



## **Trade and Investment Between Malaysia and Africa**

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### **Abstract**

*Malaysia's investments and trade across African continent should be more diversified and expanded, Petronas (Malaysia's national oil company) is the key player in Malaysia's African trade and investment activities; Petronas is largely present on Eastern and Northern states of the continent; it is important to note that, however, the African production is one third of the firm's international production; in general, Malaysia is rapidly expanding into Africa, its multinational companies, such as, Felda Global Ventures, IOI Global and Sime Darby, as well as, Wilmar International are all expanding into Africa. Malaysia's uniqueness, being a moderate and modern Muslim nation, is appreciated in the continent which itself very diverse ethnically and religiously; Malaysia's strength in Islamic industries, such as, global Sukuk market and halal commodities are seen in Africa as Malaysia's distinct advantage of trade and investment in the continent; on the same point, since, over 50 percent of the population in Africa adhere to Islam; Malaysia must use this phenomenon to extend its relations with Africa and should position itself as a global Islamic hub in business and services; with the traditional partners in Africa such as Sudan and South Africa and reconnoiter new trade companion in the continent. Malaysia's quality higher education system which is comparatively affordable to Africa is under promoted; this research found that, although, enrolment has significantly increased Since 2010, Malaysia is yet to attract the well-deserved quality, fee-paying students from Africa. With the severe pandemic, Malaysia has to renew and rediscover markets and opportunities in Africa.*

**KEYWORDS:** Malaysia, Africa, trade, investment, relations.

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## 1. INTRODUCTION

Since the struggle for independence Asia and Africa were friends; they are together in the Commonwealth, in the Non-Aligned Movement and Organization of Islamic Conference; as well as, share a sense of political cohesion against the West and imperialism. Though in some cases, insubstantial, the two also, share various cultural, political and religious relations which makes business and investment cooperation between the two continents conspicuously conceivable. Based on a report by International Trade Centre, from 2006 to 2016, trade between Africa and Asia increased massively; from US\$168bn to \$293.9bn, that is 75.5% increase and in 2016 alone Africa exported over \$108.2bn to Asia; mainly to South Africa (\$22.3bn), Angola (\$18bn) and Egypt (\$11bn). Among Asian nations, Malaysia remains viable in Africa; its foreign direct investment in Africa in 2011 was one of the highest; greater than many Asian countries; as of 2018 Malaysia's main exports to Africa remains petroleum products, agriculture products and palm oil. The total trade for 2018 was over RM31.38 billion; with Malaysian exports to Africa amounted over RM18.97 billion while the imports recorded at RM12.41 billion, according to the Ministry of International Trade and Industry. The objective of this paper is to examine the investment and business relations between Africa and Malaysia with special reference to Malaysia's business contacts with Sudan and South Africa. The paper argues that Malaysia can do better provided that business ventures in Africa are supported by strong political relations, such as, increase in diplomatic missions in Africa. Content analysis is the method employed in this paper, the study uses available literature to come up with concrete and valuable, knowledge-based information on the subject. Questions of the paper are what are the areas of commonalities between Africa and Malaysia? And how Malaysia could do better in trade and investment in Africa? The study is significant as it provides imperative outlook on the issues and highlights areas for improvement. Malaysian-African business and investment relations have dwindled over the course of the past decade, mainly due to the turbulent political and economic scenarios in Africa and Malaysia's leadership change. Nonetheless, the bilateral relation between Malaysia and Sudan, as well as, South Africa has immensely proven that Malaysia is among the best in ASEAN for Africa; it shares intimate political history with many African nations and it can contribute to Africa and benefit from

the continent's ever increasing young population. Africa has 54 sovereign states, two de facto independent states and eight territories with 17% of the world population, 9.6% of the global oil output, 90% of the world's platinum, 90% of the world's cobalt, 2/3 of the world's manganese, 35% of the world's uranium, 75% on the world's coltan, 1/2 of the world's gold, and that is adequate reason for Malaysia to focus on Africa.

### **A Prelude to Malaysia and Africa**

Since 1970s the economy of Malaysia has been transformed from one that is based on the export of rubber and tin to one that is viable, stable and durable; today, the Malaysia's economy is one of the most expanding and diversified economies in the region. The country exports electronic integrated circuits, petroleum, palm oil and gases; the oil and gas sector supply almost 37% of the government revenue; and although it is not included in the, so-called, first world; nonetheless, the country has achieved so much economically as well as social and educational developments in the past four decades. However, its gross domestic product (GDP), per capita income is not yet on par with developed nations; although, by the end of 2020 the GDP of Malaysia is expected to reach 333.00 USD Billion; whereby in the in 2021 it is projected to trend around 359.00 USD Billion and 380.00 USD Billion in 2022. One of the areas that it did so well is the education sector, this sector meets the needs of a competitive economy; the country ranks 31 on the focus on science in schools in the world and 24 on the expenditure on education per student (Donald R. Snodgrass, 1995).

Africa on the other hand, is a continent with over 1.3 billion population and forecasted to upsurge that population to 2.5 billion by 2050. Africa is therefore emerging as the new frontier for business and investments; investors from the developed world have already realized this fact, china for instance, has for the last two decades, positioned herself in the continent. It has been predicted that Africa will generate around USD2.6 trillion by 2020 (McKinsey, 2010); if Africa can emulate Malaysia's experience of the 80s and 90s in industrialization, it will be a different place by 2030; given the availability of natural and human resources in the continent.

Being a moderate and modern Muslim nation Malaysia has the potential to dominate the markets

in Africa and overtake the Indian, the Western and the Chinese investors; but with one condition, that is, Malaysia must realize how the game is played in African continent, one of this, is notion that Africa works with G to G (Government to Government), bit of soft power and give and take. So far, china plays it so well where Western old style of one way has faded in the continent. One of the aspects that needs to be addressed quickly in the relations between Malaysia and Africa is the diplomatic engagement; compare to other major Asian investors, Malaysia operates the smallest number of embassies in Africa; this has to be improved. Wisma Putra, as we speak, has 13 diplomatic representations across Africa; that is low, compared to other Asian nations, given the Malaysian potential in Africa; so, in comparison, India has 29, Indonesia 16, Korea 22, China 49 and Japan has 34.

The Malaysian business communities are aware the limited Malaysian diplomatic network and they talk about it openly and privately; since Africa remains imperative for Malaysia and Vice versa; In fact, Malaysia is competing against China and India, the two giant Asians, in many African countries; a commendable level for Malaysia in trade and investment in Africa. Nonetheless, apart from the limited diplomatic missions in Africa Malaysia needs to be politically active; the last of such engagement was first term Mahathir era. Provided that these two aspects are improved Malaysia's future in Africa will further grow; as Malaysia is already robust and established in Africa.

## **2. Trade and Investment between Malaysia and Africa**

It is captivating to note, at the threshold of this paper, that Malaysia's foreign direct investment in Africa in 2011 was one of the highest among the countries that had invested in Africa; in fact, better than many other economically viable nations. According some reports Malaysia even done better than China as far as the size of its direct foreign investment (FDI) into Africa is concern: The reports reads:

“Malaysia is ahead of China in terms of the size of its direct foreign investment (FDI) into Africa and the gap is widening, according to United Nations data published on Monday. A survey of foreign investment into and out of the five BRICS countries, published on the eve of their summit in South Africa and

while new Chinese President Xi Jinping visits the continent, revealed that China's march into Africa has lagged behind the flow of cash from Kuala Lumpur. FDI, which includes cross border mergers and acquisitions and investments in start-up projects abroad, can give clues about economic confidence and future trade flows. For Malaysia, the big spenders in Africa include firms such as Petronas and Sime Darby" (Reuters, March 25, GENEVA).

According to the former International Trade and Industry Minister Darell Leiking who hosted a dialogue with the African ambassadors to Malaysia have acknowledged the various investment opportunities in Africa; which indeed can be easily a benefit to both Malaysia and Africa. On their part the Head of Missions have agreed with the minister that there is an urgent need to accentuate trade and investment as well as wider business collaborations (Ministry of International Trade and Industry).

Malaysia will continue, what most needed in African industries, including most raw materials, infrastructure concessions, such as, public housing, Airports, halal industry technologies and skills, ICT, agricultural developments, ports, highways and office buildings. In his statement the minister said: "We need to re-engage with Africa as it is an emerging market and it promises a huge prospect for Malaysian investors" (Ministry of International Trade and Industry).

In 2018 Malaysia's main exports to Africa in general were petroleum products, agriculture products, palm oil and processed food; this was substantiated by electrical & electronics, various machineries and other related equipment. The total trade for the same year was therefore over RM31.38 billion; with Malaysian exports to Africa amounted over RM18.97 billion while the imports recorded at RM12.41 billion (Ministry of International Trade and Industry). This data only underscores the importance of the trade and investment relationship between Malaysia and Africa.

Malaysia, at the same time, imported from Africa natural rubber, metal scrap, steel products and crude petroleum, as well as other useful products and services. It is encouraging to know that the *KRA GROUP*, which is an ASEAN-focused public affairs and political risk consultancy and has

decades of experience in building and providing strategies for companies and for industries, is now seriously looking into Africa; this will inspire stakeholders and businesses in Malaysia to confidently invest in Africa (KRA *Malaysia* Sdn Bhd).

Besides, based on a report published by a conference on trade and development organized by the United Nations, Malaysia is one of the highest FDI provider in Africa among ASEAN nations. The report says: “Malaysia is Asia’s top investor in Africa, surpassing China for the year 2011 and emerging as the third biggest investor on the continent” (UNCTAD). The same report confirms that Malaysia’s investment in Africa is just behind France.

As mentioned earlier, Africa is a continent with over 1.3 billion population and forecasted to upsurge that population to 2.5 billion by which is 2050. So, it is only true that this continent offers optimistic and positive prospects for Malaysian products such as palm oil. The demand of palm oil in Africa is already and always there, as the continent needs cosmetic technologies, food processing related facilities, and pharmaceuticals; which makes palm oil the key important product in Africa.

In a workshop entitled: *Sub-Saharan Africa: The Next Frontier for Malaysian Palm Oil*, organized by the Malaysian Palm Oil Council (MPOC), Mr. Dawie Theron, a Sime Darby Oils South Africa’s senior trading manager, and one of the panelists on the workshop argued that:

“Malaysia’s position as a leading supplier of sustainable and quality oil products must be exploited to the fullest, and there are ample opportunities for growth for palm oil supply in sub-Saharan Africa (SSA), particularly Southern Africa,” (Malaysian Palm Oil Council, MPOC). The Malaysian palm oil exports to SSA in January to August 2020, therefore, according to the same conference, rose 37% to 1.69 million from 1.23 million recorded for the same period in 2019.

Africa is well aware that it has the right environment for trade and investments; as the chief executive officer of African Brand Warrior puts it, “we have the right land, sea, weather and a large labor force, making it the perfect destination for Malaysian oil palm investment” (Malaysian Palm

Oil Council, MPOC). Malaysia, on the other hand, regularly urges its companies to explore Africa's market; the Malaysian ambassador to Senegal urged Malaysians to explore investment and trade opportunities in Senegal as the country has huge potential for growth; she specifically identified sectors like education, tourism, oil and gas as well as infrastructure. She acknowledged the fact that, in Senegal particularly there are fewer Malaysian presence in the huge market of this nation; the potential is indeed innocuous. On this, the ambassador stated: "Senegal takes many cues from Malaysia, especially in terms of planning and strategies for national development...this is why Malaysian companies need to take advantage of the opportunities. So, come to Senegal which has a lot of opportunities, potential and stability" (International Conference on the Emergence of Africa (ICEA, from 17-19 January, 2019, Dakar, Senegal). According to the data available, the total trade between the two countries in 2017 was RM372.6 million.

It is important to note that, Malaysia helps Africa in trade and investment. The Malaysia External Trade Development Corporation (MATRADE) shares information with African countries, it also assists these nations by sharing expertise through the Third Country Training Program (TCTP); this is a program jointly organized by Malaysia and Japan. In 2013, eight government officials from Tanzania Kenya, Mozambique, Zimbabwe Senegal and Cameroon were trained; in fact, Malaysia has trained over 50 African government officials only between 2013 and 2017, from 14 African nations (MATRADE). The training is explicitly intended to mutually help the participants by focusing the Malaysian and African perspectives; and through sharing the best practices on trade facilitation; the participants are exposed to hands-on practices in several government agencies and companies to comprehend the administrative networks, systems and the environment of Malaysia's trade and development. For decades now, Malaysia has been building business relations with African through South-South Policy. According to the Senior Director of Strategic Planning Division of MATRADE "The TCTP is an ideal platform to fulfil the government's commitment in strengthening the South-South Cooperation and enhancing economic cooperation between Malaysia and the African countries through knowledge empowerment" (MATRADE). She further contended that:

"There are ample opportunities for both Malaysian and African business

community to expand their trade with each other. This initiative hopefully will further strengthen not only bilateral trade but friendship, investment and the people-to-people connectivity too, in the long run. All these are done through the development of knowledge and skills of the African future leaders attending the TCTP” (MATRADE).

Another aspect for corporation is education, Africa invests in education and actively looks out for opportunities to educate its citizens. Before Covid-19, there were over 90,000 African students in Malaysia; and Malaysia can do even better and attract the cream of Africa to be educated in its world class universities.

To better trade with Africa, Malaysia has to

1. Trade with each country according to their individual needs
2. Prioritize long term partnerships in a matchmaking approach and mechanism
3. Follow simplification, harmonization, and localized transparency according to the business culture of the country
4. identify Malaysia’s potential, priorities and barriers in each country
5. Study the political and economic environments in Africa, region by region and state by state
6. Put up adoptive and suitable trading system
7. Adapt business and trade realities in Africa
8. Benefit from the intra-continental trade and integration in the continent
9. Understand the local culture
10. Benefit from the African Continental Free Trade Area (AfCFTA) through partnerships
11. Offer scholarships in exchange for trade and business allocations
12. Increase diplomatic missions and embassies in the continent
13. Appoint one viable trade commissioner in every three countries in the continent
14. Establish related and clear measures for effective cooperation politically and economically

### **3. Malaysia’s Trade and Investments with Sudan and South Africa**

Although Malaysia does trade across the Africa continent it has focused more on several states;

these include Sudan and South Africa. In this section of the paper, we investigate Malaysia's businesses and investments in Sudan and South Africa.

Historically however, since the democratization in 1994, South Africa has experienced an outstanding economic, social and political transformations; prior to this new beginning, South African economy was in the hands of the few; the minority government which pursued Apartheid system, where the majority were deprived. Notably, the African National Congress (ANC) brought economic stability, peaceful political approach and balanced racial ecosystem; making South Africa one of the emerging markets in the continent. Although the country has to deal with economic disparities, that has not deterred the policy makers to initiate impartial fiscal and monetary policies; keeping both public debt and inflation relatively low. Nonetheless, there were some economic turbulent, as the ANC consolidated political and economic powers; however, the country's economic position has improved, projecting the national accounts to gather pace, increasing from 1.3 percent in 2017 to 1.4 percent in 2018, 1.8 percent in 2019, and 1.9 percent in 2020. In 2003, Malaysia was the third largest investor in south Africa; mainly on oil, hospitality telecommunications, and gas sectors, and 2010 Malaysia became the 20th largest trade partner with South Africa (Dani Rodrik, 2008).

That said, Malaysia and South Africa share common experiences, not only in the economic sector but also the nature of social environment; both countries have medium-sized economies and bottomless racial cleavages; another similarity is the fact that ethnic majority wheels the political system, whereby the economy is controlled by the minority; with comparatively close Human capital levels; however, in the industrialization process of the last three decades Malaysia leads South Africa almost in all economic outputs and performances, as the South African economy took reverse track; instance of this is the manufacturing sector, were Malaysia advanced in manufacturing surpassing South Africa in quality and export. The main reason being that South Africa was sluggish to move towards knowledge-based economy and technological driven services, ecommerce and other financial activities; in areas that Malaysia spearheaded in early 90s; while South Africa, overstayed on mineral resources and agricultural sectors. In other words, for over 26

years South Africa's economy performed highly on the primary and poorly on the informal economy; on the contrary, Malaysia headed to the opposite.

With these differences and similarities, nonetheless, Malaysia and South Africa enjoyed profound economic relations as close partners. To this, the High Commissioner of South Africa to Malaysia explained that: "There are opportunities for us to connect as we have many similarities between both our countries. South Africa looks forward to a much-improved relationship with Malaysia" (Business Today). It is worth noting that the two countries do not enjoy the same level of relationship of that in the 90s, as the Najib era Malaysia focused on China and South Africa turned inwardly into Africa and the BRICs states; nonetheless, Malaysia continues to invest in South Africa; for instance, Petronas had more filling stations in South Africa compared to home, Malaysia, in late 90s, a situation that ever since, has dwindled. However, the South African government is persuasively urging the Malaysian investors to come to South Africa and tap into manufacturing sectors and halal products as the country has good infrastructures, and solid financial system.

According to South African government sources, South African tourists are into ecotourism with values for money; and as their knowledge of Malaysian island resorts is limited or inadequate, they use Malaysia as a transit point only to head to Thailand or Indonesia; and although Malaysia has strong tourism industry, this claim should be revisited to identify the broken links of information.

On Sudan, the Malaysian business contacts with Sudan started in the 70s, but only become viable in the 90s, with the huge investments of Petronas in Sudan. The Malaysian-Sudan relation is unique and more than trade or investment, the two nations have political and cultural bilateral relations; in fact, more than any other African nation, Sudan attempted to develop social and cultural links with Malaysia; in order to build durable relationship based on religious friendship; this was evident in the formation of Sudanese Malaysian Friendship Association. The diplomatic relations between the two countries, however, started in 1991 when Sudan opened its Embassy in Kuala Lumpur and

Malaysia in Khartoum in 1999. On this point, one of the studies on the subject contends that:

“It is important to remember, at the outset, that the bilateral cooperation between the two countries started as political contacts to eventually evolve into economic and cultural exchange. Although geographically located in two different continents, Sudan and Malaysia share some important cultural, social and religious values. Both countries were former British colonies and gained their respective independence in the same decade: Sudan became a sovereign state in early 1956 and Malaysia achieved that status in 1957. The two countries seemed to face similar problems of nation-building: Sudan, being a multi-ethnic country, was fighting to determine its national identity. The country was confronted with a costly civil war in the south on the issue of conflict of identities. Malaysia on the other hand, was facing similar challenges. Malaysian leaders worked hard to maintain stability, security and racial harmony within a fragile multi-racial society” (Garoot Suleiman, 2019)

Malaysia’s contribution to Sudan is ostensible throughout the last three decades of Sudan’s political and economic turbulent; particularly during the Government of National Salvation- which later turned out to become national degradation- during this period, fraud, exploitation and political well as economic mismanagement prevailed in the hands of politically comic group who came to power under the pretext of salvation lead by Omar Hassan Ahmad al-Bashir; Sudan was also isolated and sanctioned by the West, but Malaysia was there for the Sudanese people thanks to the former premier Dr Mahathir Mohamad. Surely, Mahathir’s stand on Western policies on Muslims and on the Third World was one notable factor which made it easy for al-Bashir to generate political sympathy from Mahathir, other factors, include, al-Bashir’s denial of Western companies to drill Sudanese oil and wholehearted welcome of Petronas and another solid factor is also Malaysia’s vigorous role in activating South-South cooperation; there are nonetheless, other, none essential, politically and diplomatically, factors, including both societies being Muslim and Mahathir’s stand on United States hegemony.

Furthermore, apart from the aforementioned issues, Malaysia and Sudan generally share indistinguishable views on various matters on the international political arena; they are both in the Non-Aligned Movement (NAM), and the Organization of Islamic Conference (OIC), as well as hold identical approach on the UN resolutions on Palestine and on the other oppressed Muslim minorities; Sudan supported the ASEAN proposal during the Cambodian crisis, as Malaysia

continues to shield Sudan against the West and against the International Monetary Fund (IMF) within and outside the UN *Security Council*. Malaysia invested heavily in Sudan particularly in the oil industry through its national petroleum company, Petronas; the company had 30% in the industry along with the Chinese and Indian companies, its activities covered production, development and exploration, costing over US \$1 billion; it also worked on construction of an export pipeline, from the oilfields to Port Sudan, on the Red Sea; a pipeline of 1600 km with the capacity of 250,000 barrels per day (Jati Kasuma, 2017).

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