Management of Uncertainties in an Autocratic State: The Case of Brunei Darussalam

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Introduction

Brunei Darussalam is the last Malay kingdom left on earth. Ruled by a sultan, the kingdom gradually ceded its territory on Borneo Island until 1914, when it achieved its present size. As a British protectorate, its economic future was always gloomy. The British tried to reconstruct its administration and finances. The discovery of oil in 1929 reversed its economic fortunes and made it one of the jewels of the British Empire.

Even though Brunei is technically a constitutional monarchy, the constitution and legislature have been suspended since an abortive rebellion in 1962. The Sultan remains the absolute ruler, and the dearth of elected officials has made him assume all the key portfolios of prime minister, finance minister, defense minister, police superintendent, chief religious leader, and chancellor of the national university.

Autocracy has been good to Bruneians. They pay no income tax. Educational and health care are virtually free. Despite its generosity, Brunei's government has no debt. Brunei, however, is no Kuwait. There are no flashy boutiques lining the streets of the capital, Bandar Seri Begawan. Mercedes do not clog the parking lots. On paper, Brunei's average personal income is on a par with Canada's, but the average income would be higher if the royal purse is included.

Some writers have defended Brunei's autocracy as being more of a "living and breathing democracy" than many democratic states. Rodney Tyler (1998), for instance, has remarked that critics ignore much of what is going on in the country. The Sultan's role has been described as "pretty neatly hemmed in on all sides by a series of checks and balances, and by his own duties and responsibilities to the people" (Tyler 1998: 18). The five Councils of State are institutions that the Sultan cannot overrule, but works with them to modify their proposals or add his suggestions to them. The Cabinet too occasionally acts as a check on him. Thus, far from being autocratic, there are points way up the social ladder at which people can, and do, intervene with their views and make their voices heard. The elected village chiefs can, and do, go over the heads of both district officers and ministries straight to the Sultan, if they feel a wrong is being done, or they wish to make a point. And anyone can do the same by writing to the Sultan, and handing the petition directly to him at any of the public appearances during which he makes it a point to walk around and shake hands with anyone wanting to meet him.

Brunei's welfare state has worked in tandem with Royal Dutch Shell, the multinational company that generated the wealth. Since the 1950s, Brunei has experienced rapid modernization with a corresponding "depoliticization" of the populace, a process that is similar to that in Singapore and Malaysia. In the last fifty years, the Brunei State has become "empowered" materially, if not morally, to control the population, and has organized it accordingly.

The Sultanate of Brunei, often referred to as fairy-tale kingdom by many writers (e.g. Behar 1999), awoke in 1998 to realize that because of the Asian economic crisis, a collapse in oil prices, and decades of spending, their foreign reserves had shrunk by half of the roughly \$40 billion that had been there a few years before. Within Brunei, the crisis was underscored by the collapse of the Amedeo Corporation, owned and operated by Prince Jefri, one of the brothers of the Sultan. As Prince Jefri was also the Minister of Finance and Chairman of Brunei's investment arm – the Brunei Investment Agency (BIA) – he was sacked from both positions, legally sued, and eventually forced to settle out-of-court. Brunei, then set about managing the future uncertainties that it faced.

This paper comments on the genesis of the 1998 Brunei crisis, as more than a consequence of financial mismanagement that required subsequent management. The 1998 financial crisis of Brunei is depicted as a refined "shadow play" behind which politics and ideological frameworks provided the backdrop for revenge and leadership struggles. The second part of the paper analyses the evolution of the 1998 crisis and the way it was depicted as an economic crisis rather than a balancing process of extracting political, ideological and power advantages. The concluding section attempts to provide a theoretical explanation of ways of managing crises in Brunei society, which provides an excellent example to other autocratic societies.

The Genesis of the 1998 Brunei Crisis

Until 1995, Sultan Bolkiah was rated as the world's richest man, with personal wealth estimated at more than \$40 billion. By 2000, this figure was described to have dropped to about \$10 billion. The decline in his financial fortunes may, in part, be explained by the financial meltdown in 1997, which destroyed the value of shares and other assets like the hotels which the Sultan's family owned in the region. The falling price of oil during this period, which accounts for most of Brunei's income, did not help. Then in May 1998, the Brunei government began to freeze the assets of Amedeo Corporation owned by Prince Jefri, accusing him of misappropriating and channeling funds from the country's foreign reserve into his own corporation. Amedeo Corporation was accused of having taken at lest \$3 billion dollars from Brunei Investment Agency. The Brunei government also set about recovering the embezzled funds and an economic program to re-orientate Brunei's economic development was launched.

Prince Jefri was blamed for Brunei's economic problems as a result of his lavish spending habits. As Brunei's finance minister, he had treated himself to hundreds of cars, 17 airplanes and several yachts, spending up to \$750,000 a day for 10 years and dragging the nation's net worth down by nearly \$20 billion.

Much of Prince Jefri's spending was associated with his profligate lifestyle and mega-projects in Brunei. When his conglomerate, Amedeo Corporation, collapsed with debts of 3.5 billion, 300 creditors who demanded payments sued it. The Prince himself owned choice assets such as the Plaza Athenee Hotel in Paris, a Boeing 737 aircraft, his 50-meter yacht called Tits, the Dorchester Hotel in London, the Palace in New York, the Beverly Hills Hotel in Los Angeles, and the most expensive houses in Los Angeles and

Las Vegas. Some of these were good investments. But Jefri's decision to buy Britain's Royal Jeweler, Asprey, was a disaster. The price he paid, $385 million, was twice the real value. When he sold it four years later, only half the purchase price could be recouped and Prince Jefri was landed with a quantity of Asprey tableware, watches and other goods.

Despite the business blunders, Jefri remained popular in Brunei. His one-man bubble economy was providing huge profits for contractors and jobs for Bruneians in the private sector. Jefri used his Amedeo Corporation for the construction of roads, a new power station to correct the country's unreliable electric supply, a cell phone network, satellite television and Britain's Capital Gold radio station broadcasting real-time in Brunei. Most grandiose of all was his plan to convert a small fishing village called Jerudong into a resort and entertainment center for royalty, Brunei's masses, the rich and the tourists.

The economic meltdown finally came in 1997. News broke-out that the Amedeo Corporation, named after Prince Jefri's favorite painter, Amedeo Modigliani, was having liquidity problems. The Amedeo Development Corporation began with paid-up capital of US$10 in 1992 but was wound up leaving a US$6 billion (B$10 billion) debt. He was sacked from his finance minister's post and eventually lost the Chairmanship of the Brunei Investment Agency (*The Straits Times*, 11 August, 1998). Sultan Hassanal Bolkiah also moved to freeze the assets of the Amedeo Corporation, giving the final deathblow to the company (*The Straits Times*, 20 August, 1998). While the advisors to Prince Jefri argued that Amedeo Corporation had enough back-up capital to overcome the financial crunch, the Sultanate appointed KPMG and Arthur Anderson, well known accounting companies, to investigate the corporation's finances (*Straits Times*, 30 August, 1998).

Amedeo's demise resulted in the immediate repatriation of 20,000 workers, mostly Thai construction workers. Given Brunei's labor force, this amounted to almost 20 percent of the workforce being removed in a very short period, causing havoc in the retail market of Brunei. As Amedeo Corporation was being liquidated, the company also faced claims from 200 creditors, (*The Straits Times*, 29 October, 1998). The claims ranged from B$1 to B$5.1 billion. While the Hong Kong and Shanghai Bank, which loaned many millions to contractors involved in Amedeo projects, put up a token B$1 claim, Prince Jefri claimed B$5,198,350,621 – the same amount as claimed by BIA. The nearly 200 creditors, who formed a *Who's Who* of the Brunei business community, felt that the rug had been pulled from under their feet, as the government maintained that Amedeo's debts were those of a private company: instead of bailing out the company to save Brunei's economy, it sued for its own share of money. The fallout from Jefri's excesses, the equivalent of up to four year's GDP, had economic, political and social repercussions. Private construction companies that worked with AMEDEO Corporation faced bankruptcies. There was a further rise in unemployment. There was also a rise in tensions between fundamentalist and liberal Muslims. There was also speculation among Brunei researchers that the Sultan's absolute rule may have been structurally damaged.

Managing the Uncertainties of the Crisis

Managing the uncertainties created in the wake of the 1997 Asian financial crisis was carried out at various levels. These included political management of the crisis, at the local, regional and international levels, as well as dealing with its social and economic dimensions.

As the economic crisis deepened, the Brunei state undertook political fence mending both at the internal as well as the international level. These included, as noted before, stripping Prince Jefri of all positions, stepping up investigation of the money embezzled from BIA, resolving the crisis, conducting the investiture ceremony for the Crown Prince, setting up a panel to review the Constitution, hosting the Southeast Asian Games, and convening the APEC Forum 2000.

As the Amedeo Corporation had expanded into all areas of the state and become the largest consortium in the country in a period of just over four years, it had its fingers in everything. The Brunei state, fearing the political fallout for the monarchy, went all out to prosecute Prince Jefri and his son Prince Hakim.

All the 27 companies led by Amedeo Corporation were placed under investigation, and taken over by the government on suspicion of receiving misappropriated funds. As the situation worsened, Prince Jefri, who had stayed away in London for some time in self-imposed exile, returned to Brunei of his own accord in late October, 1998. There was wide speculation that Prince Jefri would make up with the Sultan, and that the problem might be swept under the carpet and forgotten. The State however, pursued the legal investigation, and jointly sued 71 others for alleged misuse of billions of dollars of public funds. As the trial involved two international accounting firms, plus expensive British lawyers like Queen's Council Gordon Pollock, the hearings were expected to be transparent and make the facts available for all to know. This was unusual as this was the first time that royal family members and their affairs had been allowed to become the subject of court hearings in the history of Brunei. Prince Jefri, in a historically unprecedented move, entered an appeal on February 28, 2000 in response to the civil proceedings against him. The court documents which were exchanged made much of Prince Jefri's extravagance. In the middle of the proceedings, Prince Jefri appealed to the court to be given a larger monthly allowance than the B$100,000 allowed by the court. He wanted it to be raised to US$500,000 a month. His lawyers said that besides his normal household expenditure, the Prince also had to provide for his four wives, 17 children and 18 adopted children. However, after three months in court, it was announced on May 13, 2000 that the Prince had reached an out-of-court settlement with the government of his elder brother, Sultan Hassanal Bolkiah. The Minister of Education, Acting Minister of Health and Head of the Financial Task Force, Pehin Dato Aivang Haji Abdul Aziz Umar read the settlement over the state radio and television.

> With this settlement, Insha Allah (God willing), all assets such as hotels, buildings, lands, shares and other similar assets in Brunei Darussalam and overseas, which were acquired with money derived from BIA and are at present under the control of his Highness (Prince Jefri) and his family, will be returned to the BIA. (*The Sunday Times*, 14 May, 2000)

The surprise announcement by officials ended an unprecedented three-month courtroom saga. The reduction of BIA's funds from a reported US$110 billion to US$40 billion, left everyone wondering how much could be recovered.

The Brunei government decided to review the question of greater public participation in government by setting up a committee under the Minister of Foreign Affairs, Prince Mohammed, to review the Constitution. Since 1996, Brunei had introduced elections for village and district level committees, and there were reports that elections might be gradually extended until the 1959 Constitution is fully restored (*The Straits Times*, 19 September, 1998; Business Times, 20 September, 1998).

On 10 August, in the middle of a growing crisis and amidst the circulation of many poison pen letters in Brunei (*The Straits Times*, 31 July, 1998), Brunei proclaimed Prince Haji Al-Muhtadee Billah, the eldest son of the Sultan, as the Crown Prince. Of the Sultan's three brothers, Prince Jefri who was the youngest and favorite of the Sultan had, by the time of the investiture ceremony, been discredited by the Amedeo Affair and the ensuing financial crisis. Prince Sufri had always led a quite life. Prince Mohamad who had served as the foreign minister was also the head of the Council on Succession in Brunei, and his consent was necessary for any crown prince to be anointed. The investiture ceremony coming at the worst period in independent Brunei's history, appeared to bolster the status of the Brunei monarchy as a permanent feature of Brunei's political social landscape. Besides confirming the person who would be succeeding as the thirty-first Sultan of Brunei, the event ended speculation about the succession to the Brunei throne. Despite the investiture ceremony naming the Crown Prince, Prince Mohamad was appointed as Deputy Sultan in July 2000, in a low-key but significant development.

The Southeast Asian Games followed the investiture ceremony, taking place on August 7-9, 1999. Even though it was not an event that made the world news, the fact that all the ASEAN countries participated in it gave the Brunei government the recognition that life was carrying on as usual despite the financial woes of Brunei and the region.

The Asia-Pacific Economic Cooperation (APEC) summit of twenty-one world leaders in 2000 was a high profile event to gain political mileage and shore up any problems arising from the Brunei crisis. Despite the demands by some external contractors for payment for their services during the APEC Forum, the Sultanate managed to impress the world with its ability to survive a crisis.

The social and economic dimensions overlap in Brunei, and many economic strategies are directed more at overcoming social discontent than at immediate economic gains. Many senior government officials and ministers were quick to assure the public that Brunei's economy was not facing a collapse. The crisis, however, made the Brunei government look seriously at the options that the state could follow. By March 1998, the government announced that it had slashed by half its development budget for the year. The amount of B$605 million was allocated as compared to B$1.3 billion in 1997. The budget announced for 1998 showed that the defence sector experienced the worst cut as only B$9.9 million was allocated as compared to B$29.5 million the previous year. But the budget allocations for public housing and religious activities saw an increase. Brunei's five-year plan, running from 1996 to 2001, saw further cuts of B$7.2 billion in expected expenditure (*Business Times,* 7 March, 1998). The expected growth rate for the five-year plan period was revised downward from between 4 and 5 percent to 1.8 percent or lower.

In an unusual remark, the Permanent Secretary of Brunei's Ministry of Industry and Primary resources, Dato Paduka Daniel Hanafiah, noted that Brunei was loosing B$1 million a day to its neighbour, Sarawak, owing to Bruneians' shopping habits. As Brunei was a net labour importer, it had been always assumed that migrant labour and Brunei residents went over to Sarawak to shop and experience a freer life-style. The outflow of cash was described as a substantial loss to the business community of Brunei. It appeared that things that the Brunei government usually ignored during normal times were now identified as issues which were important for the survival of the Brunei economy (*The Straits Times*, 18 March, 1999, *The Sunday Times*, 23 August, 1998).

The budget cuts sent shivers through the business community in Brunei, given that the private sector economy largely depended on public expenditure by the government. Rumors of an impending economic collapse became rife. As a result, the state introduced new economic measures to prop up the economy. In June 1998, the government announced that, contrary to the budget cuts, it would pump nearly B$1 billion into development programmes during the year to assure people that the economy was not in trouble (*The Straits Times*, 23rd June, 1993).

The Sultan also ordered an economic shake-up and put his brother, Prince Mohamad Bolkiah, in charge of guiding the country through the economic crisis. Prince Mohamad was to head a Ministerial Economic Council (MEC) to assess the crisis and plan both short-and long-term courses of actions for Brunei.

One of the surprise measures that the Sultan announced on his 52nd birthday, 15 July 1998, was a B$1 billion pay rise for his people. The Sultan indicated that this was aimed at helping those in the lower income groups. The unexpected salary increase was totally in contrast to neighbouring ASEAN countries where salaries were being cut and government budgets slashed. The pay increase came in the form of special cost of living allowances and ranged from B$140 a month for the lowest-paid government workers to B$80 for those receiving below B$6,800 a month, as from July 1998 (*The Straits Times*, 16 July, 1998).

Arising from the deliberations of the MEC, Prince Mohamad announced a six-month plan in February 2000 to jump-start the economy. Named the National Economic Recovery Plan (NERP), it aimed to inject liquidity and confidence into the economy. The plan included the establishment of a US$200 million government fund for small- and medium-scale projects, and another US$200 million of working capital credit from banks. All bank loans for economic restructuring were to be backed by a 75 percent government guarantee. The Prince promised a second plan for sustainable long-term growth. The hope was that these measures would create an average of 2,500 new jobs a year within Brunei (*The Business Times*, 21 February, 2000).

Prince Mohamad was forthright in pointing out that Brunei's economy was unsustainable in the long run. He revealed that Brunei had sustained a budget deficit since 1994, which stood at US$1 billion in 2000, or 15 percent of gross domestic product (GDP). The report, entitled "At the Crossroads," was eventually made public in September 2000 (*The Straits Times*, 4 September, 2000).

Arising from the recommendations made by the Brunei Darussalam Economic Council (BDEC) under the chairmanship of Prince Mohamad, Brunei undertook a number of measures to steer the Brunei economy during the crisis. The BEDC had five committees, respectively in charge of current economic conditions; diversifying oil and gas; finance and banking; promotion of manufacturing and services; and facilitation of economic policies, finance, commerce and infrastructure. It revived an earlier plan dating back twenty years to use its financial strength to become an international financial hub, able to compete with with Singapore and Labuan (Malaysia). A special unit was set up under the direct charge of the Sultan to implement it (*The Business Times*, 5 July, 2000). The Brunei government also announced plans to invest heavily in the downstream oil and gas sector to broaden the economy. Oil refining, petrochemicals and energy-intensive industries were suggested to generate rapid economic growth and employment.

By early 2000, Brunei declared that its bureaucracy would be reformed to revive the economy. Education Minister Pehin Aziz promised that Brunei would replace its "archaic and highly-bureaucratic" system of government with one that is transparent and free from red tape. It was felt that Brunei's bureaucracy had impeded progress, not only in the public service sector, but also in the private sector, thus straining government funds (*The Straits Times*, 29 March, 2000). The BDEC made public more radical measures for the management of Brunei's economy. It recommended in its 53-page report that a Senior Minister be appointed, Singapore-style, to help the Sultanate navigate this crossroads in its history. The Senior Minister was to be backed by three new institutions as follows:

- An international business advisory panel comprising world-class business and industry leaders to ensure a global perspective on competitiveness;
- A public policy think-tank to focus on national economic issues, carry out detailed policy research, and provide input for the Senior Minister independent from the civil service; and
- A permanent business council, to be called the Brunei Darussalam Business Council, comprising leading members of the local private sector, to provide the Senior Minister with feed-back on local business conditions and how they might be improved.

The Senior Minister was to be responsible for economic policy development and implementation, including coordination of all ministries and state-owned enterprises with a direct bearing on economic policy (*The Straits Times*, 31 July, 2000). Speculation within Brunei was that Prince Mohamad, who has been the Minister of Foreign Affairs since Brunei's independence in 1984, would assume the Senior Minister's position.

In January 2003, Brunei unveiled an ambitious five-year, US$4.5 billion plan to diversify its oil-dependent economy and attract foreign investment. The plan is to create 6,000 permanent jobs in Brunei by building a "global mega port hub" for container handling at Pulau Muara Besar, and develop a gas pipeline, power plant and jetty at Sungai Liang by 2008. Unusually for Brunei, the plan hopes to attract 90 percent of the investment funds from outside Brunei (*The Straits Times*, 17 January, 2003; CNN, 16 January, 2003).

Explaining Crisis Management

In this concluding section, I attempt to construct a theoretical framework in which to place all the pieces of the jigsaw puzzle of the Brunei crisis. On the surface, Brunei's financial crisis and its management appeared to be a story common to all autocracies. A trusted family member mismanages the state fortunes, the whole country is thrown into disorder, but out of such chaos emerges a future that appears to be robust.

Brunei, even before its independence, had slowly edged towards royal control of its revenue. Consequently the political structure and propagation of state ideology were coordinated to assure the growing power of the royalty. Brunei offers a case study of both the "rentier-state" phenomenon and a monarchy transformed, both materially and mentally, by oil. On top of this was imposed the ideology of the Malay Islamic Monarchy (Melayu Islam Beraja, or MIB), which declared the monarchy to be a key component of the Malay Islamic identity of Brunei. When the British wanted Brunei to have its own constitution, Sultan Omar was extremely clever in securing the position of the Sultan as the supreme executive authority in Brunei, with a monopoly over national revenues. As Brunei's Constitution had remained suspended since 1962, and the Sultan had ruled under emergency orders, there had been no necessity to lay any plans before the Legislative Council. The Sultan reserved the right to transfer control over finance from himself to the Minister of Finance, acting with the approval of His Majesty. Thus, the Sultan first assumed full control of finance at independence (January 1984), and then delegated it within his family, to his youngest brother, Prince Jefri, in October 1986. This control of finance was safe from bureaucratic regulation, especially after the present Sultan's father, Seri Begawan Sultan, died in 1986. It is thus not clear that control of finance by the Sultan and its delegation to his brother were illegal under Brunei law.

Thus, the very foundation of modern Brunei rests on the royal control of the finances. Though "nationhood" may be literally claimed by all Bruneians, the ideology of MIB ensures that the Sultan is conceived as the fount of sovereignty.

Prince Jefri developed his own patronage by distributing his wealth to those around him, and also by inviting the Brunei masses to come and enjoy the high-tech amusement park at Jerudong, close to his palace. He also introduced Sky TV channels to Bruneians, via a re-diffusion facility at Jerudong, initially free of charge. Any un-Malay or un-Islamic behaviour by royalty always took place away from Brunei and the mass media. The MIB ideology itself protected the royal family from being challenged by the masses.

However, the stability that pervaded Brunei as described in many accounts (e.g. Chalfont 1989; Tyler 1998) could not last forever. Comments on the royal family in newspapers and magazines could not be censored as before now that they reach Brunei via the electronic media. Brunei government censorship could not cover up the events that caused the crisis in Brunei.

Two major exposures led the eventual explosion of the crisis within Brunei. The first was the Senate hearings in the Philippines in September, 1993 on alleged contracts for Filipina actresses and beauty queens at the Sultan's Palace. Even though "Miss Philippines," Charmaine "Ruffa" Gutierrez, appeared to testify, she denied any impropriety on her part, or on the part of anyone else involved in the affair that she knew. This was reported in many regional papers. The second major exposure was the attempt by a former "Miss U.S.A.," Shannon Marketic and six other American women to sue both the Sultan and Prince Jefri in a Los Angeles court, accusing them of trying to turn them into sex slaves for 32 days at the Palace. The news appeared first in the British Press on 3 March, 1997. Prince Jefri took responsibility rather than the Sultan, by resigning as Finance Minister, ten days before the case went to court. Prince Jefri was named as scapegoat, while the Sultan rejected accusations that the "sanctified" palace could ever have been used for an immoral purpose. The case was dismissed on the grounds that the men had diplomatic immunity in the United States.

In February 1998, Prince Jefri was again taken to the High Court in London, for failing to settle debts of 80 million pounds owed to two Armenian brothers. Prince Jefri announced a counter suit for 100 million pounds. As the British press is not censored, details of the case were well illustrated in the British tabloids. Prince Jefri's life-style became the talk of all Brunei, and finally intervention by the Sultan forced Jefri to withdraw his suit and settle out-of-court with the Armenian brothers. Four months later, the assets of Jefri's conglomerate, Amedeo, were seized, and by the end of July, Prince Jefri had been removed as Chairman of the BIA. A rift had developed between the three brothers, Sultan Hassanal, Prince Jefri and Prince Mohamad, and this was threatening to shake the foundations of the Brunei monarchy. Thus, the Brunei crisis was more than a tale of unbridled spending. It became a "shadow play" in which the rivalry between the three brothers extending back over decades was played out, a feud that often seemed more concerned with politics and the settling of old scores than with any actual financial crimes.

Indeed the struggle for power in the shadow-play is hard to miss. In 1968, at the age of 22, the Sultan inherited the throne from his father who abdicated to resolve a crisis that the monarchy then faced. Some years later, the Sultan took a commoner as his second wife, but she was not accepted as a family member by the old Sultan, right up to his death in 1986. Prince Mohamad had always appeared the ideal choice as Sultan of Brunei, as he had supported his father and had always lived with only one wife. Prince Jefri on the other hand threw in his lot with his brother Sultan Hassanal. By the mid-1980s Prince Mohamad, besides being the Minister of Foreign Affairs, also controlled QAF Holdings, a corporation that operated in Brunei and elsewhere in the region. The mid-1980s recession did affect QAF Holdings, but it did not get much support from the Minister of Finance, Prince Jefri. As a result, when Prince Jefri's fortunes took a tumble around the time of the Asian economic crisis of 1997-98, he was at the eye of the storm, though his problems actually began before the onset of the crisis.

It seems from the evidence that Prince Jefri's control of BIA, the scandals surrounding his private life, and the Asian financial crisis were all separate issues. As Kershaw notes :

> If it had been the Asian financial crisis that made the Brunei national finances suddenly look shaky and undermined Jefri's position, action should not have been taken until late 1997 at the earliest. On the other hand, if Prince Jefri had been judged to be abusing his power at BIA, he would have been removed from his chairmanship at the same time as resigning as Minister of Finance. However, the facts are that (a) Prince Jefri resigned from the Cabinet in February 1997, ten days before the "ex-Miss U.S.A." scandal became public, and well in advance of the Asian financial crisis; (b) on the other hand, he retained control of BIA (a position ten times more sensitive than the Ministry of Finance) until July 1998. (Kershaw 2001: 132)

Kershaw therefore argues that the exposure of "extra-curricular activities" appears to have been a more important factor in the precipitation of the Brunei crisis, rather than Jefri's activities at BIA or the Asian crisis (Kershaw: ibid.). The year 1998 was significant because of the increasing attention paid by the Western media to the Brunei royal family. The Armenian brothers case exposed the fact that prostitutes were being retained by royalty, and the media highlighted other items, such as the "forty girls at a time" being retained at the Dorchester Hotel, an erotic pen made in Geneva, and Prince Jefri's yacht named "Tits" and its two speedboats, "Nipple I" and "Nipple 2." These news items were not only broadcast electronically to the citizens of Brunei, but Brunei students studying in Britain also became aware of events at home. Thus, a vessel moored at the Muara port which had been invisible to people in Brunei was now on full display in Britain tabloids (Kershaw 2001: 132).

The royal behaviour which was so embarrassingly exposed in the Western media could not be justified in Brunei as other revelations had been in the past. The British press, with its penchant for showing their own royalty in distress, depicted the Brunei royalty in financial and political disarray. The Sultan had to take control of the situation before his subjects began to discuss the gulf between the MIB ideology espoused at home and the royal family's less than virtuous financial and sexual practices (Kershaw 2001: 133). The state eventually took control of the situation by initiating the the rather unbrotherly action of querying Prince Jefri's handling of the national finances after he had been entrusted with them. Brunei's financial crisis, therefore, arose not from the fact of financial mismanagement itself but from the exposure of royal extravagance in Britain. It was this exposure that very likely pushed the Sultan, reluctantly but rationally, into tackling the image problem and the financial problem simultaneously.

The way in which the 1998 Brunei crisis was managed was able to overcome the immediate uncertainties that the monarchy faced. Brunei press, owned by Prince Mohamad's QAF Holdings, had responded to the crisis by advocating openness as well as constitutional reforms. The "culprit," Prince Jefri, was exposed and brought to trial. The wider population received a pay rise on the Sultan's birthday in July 1998, which was a politically prudent act. The monarchy showed its ability to survive by holding an investiture ceremony for the Crown Prince, besides hosting the APEC 2000 Forum. Religious weight was brought in to support the monarchy with the close cooperation of the pious Pehin Aziz, who was entrusted with the BIA in place of Prince Jefri. Prince Mohamad, also a pious person, was made Deputy Sultan (cf. Kershaw 2001: 134).

If one looks at the post-war history of Brunei, it would be apparent that the monarchy has passed a number of critical tests. In 1962, Sultan Omar was able to survive a revolt and postpone independence until 1984 by abdicating and passing the throne to the 22-year-old Sultan Hassanal. By his abdication, Sultan Omar was able to overcome Malaysia's antipathy to Brunei's independence and retain British protection for many years. The final test was the management of the 1998 crisis in which Prince Jefri took the fall. Thus, the regime, even though an autocracy, has been able to manage uncertainties, owing part of its success to its own statescraft over the years. Absolute rule will undergo some adaptations, but the system seems adaptive enough to face up to yet more uncertainties in the future.

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