal structures within which values and norms are transmitted or the whole way of life, material, intellectual and spiritual.⁸ These elements form the basic of one's cultural design and evolution.

By establishing commonality through these elements, humans began to live in groups. These early groups would most likely be the hunter-gatherer groups that were always on the move. In order to create and sustain civilization there are a few basic things that must be accomplished:⁹

- **A stable food supply** is needed in order to keep people in one place all the time. Domesticated animals are an important factor; humans must be able to keep their food with them at all times.
- **Specialized jobs** must evolve, such as basket weaving, which produce things essential to the static community, ensuring that it is necessary for people to stay in one spot for significant periods of time.
- **A means of transportation** must become available in order that trade develops.
- **A police system** is required to ensure that these merchants get around safely.

Most likely, then, a ruler will emerge who controls this policing group and he/she will ask for taxes for their services. The entire system ranging from the habitat and architecture to traditions and rituals thus transformed into a set of integrated patterns and becoming the accepted way of life, creating what is known as culture. Each grouping has its own particular culture which, in turn, influences the development of each member's attitudes, values, ideals and beliefs.

Figure 3.1 – Basics of Cultural Design and Evolution



Source: *Author*

Variation among cultures is attributable to factors such as differing physical habitats and resources, that is, the range of possibilities inherent in such areas as language, rituals, social organization and history. A clear example would be the cultural gap between the East and the West, as seen in the different architecture, languages, habits, social structures and discipline. Nevertheless, cross-cultures became possible when groupings

merge or share common interests. On a massive scale, the result would be multi-cultural societies which later recreate new cultures. From observations, two most obvious changes borne of cross-cultures are culinary habits and expressions: - by way of language, dress and lifestyle. This cultural diversity is most evident in many South East Asian countries where the mix of Malays, Indians, Chinese and Arabs are to be found.

Space technology, allowing the advent of internetworking, facilitates cultural exposure, education and transformation. Needs and ideas inspire new designs and inventions which introduce new technologies. Cyber technologies allow travel through time and space in split seconds and create a borderless world, thus making cultural experiences to become easily and openly shared leading to an osmosis of cultures and creating what is known as a universal culture. As such, Karl Marx was right in alluding to technology as a driving force to social reformation and cultural change. The birth of this universal culture dilutes and transforms the root culture and this, of course, poses new challenges to nations when the new generations seemingly abandon the set customs, tradition, values and moral code.

The idea of corporate culture – distinct and malleable within the context of an employing organization or workplace – was popularized in the 20th century. The application of the term *culture* to the collective attitudes and behaviour of corporations arose in business jargon during the late 1980s and early 1990s. Baron C.P. Snow wrote of the gap between “the two cultures” in the 1950s,¹⁰ and noted that the breakdown of communication between the humanities and the sciences is a major hindrance to solving the world’s problems. Since then, the notion that *culture* can refer to smaller segments

of society has seemed implicit. Its usage in the corporate world may also have been facilitated by increased awareness of the importance of genuine cultural differences in a global economy, as between the Americans and the Japanese, that have a broad effect on business practices.

3.1.1 Definition of Culture

Theories for understanding and evaluating human activities bring forth various definitions of culture. The term culture is abstract and difficult to quantify; Alfred Kroeber and Clark Kluckhohn compiled a list of more than 100 definitions of culture in *Culture: A Critical Review of Concepts and Definitions*.¹¹ People describe culture as a way of life, shared and embraced by all within a society. As such, it includes codes of manners, dress, language, religion, rituals, norms of behavior such as law and morality, and systems of belief;¹² the ways in which people make their lives, individually and collectively, meaningful, by communicating with each other.

The wide range of unquantifiable cultural components makes culture abstract. Cultures are indeed deep-seated, pervasive and complex and it can be extremely difficult to arrive at a single definition. According to many theories that have gained wide acceptance among anthropologists, culture exhibits the way that humans interpret their biology and environment. People use their knowledge gained through transmissions and experiences to adapt the environment to their own purposes and create a way of life to achieve adaptive success. Edward Tylor, in his book *Primitive Culture* published in 1871, defined culture as, "... that complex whole which includes knowledge, belief, art,

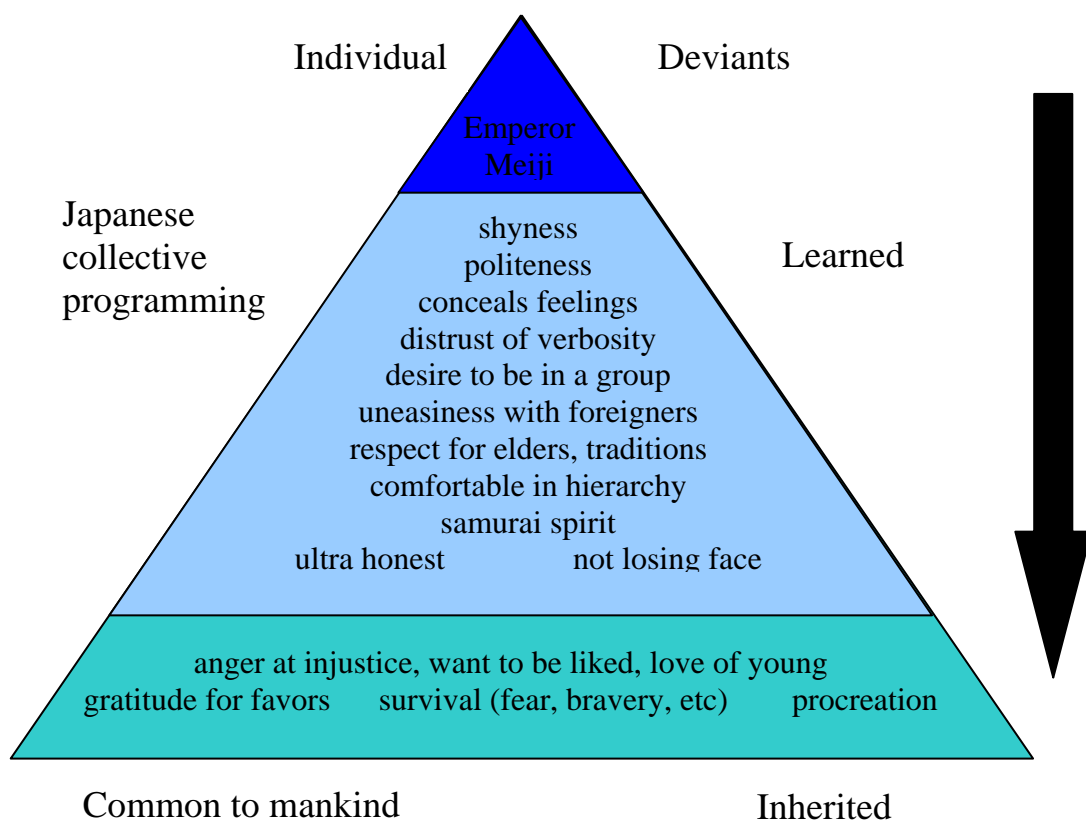
morals, law, custom, and any other capabilities and habits acquired by man as a member of society.”¹³ By this definition, it is understood that culture holds the full range of learned behaviour patterns which forms the integrated system of socially acquired values, beliefs and rules of conduct. Peter Walters, a social theorist, described culture simply as ‘shared schematic experience’,¹⁴ including, but not limited to, any of the various qualifiers such as language, art, religion and others mentioned in other definitions. Geert Hofstede, another sociologist and an expert on cross-cultural management, defined culture as "the collective programming of the mind, which distinguishes one human group from another ... Culture in this sense includes systems of values, and values are among the building blocks of culture." ¹⁵ A few years later, his notion of culture was broadened into "mental programming ... patterns of thinking and feeling, and potential acting,"¹⁶ by his granddaughter, Gert Hofstede. She emphasized that ‘culture is not a property of the individuals, but of groups’ and calls culture “the software of the mind.”¹⁷ While Walters’ definition emphasizes learned and shared experiences, Hofstede believes that culture is a result of a common mindset.

Most definitions point to the significance of sharing common practices, either driven or inspired by a common mindset. In some countries, most commonly those in South East Asia, religion plays an important role as the unifying instrument , customs and traditions as the unifying platform and shared interests as the unifying force. In countries, where secularity replaces religion, most commonly in the northern hemisphere, history becomes instrumental in unifying the people with philosophy and ideals driving the communities to a common ‘culture’. The metamorphosis of culture nevertheless would go through the same process, albeit in different time frames and regions.¹⁸ All of these –

religion, history, customs and tradition, interests, philosophies and ideals – are bases for commonality and form ‘colourful’ cultures. Shared experiences and programmed mindsets are therefore of equal importance in characterizing culture and cultural values.

Politics capitalizes on these cultural values to form a national culture and thus a driving and cohesive force to achieve national interests and objectives. Lewis illustrates the significance of mental programming which bears the underpinning values forming a national culture.¹⁹ The illustration in Figure 3.2 shows how national collective programming works in Japan:

Figure 3.2: Human Mental Programming - Japan



Source: *Author* (Adapted from Lewis, R.D., *When Culture Collides*, 2006, p. 18)

Lewis believes that national or regional culture imposes itself on how people behave and not the other way round.²⁰ Taking note of the fact that “deep down people are alike”,²¹ there are then such things as universal human characteristics. In Japan, these characteristics common to all mankind are appreciated and these combined with inherited cultural beliefs and values, strengthened by individual characteristics, form the Japanese national identity and culture. The downward arrow in Figure 3.2 indicates the route of cultural development in Japan: people are “programmed” to believe that values left by their forefathers signify their true identity and this inheritance is the soul of their survival. By the late 19th century, the rise of nationalism pushed forward the idea of Emperor-centred culture as a national unifying force and *Shintoism* became the State religion.²² This unique loyalty to the Emperor and the “samurai spirit” solidifies the cultural aspect of true Japanese. In this context, mental programming works to produce a national culture which may then influence the behaviour and mentality of its people thus forming a unique identity. From this illustration, Schein’s definition of group culture applies in that culture of a group is “...a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.”²³

UNESCO insisted that culture should be regarded as, “... the set of distinctive spiritual, material, intellectual and emotional features of society or a social group...” and in that, it should encompass, “... art and literature, lifestyles, ways of living together, value systems, traditions and beliefs.”²⁴ This implies that religion and beliefs, taste and lifestyles, thoughts and mindsets, attitude, mentality and habits, ideals and values, as

well as customs and traditions, are factors which influence the creation and development of a certain culture. Based on these various expressions, it is perhaps more acceptable to define culture as a way of life formed as a result of the cumulative deposit of knowledge and experiences, refined by natural human attributes, ideals and beliefs.

3.1.2 Role of Religion in Culture

Hofstede wrote, “Religious affiliation by itself is less culturally relevant than is often assumed... if we traced the religious histories of countries, then the religion a population has embraced along the version of that religion seem to have been a *result* of a previously existing cultural value pattern as much as a *cause* of cultural differences...”²⁵ This would suggest that culture bears the foundation for the emergence of religions and that each particular religion is a man-made guide based on human experiences. As people differ in their experiences, the set of guidelines would have differences, too, and developed according to their experiences and the environment. This explains the variations in religious beliefs and traditions we find today. Karen Armstrong in her book, ‘*The Great Transformation*’, views ‘... [humans] as meaning-seeking creatures’, becoming desperate when lacking significance and value in their lives.²⁶ And thus, people strive to fill the void by creating new practices which become meaningful only to themselves and those of their clan. Historically, then, cultural patterns were formed and transformed and some rituals were followed so religiously thus forming a religion. From this it may be deduced that culture creates religions and that the differences in thoughts and perceptions of the so-called religions create different practices, which in turn become the foundation of different cultures. The

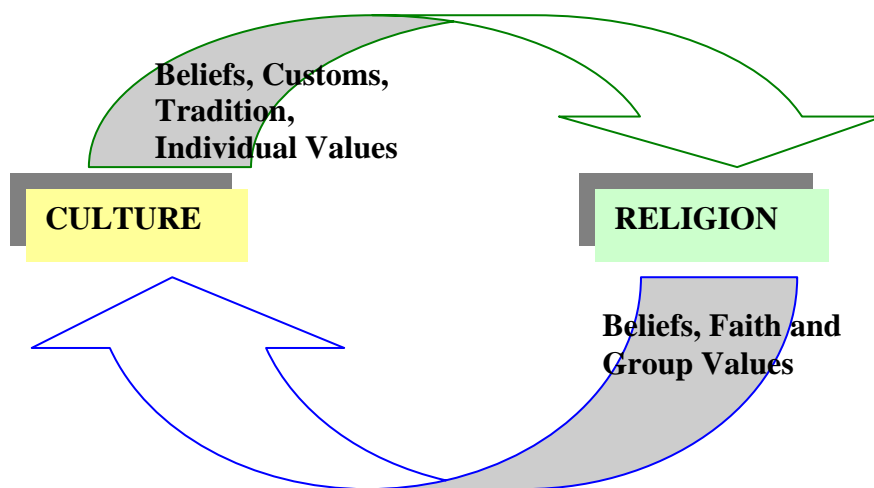
cycle continues whereby the newly formed cultures then give rise to different beliefs and different religions or different versions of the same religion.

According to Armstrong, at the beginning, there was just a way of life where ‘ritual and animal sacrifice’ became ‘central to a religious quest’.²⁷ The sacrifice became a universal religion in the ancient world and it depended upon a ‘perennial philosophy’,²⁸ believing that all that exists on earth is ‘a replica of a reality in the divine world’.²⁹ The desire to establish significance and values attributed to the creation of religions which change over time and thus change the cultural patterns. By this, it may be argued that religion is a major indicator of cultural development and would be one of the most important factors in the cultural development cycle. It would thus have substantial effects in shaping one’s mentality and reactions to one’s surroundings, making it a key factor in influencing the design of an individual’s mindset and culture. On a collective basis, aspects of it can complement as well as motivate development. It can be a catalyst for change, as well as an agent for preservation of social ideals and traditions and may thus contribute directly to a person’s contentedness and thus comprises a dimension of human well-being. Religion is thus an integral part of culture which stimulates a society towards a particular way of life, be it positively or regressively.

Islam, like many other religions, promotes unity and ‘good’ development of the human race. It shares the essence of most religions in nurturing good moral values which encourage positive development in all dimensions. Quite often, it is the different interpretations of these fundamental values that form a certain perception and thus creates different versions of the same religion. Any religion, when embraced fully,

becomes a prominent culture which dictates the course of development. The variations resulting from different interpretations of religious teachings generally add colour to the form of culture each group embraces and practises. This perhaps is the reason why development is achieved at different levels and time frames. On the whole, religion and culture are seemingly inseparable and each is responsible for the cause and effect of development, as illustrated in Figure 3.3 below.

Figure 3.3: Culture Development Cycle



Source: *Author*

3.1.3 Traditions, Customs and Values

No grouping exists without traditions and customs, no matter how small. The rituals embossing each particular set of traditions and customs signify the identity of the group, characterizing the behaviour of members of the group. Clubs, societies, and institutions all have their own rules and regulations customised to facilitate, or complement the

facilitation of their operational objectives; these customised rules and regulations gradually become the traditions and customs of the grouping.

The word tradition comes from the Latin word *traditio* which means “to hand down” or “to hand over”.³⁰ Traditions are elements of culture that would be handed down comprising an inherited pattern of thought or action as well as practices or customs of long standing. According to economists, Friedrich Hayek and Thomas Sewell, tradition is ‘an economically efficient way’ of transferring and obtaining knowledge of all kinds.³¹ Some traditions are invented to establish legitimacy of power and enhance the importance of the institution, as seen during the colonial era where colonial powers invented ‘traditions’ to legitimize their own position in the countries they colonized. For example, through recognition of succession of a chiefdom, favouring their own candidates in order to facilitate operational objectives. Some customs and traditions are created to identify ethnic groups or nationalities, as seen in most Asian countries and Latin America. Some parts of these customs and traditions become refined or altered as time passes by to suit the present day ideals and relevance, as seen in ceremonies, particularly weddings and State functions.

Traditions and customs seemed to be ancient and they may become unalterable once they are embraced as culture and become specific to a particular identity; a good example is the weekly practice of *Shabbat* by the Jews and Christians.³² However, traditions may be changed to suit the needs of the day, as those in religious festivals such as Christmas – the actual date of Jesus’ birth does not coincide with 25th December; the date was chosen to capitalize on the popularity of traditional solstice

celebrations.³³ Customs and traditions set the norms which, if not updated, can become constraints to social development and hence a hindrance in the process of creating a development culture.

3.1.4 Capitalism and Corporate Culture

Capitalism is a cultural construct, motivated by an economic system, based on private ownership and consolidation of the means of production, where the production of commodities is guided by the profit motive to satisfy human desires. Capitalism encourages people, in general, to engage in activity that is deemed valuable by people. This is a positive aspect of capitalism which makes it successful. In promoting growth and maintaining competitiveness, the process of refinement of business methods and business strategies continues.

In the capitalist system, reward is not always proportional to contribution, hence stimulating greater competition. At some point, the competition and profit motive can breed a greedy and over-ambitious self-belief system, manifesting itself in corporate crime and immorality, such as environmental and safety regulation violations, offshore tax shelters, misappropriation of funds, grossly overpaid executives, and accounting manipulations. Such activities have always existed and been accepted by most people as the 'cost' of doing business. The frequency of its occurrence has, up to a point, turned it into a culture of the business world! The existence of these malpractices has negative impacts on how people view business and trade, and now, people are starting to

question the underlying mindset. One key factor emerges in that corporations have to undergo cultural transformation in order to achieve business objectives successfully.

Over many years, the success and failure of a corporation has always been attributed to its leadership and management. In recent years, deeper studies on business management have led to the recognition that a root issue determining the success and failure in business includes culture.³⁴ For large organizations there are issues around the development of subcultures and the integration of newcomers. Managers understand that cultural differences affect the process of doing business, but many underestimate by just how much. It is noted that there are cultural extremes and misunderstandings that can arise when doing business across cultures - even when people are working for the same company. The role of culture in business is now recognized as an important key to sustainability of the organization. It is imperative that one should understand the culture of the organization to contribute positively towards the development of the organization.³⁵

3.2 Development Culture

In trying to define development culture, there is a need to understand the true meaning of development. There is also a need to understand its effects on all areas of society: politics, economics, government, technology, beliefs and education, in order that we may identify the 'ingredients' of development. The Oxford English Dictionary defines development as the "process or fact of developing; the concrete result of this process."³⁶ Some in the economic development community, as mentioned in the previous chapter,

define development as the process of improving the quality of all human lives. Essentially this leads to the question of how to eradicate poverty, having equal rights of access to economic resources. As Goulet pointed out "...to the billion people who continue to live in extreme poverty... development is the modest hope of gaining secure supplies of food and drinking water, adequate shelter, and access to rudimentary health services."³⁷ To re-emphasize this point, the question raised by Dudley Seers is highly relevant to providing a clearer perspective on development as has been widely accepted:

*What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have become less severe, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result "development", even if per capita income has soared...*³⁸

Development challenges as seen by Seers, is widely accepted in today's development discussions and people identify the reduction of poverty, inequality and unemployment being the ingredients of development. Amartya Sen, in *Development As Freedom*, views development as successful when deprivation is reduced, where deprivation represents a multidimensional view of poverty that includes hunger, illiteracy, illness and poor health, powerlessness, insecurity, humiliation, and a lack of access to basic infrastructure.³⁹ Although expressed differently, both Seers and Sen defined development as a progression towards elevated well-being. Both have similar views on

the measures and strategies of development in that both view poverty, or its absence, as a measure of development, as well as inequality and unemployment, and both see that part of the strategies of development attainment includes reduction or eradication of those elements associated with poverty and that government and related agencies must commit themselves to participate at all levels of development. Embracing the notion of a development culture is a way forward to achieving progress and sustainable development - a culture which breeds positive thinking, innovativeness, progress and far-sightedness.

Inculcating a development culture has its own challenges. In addressing issues associated with these challenges, countries have to review and revise their education, training and management policies. At some point, traditional cultures have to be shed and replaced by new customs and traditions. This may be a contentious issue as efforts of preserving traditions to promote cultural diversity are now active in international dialogues.⁴⁰ Another prerequisite to inculcating a development culture is having sufficient understanding of new technologies. There is also a need to create a favourable climate for breeding technocracy, most appropriately through education and a technology-controlled environment.

3.2.1 Education and Ethics

Education plays an important role in providing a solid platform for nurturing a positive culture on a mass scale. Countries are beginning to realise that creativity and culture are worthy to be integrated into the whole education system,⁴¹ not only for the preservation

of culture but also for preparing people to cope with societal shifts brought about by global changes, particularly those driven by new technologies. Appreciating cultural differences and understanding cultural diversity, in parallel with sufficient understanding of available technology, is advantageous in nurturing a development culture when incorporated into education, training and management policies.

Schools and colleges are not the only mediums for introducing and nurturing development culture. Families, clubs, organisations and industries are also effective institutions for promoting and validating positive values and progressive practices. Henson and Eller noted that in primitive societies, senior citizens transmit to the young generation skills and values needed to become good citizens and to contribute positively to the good of the society. In industrialised nations, the responsibility of passing down cultural values lie with the family, schools and religious institutions.⁴² It is apparent that in these days of innovation, these agents of transmission are gradually superseded, although not totally replaced, by those in the cyber superhighways and as a result, cultural education and revolution become faster. The outcome is a more diverse and complex culture known now as a universal culture.

Universal culture reins people in to adopt a common taste, style and practice which, over time, overshadows the values of the previously adopted culture. The emergence of a universal culture hence calls for more stringent efforts at preserving local cultures which must, simultaneously, balance with progress. The main consideration in any education policy, particularly in countries which remain strong with a traditional culture, would be the selection of relevant and irrelevant parts of the root culture on

which local customs and traditions are based. Irrelevant and inapplicable traditions can affect the smooth process of development. On the other hand, having knowledge of these traditions is a key to linking people to their origins and thus retaining local societal values. The main challenge is how to educate people so that they know their customs and traditions and, at the same time, embrace a progressive culture to guarantee them full access to available economic resources.

3.2.2 Limitations of Traditional Culture

As argued in paragraph 3.13, traditional culture can impede social development and the process of creating a development culture when not updated. It is apparent that today's world is rife with cultural conflicts, particularly between people of different generations - parents and children, teachers and students - and those of different backgrounds - traditional and modern or metropolitan and country. The younger generation, or people in the cities, live in a new world environment, surrounded by modern technology and pressured by speed. Traditional culture seemingly cannot fulfil their needs adequately and hence, some parts of traditions and customs are labelled as irrelevant, inapplicable and hindrances to progressive processes. On the contrary, preservation of root culture is vital if national identity and kinship are to become an important social objective on the political chessboard. Traditional society and modern society differ in many ways. Parsons⁴³ differentiated traditional and modern societies based on five criteria, as illustrated in Table 3.1.

Table 3.1: Differences between Traditional and Modern Societies

Criteria	Traditional Society	Modern Society
<i>Types of Relationship</i>	Affective (personal, emotional, face-to-face relationships)	Affective-neutral (impersonal, detached, and indirect relationships)
<i>Type of Interaction</i>	Particularist (people are bound to each other by obligation, duty, and trust, and each member has a particular role which is known to all other members)	Universalist (people frequently interact with strangers, and apply universalist rules and norms to these interactions)
<i>Identification</i>	Collective (loyalty to the family, community or tribe)	Individualistic (people are encouraged to develop their own interests, talents and identity)
<i>Status</i>	Ascriptive (a person's position and life path are determined by who they are)	Based on achievement (a person is evaluated according to what they have achieved)
<i>Division of Labour</i>	Functionally diffused (a person usually has multiple functions, eg. farmer, healer, local chief)	Functionally specific (a person has a more narrowly defined role and can be more efficient in what they do)

Source: adapted from Parsons, 1999, p.115.

Parsons noted that traditional society is characterised by affectivity and diffuseness, embracing a culture which identifies with lengthy processes, diffused functions and community-driven decisions and solutions. Quite often, this would lead to obscurity in the management of affairs. A modern society, on the other hand, engages in affective neutrality and specificity when dealing with others.⁴⁴ However, characteristics of both traditional and modern societies are useful in a tradition-bound progressive culture.

The characteristics of traditional society, described by the German sociologist, Fernand Tonnies as *Gemeinschaft*⁴⁵ are ‘beautiful’ because they reflect unity, bonded by kinship, loyalty, friendship and shared religious beliefs. In contrast, Tonnies asserted that social relationships in modern societies are ‘less personal, more instrumental and contractual in nature’, which may, in principle, oppose the promotion of love, compassion and cooperativeness as recommended by all religions.⁴⁶ Individual’s actions in traditional society are oriented toward collectivity; in modern society, actions are self-oriented. These self-oriented actions are called for in the modern capitalistic world. In order that capitalism may function, each individual is expected to maximize his or her self-interests⁴⁷ to create competitiveness necessary to ensure economic efficiency. A balance of societal character embodying the positive and relevant aspects of both traditionalism and modernism is therefore necessary in a tradition-centric nation which hopes to progress well alongside other developing or developed nations.

3.2.3 Technology and Technocracy

Modernism, technology and development are closely linked as technology catalyses the process of industrialization. Goulet reasoned that “...because the modern mode of creating wealth rests on the systematic application of technology to boost productivity, industrialization has become synonymous with development.”⁴⁸ This statement suggests that industrialization is an indicator of development which can only be achieved through technology. This further suggests that prioritizing technology in the national development planning is non-negotiable in order that countries may enter the colony of developing nations.

The creation of a techno-literate society thus becomes a mandatory objective in supporting development policies. Technocratic society would aim to provide the highest standard of living possible to everyone for the longest period possible and encourage the adoption of technocracy as a culture. Technocracy allows the application of science to serve a social goal or to solve problems. It is a method of controlling technology and it outlines the basic operating characteristics for a high-energy, abundance-producing society. Some areas may simulate social control, but instead of enforcing laws to achieve this, technocracy instead is designed to provide an environment that will facilitate behaviour conducive to this operating environment. People will have as much personal freedom, or likely even more, than in any modern democratic society. The technical controls of technocracy are not interested in or designed to interfere in people's lives, but rather to provide the best standard of living with which people can enjoy life. As people are free and highly able, economic growth is achieved and sustainable development is assured. As Amartya Sen noted, "Free people devote more energy to the development of their communities and their countries than those who are not free."⁴⁹

3.3 Islamic Culture and Development

Muslim or Islamic culture is itself a contentious term. Muslims live in many parts of the world and in many different communities, making it difficult to determine what unifies them other than the religion of Islam. As a result, religious Muslims claim that there is no particular Muslim culture; there is only a Muslim religion. However, secular

academia does not acknowledge this distinction. It views religion as one aspect of cultural anthropology and history. A historian of Islam, Marshall Hodgson, noted this difficulty of religious versus secular academic usage of the words “Islamic” and “Muslim” in his three-volume work, *The Venture of Islam*, and proposed to resolve it by only using these terms purely for religious phenomena.⁵⁰ Instead, he invented the word “Islamicate” to denote all cultural aspects of Muslim peoples. His distinction, however, has not been widely used and confusion remains in common usage of these words. For the purpose of this thesis, the word Islamic or Muslim culture denotes the way of life which affects every Muslim and the author will attempt to make distinctions, where possible, based on the impact of local culture on religion and vice versa.

The Islamic culture, as we see today, is very much influenced by the Arabic culture, mostly in terms of rituals, arts, language and dress codes. Although colonial influences and local culture dilute the full impact of arabicised Islamic culture in many countries, there are evidences of its slow re-emergence as illustrated by demonstrations in some countries through struggles for equal ethnic rights and emphasis on orthodoxy and fundamentalism. A profound example is dress codes for women in Europe where the wearing of veils is limited or prohibited.

Islam is also strong in its expressions through arts and architecture which gradually become symbols of everything Islamic. Islamic art, mostly evident in calligraphy, has been mainly abstract and decorative, portraying geometric, floral and Arabesque designs. As Islamic art is centred usually around Allah, The Almighty God, which cannot be represented by imagery, and prohibits portraiture to stop idolatry; Islamic art

does not include depictions of human beings or icons. Increased contact with Western civilisation for the past two centuries has relaxed this prohibition to the point where only orthodox Muslims oppose portraiture. Islamic architecture bases itself on design elements inherited from historical mosques, synagogues and churches. Buildings often have large courtyards, towers, domes, *mihrab*,⁵¹ ablution fountains, and Arabic calligraphy, and are often brightly coloured with decorations more focused on interior space than the exterior. As symbols, these are sometimes misinterpreted as Islamic and the impact of local culture becomes superimposed by Arabic designs.

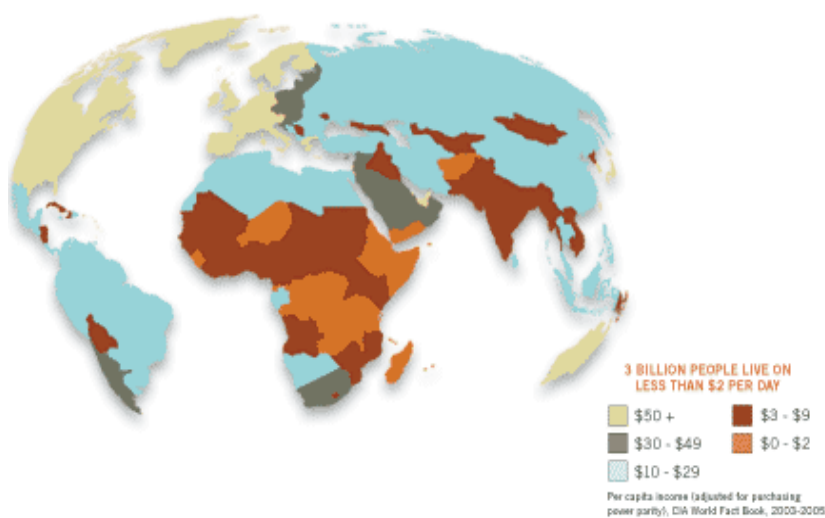
These are among the many products of Islamic development which carry the trademark of Islamic culture. Success stories of Islamic contributions to social development are perhaps best described by the following extract of a speech by the CEO Hewlett-Packard delivered on 26 September 2001 at a conference in Minnesota,

"There was once a civilization that was the greatest in the world. It was able to create a continental super-state And this civilization was driven more than anything, by invention. Its architects designed buildings that defied gravity. Its mathematicians created the algebra and algorithms that would enable the building of computers, and the creation of encryption. Its doctors examined the human body, and found new cures for diseases. Its astronomers looked into the heavens, named the stars, and paved the way for space travel and exploration. When other nations were afraid of ideas, this civilization thrived on them, and kept them alive. When censors threatened to wipe out knowledge from past civilizations, this civilization kept the knowledge alive, and passed it on to others.

While modern Western civilization shares many of these traits, the civilization I'm talking about was the Islamic world from the year 800 to 1600....”⁵²

Questions arise whether these developmental achievements have been inspired by religion. If so, there would be further questions on why such an innovative spirit failed to continue to support the Islamic countries after the 17th century. Disparity in current socio-economic status of Muslim countries in recent years, as mentioned in Chapter 1, has raised concerns and called for greater cooperation among Muslim countries. Studies show that Muslims live in abject poverty and deplorable conditions in many Islamic countries, living on low incomes, barely supporting subsistence living.⁵³ About 50% of the world’s population earn less than US\$2 a day in most of the Islamic countries as illustrated by reference to the map at Figure 3.4.

Figure 3.4: Poverty in the Muslim World



Source: www.unitus.com/sections/poverty/poverty_pov_main.asp

Poverty anywhere in the world, in any society, creates other social problems such as illiteracy, malnutrition, disease and crime. These issues have been, and will continue to be, addressed by various associations of Islamic countries or Muslim groups. Many of these countries/groups have pledged to solve poverty and problems associated with it by sharing prosperity. An instrument geared to achieve this is by promoting economic growth and sustainable development. The practice of a religion based on a specific culture has led to confusion in understanding the true teachings of the religion itself. Thus much of what Islam brings into our lives would be misinterpreted and misunderstood, which may have led to the lack of progress in the Islamic world today.

3.3.1 Fundamentals of Islamic Culture

According to Wikipedia, the Islamic or Muslim culture is a term primarily used in secular academia to describe all cultural practices common to historically Islamic peoples. The fundamentals of the Islamic culture are drawn from the Islamic beliefs, of which the central part is the *Quran*, believed to be the final revelation by *Allah*, the God, to His last prophet, Muhammad. Since the divine words were revealed in Arabic, the language of the prophet, this language is used in all Islamic religious practice worldwide. Muslims believe in the final reward and punishment, and the unity of the *ummah*, the “nation” of Islam. They submit to *Allah* through *arkan ad-din*, the five basic principles or pillars, and the six articles of the faith. The history of the prophets, the *Hadith* and *Sunnah* or the traditions of the prophet Muhammad, the history of the Muslim struggles and the Muslim rule form references in modern day Islam.

It may be argued at this point that despite history, the fundamental teachings of Islam are already sufficient to become the base of a progressive culture. In Islam, believers are taught to believe in the powers of one God that has sent guidance through selected human beings - the prophets. The essence of Islam lies in the recognition of, and faith in, God's supremacy, power, absoluteness and sovereignty and hence, believers would submit without reservation to the will of God. A true Muslim would dedicate his life and everything he has to God the Almighty, as a verse in the Quran teaches,

'Say: "Truly, my prayer and my service of sacrifice, my life and my death, are (all) for God, the Cherisher of the Worlds."

Chapter Al-A'nam Verse 162⁵⁴

Islam means total submission to God⁵⁵ and its teachings and principles cover all aspects of life, secular and spiritual. In contrast to the general understanding and common western knowledge, Islam is an old religion which had been ordained through all the prophets, including Abraham, Moses, Jacob, Joseph and Jesus. In the *Quran*, God revealed to Prophet Muhammad that the same message of God's supreme existence had been transmitted to those before him:

'And this [submission to Allah] was enjoined by Abraham upon his sons and by Jacob [saying], "O my sons, Allah has chosen for you the religion, then die not except being a Muslim [in the faith of Islam]."'

Chapter Al-Baqarah Verse 132⁵⁶

The five pillars of Islam are shown in Figure 3.5, and are a guide for every person that claims having faith in Islam. As a Muslim, he is expected to perform the following:⁵⁷

- Solemnly declare that there is no God but Allah and to bear witness that Muhammad is His Messenger.
- Perform daily prayer five times a day.
- Tithing and Almsgiving
- Fast in the month of Ramadhan.
- Perform the Pilgrimage.

The first pillar of Islam is called the *syahadah*, the solemn declaration of a Muslim to submit and to have faith in the oneness of the *al-Khaliq* or Creator, and to bear witness that the chosen prophets, the last of whom was Muhammad, are His messengers. This testimony seals the faith of a Muslim who worships only Allah, the All-Mighty God, freeing him from polytheism. It is also a testimony that the prophet is a messenger of God, confirming the separation between creations and creator and thus maintaining that Godship belongs to the Creator alone. No prayer or supplication can be directed to these messengers, or the angels, saints, jinn or any other person, spirit or object.

The second pillar of Islam is the requirement to perform the *solat* or daily prayer five times a day, individually or in mass. Praying reminds us to submit to the one God and aims to solidify the relationship between creations and Creator. The third pillar is giving *zakat* to the poor and needy. This Islamic concept of tithing and almsgiving obliges every Muslim to contribute 2.5% of their total wealth (stored for a year) to specified categories of people in need. Giving *zakat* is a reminder that everything belongs to God

and that Muslims have a duty towards others in the sharing of His gifts. The collection of *zakat*, or tax, ensures adequate distribution of wealth, safeguarding the welfare among men. The fourth is to restrain oneself from earthly desires through fasting. All Muslims, except those constrained by maturity and poor health, must fast between dawn and dusk in the month of *Ramadhan*, the ninth month of the lunar calendar. Fasting is a time for spiritual reflection and intends to teach Muslims self-discipline, self-restraint and generosity. The fifth is the *haj* or pilgrimage to the city of Mecca, the centre of history of Muslim rituals, at least once in a lifetime for those who are able. Activities during the pilgrimage remind Muslims of equality among mankind through unity as exemplified in the conduct of the rites and rituals.

Figure 3.5: The Pillars of Islam

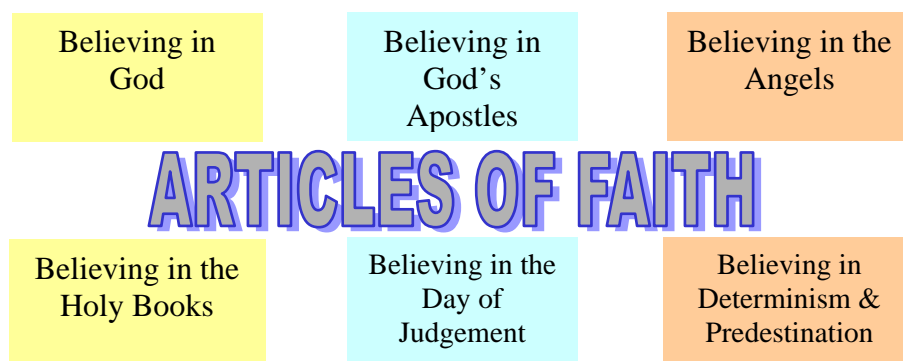


Source: *Author*

These pillars are augmented by the six articles of faith, as illustrated in Figure 3.6, whereby Muslims are guided to believe in Allah, the one and only God, the prophets and Messengers, in the Angels, in the Holy Books, in the Day of Judgement and in the Determinism and Predestination. The core of faith for every true Muslim is complete obedience and total submission to God’s will in the finality of all decisions and well-being, although this does not necessarily limit free choices. Besides these pillars and articles of faith, Muslims are also guided by the *Hadith* and *Sunnah*,⁵⁸ which form a comprehensive guide to ethics, practices, rites and rituals.

The five pillars, six articles of faith, the *Quran*, *Hadith* and *Sunnah* have provided sufficiently for both personal spiritual growth and social sustainability. The strength of Islam lies in the unity of the *ummah*, the ethics – moral principle - and the ethos - distinctive spirit, attitudes of a people. These form the fundamental culture of Muslims all over the world. Total embrace of the fundamental values that lie within this culture may hold one of the keys to progressive development.

Figure 3.6: Articles of Faith



Source: *Author*

3.3.2 Economic Development in an Islamic Context

The fact that poverty exists in this time of plenty is an indicator that market capitalism, an efficient instrument of wealth creation, has yet been unable to address the issues of equitable distribution. It may be argued that a reason for increased economic inequality lies in the fact that governments and civil society have focused exclusively on changes in the outside world, ignoring the need for change within people themselves. The pillars of Islam and guidance provided therein underline the practice of individual transformation. The Islamic practices, as perhaps in most major religions, are more geared to helping people to find the meanings of their existence of which economic development is merely one of the factors necessary for harmonious and spiritually rich life. Islam recognises the importance of attaining minimum levels of material and physical comfort and perceive wealth as a blessing which enables one to be a true Muslim, as it provides freedom from mundane struggles that hamper the pursuit of the teachings of the Quran. Material wealth is also seen as a reward, or indication of virtue. In Islam, all things flow from Allah the All Merciful, and hence wealth is viewed as a gift to fulfil one's destiny to live a life of surrender to the Almighty, and to enable others to do the same. It is therefore not wrong to say that the objectives of market capitalism move in tandem with economic development in the Islamic context. Whilst the objectives are the same, the mechanics of the processes toward wealth creation may differ.

3.4 Islamic Development: Challenges and Opportunities

From data available on the internet, the normal practice is to intervene and treat culture as a principle element for cohesion, inclusion, identity and, finally, security, in today's environment.⁵⁹ The recognition of culture as an ingredient for development offers opportunities for, particularly, small countries to participate and profit from membership of the various institutions. The market economy thrives and becomes more competitive as technology advances and opens the doors to both challenges and opportunities. Cultural changes are expected to take place as new trends impact in the market.

Despite all the arguments laid down thus far, some countries are reluctant to let go of their root culture. Brunei, for instance, a small and oil rich sultanate, clad with centuries-old customs and traditions, would have to find ways to turn challenges into opportunities to achieve development goals. Brunei survives among countries which have proven to be economically healthy; traditions, customs and religion are symbols of its heritage and identity. Despite efforts to diversify and modernise, social and economic developments are still floundering in the face of sustainability. With oil and gas, skilled and educated people, stable government and close proximity to abundant economic resources and markets, Brunei has all the assets to expand its economic capacity and successfully achieve its economic development objectives. Thus, why is Brunei not a Dubai?

The comment made by the Acting Chairman of Brunei Economic Development Board (BEDB) may provide a partial answer. In trying to explain the state of Brunei's

economy, Dato Timothy Ong used, as an analogy, a healthy-looking apple which is not so healthy inside, but, on the outside all seems fine. Brunei, in reality, is economically vulnerable.⁶⁰ When the portrayal is better than the actual condition, it can be deduced that Brunei has an unhealthy lifestyle - one that is heavily cosmetic with a less meaningful substance. If lifestyle is the cause of a floundering economy, it would be appropriate to study the cultural aspect of Brunei economic development. The observations made by Heeks,⁶¹ some of which are highlighted in Chapter 1 (section 1.1), bring out significant points meriting a proper study into the mindset of the Brunei people and the feasibility of cultural transformation. In order that a viable strategy be proposed, the next chapter provides an analytical profile of the empirical and economic development experiences of selected Gulf states of similar attributes as Brunei: Muslim, small and energy-rich.

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²² Hardacre, H., *Shinto and The State 1868 – 1988*, Princeton University Press, (1989)

²³ Schein, E., ‘Organizational Culture and Leadership’, in Shafritz, J. and Ott, J.S. (ed)., *Classics of Organization Theory*, Harcourt College Publishers, (2001), pp.373-374.

²⁴ UNESCO Universal Declaration on Cultural Diversity, (02 Nov 2001).

²⁵ Hofstede, G.J., *Cultures and Organizations: Software for the Mind*, McGraw-Hill Professional, (2005), p.34, pp. 197-202.

²⁶ Armstrong, K., *The Great Transformation*, Atlantic Books, UK, (2006), p. xi.

²⁷ Ibid, p.xiii.

²⁸ The notion of perennial philosophy suggests the existence of a universal set of truths and values common to all peoples and cultures. The term was first used in 1540 by Augustino Steuco in his book entitled: *De Perenni Philosophia Libri X*, and was popularized by Aldous Huxley in his 1945 book: *The Perennial Philosophy*.

²⁹ Op cit, p. xv.

³⁰ <http://en.wikipedia.org/wiki/Tradition>

³¹ ‘The Determinants of Social Action’, in Erich Streissler (ed), *Roads to Freedom: Essays in Honor of Friedrich A. von Hayek*, Routledge & Kegan Paul, London, 165-179 ; Sowell, T., *Knowledge and Decisions*, Basic Books, New York, (1980).

³² Shabbat is a Hebrew word which means “the day of rest(or ceasing)” and entails a ceasing or resting from labour. This is taken from Judaism after the Ten Commandments ordained it in respect for the day during which God rested after having completed the Creation in six days (Genesis 2:2-3, Exodus 20:8-11):

“Observe the Sabbath day and keep it holy, as the LORD your God commanded you. Six days you shall labour and do all your work. But the seventh day is a Sabbath to the LORD your God; you shall not do any work - you, or your son or your daughter, or your male or female slave, or your ox or your donkey, or any of your livestock, or the resident alien in your towns, so that your male and female slave may rest as well as you. Remember that you were a slave in the land of Egypt, and the LORD your God brought you out from there with a mighty hand and an outstretched arm; therefore the LORD your God commanded you to keep the Sabbath day.”

³³ From *The Buffalo News*, (Nov. 22, 1984): “The earliest reference to Christmas being marked on Dec. 25 comes from the second century after Jesus’ birth. It is considered likely the first Christmas celebrations were in reaction to the Roman Saturnalia, a harvest festival that marked the winter solstice—the return of the sun—and honored Saturn, the god of sowing. Saturnalia was a rowdy time, much opposed by the more austere leaders among the still-minority Christian sect. Christmas developed, one scholar says, as a means of replacing worship of the sun with worship of the Son. By 529 A.D., after Christianity had become the official state religion of the Roman Empire, Emperor Justinian made Christmas a civic holiday...”

Quotes from the *Catholic Encyclopedia*, 1911 edition, under “Christmas”: “Christmas was not among the earliest festivals of the Church...the first evidence of the feast is from Egypt.” Further, “Pagan customs centering around the January calends gravitated to Christmas.” Under “Natal Day,” Origen, an early Catholic writer, admitted, “...In the Scriptures, no one is recorded

to have kept a feast or held a great banquet on his birthday. It is only sinners (like Pharaoh and Herod) who make great rejoicings over the day in which they were born into this world...”

³⁴ Sen, A., *Development as Freedom*, Oxford University Press, Oxford and Knopf, New York, (1999).

³⁵ Schein, E., *Organization Culture and Leadership* (2nd ed.), Jossey-Bass, (1992).

³⁶ Oxford English Dictionary 15th ed.

³⁷ Goulet, D., *A New Discipline: Development Ethics*, Working Paper #231-August (1991).

³⁸ Seers, D., ‘The Meaning of Development’, *International Development Review*, (1969), p.3.

³⁹ Sen, A., *Development as Freedom*, Alfred A.Knopf, New York, (1999).

⁴⁰ UNESCO Universal Declaration on Cultural Diversity , (2 Nov 2001).

⁴¹ Galligan, A., ‘Creativity, Culture, Education, and the Workforce’, Center for Arts and Culture, US, (Dec 2001).

⁴² Henson, K.T. and Eller, B.F., *Educational Psychology for Effective Teaching*, Wadsworth Publishing Company, (1999), pp. 125-128.

⁴³ Hall, DJ. R., Neitz, M.J., Battani, M., *Sociology on Culture*, Routledge, (2003), p.73.

⁴⁴ Parsons, T., *Evolutionary Universals in Society*, in Waters, M., *Modernity : Critical Concepts*, Routledge, (1999), pp.105-131.

⁴⁵ Tonnies, F., *Gemeinschaft und Gesellschaft*, in *ibid*, pp. 25-39.

⁴⁶ The term ‘*gemeinschaft*’ is usually translated as ‘community’, a term that evokes memories of a bygone age of harmony and stability. Tonnies used the term to refer to human relationships that are highly personal, intimate and enduring, those where a person’s involvement is considerable, if not total, as in family, with real friends and with close-knit groups. The term ‘*gesellschaft*’ is usually translated as ‘society’ or ‘association’ ; Tonnies used it to refer everything opposite of ‘*gemeinschaft*’, in particular the apparent impersonal, superficial and transitory relationship of modern urban life.

⁴⁷ Newbert, S.L., ‘Realizing the Spirit and Impact of Adam Smith's Capitalism through Entrepreneurship’, *Journal of Business Ethics* Volume 46 Number 3, Springer Netherlands, (Sep 2003).

⁴⁸ Goulet, D., ‘A New Discipline: Development Ethics’, Working Paper#231-August (1991).

⁴⁹ Sen, A., *Development as Freedom*, *op cit*.

⁵⁰ Hodgson, M.G.S., *The Venture of Islam, Volume 1: The Classical Age of Islam*, University of Chicago Press, (1997).

⁵¹ Mihrab is a niche on an inside wall indicating the direction to Mecca. This may have been derived from previous uses of niches for the setting of the torah scrolls in Jewish synagogues or the haikal of Coptic churches.

⁵² An extract from a speech entitled, "Technology, business and our way of life: what's next" delivered on 26 September 2001 at Minnesota, United States, by Hewlett-Packard CEO, Ms Carly Fiorina which highlighted historical Muslim leadership on technology and science.

⁵³ UNDP Human Development Report (2005), pp. 32 – 39.

⁵⁴ Al-Quran, Chapter Al-A'nam Verse 162.

⁵⁵ Caesar, E.F., Islam : Beliefs and Observances, Barron's Educational Series, (2003).

⁵⁶ Al-Quran, Chapter 2 (Al-Baqarah) Verse 132.

⁵⁷ Gumley, F. And Redhead, B., The Pillars of Islam : An Introduction to the Islamic Faith, BBC Books, London, (1990).

⁵⁸ Duderija, A., 'Toward a Methodology of Understanding the Nature and Scope of the Concepts of Sunnah', Arab Law Quarterly, Volume 21 Number 3, Brill Academic Publishers, (Sep 2007), pp. 1-12.

⁵⁹ Agenda 21 for Culture, UN Conference on the Environment and Development, IVth Forum of Local Authorities of Porto Alegre, Barcelona, (May 2004).

⁶⁰ Interview with Dato Timothy Ong, the Chairman of BEDB, in Brunei on 31 July 2007.

⁶¹ Heeks, R., Small Enterprise Development and the "Dutch Disease" in a Small Economy: The Case of Brunei, University of Manchester, (1998).

Chapter 4

SMALL COUNTRY DEVELOPMENT CULTURE: A COMPARATIVE ANALYSIS OF THE GULF

4.0 Small Country Development

Having similar attributes to Brunei (small, oil-producing, and Muslim), the Gulf countries, covering the Kingdoms of Bahrain, Qatar and the Sultanate of Oman, offer a useful comparative framework of reference for this study. The political development of these countries is significant as they all went through tribal and territorial conflicts, colonialism, oil discovery, political and economic union (through the Gulf Countries Cooperation) and modernization. Looking at the region they occupy is thus an important opening to this chapter.

Small country development is different to large country development in terms of the extra challenges such countries have to face due to their smallness. Small economies quite often have a small population base and therefore have limited capability and smaller markets. The economic development path followed by large industrialized countries may not be feasible for small countries which have limited physical resources (Chapter 2, 2.3). For the three comparator countries (Bahrain, Oman and Qatar), as well as Brunei, smallness, in terms of area, population and economy, is an advantage because this particular attribute gives them ease of management and control. The factor that overturns such vulnerability of smallness is oil, a giant resource in the economic dimension today. The combination of these two factors (oil wealth and smallness), offer another dimension to strategies for better political

stability and stronger economic capability. Oil, of course, depletes over time and in seeking to achieve economic sustainability, all four countries, including Brunei, have considered economic diversification as the solution to the impending problem. The Islamic factor plays a part in the planning and implementation of economic development in these countries as it provides the invisible ingredient to the cultural factor which influences the development outcomes. Despite all these similarities, these countries develop at different rates, going through similar challenges but different experiences and at the outset, Bahrain, Qatar and Oman have *a priori* surpassed the development level achieved by Brunei.

This chapter thus analyses the experiences of Bahrain, Qatar and Oman, seeking to establish whether the role of culture in the economic development of these comparator countries has proved more effective than in the Brunei case. An insight into development in the Gulf region provides an introduction into the development issues which may be shared by the comparator countries. Associated with the development of small, energy-rich countries is the resource curse syndrome which seems to be central to development failure or slow economic growth. The effect of wealth on people in these countries needs to be considered as quite often, Muslim countries endowed with oil become rich welfare states¹ but breeding dependent and less developed nations (Chapter 2, 2.4). This chapter looks at the cultural change that has taken place in the three Gulf countries and identifies the agents responsible for change. An analysis of their experiences towards positive development, particularly in relation to cultural transformation, may prove relevant in providing a template for the design of Brunei's development strategies and planning.

4.1 The Gulf Countries

The Persian Gulf, also known as the Arabian Gulf, consists of eight Muslim countries, namely Iraq, Iran, Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates (UAE) and Oman. Situated in the Middle East, a region representing the birthplace of ancient civilization as well as old-age trading alliances, the Gulf countries thus share the challenges and opportunities of a most politically vulnerable and volatile region which continuously becomes a source of contemporary political and economical concerns.² Some of these countries, particularly those on the western side of the Persian Gulf are, however, amongst the most fortunate, being blessed with political stability and economic prowess. They are rich in crucial resources; capital ranging from natural to human, to social and political. The entire region holds vast economic resources at its disposal – oil and natural gas – which become the cause for many turns in global politics.

The Middle East region, blessed with the strategic Persian Gulf, is the nexus point for three continents and three major life paths which therefore serves as an example of unity in spite of adversity. Apart from sharing economic resources, the Gulf countries also share some fundamental historical and cultural attributes. With the exception of Iran and Iraq, all these countries are ruled by monarchs, who throughout history are somehow related by bloodline and marriages, and are conditioned by an environment which shares a common political history and cultural background. Figure 4.1 shows countries of the Persian Gulf with the larger countries, namely, Iran, Iraq, Saudi Arabia and Oman, enveloping their smaller neighbours: United Arab Emirates, Qatar, Bahrain and Kuwait.

Figure 4.1: The Persian Gulf



Source: Adapted from www.aspjpeg.com

Most of these countries have experienced tribal tensions, effects of irresponsible and selfish governments, indigenous struggles against outside powers and a spate of colonialism under British protection.³ These countries are now independent and considerably peaceful, ruled by modern and pragmatic leaders and supported by strong, stable and responsible governments.⁴ They are all Muslim countries, with variations of Islam, primarily either Sunni or Shiite; they all speak and communicate in Arabic, a language which is also shared by about twenty other countries around the world with about 220 million inhabitants,⁵ differed by variation of dialects. Despite these similarities, it is apparent that the people do not share the same views, values and mentality towards progress and civilization. This is partly reflected in the differences of the development levels achieved in the Gulf countries, as revealed by a literature research on some countries in the region and the empirical research conducted in Bahrain, Qatar and Oman.

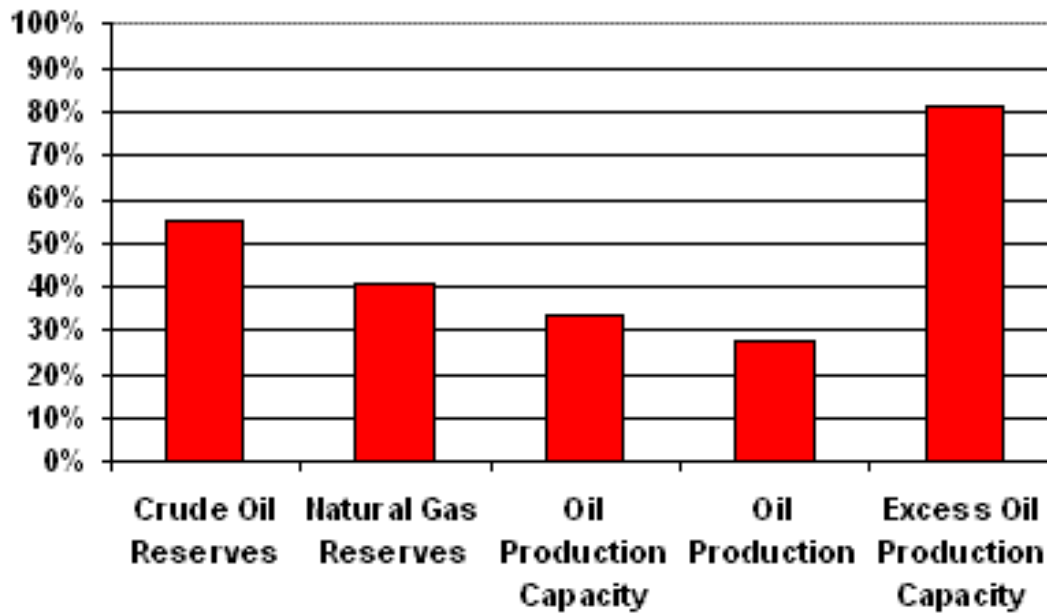
A common denominator for countries in the region is oil, which was first discovered in Iran in 1911.⁶ The oil discovery began a series of economic and political development in the region, transforming weak Arab states into gradual disparate economic powers and turning some into regional powers.⁷ Colonial politics partly saved the region from continuous tribal and territorial conflicts, provided the foundation for social development in terms of education and modernisation, and expertly diverted political intentions to economic exploitation. Indeed by geography, history and nature of their cultural diversity, challenges facing the countries in the Gulf are endless. It is also by these elements and their abundant deposits of hydrocarbons that the region has the opportunity to enjoy fast development.

4.2 Challenges and Opportunities in the Gulf

The Persian Gulf has always been a trading point at the crossroads between East and West. Traditionally, Indian and Chinese merchants transited in the Gulf and traded goods thus making the region a hub for international trades. Its strategic location and natural attributes offer ample opportunities for economic growth. In ancient days, the Tigris and Euphrates rivers provided water for agriculture and until now the fertile soil promises surplus supplies of food for the region. Although lacking in mineral resources to produce metals, the Gulf countries are endowed with oil and gas, the prime driver of economic development throughout the world. These countries, particularly Kuwait and Saudi Arabia, contain a significant percentage of the world's

oil reserves, production and capacity, as well as huge reserves of natural gas, as shown in Figure 4.2.⁸

Figure 4.2: Persian Gulf Energy Production as a Percent of World (2006)



Sources: *Oil and Gas Journal* and EIA *Short Term Energy Outlook 2006*, p.16.

In 2006, the countries in the Persian Gulf region held 55 percent (728 billion barrels) of the world’s crude oil reserves and gas reserves accounting for more than 40 percent of total proven world gas reserves.⁹ The Gulf region produced about 28 percent of the world’s oil, although having a production capacity of more than 30 percent and excess oil production capacity of more than 80 percent.¹⁰ Their combined export of oil in 2006 represented one fifth of world oil supply, with net exports of 18.2 million barrels per day (bbl/d) of oil.¹¹ The Gulf countries consistently maintain most of the world’s excess oil production capacity. The following data reflect the importance of the Gulf region in the world economy:

- Proven oil reserves of 728 billion barrels, representing over half of the world's oil reserves at the end of 2006 (Oil and Gas Journal);
- Oil production capacity of 25.4 million bbl/d (33 percent of the world's total) at end of 2006;
- Total oil production of 23.6 million bbl/d in 2006;
- About 2.4-2.9 million bbl/d of excess world oil production capacity as of March 2007, of which 1.9-2.4 million bbl/d was located in Saudi Arabia and most of the remainder (0.5 million bbl/d) located in other Gulf countries such as Kuwait and the UAE.¹²

According to the Energy Information Administration's *International Energy Outlook 2007*, Gulf oil production is expected to moderately grow and reach 26 million bbl/d by 2015, nearly 30 million bbl/d by 2020 and over 38 million bbl/d by 2030, compared to 23 million in 2006.¹³ This would increase the share of the Gulf oil production to 33 percent of the world total by 2030, up from 28 percent in 2006.¹⁴ With huge reserves of natural gas (amounting to 40 percent of the world's total), the region's market share could increase in the next decade as Qatar expands its liquefied natural gas (LNG) capacity. The main LNG exporters in the region are Qatar and UAE, which according to Cedigaz¹⁵, sent out 18 percent of world's LNG shipments in 2005. The main challenge arising from this endowment is to adopt a new and appropriate business culture, promising sustainable capacity and capability in resisting dependence on resources that deplete over time.

Leadership is an important issue in order to implement sustainable development strategies. Government plays an important role in driving and steering long-term

development plans. Six of the Gulf countries – Bahrain, Kuwait, Oman, Qatar, United Arab Emirates and Saudi Arabia- are ruled by Muslim monarchs, based on traditional or constitutional monarchy. Many have a parliamentary system supported by a Council of Ministers elected by the monarch and a discretionary system of law controlled by the monarch. This may reflect a rigid system of government with centralization of power remaining with the ruling monarch. As common in constitutional monarchies, the succession of monarchs is hereditary and therefore the possibility of change in the way the government operates may seemingly be slow, controlled or non-existent. Centralization of power is commonly attributable to strong control mechanisms in the social system which would inevitably affect the economic development system. However, it is not the system of government in place that hinders progress; it is the way the government is run that definitely has a significant impact on the social and economic development of the country. Power centralization provides stability¹⁶ in the six countries and despite the possible negative impact of centralized control on progress, these Gulf countries nevertheless remain among the richest in the world and continue to develop. This may reflect that the balance between the monarchy and economic development has been well-managed by the leadership.

Religion is a key consideration in policy-making by any Muslim country. As Islam recognizes no distinctions between the religious institution and the State, remaining strictly Muslim or adopting secularity in these Gulf States was a difficult choice for a long time. On observation, the impact of religion on daily life in these countries is extensive and much greater than that found in other Muslim countries. The Gulf countries base many of their national policies on the guidance of Islam, much of

which has been derived from the interpretation of the Muslim holy book, the *Quran*, as well as the *Sunnah*, the Traditions of the Prophet. At the outset, Islam is ostensibly restrictive; however, the religion preaches equality and promotes continuous development. Everyone in every nation is responsible for his own growth, as reminded by the Quran,

“...never will God change the condition of a people until they change it themselves...”

Surah Al Ra’d verse 11

Islam is not merely a religion; it is also a way of life, providing opportunities for any dimension of growth. There is no part in the fundamental teachings of Islam that condones self-pity, total dependence on others or ill-growth; it is the interpretation of the principles that may pose challenges to growth. In Saudi Arabia, for example, women are wasted resources as the country limits the role and participation of women in society and their economic strategy due to, perhaps, an interpretation that women must limit their social contact within very close family circle. Distinctions between religious and secular law is a recent development that in part reflects the more pronounced role of the State in society and Western economic and cultural penetration. A challenge arises as to the continuance of the Arabic/Persian culture when the gate of development opens widely within the arms of secularism.

From observation, the Gulf countries are experiencing a cultural gap between generations. By the end of 2005, the Gulf countries had approximately 35.8 million people (see Table 4.1), with a high concentration of youths – almost 29 percent are

below 15 years of age.¹⁷ The young population injects new varieties of lifestyles and becomes the architect of emerging cultures which, in some ways, contribute to the rising need for the Gulf to revise policies. Social development is another challenge to the preservation of their root culture and at the same time, an opportunity to participate in world markets. Particularly if the secularization thesis advanced by Max Weber¹⁸ applies in this scenario, in that ‘as economies become more advanced and as technology progresses, religion will decline as a force.’ In this case, the challenge to culture is greater, whereby the virtues of Islam erode with time as these countries continue to develop economically. At the time of research, there is no clear indication that Islam has lost its grip in the Gulf. However, it is not certain how long this Islamic/Arabic culture can stay central to the daily livelihood of people in this region when development equates to Westernization under the name of modernization.

Table 4.1: Population of the Gulf States, 2006

Country	Population mid 2006 (millions)	Percent of Pop Of Age		GNI PPP Per Capita 2005 (\$US)
		<15	65+	
Bahrain	0.7	28	3	21, 290
Kuwait	2.7	26	2	24, 010
Oman	2.6	33	3	14, 680
Qatar	0.8	23	1	25, 200 *
Saudi Arabia	24.1	38	3	14, 740
United Arab Emirates	4.9	25	1	24, 090

Source: Population Data Sheet , Population Reference Bureau, 2006.

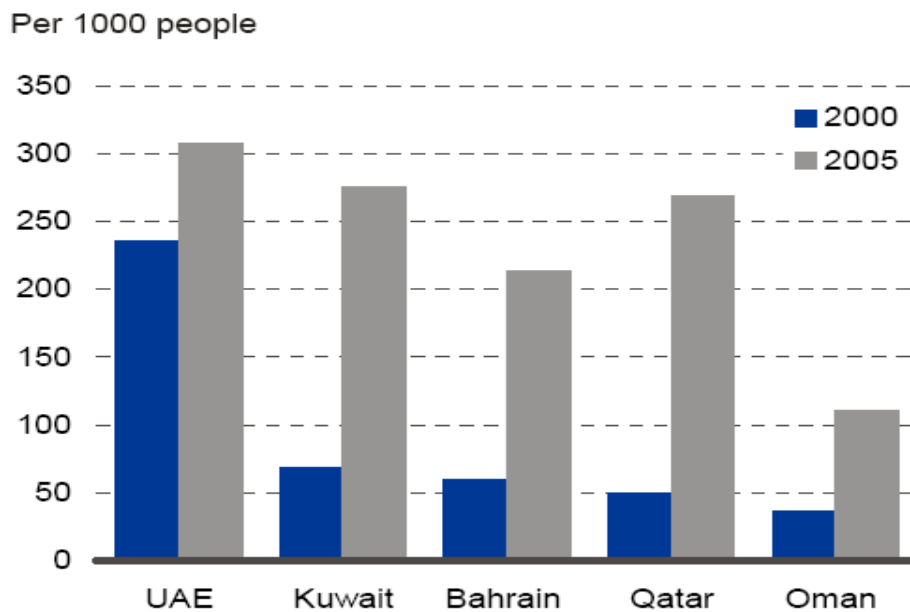
* [www. Dfat.gov.au](http://www.Dfat.gov.au)

In their efforts to move toward economic and financial integration, the Gulf countries have relaxed formal barriers on the movement of goods and workers into their countries. This factor and the attractive economic rewards contribute to an influx of foreign workers and consequently an inevitable change in local cultural attributes. In many Gulf countries, foreign workers are a main feature in the demographic landscape. In Qatar, only about 20 percent of the population is Qatari by origin¹⁹; in the UAE, foreign workers also make up about 80 percent of the population.²⁰ While multiculturalism may bring a positive impact on the design of a development culture, the high percentage of non-nationals poses a new challenge on sustainability of economic development because the input of this economic resource to the current economic template, as well as the socio-political template, is temporary. A question thus arises as to whether the current high economic growth is the result of multiculturalism. An impending issue is whether the Gulf countries will be able to maintain the 'progressive' culture currently adopted once the foreign workers leave the region.

Many officials interviewed during the field research agreed that cultural preservation would become the biggest challenge in the future.²¹ The main difficulty is in trying to identify and isolate the relevant culture for development from those that may impede progress.²² This is particularly true when modernization imposes itself through technology which, often times, drives the change in civilization. Technology, however, is the most effective tool in bringing these countries forward in the development path as services need improvement in order to be parallel with the rest of the world. Technology transfer and technology absorption are vital in bringing together international businesses, a mandatory element in the Gulf's objective to

remain competitive in the playing field of entrepreneurship. Although the penetration of both computers and internet access in the Gulf countries is currently small compared to that of Asia,²³ this can however change over time as internet access costs are revised and reduced. The change in a five-year period is quite significant as illustrated by Figure 4.3, indicating the reality of challenge on social development brought on by technology.

Figure 4.3: Internet Users in the Gulf Countries, 2000 & 2005.



Source: GCC Chartbook, Deutsche Bank Research, 8 February 2008, p.23.

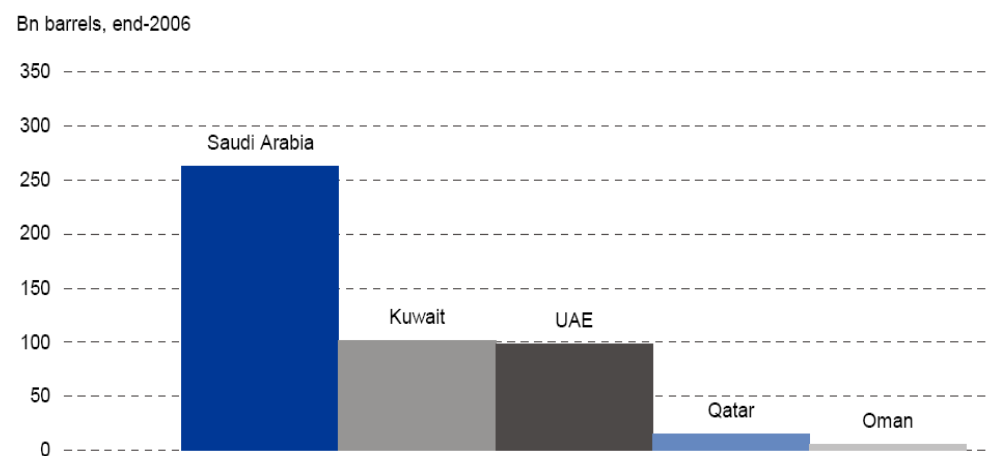
With the price of oil reaching heights of above US\$90 per barrel in 2007, and perhaps continuously rising, one can only imagine the vast economic advantage gained by these countries. But opulence can have both positive and negative impacts.²⁴ In this scenario of obvious economic opportunities, challenges abound; a significant question is whether these countries will ever be able to draw themselves away from oil and gas

dependence, avoid the real or potential energy resource curse and sustain multi-dimensional development.

4.2.1 Gulf Development of Energy Industries

Industries relating to crude oil are the main industries in the Persian Gulf. High demand for oil and gas, coupled with the rising price of oil, encourages continuous development of energy industries around the world. With almost half the world's oil reserves in the region, energy is at the heart of almost every economic activity in all the Gulf States, except Bahrain, which has moved towards enhancement of service industries and real estate. Figure 4.4 shows the breakdown of oil reserves in Saudi Arabia, Kuwait, United Arab Emirates, Qatar and Oman. Saudi Arabia is still the major player in the region and the world. Qatar and Oman have least reserves, signaling the urgency of non-oil sector participation in the economy. Diversification becomes a top priority in the economic planning of these countries.

Figure 4.4: GCC Oil Reserves, 2007



Source: *GCC Chartbook, Deutsche Bank Research*, 8 February 2008, p.10.

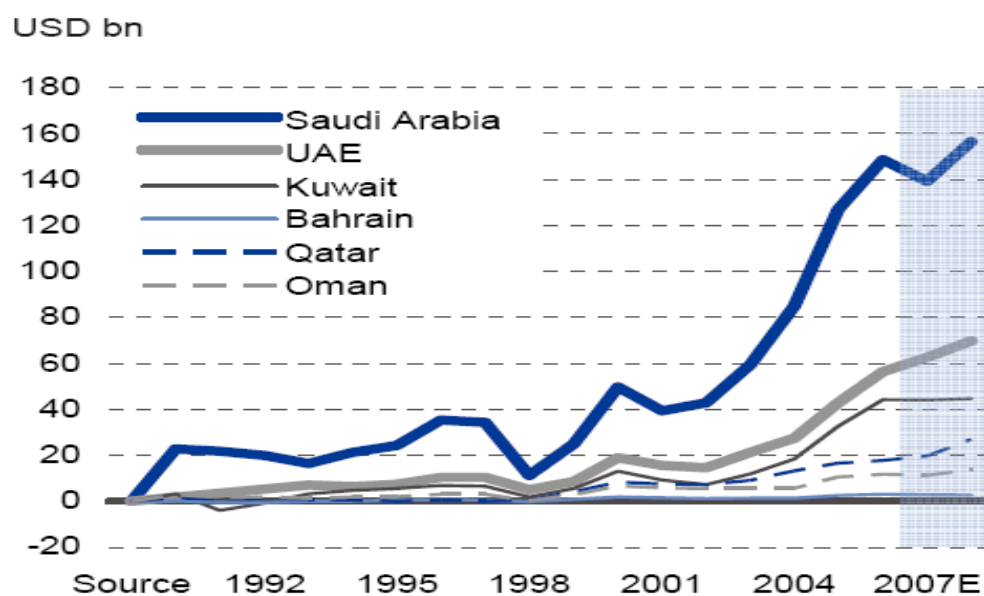
Oil and gas industries are the catalysts for the emergence of other industries, for example, property and service industries in UAE, chemical industries in Qatar and Oman, and real estate and service industries in Bahrain. In Qatar, industries particularly related to gas continue to take the biggest role to serve other markets. Manufacturing industries which essentially use gas are increasing and are gradually making significant contributions to Qatar's economy. Oil and gas industries in Qatar are wholly government-owned but there are currently plans to privatize some of these industries.

In Oman, energy industries fuel diversification efforts and reliance on oil is expected to drop to 9 percent by the year 2020 from 41 percent in 1996.²⁵ The Petroleum Development Oman (PDO) is 60 percent owned the government which accounts for more than 90 percent of the country's oil reserves and 85 percent of production. The other 40 percent is owned by Shell, Total and Partex, each holding equity stakes in PDO which is controlled by the government through the Ministry of Oil. Whilst all this does not define the true nature of diversification, the so-called 'value-added' industries which are still energy-based are becoming more important in the diversification effort in many of these countries. Energy industries finance all other economic activities and will therefore remain vital in driving the economy in each of these countries for many years to come.

4.2.2 Gulf Country Economic Cooperation

In May 1981, the United Arab Emirates (UAE), Saudi Arabia, Oman, Qatar and Kuwait joined Bahrain to form the Gulf Cooperation Council (GCC), which makes up one of the world's largest economies. The GCC countries are often viewed as one region and are expected to be the engine of a Middle East peace economy. According to Ed O'Sullivan, the Editorial Director of the *Middle East Economic Digest*, the GCC member states were the fastest growing in 2006, with a young population, rising tourism and a service and property boom creating a vast economy. The region covers a total area of 2,673,123 sq km with a population of nearly 36 million, accumulating GNP US\$390,090.92 million, with total exports of US\$134,226.11, imports of US\$103,111.7 and income of US\$12, 282,05.²⁶ Trade surpluses, as seen in Figure 4.5, are continuous a result of soaring oil prices, contributing to the region's rising position in the ranks of the richest and most prosperous countries.

Figure 4.5: Trade Surplus in the GCC 1992 – 2007



Source: *GCC Chartbook, Deutsche Bank Research*, 8 February 2008, p.8.

The main objective of the GCC is to effect coordination, integration and interconnection among member states in all fields in order to achieve unity amongst their citizens. These member states face similar problems and through the GCC, they find similar solutions. For over 25 years of its existence, the GCC has proven to be an effective conduit for economic growth in the Gulf region. Table 4.2 shows the consistently high income per capita in all the six countries over a ten-year period, partly indicating positive economic performance and high standards of living. Together the GCC member states formulate similar regulations in various fields such as economy, finance, trade, customs, tourism, legislation and administration. The cooperation has been successful in fostering science and technical progress in industry, mining, agriculture, water and animal resources, establishing science research centres, setting up joint ventures and encouraging cooperation of the private sector.

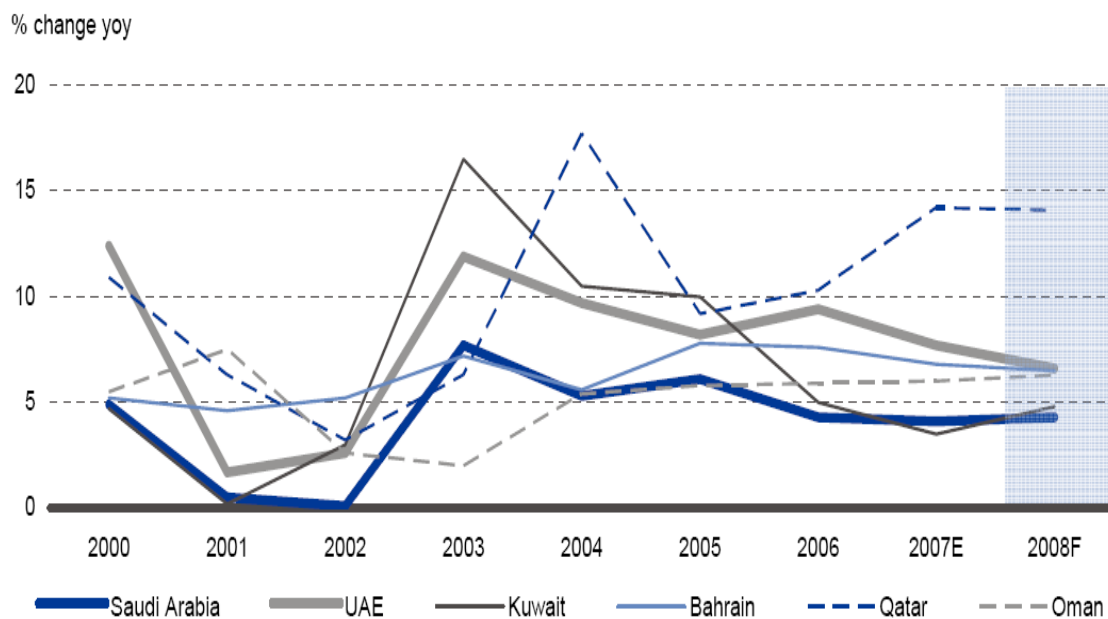
Table 4.2: GDP per Capita in GCC, current prices (US\$ thousands)

Country	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Bahrain	10.2	10.2	9.7	10.0	11.9	11.7	12.1	13.7	15.3	18.4	21.4
Kuwait	18.5	13.7	11.4	13.4	17.0	15.1	15.8	18.1	20.2	26.0	31.3
Oman	7.2	7.4	6.5	7.1	8.9	8.8	8.8	9.3	10.4	12.7	15.5
Qatar	17.4	21.6	18.5	21.1	28.5	27.3	28.9	33.0	37.6	43.1	53.7
Saudi Arabia	8.5	8.7	7.5	8.1	9.2	8.7	8.8	9.8	11.1	13.4	15.4
UAE	19.7	19.9	17.1	18.2	21.6	19.7	19.9	21.8	24.1	27.7	35.1

Source: IMF, 2006

Despite their fundamental similarities, these Gulf countries have dissimilar development patterns. Figure 4.6 illustrates steady growth in Bahrain and Oman, particularly after 1999; inconsistent performance in Kuwait, Saudi Arabia and United Arab Emirates until 2003 and consistently high performance in Qatar with significant growth, notably from 2002 onwards. Based on the trend of real GDP percentage growth shown in the following graph, and with the currently high oil price, the GCC is expected to maintain high growth rates. Positive developments in these countries have negated the generalized view of underdeveloped Muslim countries due to the Islamic way of life.

Figure 4.6: Real GDP Growth 2000-2008



Source: *GCC Chartbook, Deutsche Bank Research*, 8 February 2008, p.4.

While diversification has been an economic objective over the long-term, the production figures in Table 4.3 indicate that petrochemical resources will remain the main driver of the economy in all GCC countries. Studies noted that some GCC

countries, despite oil and gas, are making attempts to ‘develop niche markets or exploit relative advantages, both in the real economy and financial markets.’²⁷

Table 4.3: Oil production per capita (barrels per day) in GCC Countries

Country	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Bahrain	0.29	0.29	0.29	0.27	0.27	0.27	0.27	0.27	0.26	0.25
Kuwait	1.18	0.91	0.90	0.83	0.90	0.84	0.72	0.83	0.83	0.90
Oman	0.42	0.42	0.41	0.41	0.40	0.39	0.36	0.33	0.30	0.29
Qatar	0.76	0.78	1.12	1.04	1.04	0.98	0.83	0.94	1.00	0.96
Saudi Arabia	0.44	0.42	0.42	0.38	0.40	0.38	0.33	0.38	0.39	0.40
UAE	0.88	0.84	0.79	0.68	0.67	0.61	0.51	0.56	0.54	0.51

Source: *OPEC, 2005; IMF, 2006.*

In the fast-paced world of global economics, the Gulf Cooperation Council (GCC) states have emerged as important centres of finance and trade, with China and India rapidly becoming major partners. Countries like United Arab Emirates and Bahrain, in particular, have become icons of tourism and duty free shopping. Doing business in the Gulf region is becoming easier, as indicated by Table 4.4, suggesting that there is indeed a bright future for entrepreneurship to grow in the region. Diversification efforts have shown signs of success in the Gulf.

Table 4.4: Doing Business Rankings

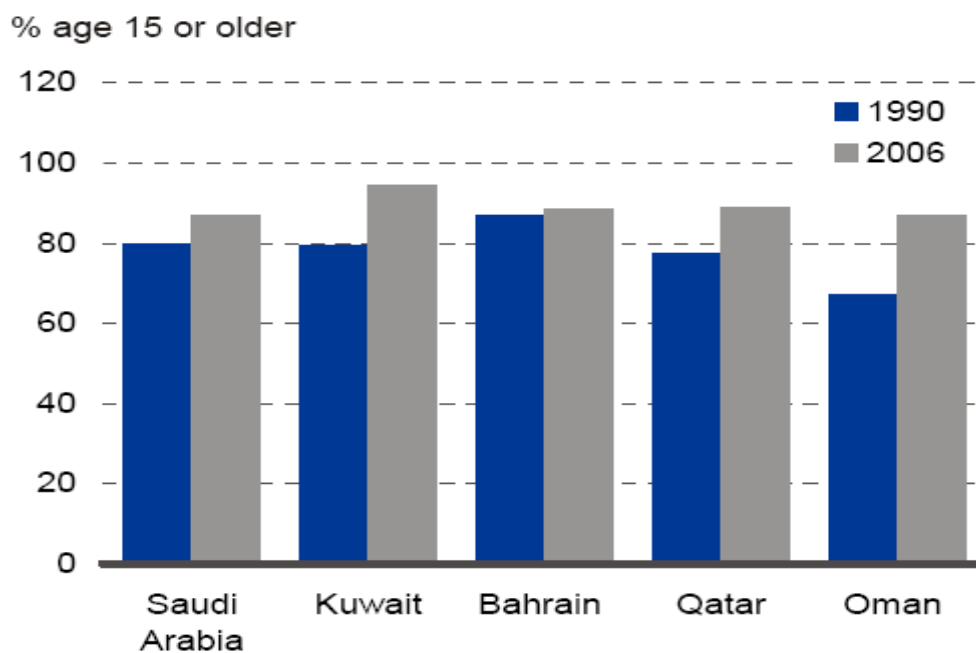
Doing business indicators (1 = best, 178 = worst)						
	Overall ease of doing business	Starting a business	Employing workers	Protecting investors	Enforcing contracts	Closing a business
Singapore	1	9	1	2	4	2
United States	3	4	1	5	8	18
Saudi Arabia	23	36	40	50	136	79
Israel	29	17	87	5	102	40
South Africa	35	53	91	9	85	68
Kuwait	40	121	39	19	99	67
Oman	49	107	26	64	110	59
Turkey	57	43	136	64	34	112
UAE	68	158	65	107	144	139

Source: World Bank Doing Business, World Bank Group, 2007.

4.2.3 Gulf Diversification Programme

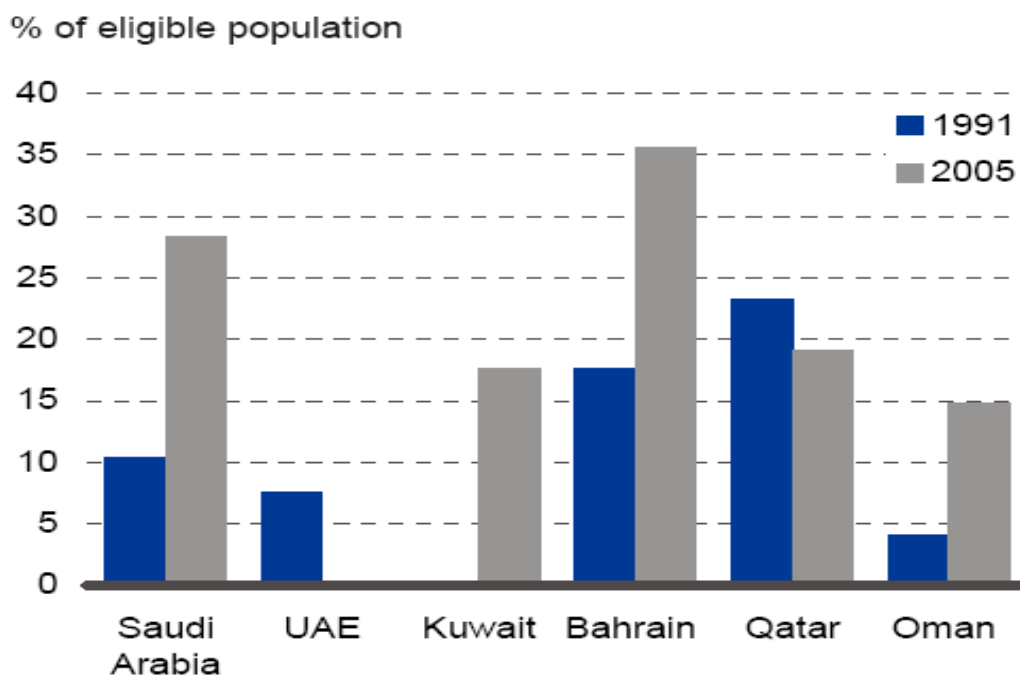
When the price of oil plunged in the 1980s, many oil producing countries realized that they cannot depend solely on oil and gas as their revenue base and hence, economic diversification became a more important agenda in their development planning. Development of human resources also became significant as countries began to unfold their development strategies with education getting more attention in the budget allocation. This is evident by the increasing literacy percentage rate in both male and female adults, as shown in Figures 4.7 and 4.8. However, diversification has been gradual as these Gulf countries learn to shift from an oil-based economy to another form which promises economic sustainability. The soaring oil price from 2007 onwards tests these countries' commitment to pursuing diversification programmes.

Figure 4.7: Adult Male Literacy Rate



Source: *GCC Chartbook, Deutsche Bank Research*, 8 February 2008, p.22.

Figure 4.8: Adult Female Literacy Rate



Source: *GCC Chartbook, Deutsche Bank Research*, 8 February 2008, p.22.

Bahrain started its diversification programme as early as 1950s when it was realized that there was less oil in Bahrain than the rest of the Gulf States. Bahrain would have lost its competitive advantage if diversification did not take a positive route at the right time.²⁸ Territorial agreement with Saudi Arabia reduced further Bahrain's claim to oil production and thus increased its stakes in other industries. Bahrain has now concentrated on making itself a centre of excellence in services, with a special focus on finance, banking and tourism.

Diversification in Qatar has taken a different course. The oil and gas industries will continue as the main source of income for Qatar, with a primary focus on exporting natural gas and exploiting its capacity to fuel the emergence and sustenance of other economic ventures, such as gas-to-liquid industries, building the largest aluminium plants and establishing other industries which depend on gas as raw material.²⁹ The country is rapidly developing its infrastructure in order to fill the gaps in demand and supply³⁰ as the Gulf rises to new heights of economic growth. Its aim is to become the global centre of conferences is slowly being realized and the construction and improvement of infrastructure continues to take place.

In Oman, diversification is taken very seriously, as it aims to develop a comparative advantage in a service- and knowledge-based economy.³¹ The strength of Islamic values supports the country's development with a special focus on human resource development, as reflected by the following extract,

“Islam calls upon us to adopt intellectual development and face the challenges that confront us at any time and in any environment by drawing correct logic and suitable solutions from Islamic teachings of the past.”

*Sultan Qaboos bin Said*³²

With a focus on diversification, the pace of development in Oman is calculated and moderate, based on cautious and wise planning. In efforts to diversify, Oman currently invests in industrial estates for light manufacturing, a \$9 billion LNG project, and infrastructure development,³³ particularly in the interior in order to provide services and jobs to the people. Oman is actively seeking foreign investors to participate in joint venture projects and to purchase some of the state-owned companies which Oman plans to privatize.³⁴

Although oil remains significant, diversification programmes are still important to ensure sustainable development in the Gulf States.³⁵ The impact of world politics and technological progress on social structure and culture urge for more comprehensive and broader economic development planning. The Gulf States have the advantage to establish themselves as the centre of economic power³⁶ when development is shaped and steered in a positive direction. This itself is an implication that economic diversification must take place to secure this advantage.

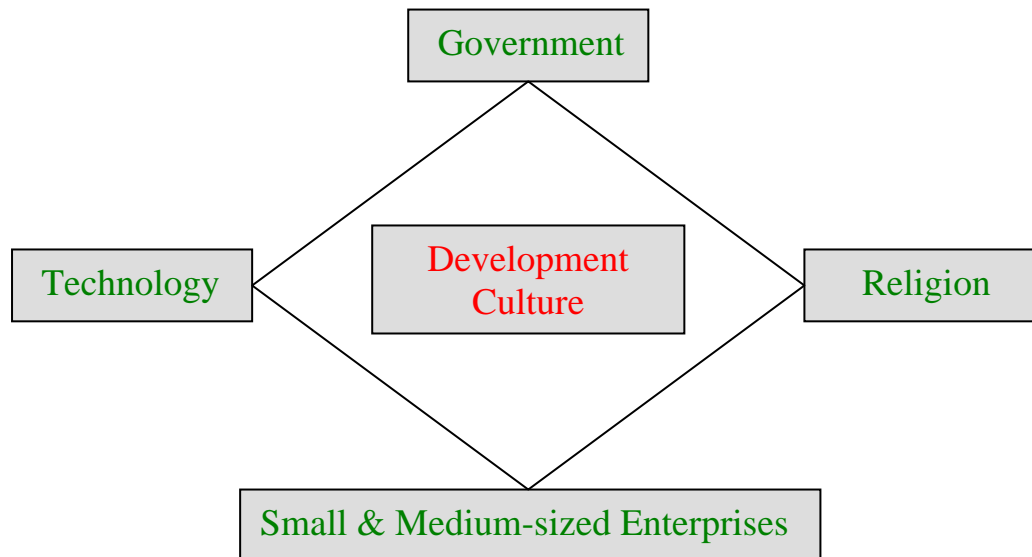
4.3 Creating a Development Culture in the Gulf Countries

Oil revenues continue to be the main catalyst in the development of each Gulf country as well as in the region. Many countries in the GCC are changing their skylines with rapid construction of buildings, city centres, better roads, signifying the coming of rapid infrastructural development.³⁷ As seen from previous paragraphs, there are many factors contributing to the positive economic performance in the region, apart from the oil price surge. In their efforts to move forward with economic development, UAE, Bahrain, Qatar and Oman have created an environment for a new culture which suits the tempo and rhythm of market forces as well as keeping in tune with their root culture and religion. In the political dimension, for example, there have been several reforms taking place, such as, change of leadership, application of new management style, revision of policy and redefinition of democracy and governance in the system of government. The people are increasingly educated and skilled, contributing to better levels of proficiency, efficiency and professionalism. Exposure to international commerce and trade leading to high tolerance of other cultures and better understanding of Islam lead to better environments. It cannot however be denied that cultural transformation has been hard and long in these countries before they could reach the current state of economic development.³⁸

The new culture that is the focus of this chapter is the culture that drives progressive changes in the Gulf. The ‘development culture’ instills a sense of wanting to improve, not only in the economic sense, but also the social aspects of development. Interviews conducted during the field study reveal that there are four significant agents of change

in the Gulf supporting the creation of a development culture, as illustrated in figure 4.9 below: ³⁹

Figure 4.9: Agents of Change in the Creation of a Development Culture



Source: Author

4.3.1 Role of Government in the Promotion of a Development Culture

The government is likened to a ‘trendsetter’ when determining a ‘working’ culture. Through policies and systems approved by the government, a certain culture is formed which sets templates for established standards, as well as acceptable ethics and etiquettes. Rules and regulations derived from these established components of employment disciplines lead to the creation of a compliant and conforming society. This, on one end of the spectrum, can bring positive results when everyone within the system agrees and is satisfied with the set standards. On the other hand, it can create a

form of comfort zone which makes people unwilling to change and therefore slow or reluctant to grow and develop. This is partially true in welfare states where people become dependent on government support⁴⁰ and where workers become subservient to rigid and bureaucratic management. In some of the Gulf countries, privatization is promoted,⁴¹ supported by less government intervention.⁴² In Bahrain, for example, market forces are allowed to determine government policies, instead of the government strictly controlling the market.⁴³ This gives the people a sense of freedom from rigid choices and bureaucracy, thus inspiring them to engage and participate better in nation building and development.

Some barriers to growth were identified to include monopolies, poverty, controlled media, and limited legislations.⁴⁴ Governments in the Gulf countries set to take away barriers to development by changing their leadership and management styles through engagement of professionals and technocrats. The evidence partly lies in the political changes that have taken place in most of these countries. New leadership encourages changes in the way systems are being implemented and empowers the people to contribute towards national development. Transparency, protection of the environment, protection of individual rights, and freedom of choice and speech are key areas which offer a conducive environment for growth. Governments consider these factors to encourage people towards a progressive culture and eradicate the 'fear' factor ingrained in their security policies.⁴⁵

4.3.2 Role of Religion in Cultural Development

All religions instill discipline which strengthens inner values, providing the pillar of one's positive growth (Chapter 3). In the Gulf, basic and original fundamentals of Islam are practiced and have given people the freedom to enjoy individual rights of religious practice and taught them to accept each other without prejudice.⁴⁶ When people are allowed personal choices, protected by laws and guided by moral values (found in their religions), they become more productive, more disciplined and more independent.⁴⁷ People follow their own natural growth paths, thus producing a good mixture of breed and capability. Such freedom evokes empowerment which can create innovation and encourage implementation of radical solutions, leading to the creation of an open society. High tolerance, indicating a strong sense of security, breeds a mature and thinking society where research and development becomes more feasible to assist self and group improvement. In the Gulf, it is noted that people choose to be guided by their religion and adopt the Islamic way of life without coercion. Religious freedom pulls down the barrier which has isolated the Gulf from the rest of the world. It has been realized that they cannot isolate [themselves] if they want to develop⁴⁸ and therefore must provide an environment conducive for development by way of allowing other cultures to be practised freely. Government policies guide and facilitate openness and high tolerance on social differences thus entrusting the responsibility of preserving religious values to the people. In this way, religious entrapment is avoided, a situation which can create insularity and cultivate fundamentalism, and hence stagnating growth and development. Policies need to consider the rights of the people in interpreting the teachings of their own religions (to set their own moral values) and fostering their own spiritual growth paths.

4.3.3 Technology in Cultural Development

Technology streamlines standards, improves methods and refines innovation. Keeping pace with technological development is therefore highly important. As technology speaks a common language, it brings with it a common standard which compels people to comply. Technology forms the base of unity in operation and a launching pad for new innovations. In the Gulf, technology is transferred through communication, fashion and trends, introduction of new products, architecture and designs, industrial machines and equipment, as well as tourism, education and media. High purchasing power drives market demand which then lubricates the technology absorption process. The refinement of technology comes from indigenisation of products which is supported by research and development. Indigenization breeds competitiveness as people wish to introduce new inventions and produce new products to satisfy the local markets. Science parks and research centres have exposed people to new knowledge and encourage them to embrace a new way of life parallel to the rest of the world. In this way, people do not greatly oppose change in their environment and continue to be supportive of reformative policies and at the same time, adopt a culture of innovativeness.

4.3.4 Role of Small and Medium-sized Enterprises in Gulf Development

Trade and commerce are effective conduits for cultural exposure where people learn to adapt and adopt in order to arrive at agreeable solutions and outcomes. As evident from the history of trading nations, contemporary culture is a result of the

accumulation of knowledge gathered from interactions between people. The Gulf went through a series of cultural transformations from a purely nomadic Bedouin tribal culture to a more universal and modern culture adopted by settlers and *citadines*. Even so, culture does not stop evolving where people continue to trade. Internationalization of business brings forth cultural diversity and people within the system are compelled to embrace a new culture which suits all those involved. Tourism and market-type operations, for example, have created an environment fostering the emergence and convergence of small and medium-sized enterprises in the Gulf, which, in turn, influences the lifestyle and mindsets of the people. As Islam is not capitalized but promoted subtly, the Gulf countries, through high tolerance of diversity, create an attractive environment for foreign investors, promoting joint enterprises and allowing people to develop businesses which suit their requirements. Over time, cultural diffusion takes place to form a new culture suitable for both sides of the business world.

4.4 Development of Small Gulf Countries

The efforts made to diversify revenue manifest themselves in changing business landscapes particularly in Dubai, Bahrain, Doha and Muscat, where tourism and other service industries are actively promoted. Even when these countries have small populations, they have high purchasing power and with good government support, the market base is broadened through tourism and other business activities. Thus seemingly the Gulf countries have successfully drawn themselves slowly away from oil and gas. The Chief Economist of the Dubai International Financial Centre (DIFC),

Dr Nasser Said, argued that the GCC economies should now be considered as asset-based rather than oil-based⁴⁹ and urged that GCC States, as well as other emerging markets should invest in financial sector management. The experiences shared by Dubai and Bahrain confirmed that growth is also driven by high commodity prices, not just oil. In contrast, The Emir of Qatar reaffirmed that '*oil and gas will always be the cornerstone of Qatar's economy*' and this fact is testified by the increasing number of energy-based manufacturing industries.⁵⁰ In order that we may understand the current economic development in the Gulf, the field study focused on three countries, Bahrain, Qatar and Oman, which have pressed for modern development and high economic growth.

4.4.1 Bahrain

Bahrain is geographically the smallest member of the GCC. An emirate archipelago consisting of 34 small islands, of which Bahrain is the largest. The total area of Bahrain is 678 square kilometres (262 square miles). It is a hot, desert kingdom linked to the Saudi Arabian mainland, which is about 4 kilometres away, by causeway (see Figure 4.10). Bahrain shares its maritime territory with Qatar, Saudi Arabia and Iran. It has a population of about 707,000 people of which about 35 per cent is foreign nationals.⁵¹ Bahrain is a predominantly Muslim nation with a Sunni and majority Shiite population. A colonial protectorate for more than a century (1861 to 1971), Bahrain has strong British influence in its development, in terms of education system, working culture and language.

Figure 4.10: Map of Bahrain



Source: Adapted from www.aspjpeg.com

Bahrain has been governed by the Al-Khalifa family since the late 18th century. Political tensions, the consequence of most pronounced social stratification, high economic imbalance between the social strata and the ‘monopoly of political power by the top segment of the social ladder’⁵² urged for political reform. Major reform took place when the Syaikh Hamad bin ‘Isa Al-Khalifah took over from his father in 1999. Significant changes followed the release of the National Charter which outlines the responsibilities of the government and people, emphasizing on justice, sovereignty and freedom. Personal freedom and equality were guaranteed and becomes a cornerstone in Bahrain’s national development.⁵³

Oil was discovered in Bahrain in 1932, making Bahrain the first Gulf Arab State oil producer, leading development of oil production in the Gulf. Before oil, Bahrain was a trading centre and was dubbed the ‘Pearl of the Gulf’ with main incomes coming

from agriculture, fishing and pearling. Bahrain was also the first to expand its economic base in response to declining oil prices and limited oil reserves. Economic diversification started in the 1950s and by 1965, the government had adopted industrial diversification as the primary objective of its economic policy. In support of this objective, Bahrain invested heavily on human resource development through formal and informal education, grooming gifted youngsters to become future leaders,⁵⁴ and promoting life-long learning. By 1970, Bahrain opened the financial markets and by 2002 became a communication hub. According to a *United Nations Economic and Social Commission for Western Asia* study in 2006, Bahrain is the fastest growing and freest economy in the Arab world. This is supported by the annual survey published by the Heritage Foundation and the Wall Street Journal in which the 2006 Index of Economic Freedom ranks Bahrain 25th in the world and the first Arab nation to achieve such a ranking.⁵⁵ In 2008, Bahrain ranks 19th and remains top in the Economic Freedom ranking among the Gulf countries, as shown in Table 4.5:

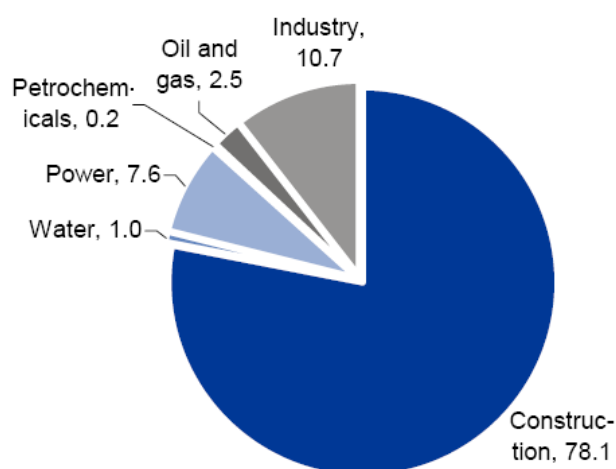
Table 4.5: Economic Freedom Index 2008

2008 Economic Freedom Index GCC in top 40% of countries						
Overall ranking out of 157 countries, all other scores based on a maximum of 100 points (100 = high freedom, 0 = no freedom)						
	Overall Ranking	Business Freedom	Trade Freedom	Fiscal Freedom	Monetary Freedom	Investment Freedom
Singapore	2	97.8	90.0	90.3	88.6	80
United States	5	91.7	86.8	68.3	83.7	80
Bahrain	19	80.0	80.8	99.7	74.3	60
Kuwait	39	68.5	81.0	99.9	78.8	50
Oman	42	55.8	83.6	98.5	74.7	60
Israel	46	68.4	86.6	55.9	81.8	80
South Africa	57	71.2	74.2	69.5	77.2	50
Saudi Arabia	60	72.5	76.8	99.7	76.7	30
UAE	63	47.9	80.4	99.9	70.9	30
Qatar	66	60.0	70.8	99.8	69.4	30
Turkey	74	67.9	86.8	77.8	70.8	50

Source: *GCC Chartbook, Deutsche Bank Research*, 8 February 2008, p.26.

The government has encouraged foreign investment by offering 100 percent ownership to onshore agencies, zero taxes, and freedom of capital movement. The openness of the social and economic systems has placed Bahrain in its current status, encouraging further widening of the economic base with bigger foreign investment. The government has been proactive in steering diversification on the basis of equal opportunity and promoting high efficiency. Low interest loans and tax incentives have encouraged private entrepreneurs to construct several small-scale manufacturing plants, including factories producing plastics, ceramic tiles, paper products and carbonated beverages.⁵⁶ The government has assumed an active role in the establishment of large-scale industry, such as an aluminium plant and a ship-repair yard.⁵⁷ With economic liberalization, private sector participation will increase as the government aims for government expenditure reduction by encouraging privatization.⁵⁸ Diversification projects in Bahrain are dominated by property development and construction as illustrated in Figure 4.11.

Figure 4.11: Bahrain Diversification Projects



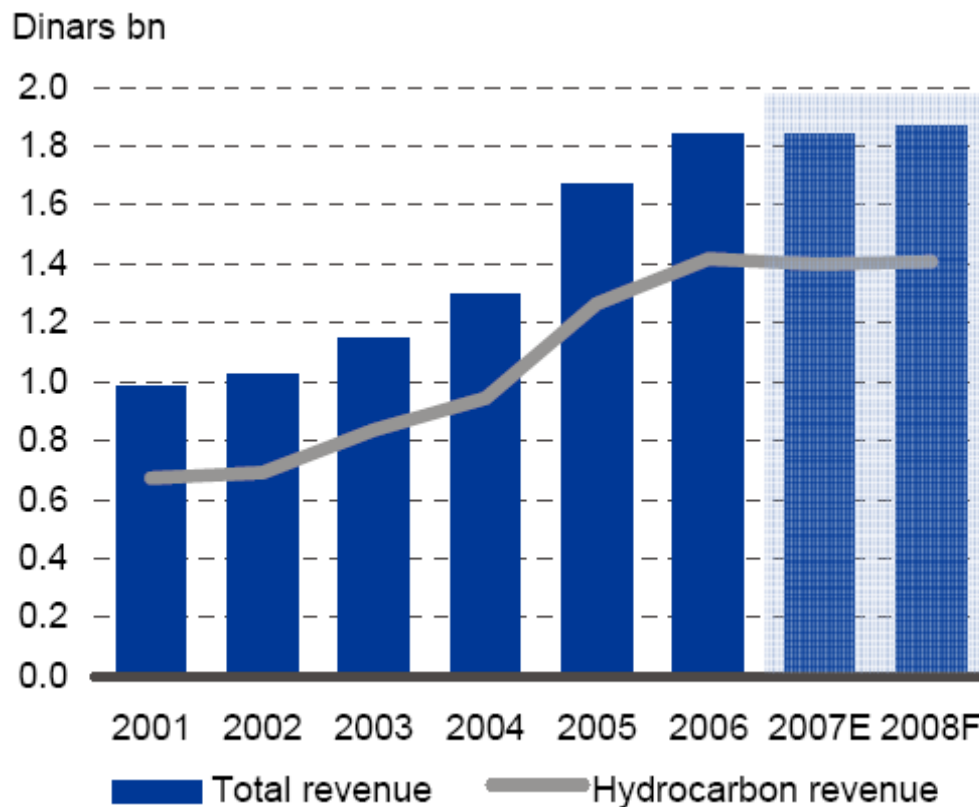
Source: *GCC Chartbook, Deutsche Bank Research*, 8 February 2008, p.13

.Bahrain invested in people, creating the best education system in the region and a highly skilled workforce. Within a ten-year period, Bahrain managed to reduce illiteracy from 53 percent in 1971 to 27 percent in 1981.⁵⁹ The opening of the Gulf Technical College in 1970 and the Bahrain University in 1978 and several vocational colleges has signified progress in human resource development which then contributed to the creation of a highly skilled, sociable, civilized and independent society. The kingdom has invested in new economic sectors and in its infrastructure – roads, power, water, telecoms and IT that will meet the demands in 20 years' time. Investments also include world-class projects; real estates which include a Financial Harbour designed to address the needs of the financial services sector, a new waterside development, seaside city resorts and man-made island to support and improve tourism. In the Leisure, Tourism and Retail sector, Bahrain has created a world-class premier motorsport facilities, transformation of distinctive desert locations into a diversified range of health, residential, hospitality and entertainment components, multi-level international department stores, indoor water parks, leisure centres, hotels, and the improvement of the city centre. These efforts to attract tourists are complemented by improvement in the infrastructure with a new port, airport expansion and improved services and facilities, and a new causeway linking Bahrain to Qatar.

Bahrain has achieved a steady pace of development. Tourism industry has proved successful as evident in the increase of tourist arrivals in the kingdom, from 1,396 (thousand) in 1995 to 3,914 (thousand) in 2005.⁶⁰ In 2006 (estimated figure) 38, 000 jobs were created in Bahrain by the travel industry.⁶¹ Bahrain's real GDP growth remains positive and encouraging. Nevertheless, Bahrain also shows signs of having

contracted the resource curse, as evident in its high unemployment rate, reaching 15.5 per cent in 2004. Figure 4.12 shows that Bahrain continues to earn high revenue from hydrocarbon export despite its successful diversification.

Figure 4.12: Bahrain Government Revenue



Source: *GCC Chartbook, Deutsche Bank Research*, 8 February 2008, p.16.

Low oil reserves make diversification imperative and Bahrain has little choice but seek alternatives to ensure economic sustainability. Bahrain is equipped with strong and fair leadership, educated and skilled professionals, free and civilized people and healthy business environment to drive its development machinery. Freedom and equal rights is the main theme that will help Bahrain achieve its aim to create a corporate nation, enlarging the middle-class population and countering the negative impacts of

welfare.⁶² Apart from the high unemployment figure, Bahrain has shown successful development.

4.4.2 Qatar

Qatar is a peninsula jutting into the Arabian Gulf, covering an area of 11, 437 square kilometers and having a coastline of 700 kilometres (see Figure 4.13). Like Bahrain, Qatar also has a number of islands and has a moderate desert climate. According to a July 2006 estimate, the population of Qatar is 885,359 with almost 80 percent expatriates⁶³ from Asia, Europe and Africa; about three-fifths living within the limit of the capital city, Doha. Qatar is a constitutional monarchy whose rule is hereditary within the Al-Thani family with a government backed by a constitution, a Council of Ministers and a 35-member Advisory Council.

Figure 4.13: Map of Qatar



Source: Adapted from www.aspjpeg.com

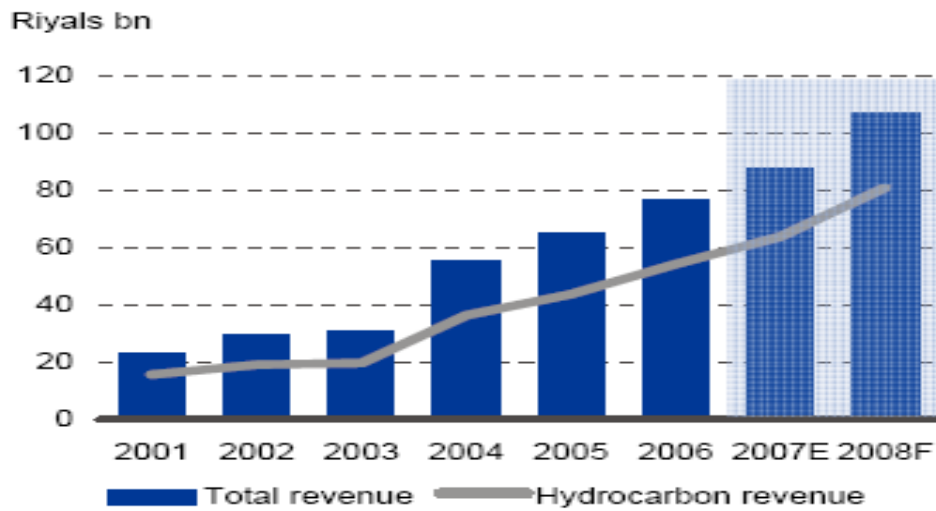
Constitutional development has kept pace with rapid development and economic growth of the country. Independent from the British in September 1971, Qatar only established its 29-member Central Municipal Council (CMC) in 1999, in which women were given the right to vote and run as candidates. In 2003, Qatar appointed its first female Cabinet Minister and this signaled a significant political reform as well as religious tolerance. A change in the constitution transformed Qatar into a democracy in 2005.

The change in leadership in 1996 spurred the transformation from conventional monarchy to a more visionary leadership. The new Emir encouraged learning and transformed the business environment in Qatar, preparing the people for change in the socio-economic arena. At the same time, the Emir insisted on preserving traditions and culture; one of the projects mooted in this direction is to reestablish the 'souk' culture with a different outlook, encouraging the opening of more museums which house Qatari artefacts, improving awareness among Qataris of their original customs and traditions. The Emir focuses on personal contacts with his people and urges equal opportunity by relegating the tradition of preferential treatment common in traditional monarchy.⁶⁴ His leadership inspires the people to participate in modernizing Qatar and at the same time, preserving traditional culture either in concept or physical preservation. His visionary leadership, transparency and accountability have raised a sense of unity between the ruler and its people. This has been a recognizable key to rapid development in Qatar today.

Qatar is moderately Muslim and the government relies on *Shariah* law but allows market forces to rule.⁶⁵ The environment is made conducive for international businesses by relaxing immigration and business permits and allowing people free choice in their cultural leanings. The government has taken the initiative to allow market forces to decide policy and as such people have the freedom to trade whether in strictly Muslim context or otherwise. The government is confident that every free person has his/her own responsibility towards religion and therefore requires no effort from the government to dictate or interfere in one's own spiritual growth. The Undersecretary at the Ministry of Economy and Commerce, Qatar, explained that the "government will not act on behalf of God" but will remain responsible for providing guidance and support which allows personal growth and preservation of moral and cultural values.

With policy reform, Qatar aims to move slowly away from a total welfare state to creating a nation of responsible citizens who are aware of their role in sustainable development. Efforts are made to change the mindset of the people by encouraging them to take responsibility for their own growth.⁶⁶ Oil and gas are still the primary economic resources, accounting for more than 55 percent of Qatar's GDP. In recent years, Qatar has consistently posted trade surpluses largely due to high oil prices and increased natural gas exports. It is obvious that Qatar will continue to exploit its oil and gas industries although efforts are currently underway to have added value projects aligned to the oil and gas industries. Figure 4.14 shows Qatar's revenue chart with heavy reliance on hydrocarbon sales.

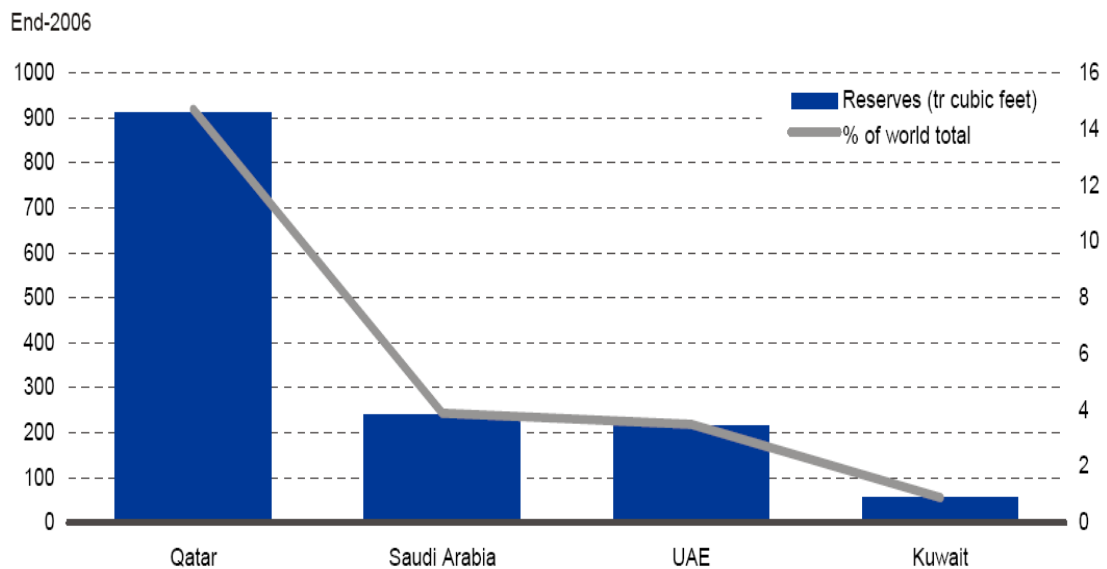
Figure 4.14: Qatar Government Revenue



Source: *GCC Chartbook, Deutsche Bank Research*, 8 February 2008, p.16.

With vast gas capacity, as shown in Figure 4.15, Qatar has a comparative advantage over other States to successfully create and manage downstream projects such as light industries, for example, steel and aluminium.

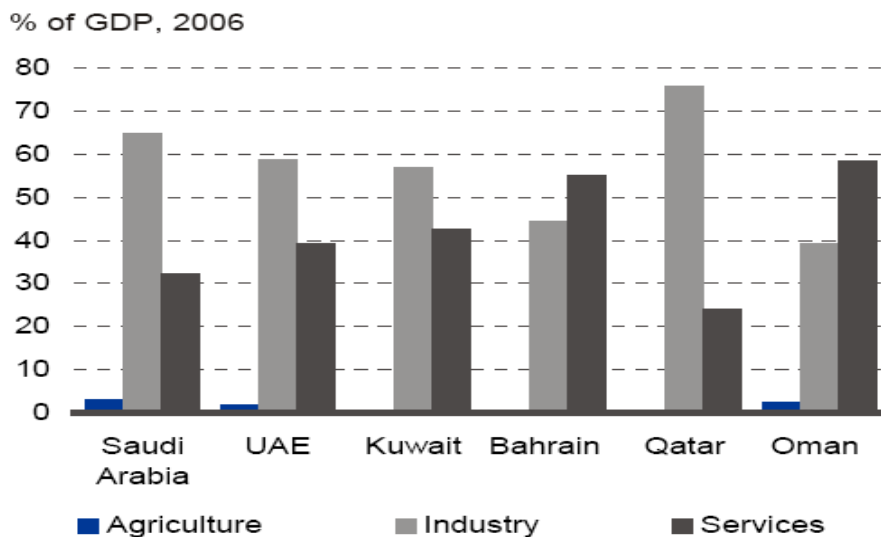
Figure 4.15: Qatar Gas Reserves



Source: *GCC Chartbook, Deutsche Bank Research*, 8 February 2008, p.10.

Qatar follows a policy of diversifying and extending its industrial and commercial activities to reduce the current dependence on oil. Infrastructure, heavy and light industry, agriculture, and fishing have been development targets. The Industrial Development Committee encourages investment and supervises industrial growth. The government also uses surplus oil revenues on the international money market to protect the purchasing power of those revenues. Qatar in the late 1990s launched some major projects worth about \$7 billion: LNG plant expansion of the present fertilizer and petrochemical plants, an aluminum smelter, the Al Wusail power/water desalination plant, a new Doha international airport, and upgrading and expansion of the offshore oil fields. Industry contributes more than 70 percent to Qatar GDP, while services are high contributor in both Bahrain and Oman, as shown in Figure 4.16, below.

Figure 4.16: Composition of the GDP (GCC Countries) 2006



Source: *GCC Chartbook, Deutsche Bank Research*, 8 February 2008, p.5.

With consistently high GDP primarily from oil and gas exports, Qatar embarks on a series of projects that aim for high profit and sustainability. The aspiration to transform Doha, the capital city, into a tourist attraction and the centre for world conferences propels the construction of many hotels and also the rapid development of infrastructure.⁶⁷ Although preservation of the environment is an objective alongside modernization, the rapid expansion of the city centre may force abrupt transformation of the city landscape. Market forces have really affected the economic planning of Qatar in that most of the expansion projects are committed to satisfying the market demands for better infrastructure which undoubtedly will weigh on the pace of cultural transformation. The challenge is to streamline modernization with preservation of culture as well as coping with seeking a competitive advantage over other Gulf States which have a more stable and steady development and hence are less vulnerable to environmental and economic shifts. Qatar is the only country to provide fully integrated nationwide geo-spatial data infrastructure for a societal GIS. GIS technology spurs technological education, better social welfare management and business management. Although education has taken centre stage in the economic planning and development, the recipients of this opportunity would not add value in the long term, to Qatar, due to 'free' migration in the Gulf region.

Qatar has the financial resources to accelerate progress with its oil bonanza. A major problem is Qatar's small population, and a limited workforce which is neither large enough nor suitably qualified to sustain the size and specialized nature of the economy generated by the oil and gas sector.⁶⁸ High dependence on social services and welfare provisions has conditioned the people to extravagance and reliance on foreign

labour will remain high. Despite 'Qatarisation', people prefer government employment to the private sector because of high wages and better benefits.⁶⁹

4.4.3 Oman

The Sultanate of Oman is the biggest of the countries studied in this field research. Oman is both an ancient civilization and a modern nation and is flanked by the Arabian Sea and the Gulf of Oman, with a strategic advantage over the Strait of Hormuz, through which the vast majority of oil and gas is transited (see Figure 4.17). Covering an area of about 212,460 square kilometers and a coastline of approximately 2,092 kilometres, Oman is the second largest country, after Saudi Arabia, on the Arabian Peninsula.

Figure 4.17: Map of Sultanate of Oman



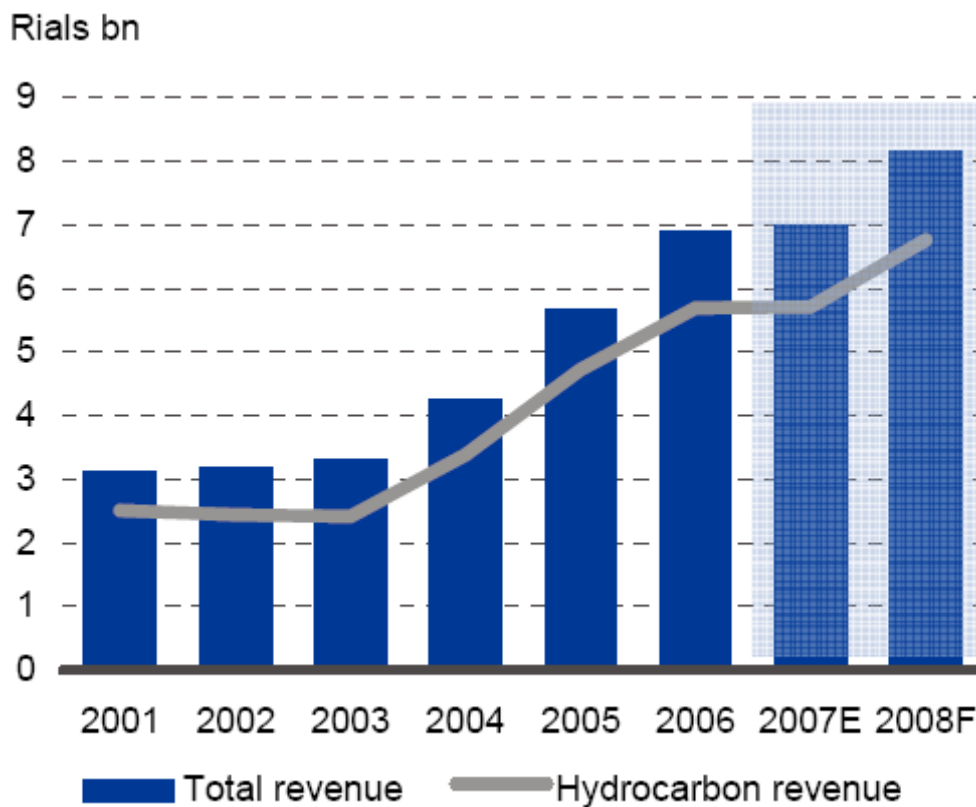
Source: Adapted from www.aspjpeg.com

Oman holds a colourful history dating back to the times of Queen Sheba,⁷⁰ with a population of 2.339 million of which 24 percent are foreigners.⁷¹ The population figure is monitored to ensure balanced welfare distribution and better economic planning. According to current statistics, population growth is maintained at 2 percent. Ruled by a pragmatic and caring monarch who took over from his father in 1970, Oman was transformed from a country of tribal conflicts to a nation with a forward looking spirit. The people of Oman may be described as cultured, open-minded, down-to-earth and very hospitable; they make up a modern nation which is proud of its ancient culture and traditions.

Under Sultan Qaboos' reign, Oman began to enter the league of developing nations by reforming the political and economic instruments in the development agenda. The hereditary system of succession no longer applies in Oman and democracy takes precedence as exemplified by the Islamic leadership succession system practiced during the Prophet Muhammad's era.⁷² According to Islamic law, the election of the *rashidun* or leader follows a majority vote, resulting from *syura* (consultation) and *ijmah* (consensus in agreement), whereby the law is endorsed by the "consensus" of a representative of the *ummah* (community). In the case of Oman, *syura* among members of the Succession Council will elect the leader and the election is endorsed by the law and supported by the people. Participation of women in politics is another indicator of refined democracy and a reflection of reformed mindset on the status of women in society.

The current leadership has transformed Oman from a sombre country into a modern civilization. With political reforms, social and economic development followed and now Oman enjoys political stability, economic strength and social security. These features and Oman’s geopolitically strategic location and dedication to economic liberalization are increasingly attractive to foreign investors. Oman has limited oil reserves but continue to enjoy high and rising oil revenue as a result of the high oil price, as shown in Figure 4.18, below.

Figure 4.18: Oman Government Revenue



Source: *GCC Chartbook, Deutsche Bank Research*, 8 February 2008, p.16.

Oman’s rentier economy and a private sector where only one in ten workers is a native Omani, however, are challenges to rapid diversification; these issues also face other Gulf nations, where workforce nationalization policies have been implemented.

Hence, the biggest current investment made by the Omani government to counter this challenge is human resource development and a move towards a service and knowledge-based economy.⁷³

Oman is now in the middle of its Seventh Five-Year Plan (2006-2010) which aims to speed up the process of diversification by increasing non-oil activities and keeping human resource development as a priority to support the Omanisation programme. With the objective of promoting a service and knowledge-based economy, Oman is developing the information technology (IT) sector, expanding research and development to cover most sectors of the national economy and further supporting for the Scientific Research Council.⁷⁴ Various projects also take place, indicating serious diversification activities, including the development of a new container terminal at Port Salalah, cited as one of the largest ports in the world, and two other ports at Sohar and Muscat. These ports re-establish Oman's position as a stronger seafaring nation with high control of naval activities in the region and these projects have successfully attracted participation of foreign investors. Oman also capitalizes on its beautiful landscape, colourful history and liberal but traditional culture to improve tourism. Improvement of infrastructure and services makes Oman a desired destination for tourists and other businesses. More hotels are being built in the capital city and marketing has improved to attract more tourists into the country.

Oman is also refining the banking sector in maintaining financial equilibrium and economic stability. The banking sector, which has successfully implemented Omanization, currently comprises the Central Bank of Oman and various commercial and specialized banks operating in the country, of which eight are branches of foreign

banks. The ‘specialist’ banks, two of which are government owned and one privately owned, exist to support national development efforts in specific fields such as housing, industry, agriculture and fisheries. Programmes have been set up to educate the communities in water conservation, to promote self-sufficiency through agriculture and fisheries. Both agriculture and fisheries are Oman’s main non-oil exports, accounting for nearly 25 percent of the total GNP. Diversification becomes a focus in its economic development and to date, Oman has been successful in diversification objectives.

Oman faces similar problems of unemployment to Bahrain and Qatar. It has, however, successfully achieved diversification due to quality of mindset, good planning and good governance. Serious efforts towards diversification have been made, as reflected in the economic figures shown at Table 4.6 below.

Table 4.6: Oman Economic Figures 2002-2006

	2002	2003	2004	2005	2006
Real Growth GDP %	2.6	2.0	5.5	5.7	6.1
Hydrocarbon % Contribution to GDP	-2.1	-6.8	-1.7	2.9	3.1
Non-Hydrocarbon Contribution %	5.1	6.5	8.7	6.8	7.2
Total Exports	11.8	12.3	14.1	19.5	22.8
Hydrocarbons %	8.6	8.8	10.5	14.8	16.4

Sources: Omani authorities; and IMF staff estimates.

In cultural preservation, Oman invests and capitalizes on reapplying the concept of *syura*, retaining agriculture and fishery as traditional trades and achieving local history

through the Ministry of Heritage and Culture. This effort takes priority over tourism, unlike its other neighbours.⁷⁵

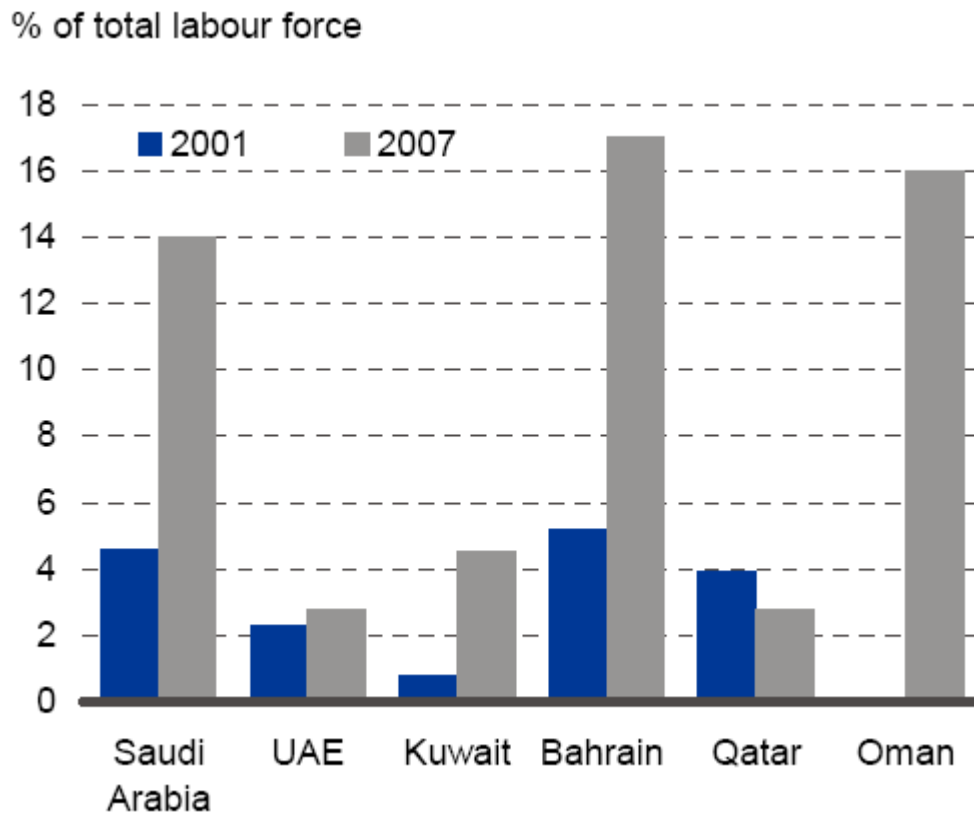
4.4.4 Development Challenges Facing Bahrain, Qatar and Oman

Development in Bahrain, Qatar and Oman can be rated as successful with a strong attachment to root culture. The atmosphere remains essentially Arabic in most areas of the country, Islam is still strongly practiced in the midst of modernity and secularism, and economic growth continues in a positive direction with or without oil and gas. These Gulf countries have invested well in infrastructure, manpower development and service improvement; all three countries have truly embarked on sustainable economic growth. Despite these efforts, the resource curse is evident in high unemployment rates (shown in Figure 4.19), high importation of foreign labour, dependence on public service and welfare provisions and continuous dependence on oil and gas.

The three Gulf countries have encountered similar challenges and have adopted similar solutions. Population size and demographic balance is a major challenge in the security-development equation. High unemployment, particularly in Bahrain and Oman, and heavy reliance on foreign workers in Qatar is a concern as much as dependence on augmented markets in all countries. The impact of small populations on market size is addressed by tourism which enlarges the market base and ensures downstream transactions, though these may be temporary in nature. However, tourism itself brings new challenges to the preservation of original standards and values. On

balance, it also lubricates economic and social development which may outweigh the negative impacts it brings to these countries.

Figure 4.19: Unemployment in the Gulf Countries

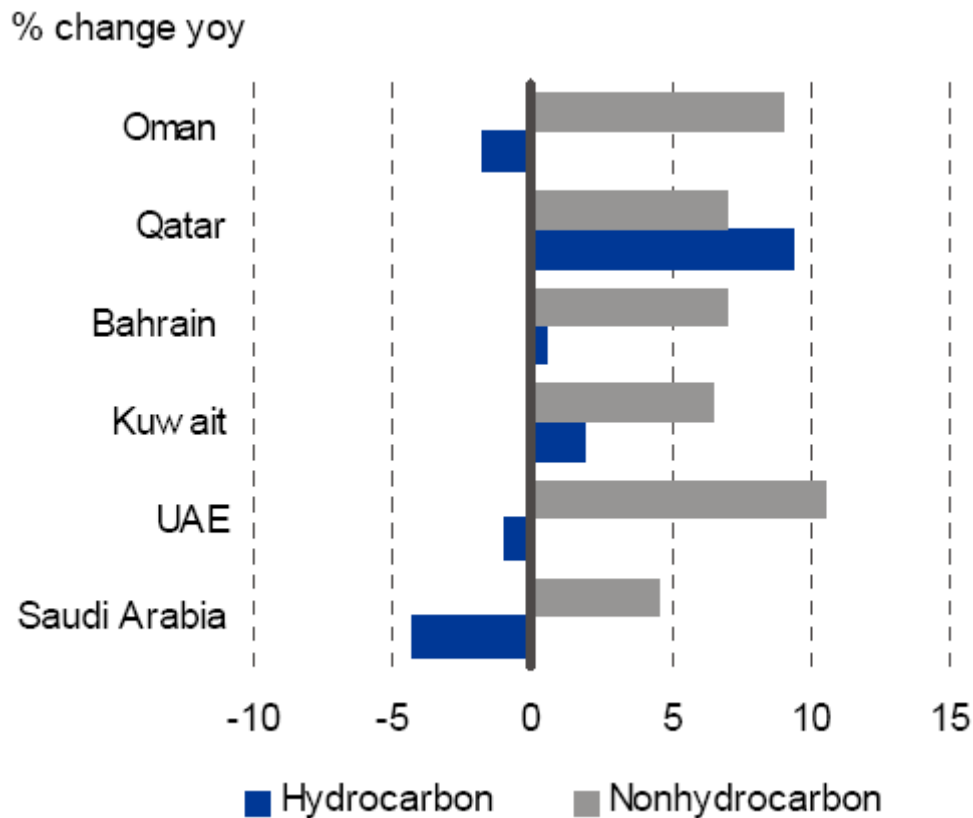


Source: *GCC Chartbook, Deutsche Bank Research*, 8 February 2008, p.6.

In Qatar, the population composition may pose a challenge in the future if a balance cannot be achieved in the ratio of indigenous and non-indigenous groups. There is a heavy reliance on guest workers in the build-up of its economy. Despite the fact that Qataris are very culture-conscious, the impact of multiculturalism brought by migrants in residence and tourists will soon overtake the original Qatari culture. The basic culture of arts, customs and traditions may remain in many households, particularly those in remote areas, in general, Qatar will lose some of its original

features to modern multicultural society. Its membership in the GCC is a blessing in that other member states will rein Qatar back into the mainstream of the Arab world.

Figure 4.20: Real GDP Growth by Component



Source: *GCC Chartbook, Deutsche Bank Research*, 8 February 2008, p.5.

As shown in Figure 4.20 above, diversification has been most successful in Oman, followed by Bahrain and Qatar. Development in Oman is managed through five-year development plans. In comparison to Bahrain and Qatar, the development in many areas may seem slow and over-calculated; however this must be taken in proportion to its geographical size and demographic distribution. The good balance between foreign and indigenous population with continuously good leadership and governance, good population control, monitored development pace and good welfare management have

been keys to modest development in Oman. There is an obvious effort at preserving root culture through awareness of history and transparency of historical facts.⁷⁶

4.5 Key Success Factors in Gulf Development

The success of development strategies in these three Gulf countries may be attributed to the cultural change taking place in the region. Positive government involvement is a major contributor to progressive development in these three countries. All the countries have visionary and pragmatic leaders backed by professional technocrats and statesmen who earned their positions based on meritocracy rather than connections. Their strong leadership inspires professionalism among government officials, competitiveness among entrepreneurs, a sense of belonging and a desire to participate among their people. Barriers to direct contact between ruler and people which are commonly cloaked by protocols and formalities in many royal customs and traditions are slowly dissolved when the monarchs shed their royal outfits and redefine their security formats in meeting their people. The Monarch-People contacts in all three countries have been central to tribal conflict resolution, as well as improvement and alignment of national policies, particularly those affecting national welfare and legal frameworks. Having a few people with the 'right intellect, flair and entrepreneurial ability'⁷⁷ in their government has indeed altered the direction of their economies in a positive direction.

A significant input on the development equation is education. All these countries invest heavily on educating their people, aiming for a high literacy rate. In order that a

development culture may be inculcated, the Gulf countries focus on formal and informal education and technology transfer and absorption processes. Vocational colleges have been established and technology is introduced in curriculum at almost all levels. Countries begin to inflate their intellectual population by sending people abroad as well as bringing in universities to their countries, preparing people for future challenges with a greater understanding of other things apart from religion. In Qatar, for example, an Education City has been created to house remote campuses of established foreign universities.⁷⁸ Adult education and life-long learning centres are promoted to encourage creativity and engagement from all sectors. Research and development centres have also been established to encourage innovation and development of expertise and professional excellence. In all three countries, human resource development continues to be a vital key in the process of developing a progressive culture.

Efficient infrastructure is mandatory in attracting investors and keeping the country in order. Excellence in road network systems, communication services, transport services, and hospitality services are all needed to attract foreign investors. In addition to these factors, education, health, welfare and management systems need to be effective and efficient in order to help people contribute their best for the country. In the Gulf, these systems are well provided for and efficiently coordinated. In Bahrain, for example, deserts are transformed into oases with high class accommodation, parks, entertainment outlets and other elements necessary for tourism to grow. In Qatar, high rise buildings are constructed at such a speed that the city landscape changes almost every month. Despite all this, much of the natural environment is well

preserved to allow the people and country to have an identity they can call their own and leave to the next generation as a heritage.

Changes in political landscapes, systems and methodologies urge people to change their lifestyle to fit the new order and new environment. Although the past is very much alive through knowledge and selective practice of the custom and traditions, progress remains an ultimate objective for the Gulf countries. After all these efforts, they allow nature to take its course where culture is concerned; moving on is a priority in order that they may tackle the future challenges which include depletion of oil and gas, the main source of income. High oil prices and continuous demands for oil and gas will make energy the major export and source of income for many years to come. Economic growth in the Gulf depends on energy (oil and gas) as the main source of funding for development. As development continues with positive results, the returns from successful development efforts will in turn supplement the gains from energy to fuel more development projects. The roles of government, environment and technology complemented by a 'progressive' culture, are important to formulate development strategies and to energise the development plans. The objective of development as defined by *Todaro* can be achieved when people are free, independent and able to shape their own personal growth and destiny and able to contribute towards collective progress.

END NOTES AND REFERENCES

¹ Sick, G.G., "The Coming Crisis in the Persian Gulf," in Sick, G.G. and Potter, L.G., *The Persian Gulf at the Millennium: Essays in Politics, Economy, Security and Religion*, St Martin's Press, New York, (1997), p.15. In the 1970s, the rapid inflow of oil wealth led all the Gulf countries to create extensive welfare systems with free health care, education and other services.

² Goldschmidt, A., *A Concise History of the Middle East*, West View Press, (2002).

³ Friedman, T.L., *From Beirut to Jerusalem*, Farrar, Straus & Giroux Inc, (1995).

⁴ Byman, D.L. and Green, J.D., "The Enigma of the Political Stability in the Persian Gulf Monarchies" in *Middle East Review of International Affairs* Volume 3 Number 3, (September 1999), pp.20-37.

⁵ UN, Institute of Near Eastern & African Studies (INEAS).

⁶ Goldschmidt, A., *A Concise History of the Middle East*, West View Press, (2002).

⁷ Saudi Arabia, Iraq and Iran are the three regional powers in the Persian Gulf, putting political pressures on smaller countries, particularly Kuwait and Bahrain, for greater territorial and economic control.

⁸ Oil and Gas Journal statistical data in the *EIA Short Term Energy Outlook*, (9 January 2007), pp.14-17.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Energy Information Administration, *International Energy Outlook 2006*.

¹² Energy Information Administration, *Country Analysis Briefs*, June 2007.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Cedigaz, formed in 1961, is an international association dedicated to natural gas information. It currently has 195 members in 40 countries, associating most of the leading international oil and gas companies, national and international organizations, banks, consultants, engineering companies and equipment suppliers.

¹⁶ Byman, D.L. and Green, J.D., "The Enigma of the Political Stability in the Persian Gulf Monarchies" in *Middle East Review of International Affairs* Volume 3 Number 3 dated September 1999, pp.20-37.

¹⁷ Population Data Sheet, Population Reference Bureau, 2006.

¹⁸ Max Weber wrote in his book, *The Protestant Ethic and the Spirit of Capitalism* published in 1905 and translated in 1930 by Talcott Parsons, that "... in order that a manner of life well

adapted to the peculiarities of the capitalism... could come to dominate others, it had to originate somewhere, and not in isolated individuals alone, but as a way of life common to the whole groups of man.”

¹⁹ Interview with the Undersecretary at the Ministry of Economy and Commerce, Mr Abdulla Al Qahtani, in his office on 30 October 2007. In explaining the population breakdown, Mr Al Qahtani stated that only 20 percent of the Qatari population is indigenous although it is cultural to have big families.

²⁰ National Human Resource Development and Employment Authority (2005). Major nationalities include Arabs, Pakistanis, Indians, Iranians, Afghans, Bangladeshis and Filipinos.

²¹ Author’s interview with officials in Bahrain, Qatar and Oman on how much of the traditional culture remains since they embarked on modernization. Each country has its own approach to preserving traditional culture.

²² Similar statements on the difficulty of distinguishing relevant culture for development came from the Head of Quality Management in the Ministry of Finance, Bahrain, the Undersecretary at the Ministry of Economy and Commerce, Qatar, the Director of Economic Affairs, Qatar and a Research Officer to the Secretary General at the Ministry of Foreign Affairs, Oman.

²³ Sala-i-martin, X. and Artadi, E.V., Part 1 Economic Growth and Investment in the Arab World, Discussion Paper #2083-08, University of Columbia, October 2002, pp.21-33.

²⁴ This view is clearly shared by officials met during the author’s Gulf visit. Mr Abdulla Al-Qahtani, the Undersecretary at the Ministry of Economy & Commerce, Qatar explained that people must be taught to become producers rather than consumers.

²⁵ This was one of the stated aims outlined during The Vision Conference: Oman 2020, held in June 1995 which becomes a guiding policy towards securing Oman’s future prosperity and growth.

²⁶ Business Resource: Africa and Middle East

²⁷ Gray, S. and Blejer, M.I., *The Gulf Council Cooperation Region: Financial Market Development, Competitiveness and Economic Growth*, Centre for Central Banking Studies, Bank of England, p.41.

²⁸ Author’s interview with Dr Maher Shawky Abouseif, Advisor at the Ministry of Municipalities Affairs and Agriculture Spatial Planning on 27 October 2007.

²⁹ “Gas Exports to Rise: Emir,” *The Peninsula* dated 30 October 2007, p.1.

³⁰ The Undersecretary at the Ministry of Economy & Commerce, Mr Abdulla K Al Qahtani, explained that the reason for many buildings rising in Doha is to meet the market demands as Doha aspires to become the centre of world conferences.

³¹ Author’s interview with Dr Hanadi, a Research Officer to the Secretary General at the Ministry of Foreign Affairs, Oman, on 01 November 2007.

³² Extracted from McBrierty V. and Al Zubair M, *Oman – Ancient Civilization: Modern Nation – Towards a Knowledge and Service Economy*, Trinity College, Dublin, Ireland and The Bait Al Zubair Foundation LLC, Muscat, Oman, p.62.

³³ Author's interview with the Secretary General at Ministry of Foreign Affairs, Oman, His Excellency Syed Badr AlSaid on 01 November 2007.

³⁴ Wright C., 'Oman: diversification plans expand opportunities – business opportunities for the US,' *Business America*, (March 1995).

³⁵ Author's interview with various officials from Bahrain, Qatar and Oman revealed that these countries realized that oil is significant to catalyse diversification and to drive the implementation of their development projects.

³⁶ This view is shared by Syaikh Hamed Al-Khalifa, the Undersecretary for Urban Planning, Bahrain, and Dr Saleh M Alnabit, the Director of Economic Affairs, Qatar.

³⁷ Various projects have been recorded in the media: Saudi Arabia and its US\$260 million city; Bahrain and the improvement of communication links and transport, Qatar building up Doha, etc.

³⁸ Author's interview with Mr Oun Ali, Technical Advisor at the Ministry of Municipalities Affairs and Culture, Bahrain, HE Syed Nasr AlSaid, Managing Director of SABCO Group, Oman, Dr Saleh Alnabit, Director of Economic Affairs, Qatar, Sy Faisal Qasim Al-Thani of Qatar.

³⁹ Officials from all the three countries emphasized the need for government to steer the direction of change; the technology as the instrument, religion as a guide and businesses as the platform for changes. This is further elaborated in the respective paragraphs of each country's development.

⁴⁰ Dr Alnabit explained that in getting people to participate in the economic activity more efficiently, they need to feel responsible for their own destiny. Although rules and regulations are necessary, they must also have rooms to create their own space or growth.

⁴¹ Mr Al-Qahtani of Qatar revealed that in Qatar, plans are to move projects from government-based to private-based.

⁴² Sy Hamed Al-Khalifa explained that transportation, communication and port operation are improved with privatization. He said, "The private sector must be better than the government..."

⁴³ Dr Mohd Taqi of Bahrain explained that in 1999 the government relaxed control on freedom of action, driving people to participate better.

⁴⁴ Sy Hamed Al-Khalifa of Bahrain listed out the barriers to growth in the Bahraini economic study, of which monopolies is the biggest. In the effort to counter the effect, the Bahraini government introduced laws which allows competition on equal opportunities.

⁴⁵ It was related to the author during the Gulf visits that in Qatar and Oman, the rulers insist on openness and relax the security control which separates them from the people. The Emir of Qatar does his rounds in the 'souk' weekly to meet his people and the Sultan of Oman visits and stays with the Bedouins in the desert on regular basis to have personal contact with them.

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- ⁴⁶ Arabian hospitality, sincerity in their friendship, mindful of prayer times and ability to appreciate differences during the visits reflect good practice of Islamic discipline.
- ⁴⁷ This was brought out during discussions with officials from Bahrain and Oman, in that positive changes taking place in the Gulf were due to reforms which have been sensitive to people's needs.
- ⁴⁸ Author's interview with the Director of Economic Affairs, Qatar, Dr Saleh M Alnabit, on 30 October 2007, in response to questions on the population balance and impact of foreigners on the preservation of Qatari root culture.
- ⁴⁹ 'GCC economies no longer oil reliant', *The Peninsula Business* dated 29 October 2007, p.17.
- ⁵⁰ Ibid.
- ⁵¹ *Central Informatics Organisation*, Kingdom of Bahrain, 2005.
- ⁵² Peterson, J.E., Bahrain's First Steps Towards Reform Under Amir Hamad, *Asian Affairs Journal of The Royal Society For Asian Affairs* Vol XXXIII Part II, (June 2002), pp.216 – 227.
- ⁵³ Ibid.
- ⁵⁴ The 'Grooming Future Leaders' programme is under the patronage of the Crown Prince of Bahrain, seeking to develop gifted youth to focus on areas of interest for the future management of the country.
- ⁵⁵ The foundations of economic freedom are personal choice, voluntary exchange and open markets. As Adam Smith, Milton Friedman and Friedrich Hayek have stressed, freedom of exchange and market coordination provide the fuel for economic progress.
- ⁵⁶ *Central Informatics Organisation*, Kingdom of Bahrain, 2001.
- ⁵⁷ Author's interview with business executives in Bahrain 26 – 28 October 2007.
- ⁵⁸ Meeting with Undersecretary of Urban Planning and officials from the Ministry of Municipalities Affairs and Culture, Kingdom of Bahrain in Al-Areen, Bahrain on 26 October 2007.
- ⁵⁹ *Education Statistics*, Central Informatics Organisation, Kingdom of Bahrain, (2001).
- ⁶⁰ International Tourist Arrival in the GCC, *World Trade Organisation*, United Nations. Data based on various years performance.
- ⁶¹ Ibid.
- ⁶² Explained by the Undersecretary of Urban Planning that Bahrain aims to change its welfare state status and create a corporate nation with higher percentage of middle-class group.
- ⁶³ Author's interview with the Director of Economic Affairs, Qatar, 30 October 2007.

⁶⁴ An interview with the Undersecretary at the Ministry of Economy & Commerce, Mr Abdulla K Al Qahtani revealed that all applications are treated equal regardless of status. He also explained that this action discourages corruption and unequal treatment.

⁶⁵ Ibid.

⁶⁶ Ibid.

⁶⁷ Author's interview with the Undersecretary at the Ministry of Economy and Commerce on 30 October 2007.

⁶⁸ Author's interview with Head of Qatar Business Association (QBA), Syeikh Faisal bin Qassem Al Thani on 29 October 2007.

⁶⁹ 'Real Jobs' Don't Appeal to Qataris... Yet Foreign Workers Mistreated', *The Peninsula*, 10 Aug 2007.

⁷⁰ "Oman: Diplomacy and economics in the Arabian Gulf" in *Khaleej Times* dated 10 October 2007.

⁷¹ Author's interview with the Secretary-General at the Ministry of Foreign Affairs, Oman, Syed Badr Al-Said on 01 November 2007.

⁷² Armstrong K., *Islam – A Short History*, Modern Library, Toronto, (2002), pp. 160-161.

⁷³ McBrierty V. and Al Zubair M, *Oman – Ancient Civilization: Modern Nation – Towards a Knowledge and Service Economy*, Trinity College, Dublin, Ireland and The Bait Al Zubair Foundation LLC, Muscat, Oman.

⁷⁴ Interview with MOFA on 1 November 2007 highlighted the importance of the Five Year Plans for Oman's development. The current plan is determined by: a. basic targets and principle of Oman's long-term development strategy (1996 – 2020); b. assessment of performance of the previous Plan; c. evaluation of new developments scheduled to take place within the current five-year period.

⁷⁵ Author's interview with Dr Hanadi, a Research Officer to Secretary General at Ministry of Foreign Affairs, Oman on 01 November 2007.

⁷⁶ In some countries, historical facts are superimposed and the embarrassing facts are hidden thus giving false impressions on the country's historical background.

⁷⁷ Op cit. Brierty and Zubair asserted that size is not a determinant of economic growth and 'a few people with the right intellect, flair and entrepreneurial ability can now alter the direction of national economies for the better.

⁷⁸ A social exchange with Sheikh Feisal Al-Thani and family touched on issues of education, religion and social development, particularly among the youths.

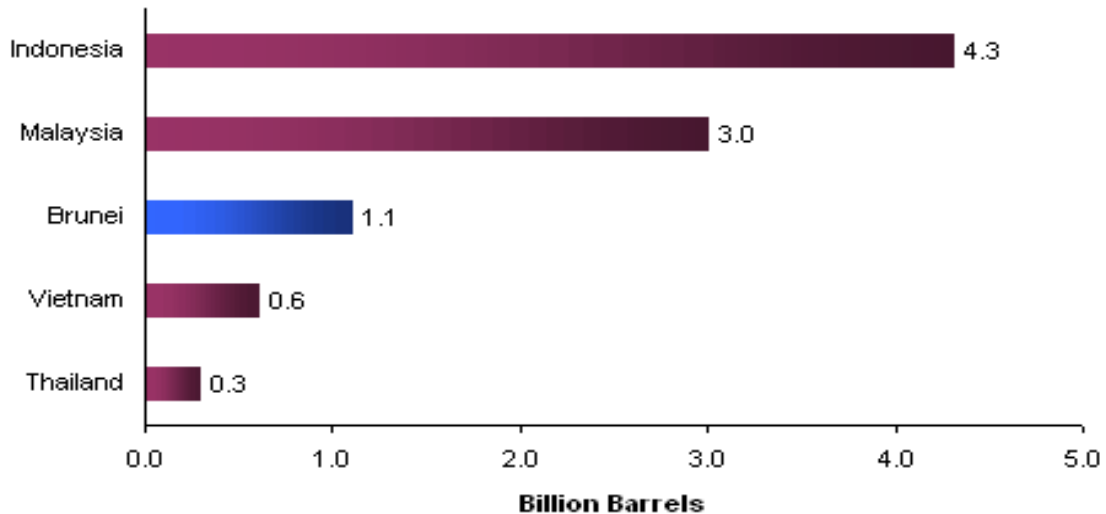
Chapter 5

BRUNEI AND THE RESOURCE CURSE: MYTH OR REALITY?

5.0 Oil, Diversification and Resource Curse

Brunei is endowed with oil which will deplete sooner rather than later.¹ The Energy Information Administration reported that, according to the *Oil and Gas Journal*, Brunei oil reserves are declining, standing at 1.1 billion barrels as of January 2007, as illustrated in Figure 5.1. With no other sources of income which can immediately replace hydrocarbons, Brunei will be facing a similar fate as other resource-rich countries that have suffered resource curse and encountered resource depletion, (see Chapter 2, Section 2.4). This chapter essentially addresses the issue of cultural change as part of Brunei's preparation for its future without oil.

Figure 5.1: Selected Southeast Asia Proven Oil Reserves, January 2007



Source: *Oil & Gas Journal*, December 2006.

At a glance, Brunei is steadily progressing with developed town centres, satisfactory infrastructures, more shopping complexes and real estates, better road systems, higher literacy and a high standard of health.² Poverty, if present, is not apparent although its existence is not doubted. There are strong indications that the government has done sufficiently well in providing the platform for development. All the facilities required for development seem to be in place but looking at the economic performance as a whole, we see a picture of complacency and underperformance, and a seemingly unconcerned nation.³ Revenue from oil is still the major source of funding for almost all of the development projects in Brunei Darussalam.

The idea of diversification first appeared in the second Brunei national development plans (1962 – 1966).⁴ Yet, efforts at diversifying are still floundering, and, today, Brunei is still highly dependent on oil and gas. There is still unemployment in the country and people still prefer working in the public sector to the private sector unless they can gain better advantage in the private sector.⁵ This constrains participation of the private sector which, instead of complementing, has to compete with the public sector.⁶ This is a typical scenario of a country suffering from resource curse. But is oil really a curse for Brunei or is it a generator of a healthy economy?

The comparative empirical study, (Chapter 4), suggests that energy has been the source of both a healthy economy and a not-so-healthy attitude of the people. Oil-rich countries in the Gulf have not really escaped the resource curse but have slowly managed to re-orientate their economic policy in correspondence with redefined Islamic cultural values in order that the people may contribute better towards higher levels of development. The

visit to the Gulf countries revealed that changes taking place at governmental level hastens the application of a new culture, nurturing positive development. Diversification of the Gulf countries has shown considerable success and this chapter analyses the Brunei case alongside the experiences of the Gulf countries in an effort to identify a more feasible approach to successful development. A key issue in this chapter is seeking to establish the viability of applying, in Brunei, the attributes of a development culture practised in the comparator countries. This chapter looks at Brunei and its cultural development to give an understanding of the present Brunei culture and its influence in policy orientation and application. Using some economic key indicators, a comparison between Brunei and the selected Gulf countries reveals that Brunei needs a new approach in order to improve its economic performance. This chapter highlights the impending economic problems facing Brunei and proposes a viable approach to implementing development plans.

5.1 Principal Attributes of a Development Culture

Small energy-rich countries in the Gulf, as well as Brunei, realise that dependence on one major source of income is risky and all have tried to rapidly change their respective courses of economic dependence through economic diversification. In the process, countries are trying to shift their approach from being a welfare state that fully provides and therefore 'spoils' growth, to a state that remains responsible by facilitating continuous growth, thus offering sustainable development. For these countries, Islam has provided the platform for such change and by applying the principles of Islam in the

world of capitalism, Bahrain, Qatar and Oman are able to reach the present stage of development. Brunei is, generally, still lagging behind with lower economic growth, as shown in Table 5.1 below, indicating the need for a revision of development approach.

Table 5.1: Real GDP Growth in Brunei, Bahrain, Qatar and Oman 2001 – 2006

Countries	2001	2002	2003	2004	2005	2006
Brunei	2.7	3.9	2.9	0.5	0.4	5.1
Bahrain	4.6	5.2	7.2	5.6	7.8	7.6
Qatar	6.3	3.2	6.3	17.7	9.2	10.3
Oman	7.5	2.6	2.0	5.4	5.8	5.9

Source: *IMF, World Economic Outlook*, October 2007.

Islam has increasingly become a political tool, evolving from simplicity to one with variations resulting from different interpretations of Islamic teachings. The Muslim world has become disintegrated as people are led to religion-centricity based on different values and discipline instead of simply worshipping one Creator, being guided by the basic principles laid down in the holy books. Eventually, confusion over these differing principles draw Muslims back to the origins of Islam, with Muslim leaders (in the Gulf) adopting the original fundamental principles as guidance in their leadership and management formula. Islam applies pragmatism in conducting daily affairs, promotes equality among men and encourages continuous personal growth. The Gulf countries selected for this empirical research have based their national development along these

lines. It has been realized that in order that a country may progress in the desired direction, its people must first move as a nation, be managed in a consistently conducive environment, be equipped with the right knowledge and skills, and then be led to a known destination. Such has been the case in the Gulf where democracy rules and people are allowed free choice, are educated to know their origins, struggles and civilization, and are encouraged to participate in their national development. In brief, culture in these three countries (Bahrain, Oman and Qatar) has evolved, shepherding the people from insularity to sophistication. People are exposed to the profit-motive and at the same time, are guided to operate within the rules of Islam. This combination of capitalism and Islam forms the core of a new culture which drives development in a positive direction. Based on observation and analysis of the experiences of the three Gulf countries, three principal attributes to this development culture are noted:

a. Visionary Leadership, Professional Management and Supportive Policies

Strong and intelligent leadership and good governance are important in setting the direction of development. Political changes took place in Qatar and Oman and continue to take place in Bahrain.⁷ The new leaders are visionary leaders, insisting on fair governance and producing systems and policies which are supportive of national progress and individual growth, taking into account all aspects of social interests without preferential targets or specified classes of people. The role of religion guides the government to protect and

serve the people, tearing down barriers, class systems and motivating them to achieve self-esteem through independence and continuous improvement. The people respond responsibly knowing that their interests are protected. Equal opportunities and fair distribution underpin social cohesiveness. In Brunei, social stratification impairs the quality of leadership, professionalism and policy implementation. Class-consciousness is indirectly instilled when the entire national system responds and corresponds better to nobility, titles and positions in society, leading to a less professional attitude towards work ethics and social contracts. This, in part, creates gaps between the rich and less fortunate, systems which only benefit a few and an environment which lacks transparency. A result of this is the wastage of valuable and able assets that can help strengthen organizational performance.

b. Professional and Skilled Human Resources

The Gulf countries continue to invest significantly in human resource development through formal and informal education. The establishment of learning institutions either by government or private enterprise is taking place to cater for education at all levels. Good education programmes with well-designed curricula support the national need for intellectuals as well as intelligent skilled workers. Research and development houses the think tanks which revise and formulate policies and strategies. 'Import' of foreign universities to operate in-country enhances the human resource development

programme and brings other economic benefits to the countries. The presence of professional employees in the government and private sectors ensures good management and administration of other resources. In the Gulf, the presence of professionals, intellectuals and skilled workers, albeit foreign, has helped the countries to be extrovert, more aware of their surrounding and better in their participation of global issues. Brunei's human resource development is limited to academic and scholastic achievement bounded within the parameters of conforming to Brunei traditional values. The extra qualities of assertiveness, confidence, and open-mindedness are yet to be instilled with certain conditioning factors within the present environment.

c. Openness, Tolerance and a Healthy Environment

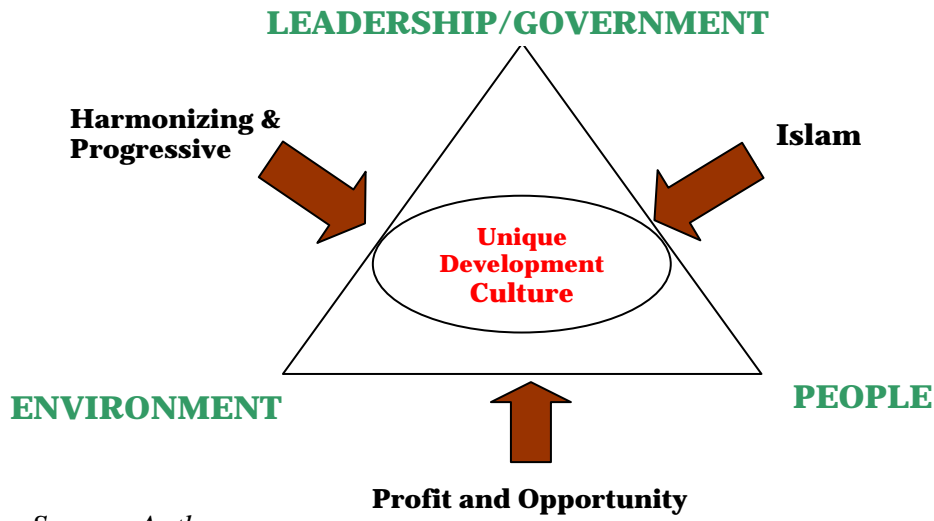
The contemporary world has an environment which provides choices, allows market forces to rule, and at the same time, promotes competitiveness, eliminating dependence, rigidity and monopoly. Applying knowledge and *ijtihad* (independent reasoning), forms the basis of commendable moral values, leading to a healthy environment where freedom, openness and tolerance rule. In the Gulf, the understanding (and application) of the true fundamentals of Islam, made through education and environment, enlightens the people to a freedom of mind, leading them to act responsibly and unselfishly towards collective peace and profitable ends. This enlightenment makes them less judgmental about others and it creates a healthy environment whereby people become more supportive,

cooperative and progressive. The people are free, independent, confident and able to shape their own personal growth and destiny. In Brunei, people are still *ennissophobic* and *deciophobic*, living a life in constant pursuit of societal approval and acceptance, hence acting according to *taqlid* (imitation) instead of capitalizing on the gift of *ijtihad*. This leads to insularity, risk aversion and limited growth.

The Gulf development experiences recognizes that the attributes embedded in government, people and environment must complement each other to form a culture which supports successful implementation of development plans. Figure 5.2 illustrates that the influences of Islam in government and people, amidst a profit-seeking environment driven by the desire to achieve continuous peace and harmony and an elevation of living standards, strengthen the need to merge both Islamic and capitalistic values in attaining economic objectives.

Economic development draws on the concept of profit-making, as well as creating opportunities of making profit, so that a government, and individuals, can continuously have the resources to fulfill moral responsibilities, as required by Islam. This fits in very well with capitalism which seeks to gain profit by exploiting and satisfying man's unlimited needs to fulfill personal interests. The only possible difference is that capitalism explores all possibilities of profit-making and applies any possible rule to accumulate and invest or re-invest the wealth gained; Islam explores all possibilities and operates within set guidelines aiming to benefit all players and any associated factors.

Figure 5.2: Attributes of a Development Culture



Source: Author

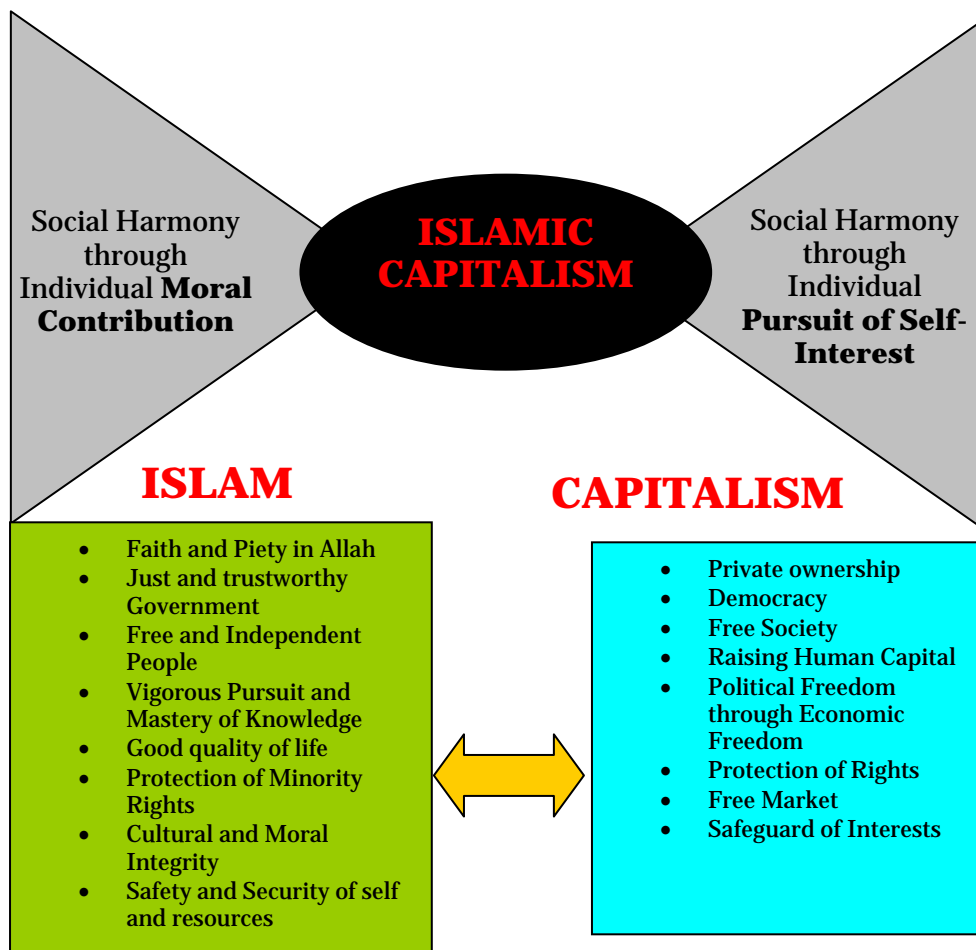
It may therefore be suggested that capitalism and Islam are compatible in that both seek to encourage development – of self, of nation and of all humankind. Capitalistic Islam or Islamic capitalism may not be ideal terms for many conservative Muslims but the fusion of these two concepts has produced a workable solution for Islamic businesses. The former (capitalistic Islam) may seem blasphemous as the values of Islam are reduced to the negative aspects of capitalism. The latter (Islamic capitalism) suggests the application of Islamic values in adapting capitalism which forms the basis of a new development culture which has been fundamental in the promotion of progress in most of the Gulf countries. As illustrated in Figure 5.3, both Islam and capitalism strive for the same development objective –development in Islam aims for social harmony at a collective level, ie for the benefit of the *ummah* (community). Development in a capitalistic world aims for social harmony at an individual level, urging individuals to strive for self satisfaction, creating a world where the rich become richer. The application of the principles of Islam and capitalism holds the key to the components of the development

culture adopted by Bahrain, Qatar and Oman. The new development culture drives the massive change in the way people think and conduct themselves. This is the culture which needs to be transported to Brunei to improve its socio-economic development. As asserted by the Holy Quran,

“Let there arise out of you a band of people inviting to all that is good, enjoining what is right, and forbidding what is wrong: They are the ones to attain felicity.”

Chapter 3 (Ali‘Imran) Verse 104⁸

Figure 5.3: Islam, Capitalism and a Development Culture



Source: *Author*

Having a band of people leading to progress is indeed a solution to save Brunei from the effects of the resource curse. Quality leadership, guiding the nation with a vision toward positive socio-economic development summarises the description of part of the antidote for Brunei's impending economic ailment.

5.2 Sultanate of Brunei: Leadership, Vision and Socio-Economic Planning

Negara Brunei Darussalam, commonly and simply known as Brunei, is a small, Muslim sultanate located on the northwest coast of Borneo island. Borneo is the largest island in the South China Sea and is occupied by three countries; namely, Brunei on the northwest, Malaysia on the Eastern and Western part of north Borneo and Indonesia in the south, as illustrated in Figure 5.4 below:

Figure 5.4: Map of Borneo



Source : www.panda.org/.../borneo_maps/index.cfm, last updated 10 Sep 2006.

Oil and gas have been the major sources of income since oil was discovered almost 80 years ago. In recent years, the government has adopted strategies to diversify its economy, encouraging light industry, services and tourism to reduce Brunei's dependence on oil exports. Brunei's non-oil resources are largely unexploited as it moves towards environmental preservation. About 75 per cent of its total land area is covered by tropical rainforest, protected by law against logging. Agriculture which once was a significant source of income is now carried out on small scale and revolves primarily around the cultivation of vegetables and fruits in outlying areas. Over 85 percent of the population lives in the coastal areas, where almost all social and economic activities are concentrated. In general, present day Brunei people are more urban than rural.

Brunei is surrounded by big neighbours, which share common cultural values and roots. Brunei also shares similar historical experiences of civilization changes, power struggles, nationalization and economic peaks and troughs. Upon its independence, Brunei almost immediately became a member of the Commonwealth, Association of Southeast Asian Nations (ASEAN), and the Organization of The Islamic Conference (OIC), all of which have pledged to promote solidarity and consolidate cooperation in economic, social, cultural, scientific and other development fields. With its neighbours and friends, Brunei has been able to learn and participate positively towards progress. Having a geographical size of 5,765 square kilometers and a coastline of 161 kilometres, as well as a demographic size of merely 380,000 people,⁹ Brunei is indeed small in many respects. Its smallness brings both challenges and opportunities; it also means that every asset has significant value in the equation of prosperity, stability, security and survivability. While

Brunei may be satisfied with its present economic health, mainly due to the soaring oil price, the future holds no certainty for its sustainability and continuous stability. Many economic development plans are still at the blueprint stage, and many diversification projects have yet to take off.¹⁰ By the end of the 8th National Development Plan (2001 – 2005), only 283 out of 808 investment projects were completed; 253 were in progress and 272 were still in early stages of implementation.¹¹ Businesses are slow and small-scale, and there is weak implementation of the development system and a lack of comprehensive development supporting systems.¹² Nevertheless, the economic situation is moderately stable but insufficiently secure because of high dependence on oil and gas. With GDP growth of 5.1 per cent and an unemployment rate of 4 percent in 2006,¹³ and a low inflation rate, Brunei seems to have fared satisfactorily, but none of these figures reflect a turnaround in economic progress. Based on the real GDP growth trend over three years, Brunei's economic performance is substandard when compared to some of the ASEAN countries or the countries in the Gulf. Table 5.2 shows the economic performance of ASEAN countries which clearly highlights Brunei's underperformance.

All Brunei's ASEAN neighbours have annual GDP growth of no less than 4 per cent over the last six years, signifying active economic activities. Singapore, for example, is a small country with no natural resources but has proven to be a high performer in the region; Malaysia, a multiracial and multi-religious country which upholds Islamic principles continues to record substantial GDP growth; the Philippines, Indonesia and Thailand which have uncertain political stability are still performing at considerably higher levels as are the new member states of ASEAN – Laos, Vietnam and Cambodia. Brunei has a

stable government, highly priced natural resources, a green environment and considerably skilled and educated people. The question is why is it unable to achieve comparable economic performance with its neighbours?

Table 5.2: Annual GDP Growth Percentage of ASEAN Countries

	2000	2005	2006
Brunei	2.8 *	0.4*	5.1
Cambodia	8.4	13.4!	10.5!
Indonesia	4.9	5.7	5.5
Lao PDR	5.8	7.1	7.6
Malaysia	8.9	5.2	5.9
Philippines	6.0	5.0	5.4
Singapore	10.1!	6.6	7.9
Thailand	4.8	4.5	5.0 *
Vietnam	6.8	8.4	8.2

* Lowest Percentage Growth

! Highest Percentage Growth

Source: *World Development Indicators database*, April 2007.

Added to the poor economic performance, the impending oil depletion, as mentioned at the beginning of this chapter, then high dependency on oil and gas is making Brunei vulnerable as it follows the swings of the world oil market. Brunei needs to formulate strategies which can turn this vulnerability into strength in order to maintain economic stability and sustainability. Two broad options are available: either to focus on pure diversification programmes, as in Bahrain, Oman and UAE, or to engage in value-added pseudo-diversification activities and reinvestment as in Qatar. So far, Brunei has seemed to apply both options with probably more focus on projects related to oil and gas. Unfortunately, true diversification may not exist in Brunei as long as oil and gas still flow

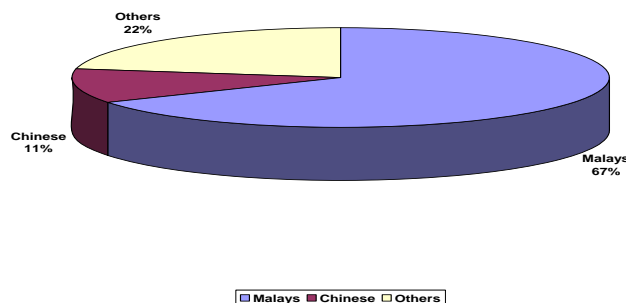
through. Given all the possible criteria for positive economic activities, Brunei should be able to reap maximum benefits from these options.

The Gulf experience shows that the government plays the most important role in steering 'cultural' change, together with the role played by SMEs and the influence of technology and the environment. Physical evidence seen from Brunei's infrastructural changes show that the government has played a role in facilitating change. The way the Brunei government is structured and run is not much different to those in the Middle East. The Sultan is very much involved and engaged in the development of his country, as a fully working monarch and as the Sultan/Head of State and as Prime Minister. Through these portfolios, he ensures the high standard of welfare for his people by giving them free education as well as medical services and health care, leads the country in regional and international participation and initiates policies which target the facilitation of national development, aiming for harmony and stability. As in the Gulf, the political environment is calm; the Cabinet operates on selective basis, not elective, and democracy, as defined by normal western convention, does not exist in Brunei. Nonetheless, apart from the rebellion in December 1962, Brunei has always enjoyed continuous political stability and remains one of the few countries that are peaceful, harmonious and safe. The government has played its role sufficiently well by providing policies and systems which are supportive of development. Adequate technology is in place, brought in by modernization and globalization. The business environment, however, is not as impressive as in neighbouring countries, thus greatly affecting the efficiency of local SMEs. With these two agents of change (business environment and SMEs) greatly handicapped, the process

of changing the people's mindsets as in the Gulf cannot be fully achieved and the pace of development is thus affected.

People are the means and ends of any given system. There is a need to align the way people think, act, respond and interact with the ultimate objective of the system(s) to rationalize solutions to challenges. It is this ability to rationalize and to design solutions that becomes central to the development culture, a culture that optimizes human natural gifts to produce the best positive results for individual and collective development. The nurturing of this ability requires an environment which encourages and supports change. Most often, it is negative attitudes and mindsets that hinders the utilization of these gifts and it is quite possible that such a case, borne by a reluctance to move away from comfort zones or a fear to explore the unknown, resides within the psyche of the Brunei people. The Brunei people are predominantly Malays, making up about 67 percent of the total population, with Chinese and other races making up the rest of the population,¹⁴ as illustrated in Figure 5.5.

Figure 5.5: Population Composition by Race (2006)



Source: Brunei Darussalam Statistical Yearbook 2006.

The Malays are culture-conscious people and known to have high regard for customs and traditions, as evident in one of the Malay proverbs, “*Biar mati anak, jangan mati adat,*” meaning, death of one’s child is more acceptable than living without customs and traditions. Even when westernization hit the Malay world, the Malays still upheld their customs and traditions, observing them mostly on particular occasions such as weddings, births and funerals. Notwithstanding this fact, the Malay culture has gone through changes as other factors, such as religions, other traditional beliefs and civilization, influences its practice.

According to the Brunei Nationality Act 1961, the Brunei Malays belong to seven ethnic groups, each adorned with their own dialect(s),¹⁵ customs, traditions and observances. Multi-ethnicity brings different customs and traditions which knit neatly into the spectrum of the Malay culture. Religious influence and traditional observances add colour to the already colourful culture of the Brunei people. Most Malays are Muslims, some are Christians or pagans. The Chinese are mainly Buddhists or Christians and some are Muslims mostly by conversion. The Chinese, Indians and other races have their own customs and traditions which are freely practised in Brunei. Interactions and intermarriages between these races bring different touches to the original culture of the local Malays, making a colourful component of the Brunei culture. The cultural diversity borne out of different ethnicity, race, beliefs and faiths makes the Brunei culture difficult to define. To understand the culture, one must know the history and the political and social development of Brunei.

5.3 The Brunei Culture

The basis of the Brunei culture revolves around the ruler, the origin of the Malay race and the evolution of religious beliefs. For more than 600 years, Brunei has been ruled by a long line of monarchs from a single dynasty, making it one of the oldest Malay kingdoms in South East Asia.¹⁶ Some powerful kings brought Brunei to its political supremacy in the region between the 15th and 17th century when its empire stretched from northern Borneo to parts of the Philippines.¹⁷ The royals brought colour to their national history and culture in such a way that Brunei never seemed to exist without advocating royal customs and tradition. The people respond easily and naturally to monarchy because it is part of their culture and heritage.

The Malays that occupied the Southeast Asian region came from the northwestern part of Yunnan. Before religion arrived, they held strong animistic beliefs in the spirit of the soil and jungle, often having recourse to '*bomohs*'¹⁸ for treatment of ailments. Moving on from almost a paganistic country to a kingdom with strong Hindu-Buddhist influence, it later became an Islamic kingdom in the mid-14th century¹⁹ when the then ruler embraced the Islamic faith. The close links to the Arabs go back to the days of Islamisation of the region when a Persian missionary and merchant married into the Brunei royal family²⁰ and spread Islam throughout its empire.²¹

As revealed by history, seeking economic power has been the propelling factor to developments in the political and social dimensions. For many centuries, Brunei was a

trading nation and became the integral port of call on the Malacca–Macau route. Brunei's main source of income was from commerce, trading specially in camphor, special woods and spices.²² These economic activities introduced Brunei to the outside world, developing diplomatic relations which were later strengthened and kept throughout the centuries. These interactions and other social contacts exposed Brunei to different beliefs, languages, customs and traditions which gradually formed the intricate Malay Muslim culture remaining to this day.

Over centuries, Brunei has changed from a great trading empire to a small kingdom, swayed from poverty to richness but it remains true to its identity and culture. Unlike its neighbours, Brunei still holds its name as it did many centuries ago and the rich culture, which is distinctively Malay, remains in its authenticity, especially evident during the conduct of ceremonies and functions in Brunei. Some parts of culture have changed because people's mindsets and behaviours change accordingly as their environment changes. Desires and aspirations, to rise above contemporary social heights, have driven people to seek better economic status. As all three - politics, economics and social - dimensions are interrelated, the impact of one dimension on a particular component of livelihood would bring changes to the other dimensions. Thus, environmental changes, shaped partly by the political development and driven by economic aspirations, would have had a substantial impact on social transformation.

5.3.1 Nature of Contemporary Brunei Culture

On the presumption that a root culture exists from the time a country is born, we may have to trace back to AD 920 when Brunei was first mentioned in order to know Brunei's root culture. Without a doubt, the root culture no longer exists as a cultural evolution took place over time, causing environmental changes. The present day culture is a product of years of moulding, conditioned by political and economic development in the country and beyond, as well as the impact of technological and social development all over the world.

One significant feature of the Brunei culture is the monarchy and the centuries-old, colourful royal customs and traditions, merging with the Malay culture borne out of multi-ethnicity. The recent twist to religious-centricity is a result of mental and physical programming driven by those with political agenda. In the national philosophy of *Melayu Islam Beraja* (Malay Islam Monarchy), the Islam factor is most open to interpretation and easily exploited (by policy makers) in the design of a national character and culture. Malay (*Melayu*) and Monarchy (*Beraja*) are difficult to change because they are self-explanatory and self-imposing, while Islam can be conceptual and ambiguous. The practice of Islam depends on each individual's interpretation of its concepts. Thus in Brunei, the practice can stretch to include the Arabic cultural content because national working discipline and culture are based on the authoritative interpretation of Islam which is arguably Arabic-centric. The fusion of the fundamental Islamic teachings and the Arabic cultural values causes a conflict in practising Islam in Brunei, particularly

among the youths. The question whether national philosophy has achieved its objective is beyond discussions of this thesis but suffice to note, that it has formed the basis of the Brunei culture.

Brunei customs and traditions are an important part of its cultural identity, distinguishing it from the rest of Southeast Asia and at the same time, giving it a strong link to the rest of Asia and other parts of the world. Brunei cultural preservation is therefore mandatory if it is to maintain its classic identity. Preserving Brunei culture is an ongoing exercise, providing an opportunity for the people to re-examine the significance of tradition and its relevance to development. This is a long and slow process; some customs and traditions becoming norms which are hard to displace. Some norms still being practised are sometimes in conflict with policy objectives. For example, when Brunei joined the rest of Asia in the economic crisis, the government encouraged cost-saving efforts which affected common practices of generosity and hospitality. At meetings sponsored by Brunei organisations, refreshments would still be served in generous quantities, unlike those sponsored by the Japanese or Singaporeans, which would be limited to drinks and biscuits. The culture fostering generosity sets no agenda for change even in times of economic crisis!

Affluence can change people's attitude towards life in general and in Brunei, it has somehow made the people 'class'-conscious. Some would choose to become 'first-class' beggars in order to be included in the 'elite' group by associating themselves with the rich and famous rather than earning a steady income by more productive and professional

means. Some burden themselves with debts to achieve the high standard of living they set upon themselves.²³ It has also been observed that many would choose to depend on parents or a successful ‘breadwinner’ in the family rather than earning for themselves by having proper jobs.²⁴ The demands of a high standard of living often include extravagance and anything less than luxury cannot be classified as ‘classy’. The mental attitude in classifying jobs as low or high class limits choices and, in some ways, is a factor to have caused rising unemployment. Resetting mindsets into thinking that all jobs are noble and commendable is an onerous task. A class-conscious society, full of hubris, lavish in lifestyle and unwilling to learn, is not an easy group to convince about development or cultural change. Such a phenomenon exists in many countries but for a small country like Brunei, the impact is more severe.

This social shift is a challenge which poses conflict in the way religion is perceived in Brunei. Since Islam, like other religions, promotes equality, moderation and humility, the lavish, complacent class-craving society is a blatant contrast to the principles of Islam and portrays a different angle to Islamic Brunei.²⁵ Tied to class-consciousness is an unhealthy competition with rampant politicking which can result in disunity.²⁶ Such a situation limits further the nurturing of quality manpower from the already small manpower base. Quality manpower cannot be based on gender, religion, race, background or personal traits but rather on an individual’s capability and capacity to perform the required tasks. Meritocracy needs to be in place to enable the selection of the best, to encourage healthy competition and to ensure a quality and professional

workforce. The colourful part of culture, where customs and traditions abound, does not oppose progress as much as this cultural shift just mentioned.

The nature of Brunei contemporary culture can thus be summarised as non-aligned to development because the people are still operating in a mode not conducive to development. The people are torn between social demands for traditionalism and personal preference for modernism, between practising pure Islamic teaching and adopting interpreted 'Arabicised' culture, and between self and collective development. There is a need for cultural change, not by shelving the long-existing customs, traditions and religion but by instilling high moral values, self-respect and integrity. An environmental change is needed where refined social codes shun prejudice, discrimination and psychological violence and promote instead high tolerance, acceptability of differences and objectivity. What is needed is a development culture to create the conducive environment for growth.

5.3.2 Political and Social Development in Brunei

Political development in Brunei is worth noting as it has energised social development, prominently after the Second World War, and had been partly responsible for the social progress we see today. As a result of political manoeuvres, much of today's lifestyle in the country rests on the concept of being Islamic. It sometimes raises debates as some sectors wish to impose their values upon others. Although Islam is the official religion, practising other faiths (in a measured way) are allowed in Brunei. There are minorities of

free thinkers or pagans, Buddhists and ancestor worshippers largely among the Chinese, Christians and Hindus. By constitution, Malay is the official language although English is very widely spoken and used as the most convenient form of formal and informal mode of communication. Most Brunei people converse in their own dialect or a mix of different dialects and languages but would correspond in formal writings using ‘standard’ Malay²⁷. These slight linguistic differences and some other cultural characteristics identify the Brunei people distinctly from their Malay neighbours.

Brunei people revere their king (Sultan) and have high regard for the Malay Royal Court customs and traditions. The Sultan is the supreme ruler, assisted by his appointed nobles and commoners whom he bestows honorary titles. The influences of the royal customs and traditions bring both challenges and opportunities to Brunei’s cultural growth and the ability of its society to participate effectively in modern development. Political changes, in terms of governance and polity, spurred by its independence in 1984, had little impact on people’s traditional response to monarchy, Brunei royal protocols and bureaucracy. This strong cultural practice continuously limits the application of free will in professional conduct.

After independence, Brunei’s administrative system centres on the Prime Minister’s Office which provides ‘authoritative and purposeful guidance and leadership to the machinery of Government in line with national goals and aspirations’ as outlined by HM the Sultan.²⁸ A Legislative Council, after a 20-year absence from the political scene, was re-established in September 2004, followed by a reshuffle of cabinet members in May

2005, signifying a desire for change in the management system within the government machinery. Re-establishment of the Legislative Council once again provides a platform for policy debates for the people, indicating the government's resurgent effort to adopt public accountability and allowing democratic processes to be seen to operate.²⁹ Brunei's form of democracy seems to be cautiously and restrictively practised after the political experience in 1962 when an attempt to change the political landscape failed.³⁰

After the rebellion in December 1962, Brunei declared a State of Emergency, which has still not been revoked publicly. The effect of the Emergency Law on social growth is less than satisfactory as government's cautionary action, in the form of centralized control, has formed a barrier between people and government. The law overshadows the government's noble intention to engage its people in the real process of nation building and affects the social development in the country.³¹ The application of the emergency law without adequate check and balance apparatus over a period of time had apparently created a 'fear environment' which subsequently affects the process of decision-making. From the experiences of countries experimenting on ideologies after the Second World War, it is well noted that sharing ideas and exchanging opinions which underpin the principle of free speech cannot exist in a 'fear' environment even if the environment is only a perception. And the government cannot continue to be perceived not to trust its citizens which can drive them to internalisation.³² The environment and space for growth is essential for a growing nation. It would by now be realised that the present climate of uncertain feature and temperature is a major challenge to policy-makers: the main question is what should be done to eradicate fear and to change this climate of

uncertainty to one that breeds courage, wisdom and progress for a more productive and positive outcome.

Brunei's political history has a direct impact on contemporary Brunei culture. In retrospect, the colonial years (1906 – 1984) have helped condition the Brunei mindsets and to this day, some of the British influences remain in the Brunei working culture and lifestyle. Once before, in a previous timeline, being anglophile was a conduit to modernism and middle-class status - it even became a symbol of modernity. Then revolutionary minds and so-called freedom fighters, in the name of anti-colonialism, used it to incite nationalistic feelings.³³ Now, being anglophile is just a lifestyle, relevant for interacting on the international platforms but no more significant than the local culture in other theatres. The earlier culture of Brunei, however, has changed, perhaps more by accident rather than design, with the political and social changes in the country.

The proclamation of Independence³⁴ strengthens the position of monarchy in the Brunei political equation. It also reaffirmed Brunei's position as a Malay state guided by the doctrines of Islam. The reaffirmation of Islam as the way of life brought a promise of freedom, peace and justice. Some sectors, however, sensationalized Islam to legalize authoritative interpretations of the Islamic teachings. Brunei people, regardless of race or ethnicity, are generally bilingual, fluent both in Malay and English, having been educated in a system which is part of the British legacy. Muslim bureaucrats insisted that religion was the key to changing the Brunei outlook and Islamic elements should be embossed on the environment through regimented ethics and '*islamised*' administration. It thus created

a new component to the Brunei culture with strong Islamic bias based on their authoritative interpretation of the Islamic principles, channelling mindsets to insularity among the less knowledgeable and non-expressed resistance among tolerant and educated citizens. The resultant effect is a general compliance to norms and ethics by the majority, not entirely because of their cultural values but quite so often because of fear of criticisms and psychological punishments by the society. The fact that they retain most parts of their respective root culture makes the present Brunei cultural landscape more colourful, beautiful and no longer distinctively Malay. It signifies unity even in the presence of diversity of the components of culture. The merging effect is the indefinable Brunei culture, with strong Malay and Islamic influence.

Modernization and technology bring in new sets of values formed as a result of universal subscription to new methodology, refined systems and new inventions. Technology accelerates human development, forming a dynamic universal culture, compelling or forcing people to adapt and adopt a new or modern lifestyle. This universal culture challenges the validity of Brunei cultural values. Exposures and education bring new perspectives and more options are available for personal development. As more people wake up to the call of modernisation while observing and respecting the principles of Islam, the culture takes a new turn, albeit at a slower pace. The generation gap becomes more real and sometimes creates a cultural conflict, debating whether to adhere to long-kept customs and traditions or the new universal culture.

The present Brunei society, in general, is comparable to any ‘westernised’ society, with a touch of traditional Brunei Malay quality. Local customs and traditions are observed full-heartedly. During formal and semi-formal functions, imposed dress codes are respected, observed and followed; people choose their own fashion and dress code at other times. Islam predominates and becomes a reference point in almost all areas of a Brunei lifestyle. Brunei is a male-dominated society, as seemingly common in many Muslim countries. While women, in practice, may never be given the same rights and accord as men in many professional positions, women in Brunei do have similar, if not equal, privileges to men. Inequality between genders is obviously cultural because it is definitely not Islamic, as pointed out by the Quran in several verses,

“...I shall not lose sight of the labor of any of you who labors in My way, be it man or woman; each of you is equal to the other...”

*Chapter 3 (Ali- ‘ Imran) Verse
195³⁵*

“For Muslim men and women,- for believing men and women, for devout men and women, for true men and women, for men and women who are patient and constant, for men and women who humble themselves, for men and women who give in Charity, for men and women who fast (and deny themselves), for men and women who guard their chastity, and for men and women who engage much in God's praise,- for them has God prepared forgiveness and great reward.”

Chapter 33 (Al-Ahsab) Verse 35³⁶

The effect of political development on social transformation in Brunei is thus quite substantial. Political development, local and foreign, has led to national consciousness and social awareness. The emergence of middle-class society in the 1950s signalled a societal shift in Brunei.³⁷ The British departure from the political scene urged for a process of self-examination, culminating in a renewed identity and a culture embodied in a national philosophy. The emergence of new trends from religious reawakening, particularly among leaders and statesmen, created a religious-centric society, conforming to the institutionalized neo-Islamic (or perhaps, pseudo-Arabic) culture. The question arises is whether the contemporary Brunei Malay culture, with strong emphasis on 'arabised' Islam, helps to drive progress rather than acting as a stumbling block in the development process.

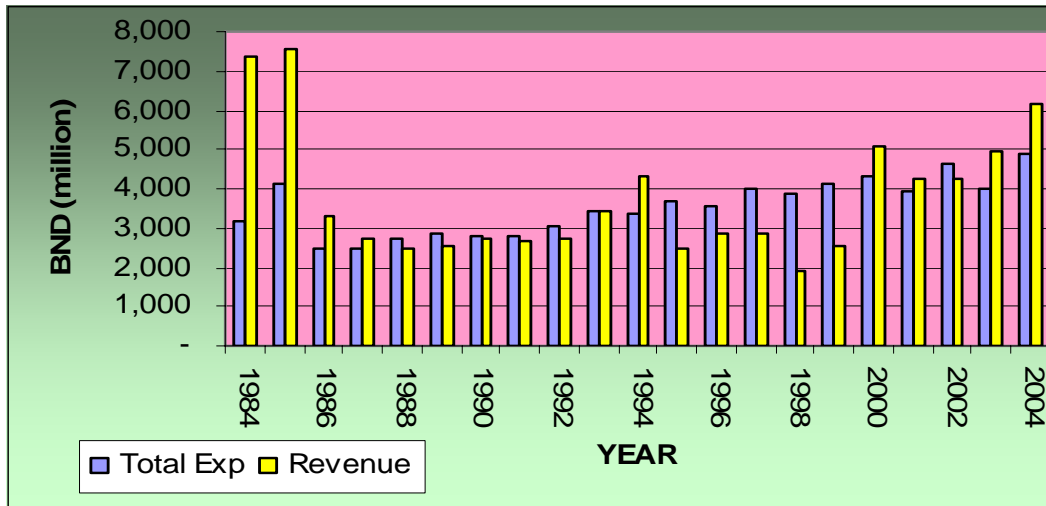
5.3.3 Analysis of Socio-Economic Development in Brunei

British 'rule' in Brunei saw the introduction of new systems, including education, health services, and land registration. The British rebuilt the economy and improved the tax and revenue collection systems. The discovery of oil in April 1929³⁸ brought further developments to the country. With oil, Brunei was then able to place itself on the road to economic recovery. The Japanese occupation of Southeast Asia, however, interrupted development and after 1950, with a new Sultan in power, Brunei became more active in its development programme under the British administration. In 1953, Brunei started its first series of five-year national development plans and with more oil discoveries and a sudden oil price hike in the 1970s, these development plans were implemented

successfully. By the late 1950s, as a result of economic and political progress, Brunei's society fell into classes of intellectuals, middle-class town elites and traditional villagers, in addition to the royals, the nobles, the warriors, and the feudal lords. Brunei continued to prosper and develop under British leadership and management. In 1984, Brunei resumed its Independence and gradual localization took over the administration and management of almost all areas of the country.

Despite its strong economy and positive oil reserves, Brunei emphasized economic diversification throughout and beyond its second National Development Plan (1962 – 1966) aiming for a non-oil future. For almost five decades since then, Brunei held on to social improvement as its main objective in its development plans besides ensuring political and social security through economic stability. It has so far achieved considerable improvement in its socio-economic well-being, ensuring the provision of excellent welfare services. Hospitals were built and flying doctor services introduced to provide health services to the people in the interior.³⁹ More roads were constructed to connect villages to the town centres. Social development continued progressively when increased oil prices improved the economy, bringing the society to a standard of living which is amongst the highest in the Asia-Pacific region, with GDP per capita of US\$25,754 in 2005.⁴⁰ However, this achievement was largely attributed to high government spending using revenues from oil and gas, as shown in Figure 5.6.

Figure 5.6: Government Expenditure and Revenue



Source: Department of Economic Planning & Development, Brunei, 2005.

The above trend of government expenditure over a ten-year period indicates Brunei's less successful approach towards economic diversification. Over these years, the private sector could not grow and suffered a 'double curse' as government took hold of development in full swing and offered more subsidies and high wages to public servants. The people become complacent as they put less effort into creating a livelihood with a good standard of living.

In many respects, Brunei people embrace the same basic Southeast Asian values, with a passion for traditionalism but a desire for modernity. They share the Asian gentleness and hospitality; always respectful especially towards their elders or 'superiors', women obeying their men in submission, sometimes beyond humanitarian calls, cherishing close kinship and strong family ties, polite to an extent which can cloud decisions, sometimes

abstract in their responses and philosophical in their advice. This is the Asian culture making up a component of the Brunei culture. The smallness of its population also makes Brunei society a close-knitted society, with almost everyone familiar with, or related to, each other. Making or assuming changes in contrast to norms can lead to a string of repercussions which can affect one's status in society. This understanding brings apprehension and stunts social openness in the Brunei society.

Developing human resources has been the key objective in the social development programme, with a priority on improving education and health services, giving the people one of the best health care systems in the region, comparable to the quality offered in developed countries. The mortality rate⁴¹ has improved and average life expectancy stands at 77 years of age by 2005 statistics,⁴² with immunization almost completely financed by the government.⁴³ Education also takes a priority as Brunei moves towards a knowledge-based economy. The literacy rate improved from 89.2 per cent in 1981 to 92.5 per cent in 2001 and is one of the highest in Asia reaching almost 93 per cent in 2006.⁴⁴ All these efforts position Brunei in the 30th place in the Human Development Index of 177 countries.⁴⁵ Given its wealth and political stability, Brunei can be expected to achieve a better performance in the index.

5.3.4 Impact of Development on the Brunei Culture

After 20 years of Independence, Brunei has yet to establish a credible and respectable nation, alongside its signature name as the richest country in Southeast Asia. The Brunei

people may be considered among the most fortunate in Southeast Asia as they continue to enjoy high subsidies and generous health care from the government. The people do not pay income tax and the standard of living is among the highest in Southeast Asia. For decades, oil has been the major source of income, contributing to more than 60 percent of the GDP in the current statistics.⁴⁶ Table 5.3 shows the continued and growing dependence on oil and gas as Brunei entered the new millennium:

Table 5.3: Performance of Oil and Gas Industry in GDP Growth 2002 - 2006

	2002	2003	2004	2005	2006
% of GDP from Oil & Gas	52.87	57.16	61.90	66.44	68.78
Oil Production (bbl/d)	203,021	207,240	207,750	200,812	219,258
Price of Oil (US\$)	25.33	30.18	41.83	57.72	69.59
GDP Growth Rate	3.9	2.9	0.5	0.4	5.1

Sources: Brunei Darussalam Statistical Yearbook, 2006.

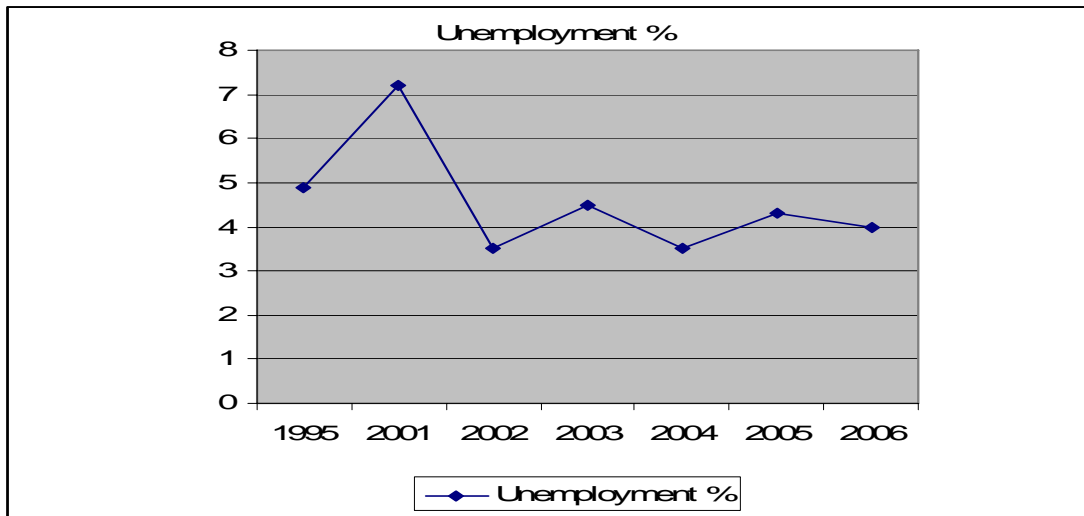
Prior to oil, Brunei's small economy very much depended on cutch⁴⁷ as its principal export, and others which included timber, coal, rubber and opium (candu).⁴⁸ After its decline from prominence and before the British residency era in 1906, Brunei was among the poorest with no proper administration and revenue base.⁴⁹ In those days, agriculture and trade were the main sources of income and people had to work the fields for subsistence living, improvising facilities for better quality life, were united in both times of happiness and less fortunate, were closer to each other even when they were physically

distant in location. The British administration introduced systematic economic reforms with proper land ownership and entitlement, tax reforms, education management and social services administration. The returns from oil exports provided for better social development from the 1930s onward. Education which started to take form in Brunei around 1914 began to improve with more schools being opened.⁵⁰ In the effort to fight conservatism,⁵¹ the British introduced the School Attendance Enactment in 1929 which made school attendance compulsory for children (boys and girls). From basic education to wider choices of subjects, the education system continued to breed intellectuals and a newly educated generation. The improved literacy rates over the years⁵² and the increasing number of higher institutions established as well as the increasing number of Brunei graduates produced at local and foreign institutions is undoubtedly an indicator of progress.⁵³

A better education system produced more educated people, ready to take up high-income jobs. Thus, with the introduction of new technology, privileged with better income and generous government support, the qualities of resourcefulness and industry slowly diminished and were taken over by the complacency of living in luxury and consumerism. Eventually, people particularly those of the new generation, preferred a luxurious lifestyle by easier means instead of earning a living to live moderately and independently. Some only work in selective positions⁵⁴ leading to a constrained labour market and a high unemployment rate, as illustrated in Figure 5.7. A study looking into strategies for attracting FDI into Brunei revealed that, in the food industry, for example, “foreign workers fill approximately 77 percent of the jobs...” because locals only prefer

“managerial/administrator, professional and technical positions” as opposed to menial jobs.⁵⁵

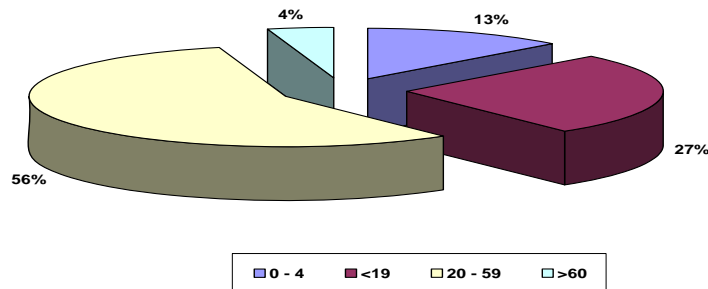
Figure 5.7: Unemployment Rate in Brunei 1995, 2001 - 2006



Source: *Brunei Darussalam Statistical Yearbook 2006*.

Opulence and development have certainly changed the culture of the Brunei people and the perception it gave to the outside world. The Brunei society has become too comfortable with high standards of living, gradually creating a nation of people cloaked with hubris. This may have been one of the causes of unemployment, particularly amongst people in the middle-class, or pseudo-middle-class, society - who are unwilling to enter the working class and be part of the common breadwinners! Brunei has an annual population growth rate of between 2 and 3.5 per cent,⁵⁶ and a young population of which more than 50 percent are in the working age group, as illustrated in figure 5.8 below, and unemployment is an issue.

Figure 5.8: Population Distribution by Age Group



Source: *Brunei Darussalam Statistical Yearbook 2006*.

Table 5.4 shows that unemployment exists in Brunei, reaching a rate of 7.2 per cent in 2001.⁵⁷ By nature of its young and actively employable population, Brunei can opt not to employ foreign labour; the foreign labour in Brunei exists because its own people are not willing to take up the blue collar jobs.⁵⁸ This was pointed out in a Report which highlighted the fact that people are not willing to work on low-pay or low-graded jobs. For example, in the food industry, the locals prefer administrative jobs to menial jobs such as cooks or waitressing.⁵⁹ Unemployment is therefore a problem, partly created by people's attitude towards life in general and by the lack of drive in exploring other possibilities outside their domains. The impact of economic development on social transformation in Brunei is significant in the Brunei cultural construct we see today.

Table 5.4: Unemployment Figures 1995, 2001 - 2006

	1995	2001	2002	2003	2004	2005	2006
Labour Force	122,839	157,594	158,800	158,900	164,400	169,200	180,400
Employed	116,780	146,254	153,300	151,800	158,600	162,000	173,100
Unemployment %	4.9	7.2	3.5	4.5	3.5	4.3	4

Source: *Brunei Darussalam Statistical Yearbook 2006*.

5.4 Resource Curse: Inevitability or Insolubility?

Brunei faces several economic challenges: small size and small economy in a highly competitive region; high dependence on hydrocarbons and imports; and overly centralised management which slows down the decision-making process. However, the key challenge to Brunei's development is the resource curse effect; the impact of its wealth on the people and their cultural design. The 'Resource Curse' is associated with high dependency on a particular natural resource, leading to slow development as a result of rising unemployment, rising public expenditure and low private sector business participation. The most important factor in getting development on a positive trend and hence alleviating the country from the resource curse effect is by encouraging people to move along the development path with positive mindset, courage, will and determination.

Brunei gains most of its revenues from energy sales which make up about 90 percent of the total export,⁶⁰ as shown in Table 5.5. Compared to the Gulf countries, Brunei's economic performance is lower and its development growth is steady but also slow. The

Chairman of Brunei Economic Development Board (BEDB) who urged for an update on the present Brunei economic model asserted that the "...[Brunei] economy is growing far too slowly...[the] average rate of economic growth is 1.8 per cent as opposed to population growth of 2.7 per cent... This means we are a declining income nation."⁶¹ The following table shows the increase in oil and gas sector contribution to national revenue between 2001 and 2006. These figures are significant to illustrate the fact that despite long-term plans of diversification (since 1962), Brunei is still heavily dependent on oil and gas even 40 years later. This dependency raises questions about Brunei's ability to diversify beyond oil.

Table 5.5: Exports by Major Commodity 2001-2006

	2001	2002	2003	2004	2005	2006
Total Exports (US\$Millions)	3640	3702	4421	5057	6249	8087
Oil and Gas	3252	3259	3876	4624	5886	7691
% Revenue	89.34	88.03	87.67	91.43	94.19	95.10

Sources: Department of Economic Planning and Development, Brunei, IMF.

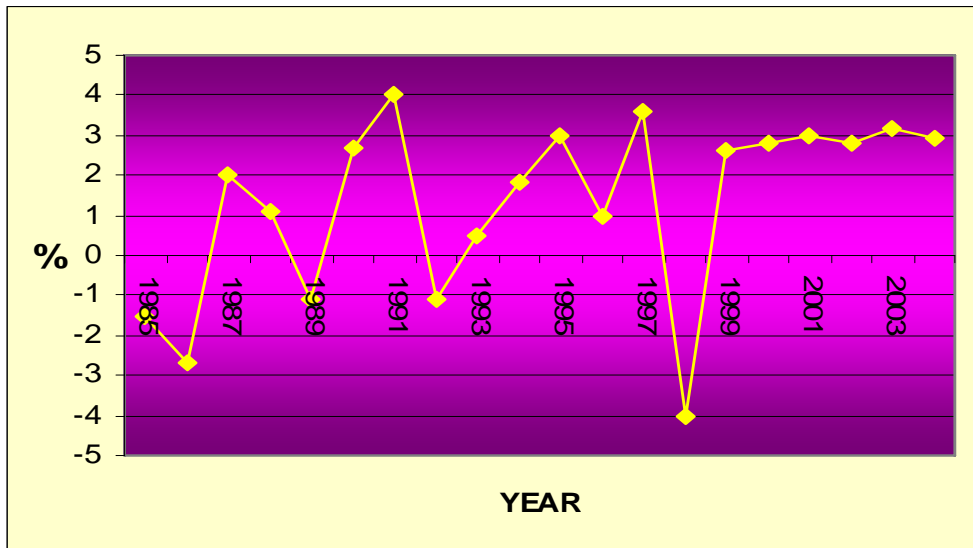
In 2001, Brunei adopted a strategy promoting the private sector as the engine of economic growth.⁶² A major input to this strategy is revision and implementation of various Acts which include the Economic Development Board Act, the Investment Insensitive Order 2001, and the Industrial Coordination Order 2001. These reforms are supplemented by the establishment of the Brunei Economic Development Board (BEDB)

and the Brunei International Offshore Financial Centre (BIFC) which aimed to develop Brunei's capacity to diversify and expand into the value-added financial services sector.⁶³ Efforts addressing unemployment have also shown positive signs as more jobseekers enter the private sector, according to the latest report on employment in January 2008.⁶⁴ This development is a positive indicator that private sector participation is growing, possibly as a result of the economic strategy and reforms in 2001. This may also indicate that the private sector is getting stronger with better capability and capacity to create more jobs. Mixed opinions paint a picture of uncertainty on the current condition of Brunei's economy.⁶⁵ In summary, the following economic indicators reveal, however, that Brunei's recovery from the resource curse is uncertain:

- a. High Oil Dependency. The following chart shows the trend of hydrocarbon dependency; oil and gas make up more than 90 per cent of Brunei's total exports. As previously shown in Table 5.5, exports from the oil and gas sector increased sharply from 88 per cent in 2003 to more than 95 per cent in 2006. With oil price continually rising, oil and gas exports can be expected to remain the principal contributor to the economy and assures Brunei of a positive trade balance as long as demand for oil remains high. The incentive to reduce the percentage of its oil export is overtaken by the benefits of its continuous focus on energy sales, particularly given the present state of the energy market. The possibility of the non-oil and gas sector gaining dominance over the hydrocarbon industry is slim unless Brunei changes its tempo on the implementation of diversification projects.

b. Low Economic Growth. Based on a ten-year performance period as illustrated at Figure 5.9 below, Brunei's GDP annual growth is about 2.9 per cent, much lower than the average rate attained by its neighbours which is between 5 and 8 per cent annually (see Table 5.1). The recent figures of GDP growth over the last three years, as listed in Tables 5.1 and 5.2 (located at the start of this chapter), also indicate slow growth. This weak performance may indicate several factors, including low economic activities outside the oil and gas sector. A surge in the GDP growth likely relates to raised oil production and high oil prices. This shows that diversification has not been fully achieved. Although initiatives towards wider private sector participation abound, the results from such efforts have not contributed greatly towards GDP growth.

Figure 5.9: Brunei's GDP Growth (%)



Sources: Prime Minister's Office and Brunei Darussalam Statistical Yearbook 2006.

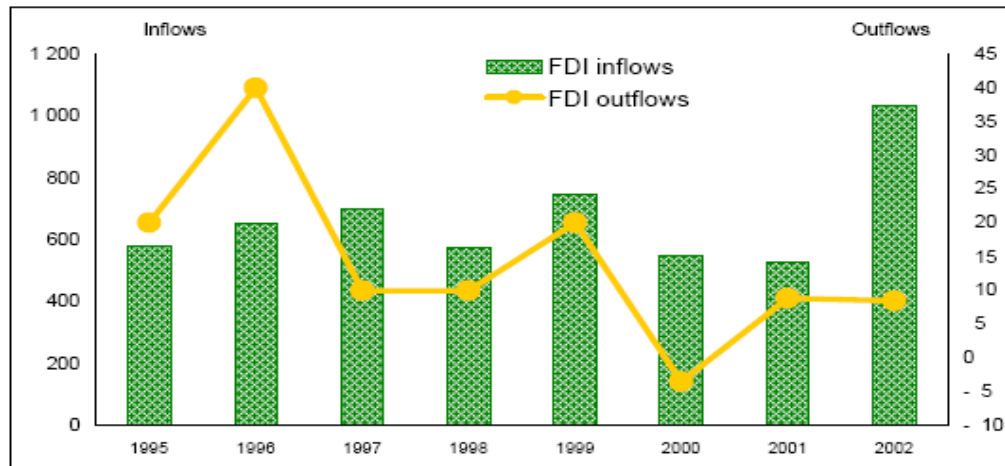
c. High Unemployment. The unemployment rates illustrated earlier at Figure 5.7 (p.179) show a decline in unemployment from the peak of 7.2 per cent in 2001 to about 4 per cent. Given Brunei's small population, this figure is still relatively high. Besides negative attitude mentioned earlier, reports⁶⁶ also indicate that the unemployment figure has been bloated by jobless graduates constrained by the job market. This may signal the presence of management issues in the public sector where conditions of service do not align with development objectives as well as the lack of policy coordination between human resource development and employment. This is also another strong indication of the poor performance by the private sector which could have provided many job opportunities if its participation in development had been more active.

d. Private Sector Performance. About 98 per cent of business establishments in Brunei are small and medium-sized enterprises. There are currently 7,200 SMEs and microbusinesses in Brunei and the number is on the rise.⁶⁷ With the pervasive public sector providing more attractive salaries, the private sector has become a less appealing employer. The public service employs about 12 per cent of the population and has spent about BND\$ 2.9billion between 2001 and 2005 on government consumption expenditure on the civil service.⁶⁸ SMEs, particularly those beginning to enter the market, cannot compete and survive the impact of competition. The World Trade Organization (WTO) reported that a related factor is the 'apparent lack of transparency in government policies and the manner in which they are administered.'⁶⁹ Brunei does not offer a convenient environment

for business and currently ranks 78th in the list of 178 nations in the rating of 'Ease of Doing Business'.⁷⁰ Government efforts to corporatize and privatize the public sector companies have also been slow. Economic policy reforms in 2001, the establishment of the BEDB and greater cooperation with regional business bodies and world organizations have improved business operations in Brunei. Recent figures show an improvement in the SME's contribution, providing at least 92 per cent employment in the private sector and about 66 per cent of non-oil and gas sector contribution to GDP.⁷¹ With initiatives, such as the recent establishment of a SME Innovation Centre, in addition to the 20 year-old Entrepreneurial Development Centre, private sector participation is slowly heading to a higher level with growing number of technopreneurs. This is, however, far from being significant as an indicator of progress as results from these efforts are yet to be ascertained.

e. FDI Inflows. FDI flows into Brunei show a positive trend with a 98 per cent increase from US\$526 million in 2001 to US\$1,035 million in 2002, as illustrated in Figure 5.10 below. An upward trend continues with almost a 100 per cent increase from US\$212 million in 2004 to US\$423.8 million in 2006.⁷² The FDI inflows have been dominated by investments from developed countries, notably, Japan, the United States, the United Kingdom and Europe.⁷³ Most of the flows went to the primary sector, in particular oil and gas, but gradually switched to tertiary sector from 2002 onwards.⁷⁴

Figure 5.10: FDI Inflows into Brunei, 1995 - 2002



Sources: Prime Minister’s Office, ASEAN Secretariat, ADB.

In summary, Brunei is slowly showing signs of improvement in its economic approach. Diversification is a long process and in the case of Brunei, it is even longer because of complacency in the presence of oil. As shown by data laid out above, the resource curse is still lurking and no real diversification will be achieved unless the government and people are ready to step over to another platform equipped with a new mindset and attitude. Brunei needs to inculcate a development culture to embrace a better future.

5.5 Inculcating a Development Culture

In trying to get a glimpse into the mindset of the Brunei people, the words of the Brunei Minister of Foreign Affairs and Trade, Prince Mohamed Bolkihah, are noted, “It is a well-known characteristic of [the]Brunei people that we shy away from direct confrontation. We prefer to gain any advantage by cleverer means. Some may say by more devious means...”⁷⁵ This description should trigger self-examination: are we lacking confidence,

are we shy, are we too polite or are we just devious, arrogant or lazy? Changing mindsets and behaviour patterns is not an easy task, nor is it an impossible task. For many centuries, the human race has succeeded in assuming a certain culture to create civilisations distinct from race to race and from generation to generation.

At the centre of culture is environment; it forces us to adapt and adopt a certain way of life in order to survive and take full advantage of its features and attributes. Once settled, we recreate the environment to suit our taste and needs and thus complete the cycle of cultural evolution. Our natural instinct to survive drives us to take initiatives and our desire for quality helps put ideas into applicable form and extract from the environment what we need to help us achieve our objectives. The innate ability to learn is a gift that everyone has which becomes an instrument of personal development. In trying to change culture, therefore, the environment has to be designed in such a way that it allows people to use this gift.

Shying away from direct confrontation can reflect cowardice or low confidence. This can often lead to a reluctance to face and embrace challenges, and therefore adds delays to decision-making and solution designs. Applying 'devious means' may reflect a habitual tendency to take 'short-cuts' and pay lesser respect to systems. Such tendencies are not positive for development in that they confuse the principal components of healthy minds and deeds. Inculcating a development culture becomes a more difficult task when systems cannot tame the hearts, console the minds and discipline behaviour of the people to respond courageously and respectfully. Taking lessons from the experience of the Gulf

countries, inculcating development culture in Brunei would rest with the ‘agents of change’: the government, the environment, the technology as the catalyst and the business enterprises as the catalysts and the ‘check and balance’ apparatus.

As presented in previous paragraphs, however, economic figures, physical realities, and comparative physical progress provide platforms for mixed opinions on the success of these agents to reset the Brunei mindset. The government has made substantial inputs to development, technology has accelerated some of the development processes but progress still seems far from the general standard when compared to development in other countries. The business environment is less appealing to investors and the progress made by the private sector is slow. What then is lacking in the Brunei scenario?

5.5.1 Role of Government – Engagement and Accountability

Based on the fact that the Prime Minister’s office is central to national policies, it may thus be assumed that speeches delivered by His Majesty the Sultan, as the Prime Minister, and his Ministers, in quoting his wishes as the Head of State, present the framework upon which the Brunei government’s development may be designed and steered. From these speeches, it is noted that the government is a keen driver for change.⁷⁶ For example, in his royal address on New Year’s eve 2005/2006, His Majesty the Sultan advised the nation to explore more employment possibilities. He also shared his aspiration in continuing the efforts at economic diversification and encouraged private sector revenue contribution to respond to the economic challenges ahead. Is the

government engaged? A study on the revamp of the education system and an allocation of BND\$250 million in January 2006 funding various programmes to strengthen human resource development under the Human Resource Fund Project⁷⁷ may provide an answer to this question. The government is engaged in ensuring development of its human resources, an objective of its national development plan for many years. However, there is no checking apparatus to monitor the progress of this programme or a system that oversees proper management of its benefits. The revival of the Legislative Council in 2004 was another signal of engagement, indicating the government's seriousness in sharing the responsibility of development with the people. A reshuffle in the Cabinet in May 2005 was the strongest signal indicating the government's interest in changing its policy approach.

Yet there are still calls for changes. People continue to depend on the government for employment, subsidies, and other provisions. Some are trapped in the 'fear' environment and therefore are still operating for self-glorification rather than professional principles – people are more capitalists than Muslims. The combination of fear and self-interests in any organization is an antithesis to a development culture as people perform based on the need to please bosses. Without proper checks and balances, misplaced judgements impacting on professional capacity becomes common resulting in the loss of able resources. In order that this may be turned around, it is important that the government makes provisions for policies to counter such practices and promotes adoption of social justice as a professional accountability measure. Tools of politics used by politicians, leaders and managers need to be carefully selected and applied to produce a society of

cultured and developed minds. A system which eradicates politicking at workplaces is needed as politicised administration, politicised Islam as well as Islamised politics is becoming a hindrance to progress if left unchecked. This is a major challenge to social development in Brunei as people become more religious-centric to obtain recognition for their efforts. Using religion as a political instrument can be destructive and encourages hypocrisy, and at the same time, downgrades the value of religion. A development culture can replace the current culture of dependency, fear and stereotyping if policies are supportive of meritocracy and tolerant of diversity. The leaders and managers, particularly those representing the government, should be held accountable for their decisions and actions to encourage a healthy environment and a positive ground for inculcating a development culture.

5.5.2 Environment

Environment has a major influence on inculcating culture. In getting the environment right for the right culture to evolve, quality education holds the key to its successful achievement. Education, both formal and informal, must be made to foster moral values, develop scientific outlook and total personality, and become an instrument in social transformation and economic development. However, what is the nature of the environment that is favourable for a development culture to evolve? In simple terms, an environment which provides and protects one's right to live and grow; where people have choices and are free to share and express ideas and opinions, free to utilise means and facilities to achieve positive outcomes, free to apply principles and practise what they

believe in and free to choose their own 'abode of peace'. The environment should also nurture growth in that it provides knowledge and skills, builds confidence and assertiveness, encourages inquisitiveness and exchange of knowledge, and provides choices of diverse avenues for growth, physical, mental and spiritual.

Elements surrounding an individual's growth are those responsible for creating the environment and these include parents, friends, teachers, the government, systems and the society. Each of these plays a significant role in shaping the mentality and behavioural patterns of an individual; his desire to rise above himself is the main determinant of the direction he chooses for personal development. The Malay culture, as common in other Asian cultures, has an element of restriction, particularly in decorum, where, for example, children must not question parents because it is impolite to do so, the young must take the words of the elderly and senior members of the family as wise and true to show respect, one must remain cooperative and compliant because that is courtesy. Added to this, the religious teachers teach people to accept their interpretations rather than allowing debates in classes.⁷⁸ Such an environment thus conditions the society to accept, rather than to question, which, in a setting with less or no choice, can be quite suffocating and can lead to insularity. In Brunei, it also has the effect of poor confidence, insecurity and *ennissophobia* – fear of criticism and *deciophobia* – fear of making decisions, creating a society that moves too cautiously and hesitantly. The product is a nation which seems too relaxed, reluctant to venture and compete, afraid of the effect of making decisions and averse to risks. *Ennissophobia* is one of the reasons for slow or lack of decision-making, resulting in slow development.

In the West and in many developed and developing countries, people change their mindsets because of the highly competitive environment and the aspiration to meet the high standards of living set by market forces and other factors. Time is spent on learning, innovating, experimenting and engaging in useful preoccupation by formal training, socialising and involvement in activities and projects. This gives a view that an environment which keeps people busy and involved can lead to positive mindsets. However, to get people positively involved, the society must be ready to accept differences of physical and spiritual values, ideas and opinions and to dispel discrimination and prejudice and be ready for changes. In Brunei, society must also be ready to face challenges and accept criticisms in order to establish ways to improve. The environment has to change to allow open-mindedness and confidence building in order that a development culture may be embraced.

5.5.3 Technology

Technological advances have revolutionized culture to an unimaginable extent. Almost every part of the globe that gets touched by new technology has gone through changes. The world is entering a new civilization adopting a new culture of diversity, speed and decayed frontiers. The preservation of culture is becoming more difficult as people gradually assimilate other cultures into their own. Technology can therefore be an effective conduit for cultural development. Human dependency on technology needs to be capitalized to spread the ideals of a development culture!

From historical artefacts found in Brunei, it is evident that people have had knowledge of science, making their own tools to produce creative arts and establishing its own group of artisans. Silvercrafting, and crafts of other minerals including gold, bronze and copper, for example, has existed in Brunei since ancient days and still continue to prevail.⁷⁹ The superior workmanship found in ancient products indicates the existence of, not only superior talents, but also quality tools. These inventions and talents can be revived and improved to provide an avenue for cultural preservation and at the same time, a launching pad for further development. Allowing new technology in production of local products can have several advantages, apart from technology transfer. Technology helps mass production, marketing and the supply of locally-designed products and will support the establishment of new and existing industries. These industries will create more job opportunities and set platforms for wider research and development, leading to the setting of a healthy environment for inculcating a development culture. Sharing technology with the world or the products of its technology absorption can be a signal of its development stage.

5.5.4 Small and Medium-sized Enterprises

As evident in written history of many countries, most cultural exchanges took place through trade and commerce. The meeting of people with a mutual objective in a mutual environment allows the exchange of ideas and materials and the breeding of positive and intelligent minds. Small and medium-sized enterprises are an effective agent of change as

profit-motivated people strive to gain competitive advantage in the market. Brunei is a very challenging market and its small economy thrives well in a smaller business environment.

There are many microbusinesses run by the locals in Brunei – from home-run business to trading from street stalls and little retail shops in the villages. With the help of communications technology, these businesses thrive well and more versions of similar nature of businesses are appearing on the business scene in Brunei. It is an indication that the small community is beginning to adopt the business competitive spirit in a small way. Competition sharpens business skills, encourages knowledge acquisition and builds up confidence. On a bigger scale, small to medium-sized enterprises are also competing for the domestic market and experimenting in foreign market participation. Joint ventures and emergence of foreign investors in the local business scene is a good sign of the gradual success in economic diversification.

Participants in small and medium-sized enterprises bring varieties of cultural habits and tendencies, both within and without their organizations. Within organizations, workers have to adopt to a particular culture to achieve the organizational goals. This process allows for a certain degree of cultural change, aiming for a positive outcome. On the whole, businesses are a conduit for trendsetting, a bearer of fashion and new products, a channel for knowledge and a contributor to cultural evolution and hence, small and medium-sized enterprises are an important driver for cultural transformation.

5.6 Islamic Capitalism: From Resource Curse to Economic Sustainability?

In summary, all the four countries (Bahrain, Oman, Qatar and Brunei) suffer resource curse, one way or another. The Gulf countries have higher economic growth than Brunei but they also have higher dependency on oil exports, higher rate of unemployment, higher public expenditure and higher inflation (see Chapter 4). Despite all this, the Gulf countries seem to have higher level of economic activity and development seems to pick up at a faster rate as diversification efforts take centre stage in their economic policy implementation. The effect of the resource curse is stronger in Brunei because its dependency on oil and gas is almost total. Without diversification, Brunei would face an economic paralysis in the event of oil depletion or severe price reduction. Diversification has been its economic planning objective for almost 50 years and yet Brunei has not shown positive signs of developing away from oil and gas, while the Gulf countries have been more successful.

The resource curse in Brunei is not a myth. Oil has allowed Brunei to become a welfare state, leading to a situation in which the Brunei people have been ‘cursed’ to become dependent. The obvious reason for Brunei’s slow development is thus cultural. Brunei lacks the drive to move forward as the nation becomes more complacent; the Gulf adopts a new culture to multiply its economic gains by recognizing that capitalism and Islam can co-exist. At most, the principles of both Islam and capitalism are actually similar; Islam favours commercial activity and confines itself to condemning fraudulent and [useless]

practices.⁸⁰ Islam condemns laziness, dependence, speculation, prejudice, inequality and imbalance; it instead promotes diligence, intelligence, probity, wisdom, fairness and equality. The experience of the Gulf countries clearly shows the importance of culture and the need for cultural change to achieve progress and growth.

Regardless of the economic model, the principles of Islam, when used as a guiding template, offer a complete and comprehensive system for sustainable development. It is noted that, in Brunei, religious-centricity is a prevailing hindrance to inculcating a development culture as people are not willing to trade off societal approval for personal freedom to grow. As the key player in the programming of a national culture, the government needs to address this issue by introducing a more open approach to life, leading the nation towards development. Without relegating Islam, or its precious Brunei Malay culture, Brunei can capitalize on the fundamentals of Islam through the application of its values in business and policy implementation. Personal preference and human desire for the good life, in a free, secure and harmonious environment are well suited to capitalism and form the fundamental objectives of development. The unique development culture resulting from the application of Islamic values in capitalistic business ventures can lead Brunei out of the resource curse into a modern and well developed nation. In essence, a development culture recognizes rationality which can be achieved through organization, order, exchange and risk-taking in pursuit of goals. A development culture bases itself on openness, tolerance, wisdom, respect, courage and determination. Brunei needs to consider changing the mindset from a world-driven by self-interest to a world-

driven by collective interest; it thus needs to adopt Islamic Capitalism as the central focus of its future economic development policy.

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- ¹² *World Bank and International Finance Corporation, Doing Business 2008 Brunei*, Washington, (2007).
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- ¹⁴ *Brunei Darussalam Statistical Yearbook 2006*.
- ¹⁵ Some ethnic groups speak different tongues/dialects of the same root language.
- ¹⁶ Saunders, G. *A History of Brunei*. Kuala Lumpur: Oxford University Press, 1994. London and New York: Routledge Curzon, 2nd. with additional final chapter, (2002).
- ¹⁷ Leonard T.M., *Encyclopedia of the Developing World*, Taylor & Francis, (2006), p.202.
- ¹⁸ 'Bomoh' is a term used to describe the 'witch' doctor who treats ailments and counsels people on spiritual/mystical matters. These 'bomohs' are not necessarily operating in line with the Islamic principles and people are therefore discouraged to publicly consult their expertise.

¹⁹ Mohd Jamil Al-Sufri, *Tarsilah Brunei: Sejarah Awal dan Perkembangan Islam*, Jabatan Pusat Sejarah, Brunei, (1990).

²⁰ Ibid. Sharif Ali, a merchant and missionary from Ta'if, married the princess of the ruling Sultan and later became the successor. He ruled Brunei from 1425 to 1432 and proclaimed Islam as the official religion.

²¹ Mohd Jamil Al-Sufri, *Tarsilah Brunei: Sejarah Awal dan Perkembangan Islam*, Jabatan Pusat Sejarah, Brunei, (1990).

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²⁴ Heeks, R., *Small Enterprise Development and the "Dutch Disease" in a Small Economy : The Case of Brunei*, University of Manchester, (1998).

²⁵ *Al-Quran* Chapter 7 (Al-A'raf) Verse 31 which says,
"O Children of Adam! wear your beautiful apparel at every time and place of prayer: eat and drink: But waste not by excess, for God loveth not the wasters."

The Muslims in Brunei were also reminded by Imams at Friday Mass prayer about the lavish lifestyle as extracted from a local news bulletin, "Brunei: Imams lash out at big spenders", *Borneo Bulletin* dated 04 January 2003.

²⁶ Many officers and general staff of various departments (on informal interviews) expressed their discontent on the human resource management, particularly on division of tasks, job supervision and appraisal, postings, placements and promotion. There is no distinct and formal system of selection but choices are apparently based on familiarity and leader's preference.

²⁷ The Malay language comes from the Austronesian family of languages and is shared by people in many parts of the Southeast Asian region. Each country has its own variation of Malay which would have some words unique to the local speakers. Standard Malay is a formal form of Malay used by every Malay speaker and largely used by the Malaysians.

²⁸ His Majesty's National Day speech, *Pelita Brunei*, (24 February 1984).

²⁹ *Asian Political News* dated 27 September 2004.

³⁰ In 1962, Brunei held its first elections for the Legislative Council. The only political party, the Parti Rakyat Brunei (PRB), won all the seats by a landslide. An outcome of debates held by the Council was a political reform whereby Brunei would adopt a democratic form of government upon its independence from Britain, repositioning the Sultan as Head of State but not necessarily the Head of Government. A discord between members of the party led to a rebellion which was promptly put down by the government with the help of the British troops stationed in Singapore.

³¹ These opinions are based on author's personal analysis of the political situation in Brunei.

³² Similar views were also expressed by officials from the Prime Minister's office, Ministry of Education, Business Association and academics at the University Brunei Darussalam in discussing the effect of security controls in Brunei.

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- ³³ Mohamed Bolkiah, *Remember, remember..... The 8th of December*, Brunei Press, (2007).
- ³⁴ Declaration of Independence proclaimed by His Majesty Sultan Hassanal Bolkiah Mu'izzaddin Waddaulah in Bandar Seri Begawan on 31 December 1983/01 January 1984: "...*Brunei Darussalam is and with the blessing of Allah (to whom be praise and Whose name be exalted) shall be for ever a sovereign, democratic and independent Malay Muslim Monarchy upon the teachings of Islam according to Ahlis Sunnah Waljamaah and based upon the principle of liberty, trust and justice and ever seeking with the guidance and blessing of Allah (to Whom be praise and Whose name be exalted) the peace and security, welfare and happiness of Our people and the maintenance of friendly relations among nations on the principle of mutual respect for the independence, sovereignty, equality and territorial integrity of all nations free from external interference.*"
- ³⁵ *AlQuran*, Chapter 3 'Ali Imran Verse 195.
- ³⁶ *Ibid.*, Chapter 33 – Al Ahzab, Verse 35.
- ³⁷ Saunders, G., *History of Brunei (2nd Edition)*, Routledge Curzon, London, (2002).
- ³⁸ Cleary, M. and Wong, S.Y., "Oil, Economic Development and Diversification in Brunei Darussalam" in Kirstin, D., *The Journal of Asian Studies*, Vol.55, No 4. (Nov 1996), pp. 1060-1061.
- ³⁹ B.A.Hussainmiya, *Sultan Omar Ali Saifuddin III and Britain: The Making of Brunei Darussalam*, Oxford University Press, UK, (1995).
- ⁴⁰ International Monetary Fund, *IMF Executive Board Concludes 2006 Article IV Consultation with Brunei Darussalam*, (7 December 2006).
- ⁴¹ *World Health Statistics, 2006*.
- ⁴² *Brunei Darussalam Statistical Yearbook 2006*, Department of Statistics, Department of Economic Planning and Development (JPKE), Prime Minister's Office, (June 2007).
- ⁴³ *Ibid.*
- ⁴⁴ Department of Statistics, Department of Economic Planning and Development, Brunei Darussalam (2006).
- ⁴⁵ United Nations Development Programme, *Human Development Reports 2007 – 2008*.
- ⁴⁶ *Brunei Darussalam Statistical Yearbook 2006*, Department of Statistics, Department of Economic Planning and Development (JPKE), Prime Minister's Office, (June 2007).
- ⁴⁷ Cutch is water-soluble substance obtained from tropical plants, such as, in Brunei's case, the mangrove bark. The manufactured was used in textile mills for dyeing purposes and for the curing of fishing nets. There are also medicinal uses.

⁴⁸ Horton, A.V.M., Colonial Office Correspondence Relating to Brunei 'Destroyed Under Statute' 1906 – 1934, IJAPS Vol 1, 2005. Horton noted, based on his research from these Colonial Office documents, that opium was a major source of government revenue until 1946 after which the *candu* monopoly was not re-established.

⁴⁹ *World Bank and International Finance Corporation, Doing Business 2008, Brunei*, Washington, (2007).

⁵⁰ Saunders, G., *History of Brunei (2nd Edition)*, Routledge Curzon, London, (2002); 'Brunei education system one of the best', *The Brunei Times*, (21 October 2007).

⁵¹ 'Brunei education system one of the best', *The Brunei Times*, (21 October 2007) - A government report in 1933 was quoted to note that, 'apart from government servants, few Malays like the idea of their girls attending schools. It is hoped, however, that slow progress will be made against the wall of conservatism...'

⁵² *UNESCO Institute for Statistics (UIS), Literacy and Non-Formal Education Section*, (April 2006).

⁵³ *Regional Outlook Southeast Asia 2008 – 2009*, Institute o Southeast Asian Studies, Singapore, (2008), p.87.

⁵⁴ H.M.A. Maricar and Y.C. Tuan, *Brunei Darussalam*, in M.Zanko and M. Ngui, *The Handbook of Human Resource Management Policies and Practices in Asia-Pacific Economies Volume 2*, Edward Elgar Publishing, UK, (2002), pp. 8-40.

⁵⁵ *Assessing and Attracting Foreign Direct Investment*, Brunei Economic Development Board Monitor Group, (2003).

⁵⁶ *Ibid.*, p.9; *ASEAN Statistical Yearbook 2004*, p.2.

⁵⁷ *Ibid.* pp.35-36.

⁵⁸ 'Don't be Choosy, Jobseekers Told,' *The Brunei Times*, (6 August 2007).

⁵⁹ *Assessing and Attracting Foreign Direct Investment*, Brunei Economic Development Board Monitor Group, (2003), p.141.

⁶⁰ International Monetary Fund, IMF Executive Board Concludes 2006 Article IV Consultation with Brunei Darussalam, (7 December 2006).

⁶¹ 'Time to Change Sultanate's Growth Model,' *Brunei Times* (10 January 2008).

⁶² *The Report Brunei Darussalam 2007*, Oxford Business Group, UK, (2007), p.13.

⁶³ *Brunei Industrial Development Authority*, undated.

⁶⁴ 'Private Sector Absorbs 434 Jobseekers', *Borneo Bulletin*, (10 January 2008).

⁶⁵ World Trade Organisation Secretariat, *Trade Policy Review of Brunei Darussalam*, (February 2008).

⁶⁶ Local newspapers published different figures of jobless graduates in 2005, 2006 and 2007, which urged the government to take steps in ensuring availability of jobs.

⁶⁷ ‘Private sector’s involvement is important in driving nation’s economy as not just to rely on government’s expenditures’, *The Government of Brunei Darussalam Official website*, undated.

⁶⁸ ‘Brunei Darussalam: Developments in Public Sector Governance’, in *2007 APEC Economic Policy Report – Brunei Darussala* (2007), pp.45-49.

⁶⁹ World Trade Organisation, *Trade Policy Review – Brunei Darussalam 2001*, (30 May 2001).

⁷⁰ *Doing Business 2008 Brunei*, World Bank Group (2007), p.2.

⁷¹ World Association for Small Medium Enterprises, (April 2004).

⁷² *ASEAN Statistical Pocketbook 2006*, ASEAN Secretariat, Jakarta, (July 2006).

⁷³ Ibid.

⁷⁴ *The Report Brunei Darussalam 2007*, Oxford Business Group, UK (2007).

⁷⁵ Mohamed Bolkiah, *Time and the River. Brunei Darussalam 1947-2000: A Memoir*, Brunei Press Sendirian Berhad, Bandar Seri Begawan, (Aug 2000), pp.98-99.

⁷⁶ *Kumpulan Titah-Titah, Jabatan Penerangan Brunei*, (2007). This is an official collection of speeches delivered by the Sultan of Brunei at various occasions, produced and published by the Brunei Government Information Department.

⁷⁷ ‘\$250m special fund to boost human resources’, *Borneo Bulletin* (13 January 2006).

⁷⁸ The element of restriction seems common in a Muslim society, as revealed by several books written by Muslims around the world. A book written by Manji, ‘*The Trouble with Islam Today*’ narrates her experiences at the religious school and shares the debates she had on the issue of Islam and its practice. The book by H. Khaleed, titled ‘*Kite Runner*’, is a novel relating the experiences of a boy in understanding Islam. The author shares these writers’ views in looking at Islam moderately.

⁷⁹ Information Department, *Brunei Today* (1994).

⁸⁰ Rodinson, M.,(translated by B.Pearce), *Islam and Capitalism*, Saqi Books, London, (August 2007).

Chapter 6

EVOLVEMENT OF A DEVELOPMENT CULTURE IN BRUNEI: AN AGENDA FOR DEBATE

6.0 Summary

Underdevelopment in many Muslim countries, in terms of rising unemployment, lack of foreign direct investment and abject poverty - raises questions as to whether Islam is the cause of these problems. Wealthy Muslim countries, riding on rich oil exports, have not demonstrated solid development results, sharing the same predicament as other Muslim countries less endowed (Chapter 1, pp.1-2). The lack of entrepreneurial class, the absence of a 'risk-taking' culture and the inability to turn challenges into opportunities point to the resource curse/Dutch disease phenomenon which seems to have affected many oil-rich Muslim countries (Chapter 1, pp.3-5, Chapter 2, pp.41-44). The relationship between culture and development is an interesting topic, inspiring the author to look into the role of culture in development with a special focus on Brunei, and using countries of similar attributes as a development benchmark - Bahrain, Qatar and Oman (Chapter 4). The thesis thus looks at the role of culture in development and attempts to identify the principal attributes of a development culture which may provide part of the solution to Brunei's current development issues.

A literature research of development theories and strategies reveals that economic growth is the means and end of social development, supported by strong and stable political

machinery. Development studies have evolved as scholars search for the suitable formula to alleviate poverty and achieve the highest level of satisfaction in living conditions, fulfillment of human desires from their basic needs to self-esteem (Chapter 2 pp.24-33). In the late 1980s and 1990s, it was realized that success and failure in development partially hinged on people and their attitude towards change. The thesis is structured to analyse small country development and the challenges these countries face to keep abreast of global development.

Culture becomes significant as efforts to achieve poverty reduction takes centre stage in the UN Millennium Development objectives (Chapter 3 pp.52-53). The UNESCO insisted on a definition of culture which includes the distinctive set of spiritual, material, intellectual and emotional features of society or social group (Chapter 3 pp.61-62). Various views on culture converge on an understanding that all humans are the same, having needs and desires, knowledge, experience, perceptions and beliefs which shape their thinking and mindsets. Positive mindsets and behavioural patterns are the keys to sound planning and successful implementation of development strategies and formula. A major influence on any society or culture is religious beliefs, making religion an important component in cultural design and development. It forms the foundation upon which mindsets and character are based, directing people to certain sets of discipline or values which can inspire them to succeed or lead them to failure. Religion has also been used as an instrument of politics, empowering the ruling party to subjugate its people to constrained development. In this instance, the result is often slow or regressed national development, often reflected in the state of social and economic growth. This explains the

issue of poverty in many Muslim countries mentioned at the beginning of this thesis. Political turmoil, resulting from irresponsible and corrupt leadership, sometimes in the name of Islam, has led to abject poverty and an unhealthy living environment. In many energy-rich Muslim states, poverty is camouflaged by welfare subsidies and income per capita. Welfare provisions have led to consumerism and some countries have realized that their people must be encouraged to become producers rather than consumers and hence overcome the problems of the resource curse. It is argued that capitalism should ride alongside Islamic principles of trade, with the thesis introducing 'Islamic-Capitalism' (Chapter 5, Figure 5.3), as a solution to successful diversification and entrepreneurship.

6.2 Conclusions

The role of culture is undoubtedly significant in steering the direction and pace of development. The Dutch disease/resource curse is not universal, becoming common only in countries endowed with hydrocarbons causing a lack of energizing force in economic diversification. This study has noted that countries, for example Norway and the United Arab Emirates, which practice openness and cultural tolerance and those having deeper understanding of the relationships between culture and economics, relate better to economic opportunities, successfully exploiting their potential in a more profitable way. The Gulf countries: Bahrain, Oman and Qatar have come to realize that changing the mindsets from orthodox Islam and applying *ijtihad* (independent reasoning) are important

factors in creating a healthier environment for cultivating a development culture. Although the resource curse effects are still lingering in the Gulf countries, particularly evident in the high foreign labour import and oil export dependency, signs of improvement are beginning to show with a changed political landscape, new economic strategies, better educational approach and a healthier business environment. Lessons learnt from the three comparator countries lead to an understanding that the fundamental principles of Islam are compatible with a market economy. Islam and Capitalism are compatible whereby, Islam promotes business endeavour, in a guided way in order that every participant may gain positively, commensurate with effort, and capitalism gives the know-how to gain the best out of business transactions, with profit-motive as the driving force. The negative attitude towards change, the reluctance to venture, learn and improve, insularity and aversion to risk are not aligned to Islamic principles; the latter rather encouraging people to 'seek the bounty of Allah' and grow in prosperity and spirituality. The issue of religious-centricity in Brunei may hence be comfortably addressed as an integral part of the solution to slow economic performance.

This thesis concludes that:

- Interviews conducted in all the Gulf countries suggest that the principal change agents encouraging the evolvement of a development culture are government, technology, small and medium-sized enterprises and religion. (Chapter 4, p.110-115).

- Development is a result of healthy mindsets, progressive thinking and civilized lifestyles, culminating in a creative way of life. A development culture comes from a combination of efforts from government and people to create an environment which promotes growth and cultivates independence (Chapter 5, pp.196-198).
- Through fieldwork observation, the impact of religion on the daily life of the Gulf states is possibly greater than in other Islamic states, including Brunei (Chapter 4 p.95). Yet GDP per capita is high (Chapter 4, Table 4.2, p.103) and the Gulf countries are ranked comparatively highly in the ‘ease of doing business’ (Chapter 4, Table 4.4, p.106) whereas Brunei is ranked 78th out of 178 countries (Chapter 5, pp.185-186).
- Islam is not a hindrance to progress, but religious-centricity in Brunei is a hindrance because it uses religion as a political tool. If religious-centricity is confined to the individual, it is not negative; if religious-centricity affects policy-making, it can have a negative impact on national culture, creating rigidity in policy implementation (Chapter 5, pp. 196-197).
- All three Gulf countries have been more aggressive in efforts to diversify their economies away from dependence on oil and gas as well as improving the efficiency of their infrastructure (Chapter 4, sections 4.23 and 4.4-4.5).
- Islam and capitalism are compatible and complementary. ‘Islamic-Capitalism’ is the business culture that has been adopted by the Gulf countries. The profit-motive encourages competition within the parameters of Islamic principles (Chapter 5, p.149).

- Brunei's relatively slower development is due to bureaucracy and over-centralized control, leading to slow decision-making processes and a fear to take action. There is rampant politicking which corrupts the quality of management, creating ennisophobia among people, and instilling fear in making wrong or even right decisions. (Chapter 5, pp.164-166, pp. 191-193).
- Brunei suffers from relatively lower GDP growth rates, when compared to the three Gulf states and also other ASEAN countries. (Chapter 5, Tables 5.1 and 5.2). Additionally, unemployment has been considerably high in recent years (Chapter 5, Table 5.4).
- From 2002-2006 Brunei's economy has grown even more dependent on oil and gas production (Chapter 5, Table 5.3) and this dependency is even higher when measured against export revenue (Chapter 5, Table 5.5).
- Brunei is failing to rapidly implement diversification policies. The failure to implement diversification projects in good time is due to a lack of coordination between planners and implementors, government and private sector and all stakeholders within the strategy (Chapter 5, pp.185-186, 191-192, 196).

6.3 Policy Recommendations

Flowing from several of the main above conclusions, the following policy actions are recommended:

- A new approach to development must consider resetting the mindset as a priority. Leaders and managers must be given the trust and responsibility to carry out appropriate actions within agreed systems, supported by a checks and balances system. Insisting on discipline and having respect for systems is paramount in avoiding corrupt practices.
- There is a need to revise the provisions and distribution of welfare amongst the people. People need to be independent and sensitive to government's efforts in its role of nation-building. Teaching people to be producers rather than consumers is perhaps the first step to getting people to be responsive to the government's initiatives.
- A public-private partnership can support diversification strategy. The government needs to spearhead projects to overcome the problem of bureaucracy and encourage privatization to support and ensure private sector participation. Islamic capitalism should become a key to business strategy in Brunei.
- Protecting the environment must not be limited to the preservation of the physical surrounding but include the preservation of culture, fundamental values and assets. There is also a need to inculcate a development culture, creating a more civilized approach towards life. Gender discrimination must be abolished to ensure optimization of human resources.
- Further study be carried out to investigate the compatibility between the Brunei-Malay culture and Islamic capitalism in order to derive a more feasible solution to Brunei's current economic problem defined as a resource curse.

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Head of Financial Resources, Ministry of Finance, Bahrain.

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Technical Advisors in the Ministry of Municipalities Affairs and Agriculture Spatial Planning.

Undersecretary for Urban Planning, Ministry of Bahrain.

Brunei

Chairman of Brunei Economic Development Board, Jul 2007.

Director of Tourism, Ministry of Primary Resources and Industry, Mar 2007.

Executives from Brunei National Petroleum Company (PetroleumBRUNEI), Brunei, various dates.

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Officials of Labour Office, Ministry of Home Affairs, Brunei, various dates.

Official at Ministry of Health, Brunei, various dates.

President of Women's Business Council, Dec 2006.

Staff of Brunei Economic Development Board, Jul 2007.

Staff of the Malay Chambers of Commerce, Brunei, various dates.

Staff of Royal Brunei Airlines, various dates.

Oman

Chief Advisor SABCO Group, Oman

Managing Director SABCO Group, Oman, November 2007.

Research Officer to the Secretary General, at the Ministry of Foreign Affairs, Oman, November 2007.

Secretary-General at the Ministry of Foreign Affairs, Oman, 01 November 2007.

Qatar

Director of Economic Affairs, Qatar, Dr Saleh Alnabit, 30 October 2007.

Head of Qatar Business Association (QBA), Syeikh Faisal bin Qassem Al Thani , several locations on several dates.

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