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An Appraisal of Malaysia-Nigeria Foreign Economic Relations

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Abstract:

Relations between Malaysia and Nigeria is be dated back to 1960's when the then prime minister of Nigeria Abubakar Tafawa Balewa extended friendly relations with Malaysia Prime-Minster Tunku Abdurrahman since then both countries have enjoyed political and economic ties. Economic relations between both countries have flourished putting the total trade in 2016 at over \$4 billion. Recently studies abound have shown raising China-Nigeria relations due to increase in global south partnership for trade and development. However, limited studies abound on the nature and benefit of economic relations between other Asian countries. The study hereby investigates the nature and volume of economic and trade relations between Malaysia and Nigeria with the purpose of asserting the economic relationship between both countries. The methodology used include secondary data sources from world trade integrate solution, an affiliate of World Bank and review of literature on foreign economic relations. The work is divided into the following aspect, starting with an overview of the Malaysia economy and its foreign economic relations and that of Nigeria, subsequently relations with both countries were examined. The study concludes that there has been a significant increase in trade relations between two countries and Malaysia has been on the benefiting side as it exports more to Nigeria

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and imports less, because of its industrialize nature especially in agriculture, capital goods, refined crude oil and machine and electrical appliance which it exports to Nigeria.

Key words: Foreign Economic Relations, Malaysia, Nigeria Import and Export

INTRODUCTION

As a distinct discipline in the study of international relations, foreign economic relations has continued to serve as a tool for understand economic development and growth especially among developing countries as well as stress the diversification and expansion of trade which also provide countries with needed foreign direct investments or foreign capital. (Folarin, Ibetan & Chidozie, 2016). Also, due to the fact that countries of the world interact with each for a various reason especially for economic benefits which is accrued through trades. Recently studies abound have shown raising China-Nigeria relations due to increase in global south partnership for trade and development. (Nwosu, 2014; Agubamah, 2014; Djeri-wake, 2009, Udeala, 2010; Okoro, Igwe & Ojong, 2014) however limited studies abound on the nature and benefit of economic relations between other Asian countries. As a result of globalization and international trade, economies are getting connected and increasing dependent on each other, one of the oldest forms of economic relationship is foreign trade between members of international community, and these are partly because nations around the world differ on nature of their natural resources endowment, scale of production, preference, and capacity for development and growth. (Omoju & Adesanya, 2012). Economic Relations between China and Nigeria have taken center stage in discuss of Afro-Asia economic relations. However Malaysia and Nigeria can be said to have flourishing economic relations which date back to 1970's when Nigeria

experienced oil boom, this led to an influx of mostly Chinese-Malay businessmen who invested in a different sector of the nation's economy. Since then trade relations between two countries have flourished. Data from World Bank shows that from the export of \$8,716.92 thousand and import of \$18,134.87 thousand in 1990 trade relations between Malaysia and Nigeria have grown to over \$4billion in 2016. This is partly attributed to the improvement in Malaysia economies especially in the area of agriculture and petroleum. Major export products from Malaysia includes. Capital goods, Consumer goods, Intermediate goods, Raw materials, Animal, Chemicals, Food Products, Footwear, Fuels, Mach and Electrical appliances, Metals, Plastic or Rubber, Stone and Glass, Textiles and Clothing, Transportation, Vegetable, and Wood. While on the other hand Malaysia imports the following items from Nigeria; Capital goods, Consumer goods, Intermediate goods, Raw materials, Animal, Chemicals, Food Products, Fuels, Hides and Skins, Mach and Electrical, Metals, Minerals, Plastic or Rubber, Transportation, Vegetable.(World Integrated Trade System, 2017)

The objective of the study is therefore to examine the volume of economic relations between Malaysia-Nigeria with the purpose of investigating the volume of trade and examine how the relation have been beneficial to each of the country.

The paper is divided into four part, first part discuss an overview of Malaysia economy with the view of ascertaining its strength in terms of economic prowess and it major economic partners in terms of trade, this is followed by Nigeria economic profile and its economic relations especially the major trading partners, the next part discussed the foreign relations between both countries which was traced back to relations between the late Prime minister of Nigeria Abubakar Tafawa Balewa who initiated friendly relations with Malaysia's former Prime Minister, Tunku Abdurrahman, the friendly nature of relations between both countries have made it easy for Nigerians to

study in Malaysia, Malaysia has the highest number of Nigerians studying in Asia and this number is only second to US and Canada. The paper then discusses volumes of export and import between both countries and finally, the paper concludes and offers a recommendation on how the relations between both countries can be more beneficial to Nigeria as against the current trend which favors Malaysia more.

BRIEF OVERVIEW OF MALAYSIA ECONOMY AND ECONOMIC RELATIONS

The economy of Malaysia is the fourth largest economy in South East Asia and 35th in the world. The country is reported to be the third richest country in the region as per GDP per capita just after Singapore and Brunei, the country ranked 14th in the world in terms of ease of doing business index in 2015. With a GDP of \$815.6 billion and a GDP growth of 5.0% while GDP per capita is \$26,300.20, GDP per sector in 2014 was as follows Agriculture 7.1%, Industry 36.8%, and Services 56.2%, as at February 2017 the total country export stood at 71.8 Billion Malaysian Ringgits (MYR) and import bill of 63.1 billion MYR, at January 2017 the unemployment rate stood at 3.5%. Life expectancy at birth for a male was 72 years while for female 77 years. (CIA World Fact Book, 2017) Malaysia key exports include Electrical and electronics products, palm oil and palm oil based products, refined petroleum, crude petroleum, natural rubber, timber and timber based products and liquefied natural gas. It major imports intermediates goods which include lubricants, industrial products, processed fuel and lubricants, part and accessories of capital goods; consumption goods. The country major trading partners are ASEAN countries which accounts for 30% of export which stood at 21.5 billion MYR while import 27% and 17.5 billion MYR, China tops bilateral economic relations with Malaysia with 13.3% of Export share and 9.6 billion MYR and 16.2 % import share and 10.2billion

MYR, while Singapore 13.9% export share and 10.0 billion MYR, while import is 10.7% import and 6.8 billion MYR, followed by European Union export share of 10.6% and 7.6 billion MYR, 8.0% import share and 5.1 billion MYR. (DOSM, 2017). The increase in economic relations of Malaysia can be attributed to its movement from its agriculture-based economy to a strong industrial based economy. Accordingly, Malaysia is currently ranked 9th world financial market development, 18th in a ranking of ease of doing business, 10th friendliest country in the world and 4th best shopping destination. Malaysia is also ranked above major economies in the world in terms of standard of living except for US and Canada (Herbst & Mills, 2012; Jin, 2016)

Despite the fact that Malaysia promotes private enterprises and market economy, the state also has a great interest in the economy and economic policies are to a great extent influenced by government, and this has its root in the different development plans since independence. And this is sphere headed by government departments such as Economic Planning Unit, Employees Provident, and government, Permodalan Nasional Berhad, Khazanah Nasional Berhad. This government departments invest and sometimes owned Major Corporation which operates in vital sector of the economy

The stability of government in Malaysia since independence can be attributed to the success in economic growth because of investor's friendly environment, minimal interference of government in central bank policies, availability of finances, availability of well-educated workforce, financial creditworthiness of the country, efficiency and honesty from government, all these have greatly impacted on Malaysia economic growth. (Lucas & Verry, 2016)

BRIEF OVERVIEW OF NIGERIA ECONOMY AND ECONOMIC RELATIONS

With the last rebasing of the Nigeria economy, the country overtook South Africa as the largest economy in Africa in 2013, Nigeria economy can be described as a middle-income, emerging market and mixed economy with expansion in the countries financial, communication, manufacturing, entertainment and technology sector. The country is ranked 21st largest economy in terms of nominal GDP and 20th largest country in terms of Purchasing Power Parity (PPP). The country's GDP is estimated at \$509.9 billion (nominal) and \$1,105.343 billion (PPP), GDP per capita 42,758. And GDP by sector is Agriculture 17%, Industry 25.7% and Services 54.6%. The unemployment rate stands at 13.9 %. Life expectancy for male 53.4 and for females 55.6 years. Nigeria is reputed for its Oil as a major exporter of crude oil to countries around the world, government annual budget is usually estimated based on oil revenue projections which badly affect the economy when there is a fall in global oil prices. (CIA World Fact Book, 2017)

The total foreign trade in Nigeria as at end of Q4 in 2016 was 5.29 trillion naira, with total import of 2.31 trillion naira and 2.98trillion naira. Major imports partner of Nigeria are as follows for export India ₦ 475,644,091,644.54, Netherlands ₦334,222,632,210.68 , United States ₦ 317,210,597,479.15, Spain ₦ 286,779,435,862.68 , South Africa ₦ 160,350,684,747.24 , France ₦ 158,260,566,454.83, Indonesia ₦ 113,219,360,429.19, Sweden ₦105,014,878,319.00 , Singapore ₦ 99,216,784,298.2, Ivory Coast ₦ 81,260,161,635.54, while for import, China ₦404,130,210,499.33, Belgium ₦356,381,371,881.42, Netherlands ₦230,033,905,168.48, United States ₦205,648,529,762.85, India ₦113,890,987,967.49, United Kingdom ₦101,647,365,659.51, Germany ₦78,634,375,321.79, Brazil ₦78,024,954,496.00, France ₦75,091,192,736.96, Russia ₦38,847,210,702.00 (NBS, 2017). Some major export

Agricultural products includes Frozen Shrimps and Prawn, Sesame Seed, Cashew Nuts in Shell, Crude Palm kernel and Flour and Meals of soybean, other sources of exports are crude oil which amount to 45.9%, Manufactured Goods 22.1%, Non Crude oil products 21.8%, Raw Materials 5.85%, Solid minerals 0.3%. (NBS, 2017)

Nigeria has experienced slow economic growth since 2015 with growth rate dropping to about 3.0% at the end of the year 2015 from 6.25 in 2014, inflation increase from 7.8% to 9.0%. Which could be attributed to falling in global oil prices coupled with inadequate foreign exchange to fund request for the countries imports

Unlike Malaysia, Nigeria has experienced political instability since independence with eight coups, counter-coups and palace coups which have led to a frequent change of government also corruption and mismanagement of the economy has hindered the country from achieving its full potential in order to achieve economic development.

HISTORICAL BACKGROUND OF MALAYSIA-NIGERIA RELATIONS

Foreign relations between Malaysia and Nigeria is dated back to 1965 when the late Prime minister of Nigeria Abubakar Tafawa Balewa initiated friendly relations with Malaysia's former Prime Minister, Tunku Abdurrahman. Malaysia's first mission in Sub-Sahara Africa was established in Lagos Nigeria in 1965, it was later relocated to Abuja in 2006, while Nigeria, on the other hand, established a mission in Kuala Lumpur in 1991, relations between both countries have been cordial has described by the Higher Commissioner to Nigeria Lim July Jin (Jin, 2016)

The era of the oil boom in Nigeria in the 1970's brought about investment in the country by mostly Chinese-Malays. In the education sector, Malaysia is regarded as one of the top

spots for Nigeria students going for postgraduate studies, as at 2016 there were an estimate of 15,000 students (Undergraduate and Postgraduate) in the field of Finance, Accounting, Electrical & Mechanical Engineering, Business, Tourism & management, ICT etc.

Another area of bilateral relations between both countries is on academics, as at 2016, there was about 13,000 undergraduate and postgraduate (masters and Ph.D.) Nigeria students in Malaysia studying in different higher institutions of learning in Malaysia. Also, there is a different form of cooperation in order to improve Nigeria higher institutions of learning through exchange programs and collaboration, the collaboration between Universiti Utara Malaysia (UUM) and Ahmadu Bello University (ABU) Zaria for the development of a business school in ABU Zaria is a good example. (UUM Online, 2016)

Both countries have cooperation within, United Nations, Organization of Islamic Countries, Non-Aligned Movement, Group of 15 countries (G-15), Developing Eight countries (D-8), Group of Seventy Seven (G-77) etc. Other areas of collaboration between both countries include Tourism (Conventional/Medical /Islamic), Oil % Gas mining and exploration, Agricultural Sector (palm oil), Malaysian Technical Cooperation Program (MTCP) so far 456 Nigeria officials have been trained since 1981 when Nigeria was added as a beneficiary state. Which include Training and sharing experience in the various discipline of human resources management and development, public administration, engineering, finance, and others. Apart from MTCP, the country also signed Economic, Scientific, Technical and Cultural Cooperation Agreement (ESTC) in 1990, which was aimed at fostering cooperation in areas of science and technology, culture, economy, and capacity building.

ECONOMIC RELATIONS BETWEEN MALAYSIA AND NIGERIA

Bilateral economic investments between Malaysia and Nigeria is been coordinated by Trade Office of High Commission (Malaysia External Trade Development Corporation, MATRADE) which is located in Lagos, Nigeria. Nigeria is regarded as the second largest trade partner with Malaysia and it's the largest export destination in Africa, while in terms of import Nigeria is Malaysia six largest partner. The total trade between both increased from \$0.68 to \$0.80 billion between January to November 2016 which was 14% increase. Within same year Malaysia export to Malaysia grew by 20.2% (from \$0.59 to \$0.71billion) topping the export to Nigeria was refined petroleum products, processed beverages and foods, electronic products and natural rubber. (Salau, 2017)

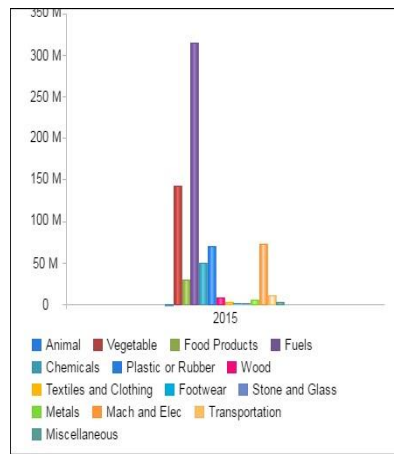
Some Malaysia's companies in Nigeria includes, IRIS corporations- Information and Communication Technology (ICT) Company, EDMARK- Wellness Product, CNI-Multilevel Marketing, Bumi Aramada; Offshore support service, Sime Darby, Palm oil exploration, Petronas which is into LNG and oil transportation., some Nigeria companies also operate in Malaysia one of which is Pack Mate which specializes in production of flakes, Tapioca and other products. Joint business companies include Global Firm Network.

Although but countries are yet to sign any official bilateral agreements, economic diplomacy between but countries have flourished since early 1990's. Total export from Malaysia to Nigeria is over \$3 billion and Import from Nigeria is slight over \$1.1 billion. The bulk of Malaysia export to Nigeria includes Capital goods, Consumer goods, Intermediate goods, Raw materials, Animal, Chemicals, Food Products, Footwear, Fuels, Mach and Electrical appliances, Metals, Plastic or Rubber, Stone and Glass, Textiles and Clothing, Transportation, Vegetable, and Wood. While on the other hand

Malaysia imports the following items from Nigeria; Capital goods, Consumer goods, Intermediate goods, Raw materials, Animal, Chemicals, Food Products, Fuels, Hides and Skins, Mach and Electrical, Metals, Minerals, Plastic or Rubber, Transportation, Vegetable.(World Integrated Trade System, 2017)

Table and Figure 1: Product Exports by Malaysia to Nigeria 2015

| Product Group | Export (US\$ Thousand) |
|-----------------------|------------------------|
| All Products | 709060.32 |
| Capital goods | 82595.96 |
| Consumer goods | 554531.84 |
| Intermediate goods | 70585.93 |
| Raw materials | 194.28 |
| Animal | 954.59 |
| Chemicals | 49681.04 |
| Food Products | 29287.71 |
| Footwear | 5.99 |
| Fuels | 314366.58 |
| Mach and Elec | 72607.99 |
| Metals | 5293.99 |
| Miscellaneous | 2827.18 |
| Plastic or Rubber | 70471.41 |
| Stone and Glass | 291.55 |
| Textiles and Clothing | 2655.26 |
| Transportation | 10401.52 |
| Vegetable | 141796.44 |
| Wood | 8419.07 |

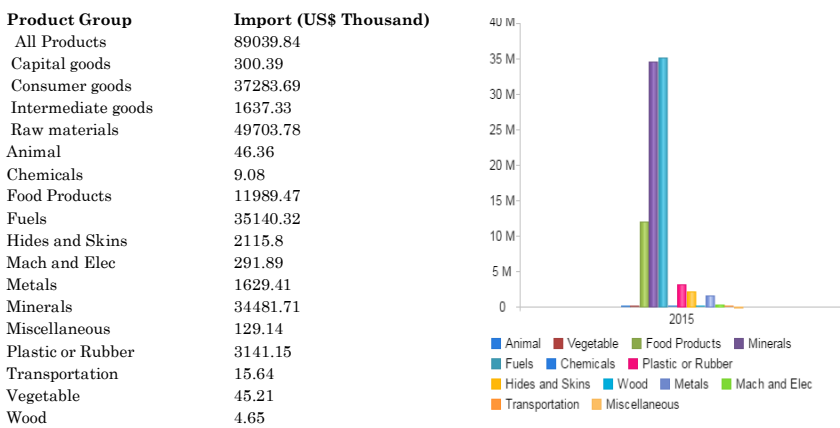


Source: World Integrated Trade Solutions 2017. Available at <http://wits.worldbank.org/CountryProfile/en/Country/MYS/Year/2015/TradeFlow/Export/Partner/NGA/Product/All-Groups#>

Table 1 shows the total export from Malaysia to Nigeria in 2015, topping the chart is consumer goods which account for \$554,531.84 million, these could be attributed to Nigeria’s import-dependent nature for consumer goods, despite the fact that Nigeria is an oil producing countries its inability to refine it oil has made it imperative to import refined petroleum () fuel export from Malaysia was \$314,366.58 million, followed by Vegetable \$141,796.44 million, capital goods \$82,595.96 thousand, Machinery and Electrical appliances \$72,607.99 thousand, intermediate goods \$70,471.41 thousand, chemicals

\$49,681.04 thousand, other food products \$29,287.71 thousand, transportation equipment's 10,401.52 thousand, woods accounted for 8,419.07 thousand, metals \$5,293.99, miscellaneous items \$2,827.18 thousand, Textiles and clothing \$2,655.26 thousand, Animal \$954.59, Stone and Glass \$291.55 thousand, raw materials \$194.28 thousand and footwear \$5.99 thousand.

Table and Figure 2: Product Imports by Malaysia from Nigeria 2015



Source: World Integrated Trade Solution
<http://wits.worldbank.org/CountryProfile/en/Country/MYS/Year/2015/TradeFlow/Import/Partner/NGA/Product/All-Groups#>

Table 2 shows total number of import by Malaysia from Nigeria, topping the chart of import are raw materials which accounted for \$49,703.78 thousand, Consumer goods \$37,283.69 thousand, Crude oil \$35,140.32, Minerals \$34,481.71 thousand, Food products \$11, 989.47 thousand, plastic and rubber \$31,141.15 thousand, Hides and Skin \$2,115.8, Intermediate goods \$1,637.33, Metals \$1,629.41, Capital goods \$300.39, Machinery and Electrical appliances \$291.89 thousand, Miscellaneous \$129.14, Animals \$46.35 thousand, Vegetable

45.21, transportation \$15.64 thousand, Chemicals \$9.08 thousand and Woods \$4.65 thousand.

Table 3: Trends in Trade Volumes between Malaysia and Nigeria 1990-2015

| Year | Export (US\$ Thousands) | Import (US\$ Thousands) |
|-------|-------------------------|-------------------------|
| 1990 | 8,716.92 | 18,134.87 |
| 1991 | 46,793.74 | 13,829.17 |
| 1992 | 44,832.88 | 6,222.62 |
| 1993 | 61,788.58 | 8,655.49 |
| 1994 | 27,269.83 | 7,938.03 |
| 1995 | 23,408.35 | 4,894.77 |
| 1996 | 19,153.81 | 5,489.83 |
| 1997 | 14,086.79 | 3,422.17 |
| 1998 | 24,703.64 | 1,948.71 |
| 1999 | 52,504.33 | 6,849.86 |
| 2000 | 49,107.50 | 7,652.77 |
| 2001 | 48,599.74 | 4,256.84 |
| 2002 | 78,828.56 | 3,059.61 |
| 2003 | 90,740.73 | 1,542.23 |
| 2004 | 54,971.59 | 3,036.01 |
| 2005 | 184,093.60 | 13,100.31 |
| 2006 | 62,868.05 | 21,029.95 |
| 2007 | 98,529.16 | 27,163.66 |
| 2008 | 141,763.08 | 39,633.44 |
| 2009 | 243,145.13 | 33,845.40 |
| 2010 | 148,948.50 | 104,619.96 |
| 2011 | 629,109.31 | 89,425.83 |
| 2012 | 325,842.43 | 96,184.45 |
| 2013 | 387,750.11 | 302,792 |
| 2014 | 388,695.95 | 277,473.66 |
| 2015 | 709,060.32 | 89,039.84 |
| Total | 3,946,158.82 | 1,191,241.48 |

Source: Compiled by Author, World Intergraded Trade Solution, 2017

CONCLUSION

The paper has attempted to situate Malaysia-Nigeria foreign economic relations in the context of volume of trade between both countries. Figures showed above clearly pointed to the fact that relations between both countries have greatly benefitted Malaysia in the sense that it has been able to get a market for its product in Nigeria and also show the commanding heights of its economic development. Nigeria should learn from this Asian country which was at par with Nigeria in the 1960s after

independence, however, in terms of competitive advantage in trade, Malaysia is said to have benefited more from the trade. In view of the foregoing situation, the study hereby recommends that Nigeria should improve its economy in order to facilitate more export and less import in order to develop the country and provided needed foreign exchange for the country. Also, Nigeria needs to develop a credible and proactive foreign economic policy.

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