

Indonesia-Nigeria Foreign Economic Relations

A Partnership for Economic Development

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Abstract—Bilateral relations between Federal Republic Nigeria and Republic of Indonesia is traced to 1965 when Indonesia opened its first diplomatic mission in Sub Saharan Africa in Lagos Nigeria, Nigeria reciprocated in 1976 by opening a diplomatic mission in Jakarta. Since then Nigeria-Indonesia has enjoyed fruitful diplomatic and economic relations. These paper aims to investigate the volume of bilateral economic agreements and trades between both countries. The paper utilises secondary sources of data. The research finding shows that both countries enjoy several bilateral economic relations, in 2001 both countries signed Economic and Technical Cooperation agreement for establishing a Joint commission. Also, Nigeria was Indonesia's largest trade partner in Africa as at 2014 with total trade volume standing at USD 3.9 million. Also, notable Indonesia companies in Nigeria includes Sayap Mas Utama, Indorama, Kalbe Farma and Dufil (Indomie) which is the largest producer of noodles in the country. This shows that Indonesia has significantly invested in industrialisation via non-oil sector the study thereby concludes that Nigeria can learn from Indonesia to improve its drive for non-oil export towards facilitating economic development.

Keywords—economic relations, development trade, indonesia, nigeria

I. INTRODUCTION

The discussion on foreign economic relations emphasises understanding the importance of foreign direct investments or foreign capitals for nation states and diversification and expansion of trade between states in the international system. In study International relations and international political economy, foreign economic relations is understood as an important capitalist of forging relations between nations states in the international regime and ensure states experience economic growth and development to enable them to be an active participant in the global economy [1, 2].

In a global and increasingly interconnected world, countries which are developing have devised means to survive in these continuous challenging world; these are achieved through dual and multilateral cooperation. While countries with relative comparative advantages over other country's make up through trades and relations with others. This relation between these countries birthed cross-border trades relations between two or more countries; these are usually done to improve economic

development and growth of both parties. Bilateral economic ties emphasis the conduct of economic, political and cultural relations between states, these sovereign states recognize each other and agree to extend both diplomatic and the economic relations between each other. Economic agreements between these countries include Free Trade Agreements, Avoidance of Double Taxation, Foreign Direct investments, among others.

From the context of Nigeria economic relations, scholars have argued that its economic ties have somewhat failed to provide needed good, especially from the perspective of improvement of the standard of living of populace and balance of trade as equilibrium has not tilted towards the advantage of Nigeria [3, 4]. This is largely attributed to the fact that policy makers have failed to put into consideration one of the most important principles of bilateral and trade and economic relations is situational differentiations. In bilateral economic ties, parties are supposed to ensure that agreements are made based on specific rules. It is common to observe that an influential state usually has the upper hand in partnership with Nigeria during bilateral agreements, these are usually associated with economic terms especially with regards to surplus and low economic cost. To address these issues, there is a need for Nigeria to tailor bilateral agreement with needs of the country to make it beneficial to each party.

Indonesia and Nigeria are geographically distant from each other. However, both countries share some similarities, for example, both countries have experienced colonialism, high rankings in corruption index, military juntas, diverse culture and people, and large population. Regarding economic development, as at the time of her independence Nigeria had higher GDP, however, with successive years of bad leaders and the adoption of Structural Adjustment Program (SAP) in the mid-1980, its economy took a downward trajectory. While Indonesia's economy has taken an upward trajectory which is evident in Indonesia been among G20-group of 20 major economies in the world [5].

The objectives of these paper are therefore to evaluate the foreign economic relations between Indonesia and Nigeria to provide recommendations on how Nigeria could partner with Indonesia to fast track the country's development because Indonesia is more developed economically than Nigeria.

II. INDONESIA-NIGERIA RELATIONS

Indonesia-Nigeria relations is better understood within the context of South-South relations; which argues for the need for developing countries to work together for a common goal to foster development. Bi-lateral relations between Federal Republic Nigeria and Republic of Indonesia is traced to 1965 when Indonesia opened its first diplomatic mission in Sub Saharan Africa in Lagos Nigeria, Nigeria reciprocated in 1976 by opening a diplomatic mission in Jakarta. Since then Nigeria-Indonesia has enjoyed fruitful diplomatic and economic relations. Both countries are members of Developing 8 Countries, World Trade Organization, Non-Aligned movement.

To foster diplomatic and economic relations between both states, there have been several state's visit by Head of States of both countries, the first of which was in 2001, when Abdulrahman Wahid, the Indonesian leader, visited Nigeria in 2001, this was reciprocated by Olusegun Obasanjo, the former Nigerian president who visited Indonesia in 2001, 2005 and 2006. The next high-level meeting between both countries was in New York in 2007 when President Susilo Yudhoyono of Indonesia and Nigerian leader Umar Musa Yar'Adua. Susilo Yudhoyono followed the New York meeting up with another session with Nigeria new president Goodluck Jonathan between February 2 & 3, 2013 [6,7].

To strengthen relations between both countries, it was agreed that a Bilateral Indonesia Nigeria Joint Commission be established to follow up the agreement during the meeting. This is to foster cooperation in global peace and security, democratisation, agriculture, women empowerment, investment, social culture, good governance, mining among others. Both countries have also partnered in the areas of science and technology, Staffs of National Infrastructure Science and Engineering Agency of Nigeria (NASANI) in 2013 and 2014 received training at HYCON in Badung Indonesia as part of cooperation in the areas of science and technology. Indonesia has also worked to improve its ties with Nigeria through various cultural diplomacy initiative such as the building of schools and donations to education facilities, organising of cultural programs aims at showcasing Indonesia [8].

In 2007, Indonesia's Corruption Eradication Commission (KPK) and Nigeria's Economic and Financial Crime Commission (EFCC) signed an MOU to foster cooperation in areas of fighting corruption. The importance of Nigeria to Indonesia relations is paramount, being the largest country in Africa, Indonesia embassy in Nigeria was accredited to Ghana, Gabon, Liberia, Benin, Cameroon, Burkina Faso, Sao Tome and Principe, Niger, Togo, Congo, and ECOWAS.

III. FINDINGS

A. *Economic Relations Between Indonesia and Nigeria*

To cement their relationship and improve their economic ties, Indonesia and Nigeria signed Economic and Technical Cooperation Agreement in 2001, which served as a precursor to the establishment of a Joint Commission in 2007, while the MOU signed in 2010, these were done to promote relations

between both countries especially with regard to import and export which is central to economic development. It is also noteworthy that in 2013, both countries signed a contract for the maintenance of airlines and aircraft. The Nigeria side was represented by Service Air Ltd, Kabo Air, Max Air, Silverback Africa and Hak Air; the \$2.2billion contract provided these companies with an opportunity for their fleet to be maintained by Garuda Maintenance facility in Indonesia. The agreement was also signed between Chamber of Commerce and Industry Indonesia and Chamber of Commerce, Industry, Mines and Agriculture Nigeria; this was meant to improve bilateral economic relations between both countries private sector. The agreement on Preferential Trade Agreement on Tariff Reduction. There are also MOU on Fisheries and Marines, MOU for the improvement of agricultural products such as palm oil, cocoa, rubber plantation, and groundnut in Nigeria. Other bilateral agreements between both countries include cooperation in the protection of investments, reciprocal promotion, trade, agriculture, illicit drugs, and gas. This was evident in the agreement for the construction of \$2.5billion gas methanol and fertiliser plant. In 2017, during the Indonesia-Nigeria business forum Garuda Maintenance Facility and Max Air signed a \$3.4 million dollars on-site support operation Indonesia's major exports to Nigeria includes palm oil, automotive parts, pharmaceuticals products, electronic products, paper goods and soaps, while Nigeria mainly exports mainly leather raw materials, cotton, fuel, consumer goods, textile and clothing, woods among other commodities [9, 10]. There are a few bodies that promote bilateral trade between both countries they include Nigeria-Indonesia Chamber of Commerce and the recently formed Nigeria-Indonesia Commercial Association; it was established in 2014 in the aftermath of the visit of Indonesian President to Nigeria in 2013.

Trade relations between both countries have been flouting since 2014, in 2014 trade relations account for almost 4 billion dollars (\$3.9billion). However, there have been declines since then to \$1.75 billion in 2015 and \$1.6billion in 2016. This meant between 2014 and 2015 trade volume dropped by 56%. This was mainly attributed to falling in prices of crude oil in the global market, coupled with the fact that Indonesia buys crude from third parties not directly from Nigeria government, Direct trade between both countries is bound to improve trade volumes and strengthen relations between both countries [11]. The decline in trade relations between both countries has been an issue of concern as both countries have continued high-level meetings to improve trade relations, these was evident in the visit of Indonesia's Foreign Minister and Minister of Trade and Investments visit to Nigeria in July 2017, who led a delegation of business interest from Indonesia to Nigeria to attend the Indonesia-Nigeria Business Forum, this was followed up with a meeting between Nigeria's Minister of National Planning and Indonesia's Ambassador to Nigeria.

TABLE 1. INDONESIA–NIGERIA TRADE BETWEEN 2011 AND 2015
(IN MILLION USD)

S/N	Year	Export	Import	Total Trade Value
1	2011	465.99	1626.87	2092.86
2	2012	413.08	2770.66	3183.74
3	2013	558.17	3122.45	3680.62
4	2014	648.61	3306.30	3953.91
5	2015	445.74	1288.15	1733.90
6	2016	310.82	1287.96	1598.78

Source [12]

There are currently 15 major Indonesian companies operating in Nigeria; they include Indorama, Kalbe Farma, Indofood, Sayap Mas Utama, Wings group among others. Indofood is currently the largest producer of instant noodles in Nigeria and Africa, it established a factory in Nigeria in 1995, and it has grown to be the most widely consumed and famous noodles in the country. Recently the Nigerian acting President commissioned a fertilizer plant worth 1.5 billion dollars built by Indorama Eleme Fertilizer company, the plant which has a capacity of 1.5 million metric tons of fertilizer will provide some opportunity, Nigerian farmers, to get fertilizers to boost yields and in the long run reduce Nigeria's dependent on imported food products. To foster agricultural cooperation between countries, Indonesia recently invited Nigeria to the Council of Palm Oil Producing Countries (CPOPC) for stabilization of palm oil prices and derivatives from palm oil. Both countries also have agreements on agriculture, in March 2011, Nigerian Minister of Agriculture and Rural Development and Minister of Agriculture of Indonesia signed an MOU on Agricultura Cooperation between both countries, these were to provide Nigeria with an opportunity to get machinery, equipment products, training for farmers and other agricultural appliances which could benefit Nigerians [13,14].

B. Partnership for Economic Development

From these research, it was observed Trade relations between Indonesia and Nigeria has been on the decline due to the inability of both states to improve its relations and work out modalities of getting partnership between two countries. On our partnership between both countries can be beneficial to Nigeria, the Indonesian Ambassador to Nigeria Harry Purwanto states that "...just like the neighbouring Malaysia, Indonesia got its first set of palm fruits from Nigeria..."[15]

It is pertinent to note that Indonesia is currently the largest producer and exporter of palm oil in the world, proceeds from the exports account for Indonesia's second biggest export and it stood at \$12.3 billion, despite been one of the pioneer palm oil producers the contribution of palm to foreign income of the country is insignificant. Nigeria could improve its bilateral relations in areas of agriculture to benefit from palm oil and other agricultural products which are abundant in the country, Indonesia could assist Nigeria with the needed expertise to improve its palm oil and other agricultural products industry. Nigeria can partner Indonesia to develop its agriculture sector which could serve as an important avenue for foreign exchange earnings and help the country improve the economy in general.

It is also important to note that Indonesia is more of an export country, unlike Nigeria which is import dependent economy, the total export 2015 volume stood at \$161 billion

while import at \$139 billion, this meant \$21.7 billion of positive trade balance, while Nigeria total export bill was \$47.8billion and import bill of \$39.5billion in 2015, these shows that Nigeria experience a minimal trade balance of just \$8.26billion compared to Indonesia's \$21.7billion. Primarily due to industrialised nature of Indonesia which has made it possible for the country to experience a positive trade balance which will, in turn, improves its state economic standings. Nigeria has also blessed abundantly with natural resources which could help facilitate the countries drive for industrialization and dependency in the global economy.

IV. CONCLUSION

The paper could access Indonesia Nigeria relations within the context of trade and economic ties. The study found out that Indonesia been one of the G20 countries has been able to record some success with regards to industrialization and development, which provides an opportunity for Nigeria to learn from Indonesia. The research also reveals that 2014 was the peak of Indonesia-Nigeria relations as trade volume was about 4 billion dollars however since then both countries have recorded decline in their trade, this was mainly attributed to falling in oil prices and lack of proper coordination between both countries to explore other areas of interest outside crude oil trade. The paper also concludes that Nigeria can learn from Indonesia determination to improve its agricultural sector especially the palm oil (seedling) which was gotten from Nigeria. Also Nigeria can also learn from Indonesia for it to diversify its export to get more source revenue.

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