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## **The Unfinished Decolonisation of Brunei: Oil, Strategy, and British Withdrawal.**

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### Abstract

*This paper examines Brunei's protracted path to independence, achieved in 1984 after nearly two decades of negotiations with the United Kingdom. Although Britain sought to divest itself of colonial responsibilities, Brunei's substantial oil wealth and investments in the Sterling Area gave the Sultan considerable leverage, including the ability to threaten unilateral withdrawal of Sterling holdings. This economic influence, combined with the Sultan's resistance to joining Malaysia or embracing full independence, prolonged the decolonisation process. The paper highlights how Brunei's strategic economic ties to Britain, including investments in Shell and contributions to the Sterling Area, allowed the Sultan to balance autonomy with continued British protection. It also explores the UK's competing interests: reducing overseas commitments while maintaining financial benefits during a period of economic instability in the 1960s and 1970s. This research sheds light on the economic and political complexities of decolonisation in Southeast Asia. It argues that Brunei's case illustrates the persistence of colonial ties well beyond the broader decolonisation wave of the 1960s, revealing how economic imperatives shaped the timing and nature of British disengagement from empire.*

Keywords: Brunei; decolonisation; sterling; oil; Southeast Asia.

## I

On the 16 August 1968, an article was published in the *Sabah Times* which asked if '*Brunei memasoki Malayia?*' ([Is] Brunei entering Malaysia?) because, 'a substantial section of the Brunei people would like to see Brunei joining the Malaysian Federation'<sup>1</sup> The article appeared in a newspaper owned by pro-Malaysian Tun Mustapha, the first governor of the Malaysian state of Sabah, and, as wrote Arthur Adair, High Commissioner to Brunei, 'could not have been better calculated to needle Sir Omar'.<sup>2</sup> The article's publication coincided with Bruneian-UK re-negotiations in which Britain were looking to relinquish protection of the small state. Sir Omar Ali Saifuddien III<sup>3</sup> (the Anglophilic former-Sultan of Brunei from 1950-1967) reacted fervently to the article, addressing the nation over the radio as well as publishing an article in the local newspaper, the *Daily Star* carrying the message of a 'further emphatic re-affirmation of the decision never [to join Malaysia.]'<sup>4</sup> Sir Omar, unsubtly, also announced a public exhibition of secret correspondence exchanged between the Sultan and Tunku Abdul Rahman, the first Prime Minister of Malaysia, to display Bruneian motives for staying out of the Federation which was formed in 1963 by merging independent Malaya alongside Singapore, and the Borneo territories of Sabah and Sarawak. The exhibition opened on 4 September 1968 (its speed testament to Sir Omar's irritation and Brunei's political autocracy) and angered the British over 'serious consequences to good-neighbourly relations between Brunei and Malaysia.'<sup>5</sup> Revealing secret information, five years after the Malaysian Federation was created in 1963, strained UK-Brunei relations and frustrated British aspirations for Brunei because it still aimed to federate Brunei into Malaysia *eventually*.

The exhibition was a deliberate political move, aligning with the upcoming renegotiation of the 1959 Agreement of Protection, which had replaced the Resident with a High Commissioner and granted the Sultan full control over internal affairs. Scheduled for late-1968, these

renegotiations were part of the British government's (HMG) plan to finalise Brunei's protected status by November 30, 1970. The aim was to withdraw defence support, thereby pressuring the Sultan to reconsider joining Malaysia and completing the "unfinished" Federation of Malaysia.<sup>6</sup> HMG aimed to finalise Brunei's protected status by 30 November 1970 and 'withdraw defence support [which] would put pressure on the Sultan to reconsider joining Malaysia', therefore completing the "unfinished" Federation of Malaysia.<sup>7</sup> However, this diverged from the new Sultan, Hassanal Bolkiah, who aimed to renegotiate the 1959 agreement and make the 'essential steps of strengthening ties [with the UK]'.<sup>8</sup> The official press release issued by the Brunei Broadcasting and Information Department (controlled by the Sultan) in response to the October 1968 article declared that Brunei would never join Malaysia 'but wants to remain friends with the United Kingdom [...] Brunei is a rich country within the Commonwealth and this has been down to the effort of the United Kingdom government.'<sup>9</sup>

British efforts ultimately failed, and Brunei did not achieve full independence until 1984. The Sultans, largely detached from the realities of post-war British ambitions, navigated the 19 years after "opting out" of Malaysia to maintain a relationship on their own terms. This article examines why Brunei's journey to independence took so long, emphasising the political and economic factors that shaped Sultan Hassanal Bolkiah's resistance to joining Malaysia and relinquishing British protection. The Sultan's approach during the 1968 negotiations, along with his reliance on British support, illustrates the enduring determination of both Sultan Hassanal and his father to preserve Brunei's distinctive position within the post-colonial British world.

Brunei's history is far from a simple narrative of a British protectorate transitioning to independence in 1984. Constitutional changes dating back to the 19th century were

instrumental in shaping the modern state of Brunei. In 1838, British army officer James Brooke landed in Kuching, then part of the Bruneian Empire and by 1841, the Sultan granted Brooke the governorship of Sarawak, where he became the “White Rajah.”<sup>10</sup> This marked the beginning of significant territorial losses for Brunei, leaving it with only the two enclaves it holds today. Brunei formally became a British protectorate in 1888, with a British Resident installed in 1906 to oversee official duties on the Sultan’s behalf.

After World War Two, Brunei and Sarawak entered a joint administrative arrangement under Charles Arden-Clarke. Despite this, Brunei retained its status as a separate British-protected state until the 1959 constitution abolished the Residency system. The constitution was initially intended to facilitate Brunei’s integration into a broader Bornean Federation, but Brunei’s refusal to join Malaysia after its formation in 1963 preserved its protected status. Amendments to the 1959 treaty in 1971 granted Brunei full autonomy over internal affairs, with Britain retaining responsibility for defence and foreign relations. Further revisions in 1979 paved the way for Brunei’s eventual independence in 1984.

A key factor underpinning Brunei’s resistance was its substantial Sterling reserves held in London. These reserves bolstered the Sultan’s negotiating position during the transition period and made unilateral British withdrawal impractical, as it risked destabilising the Sterling Area. However, archival research reveals that Brunei’s Sterling holdings were partially advantageous to the British government, which sought to leverage the economic relationship to its benefit. This financial interdependence, along with broader economic ties between the two nations, underscores the strategic dimensions of Brunei’s prolonged decolonisation. Unlike Malaysia, which abandoned the Sterling in 1967, Brunei’s continued reliance on British financial systems provided a stabilising influence during a period of global economic uncertainty.

The Brunei case also highlights the broader complexities of managing imperial withdrawals. It demonstrates the tension between metropolitan priorities, such as economic stability and financial resilience, and local autonomy within the empire. The UK's strategy relied heavily on the Sultan's Anglophilia to maintain Sterling support and foster deeper economic ties, making Brunei an important, if small, player in Britain's post-war imperial calculations.

This article challenges the notion that continued British protection offered no benefits, arguing instead that Brunei strategically leveraged its relationship with the UK during the path to independence. While HMG sought to decolonise, Brunei identified and utilised its own peripheral benefits – natural resources and sterling - to maintain the imperial link, complicating traditional narratives of decolonisation. The process of transitioning states to independence was complex. However, examining how and why the imperial connection was retained highlights the role of local considerations in shaping decisions about the timing and nature of decolonisation. Brunei's case—decolonising later than the main wave of decolonisation following World War II through the 1960s—underscores a growing academic focus on the intersection of colonialism, decolonisation, and the unique trajectories of small, economically affluent territories within the British Empire. Beyond the Persian Gulf, such territories have received comparatively little scholarly attention. By focusing on Brunei, this study makes a valuable contribution to understanding Southeast Asia's colonial and post-colonial dynamics.

## II

This background highlights a protectorate that was both resilient and reliant on HMG for protection. In the case of Brunei, this dual colonial and decolonial dynamic aligns with Sarah Stockwell's characterization of Britain in the 1970s and 1980s as a 'Janus-faced late-imperial state.'<sup>11</sup> During this period, withdrawal agreements publicly emphasized HMG's intent to

conclude its imperial relationship, yet military garrisons were maintained, Crown Agents — quasi-independent entities acting as commercial and financial agents for colonies — actively pursued investment opportunities (as will be explored later), and observers remarked on the persistence of colonial vestiges. For instance, reports questioned ‘whether it was 1976 or 1906 [in Brunei]’ when witnessing scenes like men raising glasses at the Royal Yacht Club or British engineering projects within the country.<sup>12</sup> Even Brunei's "independence" in 1984 defied traditional post-colonial notions. The Sultan continued to fund a Gurkha battalion; the SAS used Brunei's jungles for training; and the country remained a member of the Sterling Area until 2001.<sup>13</sup>

Brunei's resistance to independence and the post-1963 period has not yielded much scholarship. Historiography often relegates Brunei to the footnotes and much like Brunei in a geographical sense, its larger neighbours, Indonesia, and Malaysia, dwarf it. As Phillips points out in the whole 700-page Twentieth Century volume of *The Oxford History of the British Empire*, Brunei alongside the other Borneo Territories receive less attention than the tiny Caribbean territory of St. Kitts & Nevis.<sup>14</sup>

Graham Saunders' *History of Brunei* provides an account from pre-Islamic Bruneian history but lacks analysis after the 1960s owing to an absence of archival material released on writing, and as such it has a large focus on the pre-1959 residency era.<sup>15</sup> Some advancements in the scholarship of oil and natural resources in the state was undertaken in the 1980s (around the time of independence), as has the role of internal security after the 1962 anti-Malaysia insurrection, including its role in stifling internal political development.<sup>16</sup> Nevertheless, this scholarship does not fully account for Brunei's role as a protectorate within the British Empire and the mutual benefits Brunei and the UK received from this. Harun's *Rebellion in Brunei*

links economic and geopolitical strands together but is scant on primary sources and does not provide a thorough investigative account of the protectorate. Likewise, Greg Poulgrain's *Genesis of Konfrontasi* contributes to the literature on Brunei, but its conspiratorial account linking oil to the 1962 insurrection has been critiqued for lacking analysis of primary material.<sup>17</sup> A.J. Stockwell's scholarship explores how British officials were keen to offload this embarrassing commitment in the late-1950s and early-1960s through constitutional reform and incorporation into 'Greater Malaysia', but again, it lacks analysis charting Brunei's story once the Sultan's decision was made.<sup>18</sup> Brunei's politics and internal affairs have attracted attention from scholars, with Abdullah and Bakar providing valuable contributions to the body of literature through their PhD theses, but their broad scopes and funding by the Bruneian government raises objectivity and analytical concerns.<sup>19</sup> A valuable addition in understanding Brunei's history alongside Malaya/Malaysia's is in the *British Documents at the End of Empire Project* volume on Malaysia which outlines Brunei's history in the early 1960s alongside important primary source documents, and in its regional context.<sup>20</sup>

Whilst existing literature has addressed aspects of Brunei's history, it often remains superficial and lacks a comprehensive analysis of Brunei's unique route to independence. The limited scholarship on Brunei and its bilateral relations with the UK neglects a significant protectorate and former constituent of the British Empire in Southeast Asia. With its history intricately linked to the Borneo states and Malaya/Malaysia, it is essential to situate Brunei within the broader context of imperial history and examine its distinct path to independence—a trajectory that diverged notably from other Southeast Asian colonies and protectorates. Simon Smith contends that the British withdrawal from the Persian Gulf marked one of the last major acts of decolonisation, yet this perspective appears overly conclusive, disregarding territories that underwent decolonisation after 1968.<sup>21</sup>

### III

To understand the difficulty in moving Brunei to independence and the resulting financial relationship, it is necessary to briefly establish Southeast Asia and Brunei's historical context as well as examine Brunei's post-1962 internal political situation.

After 1957, Harold Macmillan, UK Prime Minister, set out his 'grand design' for Southeast Asia with establishment of a larger independent federation, inclusive of Malaya (independent in 1957), the crown colonies of North Borneo, Sarawak, and Singapore, and it was very much hoped, Brunei.<sup>22</sup> Merging these states offered a practical solution to absolve Britain from its imperial commitments, and it was practical for the future of the Borneo Territories which were underdeveloped and at risk from an aggressive Indonesia.<sup>23</sup> As the Commissioner-General in Southeast Asia, Lord Selkirk noted, 'the only hope of constitutional advance [for Brunei] lies in the federation with Malaysia.'<sup>24</sup>

However, HMG's aims for Brunei in a larger Southeast Asian federation was tested in 1962 with a revolt against accession to Malaysia. Led by A.M. Azahari – the leader of the Brunei's Peoples Party, which sought to reduce the powers of the monarch and create a unified North Bornean state under one Sultan – the insurrection attacked Brunei Shell Petroleum's (BSP) oil installations in Seria, as well as police stations and government office across the protectorate.<sup>25</sup> Azahari's revolt was suppressed in a few hours (and was fully subjugated a week later) by British forces in the region but its failure allowed for the development of a much stronger Sultanate in response to the potential curtailment of Sir Omar's powers; as Stockwell argues, the Sultan 'flourished by resisting political change.'<sup>26</sup> The state of emergency - which was declared during the insurrection and devolved state powers to the Sultan and is still in place

now - moved Brunei to an autocratic state with the accrual of judicial, religious, legislative and executive power in the hands of one man allowing him to unilaterally run the state.<sup>27</sup>

Ultimately, Sir Omar's response to the insurrection directed Brunei's decision to remain outside of Malaysia and the centralisation of powers meant he controlled Brunei's eventual course. The subsequent 1963 negotiations to create a larger federation was beset by problems. Sir Omar was concerned that merging Brunei into Malaysia would relinquish power and resulting prestige to Kuala Lumpur because of losing monarchical status in the federation (which following established Malayan precedent would be based on a rotating Kingship between the states) and with concern in handing over oil revenues. This was an issue for the oxymoronic independent/colonial state, which the Colonial Office summarised as:

Brunei has never been a colony proper and consists of the remnants of probably the oldest Sultanate existing in the world today. She is financially extremely strong and there is deep national pride in Brunei, which has in some way been more deeply offended by Malayan officials than either of her neighbours [Sarawak and North Borneo]. The sum of Brunei's aspirations appears to be complete independence and complete security.<sup>28</sup>

Sir Omar's supposedly difficult personality also frustrated the negotiations. Correspondence between London and Bandar Seri Begawan vexed ministers when a planned trip to London for negotiations in June 1963 was nearly cancelled as the Sultan claimed he did not have adequate attire for the trip.<sup>29</sup> The same trip was almost derailed as the Sultan refused to talk to Malayan leaders, and insisted that British politicians be used as intermediaries in the negotiation process because he trusted the latter more.<sup>30</sup> Additionally, the Sultan requested adequate entertainment when in London, with ministers employing the Queen to regale him, 'which she should make known with minimum delay.'<sup>31</sup> The Foreign Office (FO) later acknowledged the Sultan went to London with no intention of signing the Malaysia agreement and stressed the embarrassment in continual protection for Brunei and 'if the Sultan remained obdurate, or too content with

British protection ... we might have to consider pulling out and leaving Brunei to her own devices.’<sup>32</sup>

The Sultan’s agency was clear, with his personal proclivities driving the maintenance of an imperial link which the British had no choice but to accept because the Sultan controlled the process. As the Foreign Office wrote in 1966, the ‘Sultan is something of a benevolent despot clinging tenaciously to British protection.’<sup>33</sup> The post-1963 period entrenched the contrasting characteristics of Brunei with a Sultan both proud of its history and status outside of Malaysia but also one which needed external protection as a means of maintaining its independent status.

#### IV

Continued British protection eventually collided with British struggles to balance overseas commitments and increasing costs against a devalued currency in the late 1960s. In early-1968, Britain announced its withdrawal from east of Suez which directly impacted Brunei, with HMG aiming to ‘secure the end of the 1959 Agreement with Brunei and leave behind a stable state [releasing] ourselves of these responsibilities by the time we leave our bases in Singapore and Malaysia.’<sup>34</sup> The military withdrawal, planned for the early 1970s in Singapore and Malaysia, initially envisaged an earlier withdrawal date for the Brunei Gurkha garrison with signs of full decolonisation the ‘British garrison now in Brunei will be withdrawn in the autumn of 1968 and will not be replaced.’<sup>35</sup> However, there remained a dilemma though over *when* independence would be. Whilst Gurkhas battalions could be withdrawn, protection remained with the British under the 1959 agreement, which could not easily be divested. This left the British in a predicament with Ministers stuck between an obligation dating from 1959, and the ‘guiding principle to get rid of our commitments to Brunei.’<sup>36</sup>

With political divestment inevitable *at some point*, it was decided that the British government needed to give the Sultan ‘reasonable notice’ of the change in the relationship, which was decided in July 1968 as two years hence – that being the internationally accepted standard by the Attorney-General.<sup>37</sup> Using this time-frame, the aim was to have Brunei as a fully independent country by 1971, even though it was noted, ‘as with all Oriental problems, solutions take time.’<sup>38</sup> Additional talks were held which further delayed the withdrawal of troops in the timeframe preferred by the British with the Sultan having a ‘lack of desire of independence.’<sup>39</sup> The problem troubled the Wilson government, as well as Malaysia, Singapore, and the High Commissioner in Brunei who did not have ‘any clear idea about what to do with Brunei, nor how to play our hand.’<sup>40</sup> The delay inevitably continued the quasi-colonial relationship as the 1959 treaty renegotiation had not been resolved and maintained the status quo in an time of British colonial reassessment and retrenchment from overseas commitments.

However, UK politics was also important at this juncture with the change between Conservative and Labour governments significant in this protracted independence. Edward Heath’s victory in 1970 rolled back the late 1960s negotiations and the course of independence for Brunei with an adjusted timeframe implemented until late-1970. As was noted in the FCO, this was beneficial to Brunei in extending the protected status, as the Sultan’s negotiators ‘are probably stalling in the hope that a change in government will solve the problem.’<sup>41</sup> The conclusion of the talks changed the Heads of Agreements between the Sultan and the British government, and in November 1970 the tone shifted towards the British willing to ‘amend the 1959 Brunei agreement, to limit the defence commitments, and to divest ourselves of responsibility for Brunei’s internal security.’<sup>42</sup> The renegotiation had finally relieved Britain from responsibility for Bruneian internal security, but the UK still retained responsibility over

external affairs. While this was not what the Labour government wanted in 1968, the renegotiation had changed the terms to be more beneficial to the British government while suiting the Sultan as responsibility for external defence still resided in London. The change in government was an advantage to the Sultan who took advantage of a more favourable Conservative government willing to revise some of Wilson's east of Suez withdrawals, thus allowing a defence relationship to continue.

## V

Natural resources drove Brunei's protracted independence and the relationship between Brunei, Shell and the UK government is important to understand Brunei's trajectory to independence in 1984. As examined above, there was little political will in the UK to maintain protection of Brunei, but as full decolonisation became difficult to implement a neo-colonial link developed with BSP acting as an informal means of British influence in Brunei. BSP also made the Sultan very rich, and his subsequent investments were important for the Sterling Area and propping up the currency after the announcement of devaluation in 1967. This emphasises that there were substantial benefits in maintaining some form of imperial link, not just for Brunei who used this to continue protection, but also for Britain and its decreasing share of currency reserves.

By 1970 Brunei had become the fourth largest producer of oil in the Commonwealth, producing 50.7 million barrels a year and ranking only behind Nigeria, Canada, and Trinidad and the revenues from these operations helped Brunei have a 'thriving economy.'<sup>43</sup> Additional investment came from Japan's Mitsubishi, in partnership with BSP, to create the first Liquefied Natural Gas plant in the Western Pacific to export LNG, most of which was exported to Japan.<sup>44</sup> Like other oil-rich states, the late-1960s and early-1970s was a period marked by a rapid

increase in oil production in Brunei. The kingdom's oil revenue increased from B\$199.7m in 1968 to B\$1,564.37m in 1975, partly due to increased oil prices that came with the 'shocks' of the 1970s. The 50:50 split of profits also produced the most beneficial relationship for Shell in Southeast Asia.<sup>45</sup> Oil and gas dominated the Bruneian economy, and since the 1960s the extensive benefits Brunei subjects enjoyed (free healthcare, free university education, and subsidised rent) known as 'Shellfare' were thanks to oil revenues underpinning an extensive welfare system.<sup>46</sup>

The importance of oil for the Sterling Area was understood by the Treasury, which stressed it was 'the largest single item among the dollar payments in the Sterling Area' emphasising that any contribution from oil from anywhere within the British-controlled currency zone was welcome.<sup>47</sup> A brief for the visit of the Foreign Secretary in April 1968 clearly set out Bruneian contributions to the UK's balance of payments and the Sterling Area. In 1968, oil sales were worth £38 million to Brunei and from that £7 million went to the Brunei state, and, in that same year, Brunei held £101 million Sterling reserves in London providing direct support for the Sterling Area.<sup>48</sup> This was a reduction from £136.6 million in 1965, but still made Brunei the fourth largest holder of Sterling behind Australia (£325 million), Malaysia (£302.7 million), and the Irish Republic (£158.9 million).<sup>49</sup>

The sale of oil and resulting revenue were crucial to Brunei's protected status, pleasing the Sultan and bolstering Sterling reserves. BSP's £25 million investment in Brunei's oil operations by 1968 also benefited the British government; losing Shell's operations could have cost the Sterling Area £3-4 million annually.<sup>50</sup> Amidst a post-1967 devaluation shift away from Sterling; Brunei's pro-British stance and investments supported the currency. Catherine Schenk highlighted similar trends in the Persian Gulf, where Sheikdoms held £200 million

above minimum Sterling requirements, underscoring the oil-Sterling connection. Sarah Stockwell further linked the Sterling Area to the interplay of economic and political decolonisation, with the former driving the latter.<sup>51</sup>

The significance of Shell and Sterling to the Sultan became clearly apparent in 1975 when BSP and the Brunei government renegotiated their percentage split of profits with BSP generously offering the Brunei authorities a 50 per cent participation in oil production. However, the Sultan informed BSP that this was far too high, and a more preferential rate would be 25 per cent Brunei and 75 per cent BSP participation rates.<sup>52</sup> Both John Cordingly, Managing Director of BSP, and the High Commissioner in Brunei suspected that this was a ploy to keep a significant British investment in Shell thus maintaining UK protection for longer. By keeping a larger share of profits with Shell, and de facto the British government, meant that this would entrench the UK further into Brunei, making the bond harder to break. This signals the resolve of the Sultan in preserving the connection with the UK, sacrificing his own profits for continued protection.

Britain was displeased that such a deal would hinder plans to make Brunei fully independent more quickly. However, continuing the relationship and maintaining the position of BSP in Brunei did directly benefit the UK. Correspondence within the Southwest Pacific Department in the FCO in 1974 explicitly stated this advantage:

Shell maintains its Group Financial Headquarters in London and under the agreement made in 1948 with the Treasury it keeps very large cash reserves here, so that the financial benefits to the UK are in practice greater than the 40/60 split between the British and Dutch interests would suggest. As an example, Mr. Chivers, Treasury Department, said that in 1973, in very round figures, Shell made a net profit of £500 million; dividends to The Hague accounted for £150 million, but as they used very little sterling for foreign investment, some £350 million had been retained in the UK giving us the benefit of some 70% of Shell's global profits.<sup>53</sup>

Although the Bank of England and the Treasury valued Brunei's contribution to Sterling, the FCO urged Brunei to diversify its supply sources, wary of one individual controlling such significant reserves.<sup>54</sup> As seen in Qatar during the 1960s, large Sterling holdings were both an asset and a liability, with excessive metropolitan exposure risking economic instability from sudden withdrawals.<sup>55</sup> This dynamic gave Brunei's Sultan leverage, deepening British dependence on his cooperation. A parallel in the Persian Gulf highlights this risk: Simon Smith noted Kuwait's importance to the Sterling Area, as its oil purchased in Sterling bolstered Britain's fragile dollar reserves.<sup>56</sup> Yet, Kuwait's large Sterling balance also posed a liability, as a sudden withdrawal could destabilise both the Sterling Area and the UK economy showing that economically rich territories were both an asset and a liability.<sup>57</sup>

When revising the 1959 treaty in 1967, the FCO warned the Prime Minister that the Sultan 'acts irrationally' and 'we could not properly prevent him from withdrawing his sterling reserves [if no new agreement was signed], and he could certainly reduce Shell's present level of profits.'<sup>58</sup> In 1970, the Treasury warned:

If we do not comply with the Sultan of Brunei's request for the continuance (for an unspecified period) of the arrangements whereby Britain is responsible for Brunei's external affairs, the Sultan may take reprisals by, inter alia, interfering with the operations of [the] Brunei Shell Petroleum Company.<sup>59</sup>

Preceding the Callaghan government's negotiations from 1976, the Treasury was worried by 'any sign that Brunei might make a significant shift in reserve management policy' and asked to be kept fully informed over negotiations with the Sultan over independence.<sup>60</sup> In the late-1970s, with the final agreement for Brunei's independence looking likely, the Treasury was advising the best course of action was to reduce Brunei's Sterling holdings. The method to do so would be through the 'resurrection of the old idea of a dollar loan from Brunei to a UK nationalised industry, but to attach to this that the loan would be running down existing

holdings of sterling.<sup>61</sup> This would be formalised by a US\$50-\$100m loan to Brunei through a reduction in Sterling holdings and then loaned into a UK nationalised industry, payable at 8.0625 per cent interest and fully repaid seven years from the date of signature for independence.<sup>62</sup>

This stresses the economic significance of Brunei to Britain. The Sultan had leverage over the British government in negotiations, including the ability to disrupt British businesses working within Brunei, and this influence was a predicament for the British as they were caught in an unwelcome situation. Weaponising oil and Sterling underscores the British government's reliance on Sterling reserves because it was willing to accept the Sultan's demands which in turn sustained the relationship far longer than Britain wanted. Additionally, disruption of business would have had a negative effect on the balance on payments: oil was cheaper in the UK as it was purchased from British companies (Shell and BP), opposed to foreign companies, and this contributed to large invisible earnings by selling this oil to foreign countries.<sup>63</sup>

Urging Brunei to move past total reliance on Sterling prepared the country for independence. This diversification would reduce Brunei's economic reliance on the UK, but also British dependency on the Sultan's Sterling reserves. This allowed Britain to pursue independence without economic consequences and allowed the Labour government to enter new negotiations. The reliance on Brunei's Sterling provides a material causal factor for protracted independence. Retention was maintained for so long as Britain could not risk divestment, and it was not until Sterling balances and the economic situation improved that full independence could be explored. The ongoing ties between Brunei and Britain, largely fuelled by oil revenues and Brunei's role in supporting the Sterling Area, reveal the extent to which the UK's decolonisation efforts were entangled with economic interests. Despite the declining political will in Britain to maintain Brunei's protection, the economic benefits of retaining a neo-

colonial link through BSP and Brunei's oil reserves ensured that the Sultan's power remained crucial. This economic leverage gave the Sultan an influential position in negotiations, allowing him to maintain a degree of autonomy while benefiting from continued British protection.

The situation epitomised the complexity of post-war decolonisation. Brunei's oil wealth and the financial stability it contributed to Britain's currency reserves meant that the Sultan could wield significant power, delaying full independence until the economic circumstances—particularly the state of the Sterling Area—improved. British economic dependence on Brunei was evident not only in the oil revenues but also in the strategic value of the Sultan's vast Sterling holdings, which provided the UK with much-needed financial support during a period of global economic instability.

This web of financial, political, and imperial interests underscores why Brunei's independence was delayed far longer than other territories in the region. It was only when Britain could diversify away from its reliance on Brunei's oil and Sterling reserves that the British government was able to relinquish its control. Thus, Brunei's delayed decolonisation was less a matter of political reluctance than an economic necessity for Britain. Ultimately, Brunei's journey to full independence in 1984 serves as a reminder of how decolonisation, in certain cases, was not just about political sovereignty, but about navigating the legacies of economic dependencies and imperial interests.

#### IV

Aside from BSP and Sterling, there were other important economic interests within Brunei that benefited the metropole. The contribution to Sterling was part of a network of business connections that maintained the colonial relationship and Brunei's protracted independence.

The Crown Agents (insert stuff here) and the City of London managed the Sultan's investment portfolio, with the City eager 'to cream off commission, which was important to the financial houses.'<sup>64</sup> The Crown Agents represented another layer of British interests in Brunei and rated Brunei 'in the top three' of its investment activity by country in 1975, ranking only behind Abu Dhabi and Hong Kong. The Agents realised that the best approach was to establish a more permanent body in Brunei to facilitate business, which would eventually become the Brunei Investment Advisory Board. However, the Crown Agents were self-serving (that is, profits were distributed amongst themselves and the income they received was from a percentage of profits made). Hence, they advised the Sultan in 1974 to diversify away from Sterling with no consultation with the Treasury or the Bank of England.<sup>65</sup> Even though the Bank and the Treasury would eventually advise the Sultan to diversify, the Crown Agents were keen to manage future investments and so encouraged diversification for Brunei to boost their own profits. Brunei's investments were so beneficial to the Crown Agents that they realised what a 'good wicket we were on.'<sup>66</sup> This also benefitted the Bank of England, however, as Crown Agents' management of Sterling contributed to the Bank's reserves, which in 1966 totalled £122 million.<sup>67</sup>

The Crown Agents' eagerness to manage Bruneian investments took on further significance in the late-1970s as the body was in financial difficulty. By 1975 they had received a loan from the government for £85m, had immense funds (£160m) tied up in property and would have to write £97m off their operations for 1974.<sup>68</sup> As was noted in the Commons, the Crown Agents acted with little regard for government and their account activities were 'a saga of incompetence and inaction.'<sup>69</sup> This propelled the body to be interested in Brunei's surplus funds and the management of the Sultanate's investments. The enthusiasm with which the Agents managed investment provides another tier of influence over a remnant of Empire.

Alongside private companies, such as BSP, the Crown Agents reveal a quasi-state or government-linked corporation connection to Brunei and another link which drove retention and made independence problematic.

The agreement that Brunei would achieve independence at the end of 1983 led to the withdrawal of the Crown Agents' access to its investment funds. In early-1983, the Sultan removed the £3bn invested through the Crown Agents and banned them from bidding for government contracts in Brunei indefinitely.<sup>70</sup> Born from a misunderstanding between the UK and Brunei over the future of the Gurkha battalion within Brunei after independence, this cancellation was taken as the Sultan punishing the UK for independence and military withdrawal.<sup>71</sup> The new £3bn contracts to manage the investment fund, the largest in the world at the time, were awarded to two US banks.<sup>72</sup> The strain this placed on the Crown Agents was severe. The Sultan accounted for most of the body's £1.5m profits and afterwards the Agents ran a net loss of £750,000 per annum, which necessitated the loss of 400 jobs.<sup>73</sup> The connections between the metropole and the periphery had shrunk after Bruneian independence was enacted. With remnant status ended so too was a substantial economic association between the UK and Brunei. This saga of the Crown Agents only serves to underline the economic benefits which could be had from colonial retention (and especially for a UK economy struggling to hold its own in the trying global financial circumstances of the 1970s and 1980s).

The 1970s oil shocks, which increased oil prices, attracted banks from the City of London to Brunei, with 'a procession of investment advisors and merchant bankers... passing through seeking a share of the rapidly growing wealth.'<sup>74</sup> The bankers' interest in Brunei's surplus funds had to be managed by *somebody*, and this promoted the Crown Agents' interest in Brunei. British banks had confidence in investments that were managed by an arm of the UK

government. This is also revealed in the 'procession of bankers' who on arrival in Brunei visited the State Financial Officer, who was a former British civil servant. They never visited the Sultan as he was largely regarded as useless on financial matters.<sup>75</sup> In 1975, John Shuter, Head of the Crown Agents, visited Brunei with two representatives from the leading merchant bank, Rothschilds, and asked about how Rothschilds could 'get into the business of managing Brunei reserves.'<sup>76</sup> However, Rothschilds were doubtful about the Crown Agents' competence and decided that Brunei was inappropriate given fears of anti-Semitism in an Islamic country. Concomitantly, Jardine Fleming (a Hong Kong-based investment bank) called upon John Lee, the financial officer, asking him about managing the Brunei surplus.<sup>77</sup> Banking and investment interests in Brunei increased in the 1970s and the increase in oil prices made the Sultanate a more attractive prospect. The economic links built on the foundations of earlier and ongoing oil connections marked Brunei as a top investment opportunity. This maintained British links within the country while political divestment was occurring and symbolises again an ongoing British economic interest within the protectorate.

However, not all business opportunities-links were attractive. Third-party interest in the National Bank of Brunei was limited: only incorporated in 1965, there would have been only partial investment from oil funds prior to its establishment. There was also little interest from Gulf States to invest in Brunei, partially given the economic and political similarities, which would be 'coals to Newcastle.'<sup>78</sup> In addition, the Treasury and Bank of England wanted the Crown Agents to be a step removed from the financial situation. The debts that the body had accrued and bad publicity in the UK made the Treasury and the Bank of England worried that the 'Sultan would become disenchanted with the Crown Agents', jeopardising British commercial connections.<sup>79</sup> The Bank of England proposed that it should manage some of the money itself meaning that there was another 'British foot in the door' but this would suggest a

level of political endeavour in favour of retention of protected status when the British government was pushing independence.<sup>80</sup>

Brunei looked favourably on UK business and banking. The development of this sector led the Bank of England to believe there were moves to make Brunei an offshore financial base and 'tax haven', which was helped by the 30 per cent income tax rate on corporations (10 per cent lower than in Singapore, for example).<sup>81</sup> This allowed companies in Southeast Asia to route transactions through Brunei and benefit from low taxation under supervision from Sterling Area authorities providing financial stability. Further banking exploration was undertaken by the Hongkong & Shanghai Banking Corporation (HSBC) for the creation of a currency market in Brunei, which would allow non-residents of the Sterling Area to place US Dollar deposits in HSBC's local branch.<sup>82</sup> While this was not intended to make Brunei a global sub-centre of the offshore oil market, it underscored a maturity in Brunei's banking and financial services. With HSBC registered in Hong Kong (that is, in British-administered territory), expansion of HSBC's operations would benefit London through a larger customer base and higher revenue. However, Brunei's insistence on remaining entrenched in the Sterling Area posed problems for British banks in Brunei. Authorities did little to relax limits on holdings of non-Sterling currencies, which stymied banking because it prevented large switches out of sterling.<sup>83</sup>

Even though links were created to develop financial relationships through private enterprise, trading relations between Britain and Brunei would change in the 1970s. With British accession to the European Economic Community (EEC) in 1973, Brunei became an Overseas Country and Territory (OCT) with import tariffs applied for goods and services from the UK.<sup>84</sup> After British accession to the EEC, all countries in the community operated equal tariffs on imports from and exports to Brunei. Set at 20 per cent, this tariff uniformity was established by the

Lomé Convention of 1975 beginning a framework for aid and trade relations between the EEC and external countries in the Global South. Sir Omar, keen to maintain advantageous bilateral relations with the UK, was anxious to preserve British preference and was displeased with this adjustment.<sup>85</sup> Initially unaware that such an increase in tariffs would apply to Brunei, the Sultan was shocked by the suddenness of their application and the raising of the price of British automobiles, for example, by B\$1000.<sup>86</sup> Sultan Hassanal saw the imposition as ‘bureaucratic foolishness’ and he wished to strengthen, not impede, trade with Britain. British officials, aggrieved at another twist in the Brunei relationship, acknowledged that preferential trade would have to end at some point with the long-term benefits from association with the EEC benefitting Britain far more than any preferences with Brunei.<sup>87</sup>

With banking and the Crown Agents’ financial activities providing increasingly attractive prospects in Brunei from 1963, it is significant that British agreement to join the EEC in 1973 would have profound effects on Brunei. While overseas banking commitments endured, and the Crown Agents continued to manage reserve funds, trade was hampered by tariffs placed on goods. Coming in 1975, four-years before the final negotiation on independence, it seemed that British association with Brunei was time limited. Prospects lay in continental Europe with retraction of commitments in Southeast Asia. This might suggest that British industrial interests were being given greater priority than financial ones. Shell, however, provided a lasting link with its ‘neo-colonial’ role in extracting and exporting gas and oil. The economic (and military) links that were maintained after independence indicate the limited impact of decolonisation in Brunei. Independence changed things in name only, and the financial connections that endured (albeit without the Crown Agents) suggest a British neo-colonial role, begging the question did Britain ever leave its last protectorate of empire?

Whilst the UK never directly received oil from Brunei, its export to other countries created a steady income through the accumulation of Sterling reserves during a volatile time for Britain's currency. The retreat from Sterling in the post-war world impacted the British economy and total Sterling denominations were down from approximately 30 per cent in 1964, to approximately 10 per cent by 1972, emphasising the importance of Brunei's contribution to the Sterling Area.<sup>88</sup>

### **Conclusion**

The Sultan's determination was evident during the 1963 negotiations and Brunei's refusal to join Malaysia that same year; while the status of Brunei within a wider federation was clearly a factor, the role of oil and natural resources drove this subsequent tenacity. If Brunei was ceded into a larger bloc, those rights to oil would have been diluted or entirely lost. Maintaining the UK link, therefore, was both necessary and self-serving for the Sultan in this context. The protected status of Brunei and the role of its natural resources also revealed much about the state itself. Brunei is arguably 'entirely a creature of the British Government and Shell Brunei', and the centrality of both actors in Brunei's governance made the colonial link difficult to sever.<sup>89</sup>

The increasing revenues from oil further strengthened Brunei's position, giving it substantial leverage in negotiations on independence. The Sultan's threat of unilateral withdrawal of Sterling reserves — a financial risk for the UK during a period of economic turbulence — trapped the British government in an awkward bind. This leverage allowed the colonial relationship to persist far longer than initially intended. Without the Sultan's wealth and strategic threats, it is difficult to imagine how Brunei would have remained a protected state until 1984.

Notably, the agency in Brunei's decolonisation shifted decisively away from the UK. The Sultan's financial leverage meant that Britain, despite its intentions, had little control over the timing or terms of Brunei's independence. This situation exemplifies the complexities of Britain's post-war imperial retreat, as it sought to divest itself from unviable territories while maintaining economic ties. For Britain, Brunei represented an increasingly untenable commitment in a rapidly changing geopolitical landscape, yet also an economically valuable relationship due to its oil wealth and the Sultan's significant investments in the UK.

The divestment process was not without challenges. The Treasury and FCO recognised the risks of Brunei's overwhelming reliance on Sterling, which concentrated financial power in the hands of a single entity. From the mid-1960s, the UK pursued a strategy to gradually reduce Brunei's Sterling holdings and diversify its financial reserves. This included encouraging Brunei to loan its reserves to UK nationalised industries, as seen in the proposed dollar loan strategy of the late 1970s. By framing such moves as beneficial for both parties, Britain aimed to alleviate its dependence on the Sultan's reserves without provoking a financial backlash or damaging its geopolitical standing.

At the same time, Britain carefully navigated the delicate balance of maintaining Shell's economic position in Brunei. Shell's operations were crucial for the Sterling Area, with profits from Brunei oil feeding into the UK economy during a period of devaluation and declining global influence. This dynamic underscores the neo-colonial nature of Britain's economic relationship with Brunei, as it retained significant control over the kingdom's resources while formally moving toward political disengagement.

Brunei's decolonisation thus illuminates the British 'Janus-faced imperial state.' Continued protection during a period of geopolitical reassessment was counterbalanced by the economic imperatives of retaining Shell's role and other ventures, which persisted under a veneer of

independence. By the late 1970s, as Britain finally moved toward facilitating Brunei's independence, the groundwork for economic diversification had been laid. This allowed Britain to step back politically while ensuring continued financial and strategic benefits.

Ultimately, the case of Brunei illustrates the complexities of Britain's retreat from empire. The Sultan's financial leverage and the economic significance of Brunei's oil revenues delayed Britain's departure, challenging its intentions to divest itself from the protectorate. The gradual disentanglement process, driven by economic pragmatism and geopolitical necessity, highlights how decolonisation was not simply an act of relinquishing power, but a negotiation shaped by mutual dependencies and evolving imperial interests.

It was only towards the end of the relationship when UK dependency on Brunei was reduced, and this came after Britain joined the EEC when formal notice was served again by Callaghan's Labour government in 1976. This was initially rebuked by the Sultan and his father. However, Britain took a tough line and countered the Sultan with 'if he does not come [to negotiations in London] then HMG would terminate our political and defence arrangements unilaterally.'<sup>90</sup> The British were firmer in their position and wanted to conclude the relationship with Brunei, even though they were 'fond of the country and [the] Sultan.'<sup>91</sup> Malcolm MacDonald, a former Colonial Secretary and Commissioner-General in Southeast Asia, as well as long-time friend and confidante to Sir Omar, personally wrote a letter asking the Sultan to recognise the political reality, which would allow 'ministers to propose better terms to Parliament and allow a better agreement to be reached securing Parliament's acceptance.'<sup>92</sup> Even when divestment was pursued the Sultan still needed persuading this was the right course for the country.

The agreement terminating protected status was eventually signed on 7 January 1979 coming into effect on 31 December 1983. It is telling, however, that even when political independence was assured the Thatcher government renewed the defence relationship with the Sultan. While

the 1979 agreement absolved Britain from further commitments in Southeast Asia past 1984, the election of Prime Minister, Margaret Thatcher in May 1979 brought to power a Conservative regime that was more sympathetic to the Sultan and his requirements. The 1979 agreement was amended in 1983 to provide a continued presence for the Gurkha battalion and for use of jungle training by the SAS and Hong Kong-based regiments.<sup>93</sup> Thatcher's renewal of defence commitments suited the UK's foreign policy of the 1980s, with the Falklands War seeming to highlight the need for a military presence across the globe. The re-establishment of a Gurkha battalion rejuvenated the bilateral relationship after formal political decolonisation. Even after political independence, the Conservative government maintained close relations with the Sultan and his wealth. In 1985, the Sultan purchased the Dorchester Hotel, and he facilitated the purchase of Harrods by Mohammad Al Fayed with the help of Mark Thatcher, the Prime Minister's son.<sup>94</sup> That same year, Thatcher privately met with the Sultan, when Sterling slumped against the US Dollar, after which \$5 billion was passed through exchanges to support the pound.<sup>95</sup>

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<sup>1</sup> 'Brunei enters Malaysia', *The Sabah Times*, 16 August 1968. The article later appeared in the *Straits Times* on 24 August 1968.

<sup>2</sup> Adair to Walker, Ambassador to Malaysia, 3 Sept, 1968, Kew, United Kingdom National Archives, Foreign Commonwealth Office Records 24/22.

<sup>3</sup> Sir Omar Ali Saifuddien III was the 28<sup>th</sup> Sultan of Brunei from 4 June 1950 to 5 October 1967. His abdication in favour of his son, Crown Prince Hassanal Bolkiah, placed him as a paternal figure to the Brunei people as well as being personal advisor to his son and Minister of Defence and Commander in Chief of the Brunei Armed Forces. He wielded considerable influence over the new monarch and played important roles in Brunei-British negotiations until full independence in 1984. IMG 6796

<sup>4</sup> *Daily Star*, September 1968.

<sup>5</sup> Letter from Adair to FCO, 3 Sep. 1968, FCO 24/221.

<sup>6</sup> The 1959 constitution agreed to make the Sultan Head of State and responsible for internal affairs, the UK was responsible for foreign and defence affairs only. See Brunei: 1959 Agreement, Kew, United Kingdom National Archives, Dominions Office 169/570.

<sup>7</sup> Telegram from Walker to Commonwealth Office, 1 May 1967, FCO 24/222.

<sup>8</sup> IMG 7667

<sup>9</sup> Telegram from Walker to Commonwealth Office, 8 October 1968, FCO 24/222.

- <sup>10</sup> See Donna Brunero, 'Celebrating the "world's most ideal state" Sarawak and the Brooke dynasty's centenary of 1941' in Robert Aldrich and Cindy McCreery (eds.), *Monarchies and Decolonisation in Asia* (Manchester, Manchester University Press, 2020), 113-115.
- <sup>11</sup> Sarah Stockwell, *The British End of the British Empire* (Cambridge: Cambridge University Press, 2018), 2.
- <sup>12</sup> Ibid.
- <sup>13</sup> British Forces Brunei (BFB) is an important garrison in the British military and alongside the SAS's use of Brunei, the Sultanate houses one of the three bases east of Suez (Diego Garcia and HMS Juffair [Bahrain] being the others). The military agreement is renewed every five years (the next renewal is due in early 2025). A prime purpose of the Brunei deployment is jungle training for all members of the British Army.
- <sup>14</sup> D. Phillips, 'The "Migrated Archives" and a Forgotten Corner of Empire: British Borneo Territories', *Journal of Imperial and Commonwealth History*, 44 (2016), 1002.
- <sup>15</sup> G. Saunders, *A History of Brunei*, (London: Routledge, 1994).
- <sup>16</sup> Harun Abdul Majid, *Rebellion in Brunei: the 1962 Revolt, Imperialism, Confrontation and Oil* (London: Bloomsbury, 2007); G. Poulgrain, *The Genesis of Konfrontasi: Malaysia, Brunei and Indonesia, 1045-1965* (London: C. Hurst & Publishers, Ltd, 1998) ; N. J. White, *British Business in Post-Colonial Malaysia, 1957-70: 'neo-colonialism' or 'disengagement'?* (Abingdon: Routledge, 2004), 33-34.
- <sup>17</sup> Poulgrain, *Genesis of Konfrontasi*.
- <sup>18</sup> A.J. Stockwell, 'Britain and Brunei, 1945-1963: Imperial Retreat and Royal Ascendancy' *Modern Asian Studies*, 38 (2004), 819.
- <sup>19</sup> Nani Suryani Haji Abu Bakar, 'Brunei's Political Development between 1966 and 1984: Challenges and Difficulties over its Security and Survival' (PhD Thesis, University of Leeds, 2006); Muhammed Hadi Abdullah, 'Brunei's Political Development and the Formation of Malaysia: 1961-1967' (PhD Thesis, University of Hull, 2002).
- <sup>20</sup> A.J. Stockwell (ed), *British Documents at the End of Empire (BDEEP), Series B, Vol. 8* (TSO, London, 2004).
- <sup>21</sup> S. C. Smith, 'Britain's Decision to Withdraw from the Persian Gulf: A Pattern not a Puzzle', *The Journal of Imperial and Commonwealth History*, 44 (2016), 328.
- <sup>22</sup> Telegram, Foreign Office to Washington, 3 Aug. 1963, FCO 141/13035.
- <sup>23</sup> Bolstering Borneo against Indonesia was an important part of British strategy in Southeast Asia. After the independence of Indonesia from the Dutch, Sukarno moved the country leftwards. His authoritarian and anti-western leanings worried Western nations (especially after the nationalisation of Dutch businesses in the late-1950s) and the USA supplied aid to Sukarno to counter this. With Brunei refusing to join Malaysia, Harold Macmillan posited, "Having squeezed the Dutch dry, they will turn on Britain." Harold Macmillan, *At the End of the Day* (London: Macmillan, 1973), 256.
- <sup>24</sup> Tan Tai Yong, *Creating 'Greater Malaysia': Decolonization and the Politics of Merger* (Singapore: Institute of Southeast Asian Studies, 2008), 63. A thorough investigation was undertaken of North Borneo and Sarawak by Lord Cobbold commissioned by Prime Minister Harold Macmillan. This ascertained the views of the Borneo people on federation with Malaysia and recommendations were based on their assessments. The Commission supported Malaysia because it "created a stabilising factor in the region" and "forestalls claims on the Borneo Territories." Memorandum on Malaysia, 4 July 1962, Cabinet Office Records 129/110/6.
- <sup>25</sup> For a detailed analysis of the insurrection and counterinsurgency see A. N. Shaw, 'British Counterinsurgency in Brunei and Sarawak, 1962-1963: Developing Best Practices in the Shadow of Malaya', *Small Wars & Insurgencies*, 27 (2016), 702-725.
- <sup>26</sup> Stockwell, 'Britain and Brunei', 786.
- <sup>27</sup> See Ann Black, 'Exporting a Constitutional Court to Brunei? Benefits and Prospects', *Constitutional Review*, 8 (2022), 361-392.
- <sup>28</sup> Telegram from Singapore to CO, 2 Feb. 1963, FCO 141/13044.
- <sup>29</sup> Telegram from High Commissioner to CO, 30 June 1963, FCO 141/13010. It was decided that the Sultan could visit Saville Row to have suits made.
- <sup>30</sup> Ibid.
- <sup>31</sup> Ibid.
- <sup>32</sup> 'Brunei: Future Policy': notes by I H Harris in preparation for Mr Sandys' meeting with the Sultan of Brunei, 18 July 1963, FO 371/168691 in A.J. Stockwell (ed.), *BDEEP, Malaysia*, 196.
- <sup>33</sup> Telegram from the FO to the British Embassy in Tokyo, 4 May 1966, FO 371/187685.
- <sup>34</sup> Brunei – Future Policy, 25 July 1967, FCO 24/205.
- <sup>35</sup> Ibid.
- <sup>36</sup> Discussions with the Sultan, 28 June 1967, FCO 24/205.

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- <sup>37</sup> Notes on Brunei, 31 July 1968, FCO 24/219.
- <sup>38</sup> FCO note on Brunei, Jan. 1968, FCO 24/225.
- <sup>39</sup> W.A. Ward to Permanent Secretary FCO, July 1969, FCO 24/429.
- <sup>40</sup> D.F.B. Le Breton to Ward, April 1969, FCO 24/429.
- <sup>41</sup> Notes on Brunei, July 1970, FCO 24/727.
- <sup>42</sup> D.P. Aiers to Wilford, November 1970, FCO 24/729.
- <sup>43</sup> Confidential Report on Brunei, Parliamentary Interest in Brunei in the UK, undated (c. November 1970), FCO 24/1084.
- <sup>44</sup> LNG is natural gas that is liquefied for ease of safety and concern. The plant in Brunei was established in 1969 and was opened in 1973. The Government of Brunei owned 50 per cent and Shell Overseas Trading Limited and the Mitsubishi Corporation owned the other half. Currently, it annually produces 6.71 million tons of LNG that is shipped to Japan and South Korea. See [www.bruneilng.com](http://www.bruneilng.com).
- <sup>45</sup> The ongoing 50:50 division of revenues contrasted with neighbouring Indonesia, which negotiated a 60:40 agreement with overseas oil companies in 1963 with the larger share going to the Indonesian government. See White, *British Business in Post-Colonial Malaysia*, 48.
- <sup>46</sup> Mark Landler, 'The Royal Treatment; Ruling Family Feuds as Oil Income Drops in Brunei', *The New York Times*, 27 August 1998, <http://www.nytimes.com/1998/08/27/business/the-royal-treatment-ruling-family-feuds-as-oil-income-drops-in-brunei.html> [accessed 03 November 2017].
- <sup>47</sup> Steven Galpern, *Money, Oil and Empire in the Middle East: Sterling and Postwar Imperialism, 1944-1971* (Cambridge: Cambridge University Press, 2010), 100.
- <sup>48</sup> Briefing of a visit from the Secretary of State, April 1968, FCO 24/234.
- <sup>49</sup> Sterling Holdings of Commonwealth Countries, Bank of England Balance of Payments, Sep. 1965, Bank of England 2A69/4.
- <sup>50</sup> Defensive Speaking Notes, Oct. 1968, FCO 24/237.
- <sup>51</sup> Catherine R. Schenk, *The Decline of Sterling, Managing Retreat of and International Currency, 1945-1992* (Cambridge, Cambridge University Press, 2010), p.337.
- <sup>52</sup> Walker to Burgner, Assistant Secretary at the Treasury, 14 Jan. 1975, FCO 24/10
- <sup>53</sup> Minute by P.G. de Courcy-Ireland for Hickman, 7 Feb. 1974, FCO 24/1976.
- <sup>54</sup> Memorandum on Brunei by the Ministry of Power, 23 Aug. 1967, FCO 24/234.
- <sup>55</sup> Memorandum on Brunei, FCO 24/234.
- <sup>56</sup> See Smith, 'Persian Gulf', 334.
- <sup>57</sup> Stephen Galpern, *Money, Oil and Empire in the Middle East, Sterling and Postwar Imperialism, 1944-1971* (Cambridge University press, Cambridge, 2013), 198-267.
- <sup>58</sup> FCO to Prime Minister, FCO 24/234.
- <sup>59</sup> Derrick to Steel on Marshall's minutes, 20 April 1970, Treasury 225/3546.
- <sup>60</sup> Treasury to Wilford, 21 July 1975, FCO 24/2104.
- <sup>61</sup> Walker, Treasury to John Dibben, Crown Agents, 25 May 1977, T 381/169.
- <sup>62</sup> Outline of Terms on which a Private Placement might be arranged, May 1977, T 381/169.
- <sup>63</sup> Confidential Note on Oil and Balance of Payments, 29 Jan. 1974, FCO 24/1976.
- <sup>64</sup> David Malcolm McBain interviewed for *British Diplomatic Oral History Programme* (BDOHP), April 2000, 33-38. Accessed University of Cambridge <https://www.chu.cam.ac.uk/media/uploads/files/McBain.pdf>.
- <sup>65</sup> Thomas Brimelow, Permanent Under-Secretary to Secretary of State, 7 Mar. 1975, FCO 24/2104.
- <sup>66</sup> High Commissioner, Brunei to L. Bevan, FCO, 13 Feb. 1975, FCO 24/2104.
- <sup>67</sup> Official Foreign Reserves of OSA Countries, Dec. 1966, BoE 2A69/4.
- <sup>68</sup> Note of a meeting between the Permanent Under-Secretary and the Chairman of the Crown Agents, 6 Mar. 1975, FCO 24/2104.
- <sup>69</sup> Crown Agents, HoC, Volume 940, Column 731, 1 December 1977.

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- <sup>70</sup> ‘Brunei ban on Crown Agents may be Lifted’, *Times*, 23 February 1984.
- <sup>71</sup> ‘Americans take over £3bn Brunei Role’, *Times*, 3 August 1983.
- <sup>72</sup> *Ibid.*
- <sup>73</sup> ‘Crown Agents may shed 400 jobs to survive financial crisis’, *Times*, 1 October 1983
- <sup>74</sup> Telegram from High Commissioner in Brunei to FCO, 20 Feb. 1975, FCO 24/2104.
- <sup>75</sup> McBain, BDOHP, April 2000.
- <sup>76</sup> Brunei High Commissioner to P.A.B. Thomson, 24 Feb. 1975, FCO 24/2104.
- <sup>77</sup> *Ibid.*
- <sup>78</sup> J.A. Davidson, High Commissioner to Brunei to W.J. Watts, Deputy High Commissioner, Singapore, 2 April 1975, FCO 24/2104.
- <sup>79</sup> Note for the File by J.W. Moffatt, May 1975, FCO 24/2104.
- <sup>80</sup> *Ibid.*
- <sup>81</sup> C.W. Fogarty, British High Commission, Kuala Lumpur to Treasury, 16 February 1971, BoE 2A158/12.
- <sup>82</sup> John Lee, State Financial Officer, Brunei to D.F. Stone, Bank of England, 12 July 1971, BoE 2A158/12.
- <sup>83</sup> Room B (Sterling Liaison) to Barber, July 1971, BoE 2A158/12.
- <sup>84</sup> The OCTs were established under the Treaty of Rome in 1957 and were not part of the EEC but were associated with it. The common external customs tariff did not apply to OCTs, but they could claim customs on goods imported from the EU on a non-discriminatory basis. European Commission website, [https://ec.europa.eu/europeaid/regions/overseas-countries-and-territories-octs/oct-eu-association\\_en](https://ec.europa.eu/europeaid/regions/overseas-countries-and-territories-octs/oct-eu-association_en).
- <sup>85</sup> P.A.B. Thomson to J. Gabriel, Department of Trade, 3 Nov. 1975, FCO 24/2105.
- <sup>86</sup> ‘Custom Hike Shocks Houses’, *The Borneo Bulletin*, 30 Oct. 1975, FCO 24/2105.
- <sup>87</sup> Gabriel to P.A.B. Thomson, 5 Nov. 1975, FCO 24/2105.
- <sup>88</sup> J. Singleton and C. R. Schenk, ‘The Shift from the Sterling to the Dollar, 1965-76: Evidence from Australia and New Zealand’, *Economic History Review*, 68 (2015), 1161.
- <sup>89</sup> D.W. Fryer, *Emerging Southeast Asia* (London: G. Phillip, 1979), 316.
- <sup>90</sup> J.A. Davidson to D.A. Walker, 30 Oct. 1976, T 381/93.
- <sup>91</sup> Galsworthy to Male, Assistant Under-Secretary, 3 May 1976, FCO 24/2266.
- <sup>92</sup> MacDonald to Sir Omar, 27 April 1976, FCO 24/2266.
- <sup>93</sup> UN Decolonisation, December 1983, UN Website, [http://www.un.org/en/decolonization/pdf/decolonization/decon\\_num\\_20.pdf](http://www.un.org/en/decolonization/pdf/decolonization/decon_num_20.pdf) [accessed 1 February 2019]. The agreement was amended by David Cameron’s government in 2015 which reaffirmed the deployment of a Gurkha battalion in Brunei. HMG Exchange of Notes, February 2015, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/419724/TS.7.2015\\_Web\\_Acc.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/419724/TS.7.2015_Web_Acc.pdf) [accessed 1 February 2019].
- <sup>94</sup> Mark Thatcher’s role was exposed *The Observer* and was subsequently debated in the House of Commons. ‘The Observer’, HoC, 17 June 1986, vol 99 cc1018-26.
- <sup>95</sup> ‘Foreign Exchange Turnover Figure’, Lord Hatch of Lusby, HL Deb, 23 March 1990, vol 517 cc507-10. See also, F.U. Menon, ‘Brunei Darussalam in 1987: Modernizing Autocracy’, *Asian Survey*, 28 (1988): 257.