**TITLE PAGE**

**NIGERIA-CHINA TRADE RELATIONS AND NATIONALDEVELOPMENT**

**IN NIGERIA, 2011-2015**

**A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF POLITICAL SCIENCE AND INTERNATIONAL RELATIONS, FACULTY OF MANAGEMENT AND SOCIAL SCIENCE, GODRFREY OKOYE UNIVERSITY IN PARTIAL FULFILMENT OF THE REQIREMENTS FOR THE AWARD OF BACHELOR OF SCIENCE(B.SC), IN INTERNATIONAL RELATIONS**

**BY**

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**APPROVAL PAGE**

This project report has been examined and approved by the Department of International Relations, Godfrey Okoye University for the award of Bachelor of Science (B.Sc.) in International Relations.

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DEAN, FACULTY OF THE SOCIAL SCIENCES **EXTERNAL EXAMINER**

**DEDICATION**

This research work is dedicated to Almighty God for His guidance, protection,

and for seeing me through all the struggles of life. And also to my parents who

have supported me mentally, physically, morally and financially.

**Abstract**

*Over the past several decades, the economies of the world have become greatly connected*

*through international trade and globalization. The trade relations between Nigeria and China*

*have grown in recent years. Overtime, researchers have contributed on the Nigeria-China*

*relations with interest on foreign aids, balance of trade, foreign direct investment and trade*

*policies between the two countries. Most of them anchored their explanation on dependency*

*theory. They pay less attention in explicating the relations in terms of mutual benefits arising*

*from the relations. However, this study examined Nigeria-China trade relations and economic*

*development in Nigeria in order to establish an understanding of the impact of Nigeria-China*

*bilateral agreements on the volume of Chinese trade with Nigeria and to establish a link between*

*the increase in the volume of Nigeria-China trade on economic development in Nigeria.*

*study was guided by two research questions: Has the Nigeria-China bilateral trade agreements*

*enhanced the volume of Chinese trade with Nigeria? Has the increase in the volume of Nigeria China trade enhanced economic development in Nigeria? To analyze the issues and questions*

*raised, the study was anchored on the theory of complex interdependence. The study adopted the*

*qualitative method of data collection and analysis; it relied on secondary sources of data. The*

*study found that Nigeria-China bilateral trade agreements had a positive impact on the volume of Chinese trade with Nigeria; and more so, the increase in the volume of Nigeria-China trade*

*enhanced economic development in Nigeria within the period of study. The study recommended*

*that the Nigerian government should utilize its own talent by pooling together leading scholars,*

*officials, businessmen and civil society representatives to form a committee dedicated to*

*prescribing ideas on how to optimize Chinese engagement.*

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**CHAPTER ONE**

**INTRODUCTION**

**1.1 BACKGROUND OF STUDY**

Over the past several decades, the economies of the world have become greatly

connected through international trade and globalization. Foreign trade has been identified as the oldest and most important part of a country’s economic relationship. The basis for foreign trade rests on the fact that nations do differ in their resource endowment, preferences, technology, scale of production and capacity for growth and development. Over the past decades the volume of trade between nations of the world has increased considerably. Particularly, Nigeria has witnessed a sharp rise in the volume of trade and investment with other nations of the world. The relations between Nigeria and China which cut across political, trade, investment, aid and military spheres have grown so much in recent years.

The inevitability of inter-state relations emanating from the inherent tendency of man for social relations; The world of a man is in a flux. The fluidity of social relations

conduces into the search for social coalescence, partnership and cooperation. Naturally, man is created with inbuilt and ever elastic gregarious instincts which propel man to enter into social relations with other men basically to eke out a living. These gregarious

instincts combine with differential natural resource endowments to induce man to develop the propensity to partner with others to address the needs of the community. Fundamentally, the scenario opens new vistas of relations between and among states in a world of change.

International trade is recognized as the most significant determinant of economic

development of a country, all over the world. The foreign trade of a country consists of inward (import) and outward (export) movement of goods and services, which results into: outflow and inflow of foreign exchange. Thus it is also called EXIM Trade.

For providing, regulating and creating necessary environment for its orderly growth, several bilateral trade agreements have been entered into between and among countries of the world.

Traditionally, African countries particularly Nigeria has traded rigorously with the

developed nations, especially the European Union (EU), Canada and the United States (U.S.). These economic relations are governed by various bilateral and regional agreements that exist between these countries and Nigeria. Although, the relationships have gone a long way, the development impact is contestable. However, due to the

trade performance of some Asian countries that has enhanced their income and improvement in technology, especially China and India, many African countries including Nigeria have began to diversify their markets to these countries. This emerging trade partners have created some incentives to trade with the continent through their foreign direct investment (FDI) and aid.

China’s first contact with Africa generally was in the early 15th century when some

Chinese traders and explorers landed along the coast of Africa. This foundation was laid by Zheng He, the famous navigator of China’s Ming Dynasty, who led a large fleet to visit more than 30 countries and regions in Asia and Africa. Zheng He, who lived from 1371 to 1435, undertook the African expedition with about 2000 ships and 27,800 people. All these took place almost a hundred years before Europe discovered and colonized Africa. Sino-African relations therefore, date back to centuries.

In Nigeria’s case, the country’s contact with China unofficially, began in the 1950s, 1957 to be precise. In fact, Nigeria’s initial contact with the Chinese was through Egypt.

It is on record that Chan Hanq Kang, commercial officer in the Chinese Embassy in Cairo, established unofficial trade links with Nigeria, along with Tunisia, Libya, Ghana, Ethiopia, Tanganyika (now Tanzania) in 1957. During the colonial era, it was a taboo for Nigerians to have anything to do with the communist world which China belonged to. Nigerians like Funmilayo Ransom Kuti a frontline Nigerian political and social activist, much to the chagrin of the colonial authorities secretly visited Berlin and Beijing in the 1950s to attend meetings. Her application for the renewal of her passport was turned down. All contacts with the Eastern bloc countries and China were prohibited and proscribed. All Nigerian students who obtained benevolent scholarships from undisclosed sources and Nigeria Trade Union Leaders who attended international conferences in those countries have to be smuggled out of Nigerian through Ghana.

But this position was reversed in 1958 by the Nigerian Prime Minister, Tafawa Balewa in a policy statement in parliament which states in part: “we shall of course endeavor to remain in friendly terms with every nation which promises and respects our sovereignty”.

However, Nigeria’s first contact with the People’s Republic of China (PRC) was in 1960,

when the Chinese government was invited to the country’s independence celebrations.

Nigeria’s first contact with China is designated as “the era of Informal Ties, 1960-1971”. At independence, Nigeria political leadership was not only pro-west but vividly anti-communist. The resultant effect of this peculiar disposition was that Nigeria’s attitude towards Communist China followed what had then emerged as a clear pattern of most of her relations with the socialist states-diplomatic isolation accompanied occasionally by bitter attacks against communist subversive ideology at home. As noted at independence, the worldview of Nigeria’s political leadership did not consider close relations with the People’s Republic of China as one of the agenda which the country would need to cultivate. While the then Prime Minister Tafawa Balewa declared on October 7, 1960 that Nigeria would be friendly with all countries that recognize and respect her sovereignty, territorial integrity and political independence, he soon made it clear thereafter where the line was going to be drawn. The leaders of the three major political parties- the Northern People’s Congress (NPC), the Action Group (AG), and the National Convention of Nigerian Citizens (NCNC) were for various reasons not comfortable with communism. The ideology was not properly understood and was therefore feared. Consequently, neither Chief Obafemi Awolowo nor Dr Nnamdi Azikiwe visited a communist country during their life time. This was despite the fact that Nigeria was the third largest market in Africa for Chinese goods with a steady growth in import from China. At the same time, the Chinese did not allow Nigeria’s ideological preference for liberalism to stand in the way of their obviously very lucrative trade relations with the country.

Nigeria which had consistently voiced its willingness to formalize ties with People’s

Republic of China did so on 10 February 1971.Nigeria established relations with China in February 1971 and has since then maintained good relations with it. China as economic partner to Nigeria has been very dogged and focused in her relations with Nigeria over the decades. Despite the ups and downs of Nigeria-China relations, the Chinese have continued to ensure that their market shares in Nigeria remains on a steady path of growth. This should suggest that China has a long term plan for its engagement with Africa. Meanwhile, China and Nigeria have remarkably many things in common. The two countries share the same national day, are both multi-racial. In addition, China has 56 ethnic groups, Nigeria has about 250. Nigeria’s population is the largest in Africa, and China is not only the largest in Asia but largest in the world. China had suffered from humiliation and occupation during its colonial period and Nigeria also had its fair share of colonial experience and humiliation.

The trade relations between Nigeria and China have now become most evident. In Lagos, Onitsha, Aba, Kano, Nnewi and almost every Nigerian market, one can buy something, Chinese textiles, food items, drugs, electronics, phones, computers and cooking utensils. Nigeria’s communications satellite (NIGCOMSAT-1) was designed, built and partly funded by China.

The NIGCOMSAT-1 was also launched in China. Nigeria is therefore, doing so much today with China in terms of trade and investments. The Nigerian government in recent times has found Chinese companies more sensitive to economic challenges than their western counterparts. Indeed, the Olusegun Obasanjo Administration (1999-2007) came with increase in the tempo of Nigeria-China bilateral relations. This is understandable since Nigeria had just freed itself from the status of a pariah state which Nigeria’s burdensome military dictatorship forced on it.

However, the focus of this study is to analyze the impact of Nigeria-China relations

on economic development in Nigeria between 2011 and 2015; particularly to examine the impact of bilateral trade agreements between Nigeria and China on the volume of Chinese trade with Nigeria and to establish a link between the increase in the volume of Nigeria-China trade on economic development in Nigeria. Since the literature on trade relations is wide, this period is chosen in order to present a summary of more recent findings on the subject. Again, the years under review represent a period of renewed foreign engagements in Nigeria partly due to transition from long period of military to civil rule.

**1.2 Statement of Research Problem**

The foundation of Nigeria-China relations dates back to the early 1960‘s when Chinese delegation visited Nigeria in 1964 seeking to establish diplomatic ties with the country. Ever since then, Scholars of foreign policy have produced research works on the bilateral relationship that exist between Nigeria and China. This research examines the Nigeria – Chinese economic and trade relations; trends, problems, and prospects from 2011– 2015. It is a scholarly investigation into the economic and trade relations between China and Nigeria. It investigates the nature and character of the economic and trade relations and proffers answers to such fundamental questions as:

1 Has the Nigeria-China bilateral trade agreements enhanced the volume of Chinese

trade with Nigeria within the period of study?

2 Has the increase in the volume of Nigeria-China trade enhanced economic

development in Nigeria within the period of study?

**1.3 Objective of the Study**

The Nigerian government in the era of globalism is into different relations with countries

in order to boost its economy. However, the opening of its borders and ties to China has

increased tremendously compared to most countries of the world. This study has both broad and specific objectives. The broad objective of the study is to analyze the impact of the Nigeria-China trade relations on economic development within the period, 2011-2015. Specifically, the study intends:

1. To ascertain if the Nigeria-China bilateral trade agreements has enhanced the volume of Chinese trade with Nigeria within the period of study.

2. To determine whether the increase in the volume of Nigeria-China trade has enhanced

economic development in Nigeria within the period of study.

**1.4 Significance of the Study**

The significance of this study cannot be underestimated. This study will lay emphasis on general historic knowledge of bilateral relation between Nigeria and China especially in the areas of bilateral trade, economic relations, politics and cultural relations.

The findings of this research work will undoubtedly provide the much needed information to government, organizations on the opportunities provided by the trade partnership between Nigeria and China, and the nature of economic relations and its effects on national development in Nigeria.

The importance of this study to the field of International Relations is that this study relates the importance of bilateral trade relations as a means of change and development, most certainly when the nations involved are in need of each other.

**1.7 Scope and Limitation**

This study intends to cover the period 2011 – 2015 of China and Nigeria trade and

economic relations. Tracing some of the important contents of the Nigeria – Chinese

relations involving social, economic, trade and political relations. Emphasis will

focus on the trade partnership and economic relations between Nigeria and China,

starting particularly from 2011 during Goodluck Jonathan's tenure to 2015. Trade agreements, partnerships, economic advancement efforts and mechanisms to achieving the trade relations would be reviewed. This study therefore examines economic and trade relations between the two countries, meticulously looking at the trends, problems and prospects. This study was constrained by a number of factors just like any other research, ranging from unavailability of needed accurate materials on the topic under study, inability to get data on the progress made so far on trade from both countries, and inaccessibility to cooperate bodies engaged actively in the trade. However, efforts were made to overcome some of these shortcomings through adequate use of secondary sources of data collection.

**CHAPTER TWO**

**LITERATURE REVIEW**

**2.0 INRODUCTION**

This chapter is a review of a number of literatures on the topic and relevant works done by scholars, which will enhance our understanding of Nigeria-Chinese trade relations, trends, problems, benefits and prospects to both countries. The objective is to appreciate the works already done, note the contributions and identify gabs in the literature. It is the gaps identified in the literatures that this research intends to fill. Consequently, our review of extant literature in the subject matter of study shall follow a thematic approach. Thus, much of the review shall centre on the following themes:

(a) International Trade

(b) Nigeria-China Bilateral Relations and Volume of Trade

(c) Nigeria-China Trade Relations and Economic Development

**2.1 International Trade**

International trade is the exchange of capital, goods and services across international

borders or territories. In most countries, it represents a significant share of gross domestic

product (GDP). While international trade has been present throughout much of history, its

economic, social and political importance has been on the rise in recent centuries. All countries need goods and services to satisfy human wants of their people. Production of goods and services requires resources. Every country has only limited resources. No country can produce all the goods and services that it requires. It has to buy from other countries what it cannot produce or can produce less than it requirements. Similarly, it sells to other countries the goods which it has in surplus quantities. Nigeria buys from and sells to China various types of goods and services.

Generally, no country is self-sufficient. It has to depend upon other countries for importing the goods which are either non-available with it or are available in insufficient quantities. Similarly, it can export goods, which are in excess quantity with it and are in high demand outside. International trade means trade between the two or more countries. International trade involves different countries and is regulated by laws, rules and regulations of the concerned countries. Thus, international trade is a complex phenomenon (Jenkins *et al.,* 2012).

Fedina (2009) argued that industrialization, advanced transportation, globalization and

outsourcing are all having a major impact on the international trade system. Increasing

international trade is crucial to the continuance of globalization. Without international trade, nations would be limited to the goods and services produced within their borders.

He further noted that international trade is in principle not different from domestic trade

as the motivation and the behavior of parties involved in a trade do not change fundamentally regardless of whether trade is across border or not. The main difference is that international trade is typically more costly than domestic trade. The reason is that a border typically imposes additional costs such as tariffs, time costs due to border delays and cost associated with country differences such as language, the legal system or culture. International trade consists of ‘export trade’ and ‘import trade’. Export involves sale of goods and services to other countries. Import consists of purchases from other countries (Chand, 2012).

According to Wasserman & Haltman (2010) international trade is recognized as the most

significant determinant of economic development of a country, all over the world. The foreign trade of a country consists of inward (import) and outward (export) movement of goods and services, which results into: outflow and inflow of foreign exchange. Thus it is also called EXIM Trade. For providing, regulating and creating necessary environment or its orderly growth, several bilateral trade agreements have been entered into between and among countries of the world.

Kwanashie (2005) noted that several benefits can be identified with reference to international trade as follows: Greater variety of goods available for consumption. According to him, international trade brings in different varieties of a particular product from different destinations. This gives consumers a wide array of choices which will not only improve their quality of life but as a whole it will help the country grow. Efficient allocation and better utilization of resources is another benefit of international trade pointed out by Kwanashie – since countries tend to produce goods in which they have a comparative advantage. When countries produce through comparative advantage, wasteful duplication of resources is prevented. It helps save the environment from harmful gases being leaked into the atmosphere and also provides countries with better marketing power. Again he argued that more employment accrues to trading partners through international trade – more employment could be generated as the market for the countries’ goods widens through the establishment of newer industries to cater for the

demands of various countries. This will help countries to bring down their unemployment rates. Furthermore he argues that consumption of goods at cheaper cost is a benefit deriving from international trade. International trade enables a country to consume things which either cannot be produced within its borders or production may cost very high. Therefore it becomes cost cheaper to import from other countries through foreign trade. To sum up, he argued that international trade fosters peace and goodwill, “international trade fosters peace, goodwill and mutual understanding among nations. Economic interdependence of countries often leads to close cultural relationship and thus avoid war between them” (Kwanashie, 2005:67).

**2.2 Nigeria-China Bilateral Relations and the Volume of Trade**

The foundation of Nigeria-China relations dates back to the early 1960‘s when Chinese

delegation visited Nigeria in 1964 seeking to establish diplomatic ties with the country. Ever since then, scholars of foreign policy have produced research works on the bilateral relationship that exist between Nigeria and China. Review of related materials on Nigeria-China relations shows that there has been a cordial relations between the two countries except between 1967 and 1970 when China supported the Biafran forces by supplying them light arms against the Federal Military Government of Nigeria.

Bukarambe 2005, in his work: Nigeria-China Relations: the Unacknowledged Sino Dynamics extensively focused on the key areas of Nigeria-China relations, such as multilateral organization etc, as factors driving the relationship between China and Nigeria beginning from 1999. This work is useful to this study because it touches on important areas that bring the two countries together. However, Bukarambe‘s work failed to address the areas of non-state actors that shape to a large extent, the relations between Nigeria and China.

Ogunsanwo (2008), in his work, A Tale of Two Giants: Nigeria and China, traced the relationship between Nigeria and China in the 1960‘s and examined how the Civil War 1967 -1970 impacted negatively on the bilateral relations between the two countries. More attention was given to comparison of the policies adopted by the two countries towards each other especially during the military rule in Nigeria. He also made attempt to discuss the modern nature of Nigeria-China relations with emphasis on Nigeria Oil and China’s aid to Nigeria.

Victor (2003) opined that the Nigeria and China bilateral relationship which is popularly

known as Nigeria China Friendship Association was established since1960, but it took its real shape on 10 February, 1971. Since then, the relationship has achieved a smooth and steady development. On 10 February, 1978, the leaders of both countries exchanged views on a wide range of issues of mutual interests to promote economic, social, cultural and technological co-operations, where Nigeria received a grant of 30 million RMB Yuan, which is equivalent to N380 million or (USD 3.5 million).

Taixuan (2002) posited that the Nigeria-China diplomatic relations is highly a mutual and reciprocal relationship, it was necessary because each of the countries needed each other. However, Nigeria has many different states as partners in diplomatic relations example USA, UK, France, etc. But all these states are taking the high advantage of the relationship than Nigeria and the relationship is more exploitation because over many decades of diplomatic relations, Nigerian’s territory could not witness a change or development as a direct result of benefit of the relationship. Meanwhile, he argued that having a diplomatic relations with China will give Nigeria a great source of positive change and development and keep Nigeria far from colonialism.

It was not until the return of democratic rule in Nigeria that economic relations began to

develop in earnest. Obasanjo’s election in 1999 coincided with the start of a new Chinese

orientation toward Africa in 2000. During Obasanjo’s second term, 2003-2007, both China’s President Hu Jintao and Prime Minister Wen Jiabao visited Nigeria, and Obasanjo made two official visits to Beijing. In 2002, the two countries signed agreements on the establishment of a Nigerian Trade Office in China and a China Investment Development Trade Promotion Centre in Nigeria. The intergovernmental Nigeria-China Investment Forum was then founded in 2006 (Adesanya, 2010).

According to Ogunkola (2008) Obasanjo’s approach to China, branded ‘’Oil-for-

Infrastructure’’, consisted of awarding oil contracts on favorable terms in exchange for China’s commitment to deliver key infrastructure improvement projects. President Yar’Adua came into power following elections held in April 2007. Citing concerns about a lack of transparency, the new administration cancelled or suspended most of the oil-for-infrastructure contracts signed during the Obasanjo’s years.

Little progress was achieved during the next three years. After Yar’Adua’s death in May

2010, Vice President Jonathan assumed the presidency and the relationship began to rebound. At the end of 2010 China declared its new plan for a strategic partnership with Nigeria, featuring political equality, mutual trust, economic win-win cooperation and cultural exchange. When Jonathan stood for election in April 2011, the Lagos newspaper *The Punch* reported that 119 tons of electoral materials, including ballot papers, were made in China. Jonathan led a delegation of Nigerian officials and business men to China on 15th July, 2013 where a number of bilateral agreements were signed. Bilateral relations are likely to make positive advances under the new Jonathan government (Egbula &Zheng, 2012).

**2.3**  **Nigeria-China Trade Relations and Economic Development**

*Elephants, Ants and Super Powers: Nigeria’s Relations with China* by Gregory (2008) is acknowledged as one of the most comprehensive study on Nigeria-China relations. Gregory considers economic and political relations between Nigeria and China as the most important aspects in the study of the two countries bilateral relations up to the year 2007. The rest of Gregory‘s work centered on the sectorial relations starting with the critical oil and gas sector, and followed by power, rail transport, construction, communication, manufacturing and financial sectors. However, an important area that was not covered in Gregory‘s work is the view of Nigerians towards Chinese goods-most of which are considered inferior and substandard and the grand strategy of China in Nigeria especially in the oil sector.

Utomi in his work, *China and Nigeria* (2008) examined the evolution of trade and diplomatic ties between Nigeria and China particularly from 1999 to 2007. Utomi‘s work

covered key economic issues that were left untouched by several writers on Nigeria-China relations especially the non-state actors in the economic relations between the two countries, under study. Although, Utomi‘s work did not look at some important areas such as military, culture, politics etc his work is useful in providing details on the shortcomings of the relationship between Nigeria and China from 1999 to 2008.

David (2005) writing on China and Nigeria trade relations noted that, Chinese manufacturing sector has created enormous demand for oil, material and energy resources. China has been able to adopt its foreign policy to its domestic development strategy to an unprecedented level by encouraging state controlled companies to seek out exploration and supply contracts with countries that produce oil, gas and other resources. China aggressively courts the Nigerian government with diplomacy, trade deals, and aid packages. The strategy targeted Africa as its source of oil and Nigeria being the major

producer of oil is not excluded.

Kang (2005) wrote that Chinese companies see Nigeria as an excellent market for

their low-cost consumer products and a bourgeoning economic opportunity in the of era neo-liberal policies in Nigeria.

Marafa (2005) on the other hand noted that over the years, China and Nigeria have signed a number of agreements on trade, economic and technological cooperation, scientific and technological, and very recently on investments, consular affairs, narcotic drugs, and tourism cooperation was signed in 1980.

In addition Onuoha (2008:307) emphasized the security implications of Africa-China

trade relations. He noted that, “China does not have the same human rights concerns as the United States, and European countries. So it will sell military hardware. China’s active exploration of oil resources in Africa also leads to a need to ensure security around them, and this has led Beijing to send Chinese military trainers to help their African counterparts. What this suggests is that Africa will long remain bedrock of arms conflict and crisis region. The likely consequences are political instability, military insurgence, militancy, and poverty”.

**Gaps in Literature**

Having x-rayed what the above mentioned scholars such as Onuoha (2008), Okolie

(2009), Ogunkola et al (2006), Cole and Helpman(1995), Marafa (2005), kang (2005), Utomi (2008), Gregory (2009) and several others have written, I noted that these scholars have not satisfactorily and systematically addressed in the extant literature the impact of Nigeria-China bilateral trade agreements on the volume of Chinese trade with Nigeria; and more so, the impact of the increase in the volume of Nigeria-China trade on economic development in Nigeria within the period of study necessitates further research. These are the gaps that this study intends to fill.

**CHAPTER THREE**

**METHODOLOGY**

**3.1 Theoretical Framework**

It is imperative for every research to be guided or driven by a theory. In this study, the theoretical framework to be employed shall be the interdependence theory. The interdependence theory was adopted because it best captures the essence of this project work, and would provide valuable insights into nature of trade and economic relations between Nigeria and China.

Interdependence theory assumed that states are not the only actors in international

politics and those actors such as trans-national corporations, non-governmental

organizations, individuals, etc. are also actors in the international system. Joseph Nye raises an interesting theory of modern international relations through his concept of complex interdependence. Nye describes interdependence in an analytical sense, as "situations in which actors or events in different parts of a system affect each other." (Nye, 1979) Nye continues his definition of interdependence by stating that the results are often varied and although the potential for benefits exist, the potential for tragedy exists as well. Despite this potential for varying results Nye also notes that it is very difficult and very costly for a country to try and cut itself off from the world, such as Myanmar or Albania did. According to Nye interdependence can be divided into four separate dimensions, which are its sources, benefits, costs, and symmetry. These dimensions can originate in both the physical and social aspects of society.

The idea of economic interdependence is an idea that cannot be disputed as a reality

in this modern world. According to Nye, "economic interdependence involves

policy choices about values and costs." These policy choices are based most often

on the ideas of supply and demand; in the sense that what one country cannot supply

for its citizens, can be supplied through trade with another country. These policy

decisions however, are quite often not as simple as just supply and demand, but

instead are largely dependent upon the distribution of resources, especially those

resources considered to be "power resources". In Nye's explanation of complex

interdependence, he is very quick to point out that in and of itself, interdependence is neither a good thing nor a bad thing.

The results of economic interdependence can be extremely varied in the distribution

of gains for those nations involved. Economic interdependence can be viewed as a

positive for bringing countries closer together and forcing them to act in a more

cooperative manner. This can most obviously be seen today in the international

relations of America with most Western European nations, such as England, the

Netherlands, Germany, and even France. These countries acknowledge the interdependence between them, and often attempt to create policy that will foster

those relationships in becoming partnerships.

He also posited that as with any decision or any theory, there are certain benefits and

certain costs associated with it; economic interdependence is no different in this

respect. However, the benefits created by complex interdependence, with economic

interdependence as a main aspect has proven more often than not to be beneficial for

all parties involved. In this modern day and age, technology is expanding at such a

rate, that the distance between countries is seemingly getting smaller and smaller,

not only in the respect of travel for people, but also of information.

It holds that there is no hierarchy of issues in the international system meaning all

issues with international outlook are important, particularly those that borders on

world peace, progress and development and that force or use of violence is not an

acceptable means of defining, interstate relations. The theory dismisses war as an

instrument of state policy utilized to achieve state objectives. The theory of

interdependence basically emphasizes relationship of mutuality, and inter-

dependence among nation-states rather than isolationism.

**3.2 Application/Relevance of the Theory**

In the application of the theory to the study, we noted that Nigeria-China trade relations

are borne out of the fact that none of the two countries possesses absolutely the means of their existence. Hence they have to enter into some form of interdependence upon on another to secure unevenly naturally endowed resources. There exists a form of complementarities between the two countries. For instance, China as an industrializing economy requires the services of the energy that comes from oil (petroleum) and Nigeria on the other hand as an underdeveloped economy requires the products that come from these Chinese companies in order to satisfy the demands of its population. It therefore becomes imperative that the two countries interact and transact across borders.

**3.3 Hypotheses**

Hypotheses are tentative answers to the research questions. The topical and global nature

of this study makes the testing of hypotheses even more intrinsic. Therefore, in carrying out this research, the understated hypotheses were put forward for empirical verification:

1. Nigeria-China bilateral trade agreements enhanced the volume of Chinese trade with

Nigeria within the period of study.

2. The increase in the volume of trade between Nigeria and China enhanced economic

development in Nigeria within the period of study.

**3.4 Research Methodology**

For the purpose of this study, data are collected through secondary sources. This

involves books, newspapers, journals and other related materials on the topic under

study. Data collected are descriptively analyzed to underscore and examine the

trends, problems and prospects of the economic and trade relations between China and Nigeria.

**3.5 Research Design**

Research design is the plan and structure of investigation (Sun 2009). Because of the

historical content and analysis involved, ex-post-facto design was adopted. Effort was made to analyze events that have taken place in which data was already in existence. Ex-post-facto or after the fact design is based on the examination of the independent variables after the events have taken place for which the data are already in existence. In ex-post-facto design, the test of hypothesis involves observing the independent and dependent variables at the same time because of the effect of the former on the latter which has taken place before the investigation.

**CHAPTER FOURl[**

**THE IMPACT OF NIGERIA-CHINA BILATERAL TRADE AGREEMENTS ON**

**VOLUME OF TRADE.**

***4.0 INTRODUCTION***

The Sino-Nigerian relationship is predicated on the fact that the two countries have economic complementarities. China is the largest single market in the world with a population of 1.3 billion, while Nigeria is the largest single market in Africa with a population of over 160 million. China’s major investors in Nigeria are the China National Offshore Oil Company and China Railway Construction. China’s investment in Nigeria reached the net of USD 15.42 billion in 2012. Similarly, trade between Nigeria and China has risen dramatically by an average annual 30% in the last decade, driven by China’s energy and raw material needs (Vanguard, 2014). However, the flooding of Nigerian markets with cheap and substandard Chinese goods has become a problem seriously affected the local industries (Vanguard, 2013). Nevertheless, China-Nigeria trade relations have been robust; Nigeria’s imports which stood at N 39,890, 423,259 million in 1999 rose to N502,302,250, 4.8million in 2008; Chinese imports from Nigeria rose from N10,671,356.489 billion in 1999 to N31,353,471,339 billion in 2008; and in 2010, trade between the two countries was worth USD 7.8 billion. Nigeria was the 4th largest trading partner of China in Africa in 2011 and was 3rd in the first 8 months of 2012 (Udeala, 2013).

China has undoubtedly taken the front seat of Nigeria’s drive for industrialization. Since 1999, the various regimes in Nigeria have taken several steps to engage the Chinese authorities. Former President Olusegun Obasanjo visited China in 1999 and 2001, and President Umaru Musa Yar’ Adua also visited China in 2008 during which many bilateral agreements were entered. Chinese President Hu Jintao’s visit to Nigeria in 2006 was the turning point. The major highlights of visit were the formalisation of cooperation in crude oil exploration, trade, investment in agriculture, telecom and infrastructural projects. As part of the agreement, China secured four oil drilling licenses in exchange for USD 4 billion in oil and infrastructural development projects in the country. The oil-for-infrastructure mode had long subsisted as grand rule of China Nigeria relations (Ajakaiye, 2006). The Nigerian economy has improved tremendously as a result of foreign investment from China. Between 2003 and 2006, **N**igeria occupied the 12th position as host countries of Chinese outward FDI with the sum of USD 191.01 million. Similarly, Chinese FDI to Nigeria increased from an average of USD 0.55 million in 1999-2000 to about USD 3.4 billion in 2015 (UNCTAD).

In the area of political cooperation, Nigeria leveraged on China in its bid for a seat in the UN Security Council. China also provided military aid in fighting insurgents in the oil rich Niger Delta to protect Nigeria’s oil resources. Both the nations also signed a USD 311 million agreement to develop cooperation in communication and space programs. China helped develop and launch the Nigerian communications satellite (NigComSat-1) by 2007 to expand cellular and internet networks in Central Africa (Edward, 2007). The Nigerian government has made indications for enhanced economic ties with China as Chinese investment is paramount to Nigeria’s drive for economic growth (Vanguard, 2014).

**4.1 The Growth in Cultural Linkages Between China and Nigeria**

Even though China and Nigeria have vastly different historical experiences and cultural traditions, Beijing has been remarkably successful in its efforts to promote Chinese culture in Nigeria. Student exchanges and the proliferation of Chinese media in Nigeria have been the primary mechanisms underpinning the increasing cultural synergy between the two countries.

In 2007, Nnamdi Azikiwe University in Akwa, Nigeria, established a Confucius Institute to teach the Chinese language to Nigerian students. As business linkages between China and Nigeria have grown rapidly in recent years, the institute was a successful project.

Its success was acknowledged on June 29, when the Chinese embassy in Abuja announced the establishment of Nigeria’s first Chinese Cultural Research Center. The embassy also pledged to create an Igbo language institute in China to encourage Chinese university graduates to work for Chinese companies in Nigeria.

To encourage Nigerian students to study in China, the Chinese government has emphasized China’s cultural diversity. Yet concerns about racism in China remain an obstacle to deeper cultural integration and could deter Nigerian graduates from Chinese universities from making valuable contributions to the Chinese economy. This concern has been especially relevant in Guangzhou, a city that has been the site of a major influx of Nigerian Igbo immigration over the past decade.

Negative attitudes toward Nigerians have been fueled by their alleged involvement in drug-related crime in Guangzhou. The Guangzhou police arrested 168 people in conjunction with a drug smuggling ring in 2013. The majority of people apprehended were citizens of Nigeria and Mali.

The conduct of the Chinese police toward Nigerians has also been controversial. Many Nigerians have expressed frustration at the short length of work visas granted by the Chinese immigration authorities. Perceptions of xenophobia and being targeted by the Chinese authorities have caused many Nigerian Muslims to live together in insular communities.

Even though there is no quick-fix solution to these problems, Beijing’s strategy of expanding student exchanges and educating more Chinese students in the Igbo language could play an instrumental role in reducing ethnic tensions over time. If these efforts prove successful in Nigeria, China could attempt to make similar overtures toward countries with more pervasive anti-Chinese sentiments, like Ethiopia and Zambia, to consolidate stronger strategic partnerships.

The second prong of China’s soft power campaign in Nigeria, media proliferation, has been more unequivocally successful than student exchanges. Through the StarTimes initiative, the Chinese government has been able to establish media linkages with Africa’s largest television network, the Nigerian Television Authority (NTA).

With the NTA’s support, China has been able to attract more visitors to cultural exchange events like the opening of a China Gallery in Nigeria’s national library and showcase Chinese culture to Nigerians residing in 18 major cities. Nigeria’s Ministry of Information has urged China to reciprocate by featuring more Nigerian programs in China. This proposal has captured the interest of Chinese officials seeking to expand the bilateral trade partnership, which has grown six-fold over the past decade.

The Chinese film industry has been highly successful in promoting its showcase productions to a Nigerian audience as well. The December 2015 Chinese film festival in Lagos, featuring Chinese films like Chinese Zodiac, Confucius, and Monkey King, attracted large numbers of students and Nigerian government representatives. As more Nigerians learn Chinese, turnout to these events will almost certainly increase.

China’s special relationship with Nigeria, forged through deep-rooted political bonds and cultural exchanges, is a major victory for its soft power campaign in Africa. As pro-Chinese sentiments in Nigeria are overwhelming at both the elite and popular level, Nigeria is a perfect testing ground for future Chinese alliance-building efforts in other African countries in the years to come.

The Federal Republic of Nigeria is among the most populous countries in the world and currently boasts the largest economy in Africa. A geographically large and diverse state, its economic success is based on strong petroleum exports and a diverse collection of other industries such as agriculture/cattle, manufacturing, and telecommunications. Its geographical location on the Gulf of Guinea not only gives it direct access over some of the world’s largest untapped oil deposits, but also convenient and natural trade links with South America and Europe. At the same time as Nigeria’s economic growth accelerated, the People’s Republic of China began a major foreign policy and trade shift toward cooperation, regional development, and investment on the African continent. As the world’s largest manufacturer, importer, and exporter, China was eventually poised to move into new and emerging markets, particularly in the Global South. Political and Economic expansion into Africa has proved to be to the development of 21st century China what Westward expansion and Manifest Destiny was to the development of 19th century America. Not only are new opportunities being created everyday across every industry, but the effect of an economic Wild West on Chinese venture capitalism and industrial behavior will help propel a new philosophy of investment in stark contrast to the conservative actions and motivations of the past. Furthermore, the benefits and dividends produced by this practice of developing wide ranged, multifaceted bilateral relationships has intrinsically altered the Chinese government’s approach to foreign relations, and particularly its newfound aggressive approach to its foreign policy toward the Global South. Nigeria is at the apex of entering an upward economic and political trajectory from a Global South juggernaut to a key international player in the decades to come.

The Nigerian-Chinese relationship has developed and evolved since relations were first formally established in the 1970’s into a key strategic and economic partnership which has helped define China’s place as a global power, and Nigeria’s place as a major economic and political leader on the African continent. As the world changes from a uni-polar into a multi-polar system, it is relationships such as this one that will better define the nature and definition of future state relations. While many bi-lateral partnerships between China and various African countries can politely be described as imbalanced at best, the relationship between Nigeria and China can in many ways been seen as a model for economic symbiosis. The reduction of Western aid and Foreign Direct Investment (FDI) from much of the African continent in the 1980’s, and the subsequent chaotic political and economic environment in the 1990’s had led many American and European companies to go elsewhere to develop foreign markets and facilitate trade. It was in part due to this “investment vacuum” that opened the door for Chinese aid, development, and investment packages. These packages have been pushed forward by Chinese government ministries and Chinese companies, have drastically changed the nature of Chinese trade relations, and made an astronomical impact in many African states; chief among those, Nigeria. Analysis and explanation of the development of those investments in the agricultural sector, the petroleum industry, and in the expansion of the Nigerian transportation system will better define the scope and impact of Chinese investment in Nigeria. “China's increasing presence in Nigeria, and elsewhere in Africa, has spurred much speculation about the nature of the emerging partnership model. A national debate across sectors on this partnership will be a healthy exercise and may drive more rigorous analysis of what best serves African countries' quest for human material advance; friendly, mutually beneficial aspects of this partnership are not indicative of the relations between other African states and China that does not mean that evaluating the positive effects and potential pitfalls of those policies and their long term impacts on national and local societies can’t be effectively applied other states in the future.

The petroleum industry in Nigeria accounts for 85% of the country’s export revenue. As of 2014 the Nigerian pumping capacity can produce in excess of 2.2 million barrels of crude oil per day. In addition, it is estimated that Nigeria and its surrounding coastline contains over 30% of all petroleum reserves on the African continent, making it a powerhouse as an energy producer with massive untapped potential. Like many other major oil producing countries, they are at serious risk of falling into what is called in economics as the Dutch disease. This is the connection between the increase in the economic development of certain natural resources and a serious decline in the agricultural and industrial sectors. Oil, unfortunately, tends to make countries resort to a severe type of resource dependency which can have catastrophic economic consequences since the value of the country’s currency and economy is invariably linked to the market strength of the commodity they possess. This leaves Nigeria seriously susceptible to market forces outside of its own control, and while oil wealth is spurring on many other sectors of development, it is still entirely too dominant a force in the economy. Even the Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture’s (NACCIMA) Director-General Dr. John Isemede stated that “the oil sector is creating distortion in the manufacturing and agricultural sectors which are the main engines of an economy. This kills the economy silently.”  Into this fray entered Chinese investment and development companies such as PetroChina and later on the CNOOC Group (China National Offshore Oil Corporation).  “In December 2005, CNOOC bought a 45% stake in an offshore Nigerian oil field for $2.27 billion, China’s largest foreign acquisition to date, eclipsing Chinese computer manufacturer Lenovo’s $1.75 billion purchase of IBM’s personal computer business in 2004....And, as China projects its commercial power abroad, strategic competition with US and European interests is increasing.”  With the rapid influx of capital and technological expertise from 1998- 2012, the Nigeria petroleum industry rapidly grew until it has hit its current production point, where it is now financing nearly the entire Nigerian government. In general West African oil production in the last decade has grown at such a rate as to outstrip every other oil producing region except the Middle East. The gradual takeover of the reins of petroleum development from nationalized Nigerian companies will cause large sectors of Nigeria’s main export and source of wealth to not only become susceptible to the will of the market, but in many instances, be forced to bow to the will of Beijing. The Chinese investment firms and energy companies involved in these large scale acquisitions have been formed out of larger Chinese government ministries for the purpose of expanding their arm over key strategic resource areas. For the time being, Nigeria’s highly sought after delta light sweet crude oil is the main point of interest for most international investment in the country, and as companies and nations attempt to outbid and outdo one another, it is to the Nigerian people’s advantage to exploit their burgeoning relationship with the People’s Republic of China and the vast potential for internal and external development their assistance can hold for the entire country.

The agricultural sector of Nigeria produces a relatively limited variety of cash crops such as cocoa and rubber. While agriculture represents around 70% of the workforce, it only accounts for around 30% of Nigeria’s GDP. Due to the booming population, Nigeria is no longer capable of being self-sufficient in the production of food, but its primacy in the oil market and regional relations ensure that its large and growing population is fed. “Chinese banks have developed instruments that they believe can link Africa’s riches—its natural resources (agricultural and mineral)—to its development. Because they regard these resources as a source of wealth, they do not offer resource-secured loans at concessional rates.” The main Chinese agricultural cooperative areas operate primarily through the Nanjing Lekki Free Trade Zone and the Guangdong Economic and Trade Cooperation Zone. The prevailing projects involved in boosting Nigerian food production are being financed through the United Bank of Africa (UBA) of Nigeria, through its Chinese extension the Chinese Development Bank (CDB) who owns a $5 billion dollar stake in that Nigerian financial institution. While the cyclical nature of Chinese development programs, (such as using Chinese tools and equipment, Chinese personnel, and Chinese financing), do to some extent stunt the long term positive effects of these programs, they do have major short term benefits and should be understood more in terms of “aid as diplomacy” rather than sustainable agricultural development.  From the introduction of hybrid rice seed to building regional fishing industries, to the protection of honeybee cooperatives, the technological expertise Beijing has brought to bear on the underdeveloped and troubled areas of Nigerian agricultural projects. This is also a useful way to experiment in a large scale environment and fully utilize China’s vast agricultural and industrial farming knowledge and intellectual capital. The expansion of the key Nigerian cash crops such as cocoa, cashew nuts, and sesame by Chinese aid programs and agricultural cooperatives have boosted the relative commodities gains on the international market for more Nigerian products, but questions are being raised as to the sustainability of the practices and the usage of pesticides and chemicals currently banned in the European Union and the United States. These misgivings however, don’t affect the opinions of the average Nigerian farmer who has become more prosperous in the past decade. In many ways the recent upsurge of Nigerian agribusiness and Chinese development projects and agricultural aid are making up for the major plummet in agricultural productivity Nigeria had suffered from the 1970’s up until the early 2000’s with the discovery of oil wealth, its subsequent exploitation, and its damage to the “peripheral industries” such as small scale manufacturing and small farm operations. The recent Chinese assistance is rebuilding an industry it indirectly helped destroy in order to expand its influence on a gradually diversifying Nigerian economy.

At nearly 925,000 km2 Nigeria is the 32nd largest country in the world. From the tropical south to the Chad Basin in the northeast, the western deltas to rugged highlands, and arid plains, it also has a varied and diverse geography which can be difficult to navigate and even more difficult to traverse. This environmental diversity, coupled with a generally crumbling and limited highway system has caused major issues facilitating trade from the hinterlands to the coastal cities, has hindered government programs and international aid initiatives, and drastically increases the costs of any government projects or extension over the peripheral territories by the agents and deputies of the state. In addition to this problems, the lack of African domestically made automobiles forces those vehicles that are used to be imported from various locations and an increased cost, which is aggravated by an increase in the cost of imported spare parts and maintenance.  Due to these issues, railways have traditionally been the preferred method of mass transportation. The Nigerian Railway Corporation, Nigeria’s nationalized railway system, can be directly linked back the British colonial railway system first built in the late 19th century to increase the British Empire’s control over population centers and the main resource rich regions of the colony. The railway has historically been an important and efficient means of moving goods and people in the region. With increased industrial investments and aid coming from the Chinese government, its corporate subsidiaries, and third party Chinese companies, the maintenance, upgrading, and expansion of the Nigerian railway system was and is essential for maintaining the current rate of economic growth and expanding the progress of Nigeria’s expanding manufacturing and agricultural sectors. Chinese investment in the Nigerian railway system began in 2006 when the Guangdong Xinguang International Group signed a contract with the Nigerian government to build the nation’s first (RFR fast rail system) from the largest city, Lagos to Kano, a major state capital situated in northern Nigeria. This 8 billion dollar system was completed in 2012 servicing both passenger trains and rolling stock shipping petroleum products and crude oil into hungry central African markets. In coordination with these efforts, the Nigerian government is shifting its national railroad company from a public entity gradually into smaller private companies. Among the bidding companies have been several Chinese railroad companies including the same rail companies, holding companies, and financing entities which built many of the modern expansions in the first place. While issues such as bribes and secret no-bid contracts are difficult at best to substantiate, there are too many coincidences to point to that favorable loans and finance may have been given in exchange for promises of future access or ownership. “China’s give-and-take relationship also plays out in other forms. Chinese construction firms are acquiring enormous construction contracts. The China Railway Construction Corp. (CRC) signed a $1.5 billion contract in September 2012 to modernize a railway system in western Nigeria. That same month, China South Locomotive and Rolling Stock Corporation, the largest train manufacturer in China, signed a $400 million deal to supply locomotives to a South African firm, Transnet.” Under the privatization plan, a gradual sell off of assets and large sections of rail lines between major cities will become as many as five separate railroad companies. The desire is to increase efficiency, reliability, and to decentralize a very integrated Federal government into something more in line this the Chinese model of corporate subsidiaries and third party companies These entities may take direction from the government in Abuja, but won’t be directly controlled or responsible to them. Overall the Chinese engagement in wider transportation industries in Nigeria such as asphalt, road building, vehicle and automotive parts importation and the considerable rail upgrades are creating a situation where every moving part of the transportation infrastructure of the country in the near future will come with a “Made in China” stamp underneath it. For a major economic regional play such as Nigeria, this can lead to a precarious position in the future across civilian, military, industrial, and governmental institutions.

The Nigerian-Chinese relationship is among the most important economic, political, and developing partnerships on the African continent. Shared interests and economic gains have flourished in a security collaboration and cultural exchange program unlike most others seen between a major world power and an African state. Free from much of the baggage and legacies of colonial aggression, China views itself, and indeed projects itself, as a beneficial older brother coming to the aid of a former colonial possession and in support of development across all sectors of the economy and society. While this assessment is entirely too benevolent and fanciful it would be jingoistic to view China’s actions as purely predatory or unwelcome. In fact the close partnership and ties between Abuja and Beijing have been a major catalyst for the rise in Nigerian GDP, and its increased share of the global marketplace. While many of its citizens have not shared in the benefits brought by Chinese investment and development projects, whether due to design or corruption, it still has caused an escalation of industrial capabilities and agricultural output. Through Chinese investments and cooperative efforts with Nigerian companies, industry, and government the petroleum sector is booming. While this comes with a host of connected benefits and problems, at least in the short term it can give Nigeria a serious boost to develop a 21st century economy. The investments in the agricultural sector have increased the use of arable land, led to more sustainable harvesting techniques, and gradually raised food production. The rubber industry is second only to the petroleum industry as a total value of Nigerian exports, and the Cocoa industry is becoming more and more competitive with its West African neighbors in production. Chinese interest and expertise in the expansion of the Nigerian railway system has helped link up the hinterland with the coast for the first time in a sustainable and large scale way. Airports have been modernized and port facilities expanded to increase the demand for Nigerian oil and in doing so are helping propel both traditional and new economic sectors. With the expansion of the transportation and power grid comes the internet, cross-cultural exchanges, and the gradual building of a commercial middle class in Nigeria. While these two states are not connected by shared histories, cultures, religions, language, or social systems. This in fact makes them a clear example of bilateral partnerships in the 21st century. In the current era of rapid globalization across every sector and facet of the human experience, it is commerce and trade which drive progress and the will of states to engage in peaceful cooperation instead of aggressive coercion. No longer can empires colonize and exploit conquered populations at will, though in some cases it may happen more quietly and insidiously. It is the global marketplace that is bringing states together that would never interact with each other under the rules of past eras. The Nigerian-Chinese partnership appears to be a long term and mutually beneficial foreign policy on the part of both countries. This relationship should be closely studied by the Western economies to learn from the successes and pitfalls of the “Chinese way” of conducting intercontinental commerce and market expansion. Sometimes it takes an outside and fresh angle to put the greater goals and ambitions of global leaders and emerging economies into perspective.

**4.2 NIGERIA AND CHINA TRADE IN THE OIL AND GAS SECTOR**

The petroleum industry in Nigeria accounts for 85% of the country’s export revenue. As of 2014 the Nigerian pumping capacity can produce in excess of 2.2 million barrels of crude oil per day. In addition, it is estimated that Nigeria and its surrounding coastline contains over 30% of all petroleum reserves on the African continent, making it a powerhouse as an energy producer with massive untapped potential. Like many other major oil producing countries, they are at serious risk of falling into what is called in economics as the Dutch disease. This is the connection between the increase in the economic development of certain natural resources and a serious decline in the agricultural and industrial sectors. Oil, unfortunately, tends to make countries resort to a severe type of resource dependency which can have catastrophic economic consequences since the value of the country’s currency and economy is invariably linked to the market strength of the commodity they possess. This leaves Nigeria seriously susceptible to market forces outside of its own control, and while oil wealth is spurring on many other sectors of development, it is still entirely too dominant a force in the economy. Even the Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture’s (NACCIMA) Director-General Dr. John Isemede stated that “the oil sector is creating distortion in the manufacturing and agricultural sectors which are the main engines of an economy. This kills the economy silently.”  Into this fray entered Chinese investment and development companies such as PetroChina and later on the CNOOC Group (China National Offshore Oil Corporation).  “In December 2005, CNOOC bought a 45% stake in an offshore Nigerian oil field for $2.27 billion, China’s largest foreign acquisition to date, eclipsing Chinese computer manufacturer Lenovo’s $1.75 billion purchase of IBM’s personal computer business in 2004....And, as China projects its commercial power abroad, strategic competition with US and European interests is increasing.”  With the rapid influx of capital and technological expertise from 1998- 2012, the Nigeria petroleum industry rapidly grew until it has hit its current production point, where it is now financing nearly the entire Nigerian government. In general West African oil production in the last decade has grown at such a rate as to outstrip every other oil producing region except the Middle East. The gradual takeover of the reins of petroleum development from nationalized Nigerian companies will cause large sectors of Nigeria’s main export and source of wealth to not only become susceptible to the will of the market, but in many instances, be forced to bow to the will of Beijing. The Chinese investment firms and energy companies involved in these large scale acquisitions have been formed out of larger Chinese government ministries for the purpose of expanding their arm over key strategic resource areas. For the time being, Nigeria’s highly sought after delta light sweet crude oil is the main point of interest for most international investment in the country, and as companies and nations attempt to outbid and outdo one another, it is to the Nigerian people’s advantage to exploit their burgeoning relationship with the People’s Republic of China and the vast potential for internal and external development, their assistance can hold for the entire country.

**4.3 NIGERIA AND CHINA TRADE IN THE AGRICULTURAL SECTOR**

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**4.4 NIGERIA AND CHINA TRADE IN THE TRANSPORT SECTOR**

At nearly 925,000 km2 Nigeria is the 32nd largest country in the world. From the tropical south to the Chad Basin in the northeast, the western deltas to rugged highlands, and arid plains, it also has a varied and diverse geography which can be difficult to navigate and even more difficult to traverse. This environmental diversity, coupled with a generally crumbling and limited highway system has caused major issues facilitating trade from the hinterlands to the coastal cities, has hindered government programs and international aid initiatives, and drastically increases the costs of any government projects or extension over the peripheral territories by the agents and deputies of the state. In addition to this problems, the lack of African domestically made automobiles forces those vehicles that are used to be imported from various locations and an increased cost, which is aggravated by an increase in the cost of imported spare parts and maintenance.  Due to these issues, railways have traditionally been the preferred method of mass transportation. The Nigerian Railway Corporation, Nigeria’s nationalized railway system, can be directly linked back the British colonial railway system first built in the late 19th century to increase the British Empire’s control over population centers and the main resource rich regions of the colony. The railway has historically been an important and efficient means of moving goods and people in the region. With increased industrial investments and aid coming from the Chinese government, its corporate subsidiaries, and third party Chinese companies, the maintenance, upgrading, and expansion of the Nigerian railway system was and is essential for maintaining the current rate of economic growth and expanding the progress of Nigeria’s expanding manufacturing and agricultural sectors. Chinese investment in the Nigerian railway system began in 2006 when the Guangdong Xinguang International Group signed a contract with the Nigerian government to build the nation’s first (RFR fast rail system) from the largest city, Lagos to Kano, a major state capital situated in northern Nigeria. This 8 billion dollar system was completed in 2012 servicing both passenger trains and rolling stock shipping petroleum products and crude oil into hungry central African markets. In coordination with these efforts, the Nigerian government is shifting its national railroad company from a public entity gradually into smaller private companies. Among the bidding companies have been several Chinese railroad companies including the same rail companies, holding companies, and financing entities which built many of the modern expansions in the first place. While issues such as bribes and secret no-bid contracts are difficult at best to substantiate, there are too many coincidences to point to that favorable loans and finance may have been given in exchange for promises of future access or ownership. “China’s give-and-take relationship also plays out in other forms. Chinese construction firms are acquiring enormous construction contracts. The China Railway Construction Corp. (CRC) signed a $1.5 billion contract in September 2012 to modernize a railway system in western Nigeria. That same month, China South Locomotive and Rolling Stock Corporation, the largest train manufacturer in China, signed a $400 million deal to supply locomotives to a South African firm, Transnet.” Under the privatization plan, a gradual sell off of assets and large sections of rail lines between major cities will become as many as five separate railroad companies. The desire is to increase efficiency, reliability, and to decentralize a very integrated Federal government into something more in line this the Chinese model of corporate subsidiaries and third party companies These entities may take direction from the government in Abuja, but won’t be directly controlled or responsible to them. Overall the Chinese engagement in wider transportation industries in Nigeria such as asphalt, road building, vehicle and automotive parts importation and the considerable rail upgrades are creating a situation where every moving part of the transportation infrastructure of the country in the near future will come with a “Made in China” stamp underneath it. For a major economic regional play such as Nigeria, this can lead to a precarious position in the future across civilian, military, industrial, and governmental institutions.

**4.5 NIGERIA AND CHINA TRADE IN THE TELECOMMUNICATION SECTOR**

The second prong of China’s soft power campaign in Nigeria, media proliferation, has been more unequivocally successful than student exchanges. Through the StarTimes initiative, the Chinese government has been able to establish media linkages with Africa’s largest television network, the Nigerian Television Authority (NTA).

With the NTA’s support, China has been able to attract more visitors to cultural exchange events like the opening of a China Gallery in Nigeria’s national library and showcase Chinese culture to Nigerians residing in 18 major cities. Nigeria’s Ministry of Information has urged China to reciprocate by featuring more Nigerian programs in China. This proposal has captured the interest of Chinese officials seeking to expand the bilateral trade partnership, which has grown six-fold over the past decade.

The Chinese film industry has been highly successful in promoting its showcase productions to a Nigerian audience as well. The December 2015 Chinese film festival in Lagos, featuring Chinese films like Chinese Zodiac, Confucius, and Monkey King, attracted large numbers of students and Nigerian government representatives. As more Nigerians learn Chinese, turnout to these events will almost certainly increase.

China’s special relationship with Nigeria, forged through deep-rooted political bonds and cultural exchanges, is a major victory for its soft power campaign in Africa. As pro-Chinese sentiments in Nigeria are overwhelming at both the elite and popular level, Nigeria is a perfect testing ground for future Chinese alliance-building efforts in other African countries in the years to come.

**4.6 The Volume of Trade between Nigeria and China**

As we observed earlier, trade between China and Nigeria has increased substantially. From a less than $ 2.1 trillion in 2011, the volume of bilateral trade between the two countries grew to a yearly $2.3 trillion in 2013 with bright prospects of its further growth in 2014. This bilateral trade volume represents over 30% of China’s total trade transactions with the whole of West Africa indicating the importance of Nigeria to China in the regional market. Figure 1 below indicates an increase in the volume of trade between Nigeria and China.

***TABLE 4.0 NIGERIA AND CHINA TRADE SUMMARY 2011(N Million).***

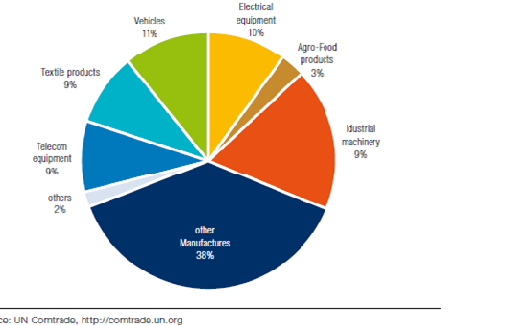
|  |  |  |  |
| --- | --- | --- | --- |
| ***YEAR***  ***2011*** | ***EXPORTS***  ***138,100,141,614*** | ***IMPORTS***  ***720,155,260,112*** | ***TOTAL***  ***858,255,401,726*** |
| ***2012*** | ***137,657,940,115*** | ***740,211,667,021*** | ***877,869,607,126*** |
| ***2013*** | ***138,350,610,451*** | ***771,649,389,549*** | ***910,000,000,000*** |
| ***2014*** | ***185,000,000,000*** | ***263,600,300,490*** | ***448,600,300,490*** |
| ***2015*** | ***196,000,000,000*** | ***336,500,000,000*** | ***532,500,000,000*** |

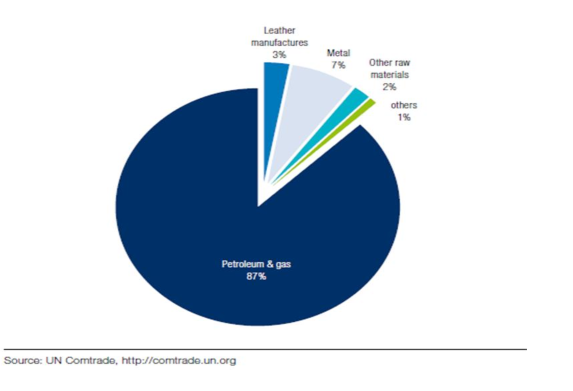
**Source: Bureau of Statistics, Abuja Annual Report 2011-2015**

Mineral fuels, oil and related products tops the list of 10 exports followed with

substantial distance by ores, slag and ash as well as copper and article thereof. In effect, mineral products constitute the first three export products of Nigeria to China. Cocoa and cocoa preparations was a distant fourth followed by cotton (5th rank), and oil seed etc (sixth). The top six export products are primary accommodation made up of mineral and agricultural products. The last four commodities in the top ten lists are agro allied manufactured goods whose individual export values are less than $1 million dollars.

**FIGURE 4.0 China’s Export to Nigeria by Product, 2011**

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The above figure shows Chinese most important exports to Nigeria. Figure 4.clearly shows that crude oil has replaced agricultural commodities as Nigeria’s dominant export to China, while there has been a shift of emphasis in Nigeria’s imports from that country from consumer products to capital and investment goods. Thus, Nigeria’s exports to China consist mainly of primary commodities while manufactured goods constitute the bulk of its imports from China. In fact, Nigeria’s strength lies on the production of crude oil which accounts for over 90% of its foreign earnings.

**THE IMPACT OF NIGERIA-CHINA TRADE ON ECONOMIC DEVELOPMENT**

**IN NIGERIA.**

**4.7 Introduction**

Economic development is an increase in living conditions, improvement of infrastructures which in turn have impact on productivity and could lead to economic growth (Todaro, 2011). The term economic development and national development are used interchangeably; reason being that two concepts have common indicators. There is a variety of indicators that are used to measure the level of economic development in a country. The indicators are: declining poverty rates and unemployment, increase in revenue (economic growth), human capacity development, increasing literacy rates, infrastructural development, etc.

By way of comparative advantage, Aja (2012) posits that, Nigeria is still a struggling economy while China is both the fastest growing and second largest economy in the world. According to him, the present locale of China in the world economic system cannot be ignored by a struggling economy like Nigeria, and logically too, in a fast changing world system, China cannot ignore Nigeria in both economic and overall strategic considerations in Africa. He stressed that Nigeria remains a potential market in the world at any time, and strategically, China needs Nigeria to consolidate its new-found relations in Africa. He however, regrets that Nigeria’s new relationship with China will be conditioned by the structural economic dependency factor against Nigeria, concluding that while China’s economy is heavily diversified with the capacity building to export varieties of produce, Nigeria is still over-dependent on oil as the commanding height of its economy (Aja, 2012).

Incidentally, Alao (2011) argued that although China has a range of interests in Nigeria, its main trade interest is oil. According to him, several oil deals have been signed over the last few years, the most significant being the agreement that involved China investing $4 billion in Nigeria’s infrastructure in return for the first refusal rights on four oil blocks in 2008. He stressed that at the centre of most of Nigeria’s economic diplomacy towards China, is the principle of ‘exchanging oil for development’, citing a number of rail construction contracts signed in April 2011 between the Nigerian Government and a Chinese company named China Gezhouba Group Corporation, such as the three Eastern rail lines (463 kilometre from Port Harcourt to Makurdi; the 1, 016 kilometre line from Makurdi to Kuru, with the inclusion of the spur lines to Jos and Kafanchan; and the 640 kilometre line from Kuru to Makurdi) as a validation of such diplomatic engagement. He concluded that, this oil for development deal inevitably put China on a collision course with Nigerian militants fighting the Nigerian state over the management of oil in the country’s Niger Delta, a course that manifested in hostage taking of the Chinese oil workers and the consequent payment of ransoms to free the workers (Alao, 2011).

There is a debate in the scholarly world on the relationship between China and Nigeria. Some scholars argue that the relationship is mutually beneficial as they need each other to achieve their goals on the political international arena. Other scholars, however, argue that the vast Chinese investments in Nigeria will trigger dependency for the Nigerian President Jonathan has just concluded a five-day official visit to China. The highlight of his visit was the signing of a Chinese loan of $1.5 billion for the development of infrastructure in Nigeria, including the expansion of four airports at Lagos, Kano, Abuja, and Port Harcourt. The official visit was reportedly marked by a lot of conviviality and cordiality on both sides with the large Nigerian official delegation been treated to the fabled Chinese hospitality and excellent cuisine.

However, available evidence indicates that Nigeria-China engagement has contributed substantially to national development in Nigeria. Chinese engagement with Nigeria has positive effects on national development in Nigeria mainly through the following:

i. Technological, innovative and knowledge spillovers effects from Chinese Foreign Direct Investment (FDI)-based firms on local economy;

ii. Local job creation and poverty reduction government program or projects financed by tax revenues collected from Chinese based firms and businesses in Nigeria;

iii. Chinese Oversea Development Assistance (ODA) in form of concessionary loans aids to Nigeria for infrastructural development and human capital development.

Sino-Nigerian relations have developed rather slowly over the years. It is now gathering some momentum. It was General Gowon who, as military head of state, first paid an official visit to China in 1972 shortly after the Nigerian civil war. When his brutal military regime faced international criticism and isolation General Abacha also decided to go to China for support. This was in the wake of the crackdown in Tiananmen Square in Beijing that led to China’s international isolation as well. In 1997, the Chinese premier, Li Peng, visited Nigeria too to boost China’s renewed interest in Africa, aimed at reversing the decline in China’s trade with Africa. Nigeria’s trade with China actually fell from $57 million in 1980 to only $7 million in 1985, recovering somewhat to $35 million in 1989. Thereafter, Nigeria-China trade grew from $35 million to $97 million in 1993, and reached $327 million by 1997. It is currently estimated at $13 billion.

President Jonathan’s visit to China is significant as it underlines Nigeria’s growing economic relations with China. From the Nigerian perspective, closer economic ties with China have become imperative. The new Chinese loan of $1.5billion brings to a total of nearly $15 billion China’s investments and loans to Nigeria in recent years, including the $2.5billion investment in the newly refurbished Lagos-Kano rail line. Nigeria’s share of Chinese investment in Africa has increased to over 30 per cent. In 2012, total Chinese investment in Nigeria was $13.3 billion. In contrast total US FDI in Nigeria was $8 billion. To counter the growing economic relations between China and Africa, President Obama announced during his recent hurried visit to Africa an offer of $7 billion infrastructure loan to Africa. Some cynics will consider this offer as too late and too little. Financial commitments by the World Bank and the IMF are far less than Chinese loans to Nigeria. African countries are turning increasingly to China as an alternative source for infrastructure loans badly needed.

Both countries now realise the importance of economic cooperation between them. China, the most populous country in the world, with the fastest global economic growth in the last three decades, averaging 10 percent annually, has emerged a leading player in the global economy. Its national economy is now bigger than that of Japan, or the EU countries combined. Within a few decades, China has lifted some 300 million of its people from abject poverty, a feat without any precedent in the annals of economic development. Nigeria, the most populous country in Africa, with vast reserves of oil and gas, needs China’s financial and technical assistance in the development of its decaying infrastructure. China too needs Nigeria’s oil and gas to fuel its growing industry. In addition, Nigeria is, potentially, the largest market for China’s industrial products in Africa. Nigeria’s imports from China account for over a third of its total trade with West Africa.

As President Jonathan was reported as saying in Beijing, the increasing exploitation of shale gas and other energy alternatives by the US and other Western states has made the need for the diversification of the Nigerian economy away from oil more urgent. Increasing Chinese oil imports will make up for the slack in oil exports to the US. In 2005, China accounted for 40 per cent of the global demand for oil. Over 30 per cent of China’s oil supply is imported, with the country becoming the world’s second largest consumer of oil after the US. So, closer economic co-operation is in the mutual interest of both countries. But there is a pitfall here which Nigeria has to watch very closely. There is a chronic and growing trade imbalance between the two countries in favour of China. Nigeria should seek to reduce this vast trade imbalance by increasing its non-oil exports to China. China’s exports to Nigeria are currently estimated at $3 billion, while Nigeria’s exports are estimated at only $1 billion, a trade gap of $2 billion. This trade deficit, a concern to Nigerian leaders and its private sector, is being discussed by the Nigeria-China Joint Planning Commission. Nigeria should be wary of being used by China as a dumping ground for cheap Chinese exports, particularly textiles, as this will increase the existing trade imbalance between the two countries in favour of China and lead to more job losses for Nigeria. For instance, in 2006, South Africa imposed two-year import restrictions on some Chinese textiles. In this regard, the Nigerian authorities are beginning to take some limited action against cheap and fake Chinese exports. In 2006, NAFDAC banned pharmaceutical imports from some Chinese and Indian companies.

China has the largest foreign exchange reserves in the world some of which is being invested in Africa where growth prospects are becoming increasingly attractive. Nigeria is eager to diversify its trade relations by reducing its trade dependence on the Western industrial countries. China, with its horde of foreign reserves, is one of the few countries in the world today that can assist Nigeria with its huge financing gap, particularly for infrastructure development, in such critical sectors as roads, the railways, bridges, airports, and public transportation in which Nigeria is hugely deficient. Nigeria will not achieve its huge economic potential unless it modernises its infrastructure. China can offer Nigeria such assistance with loans and investments in the critical sectors of the Nigerian economy. In April 2006, President Obasanjo observed, while addressing the visiting Chinese President, Hu Jintao, in Lagos, that “This 21st century is the century for China to lead the world. And when you are leading the world, we (meaning Nigeria) want to be close behind you.” It was the most effusive compliment to China by a Nigerian leader and demonstrated Nigeria’s eagerness to expand its economic relations with China.

Until recently, relations between the two countries were tepid and took some time to develop. At its independence in 1960, Nigerian leaders knew very little about Communist China, a remote country, with its turbulent political history and frequent upheavals. Western influence in Nigeria was very strong and the Western media gave Communist China a bad press all over Africa, decrying its lack of respect for human rights and its authoritarian -style of government. Culturally, the Communist style of government had little or no appeal for African leaders. In fact, like many other states in Africa, Nigeria refused to even recognise the existence of China and did not enter into diplomatic relations with her until after the Nigerian civil war in 1970. At the UN Nigeria voted routinely along with the Western powers to deny China admission to the UN. Instead, Taiwan, which the Chinese regard as a ‘renegade’ province of China, was given China’s seat at the UN. China was badly isolated globally. During the years of the Cultural Revolution China turned its back on the rest of the world, including Africa. Before then, during the cold war era, it had tried unsuccessfully to get a foothold in Africa but it encountered strong opposition from the West as well as the Soviet Union with which it had fallen out. Its interests then in Africa were basically strategic and consisted mainly of challenging both Soviet and Western dominance in Africa during the cold war.

To counter Western influence China encouraged wars of liberation in Africa and was supporting armed anti-colonial struggles in some 24 African countries, including South Africa. China’s main aim was to reduce Africa’s economic dependence on the West by offering long-term low interest loans to Africa and promoting the so-called ‘benevolent trade’ such as by buying up large coffee and tobacco surpluses from Tanzania. By 1976, China was already giving Africa more aid than the Soviet Union. It achieved a major breakthrough in Africa by financing and constructing the Tanzam railway that gave it access and some limited political influence in central Africa. Beijing’s involvement in the African liberation wars paid off when many African governments, including Nigeria, provided critical support on the UN General Assembly resolution admitting China as a member in October, 1971, and replacing Taiwan. Relations between Nigeria and China also began to improve dramatically. China had supported the secessionists during the Nigerian civil war and is believed to have sent Biafra some limited arms through Tanzania. The secessionist leader, Ojukwu, actually wrote Chairman Mao, seeking Chinese assistance ‘in our struggle against Anglo-American imperialism and Soviet revisionism to achieve a socialist revolution in Biafra’ and Africa. But China secured Nigeria’s recognition in October 1971, after which the two states began building modest bilateral ties based on terms of co-operation agreed between them in 1972 during Gowon’s official visit to Beijing.

Predictably, the growing economic relations between China and Africa have caused some concerns in the Western countries, particularly in the US. In 2005, during a Congressional hearing in Washington, the chairman of the Africa sub-committee warned that ‘China is playing an increasingly influential role in Africa, and that the Chinese intend to aid and abet African dictators, gain a stranglehold on precious African natural resources, and undo much of the progress that has been made on democracy and governance in the last 15 years’. There were complaints from the US as well when a satellite launch deal was signed in 2005 by Nigeria and the China Great Wall Industry Corporation. But Africa needs to develop rapidly and, if necessary, will engage other powers to achieve its economic and technological goals. Africa cannot remain the economic preserve of the Western powers alone. It must diversify its economic relations in line with the process of economic globalisation. It is not China that is responsible for dictatorships in Africa, but the Western powers that, for long, supported African dictators, and refused to support liberation wars in Africa. There is no real danger of the Chinese exporting Communism to Africa. The Soviets did not succeed in doing so. If they tried, it is less likely that the Chinese would succeed where the Soviets failed.

The Chinese have no interest in exporting their Communist ideology to Africa. Like Africa, China was, for centuries, the victim of invasion and colonialism by the Western countries. It has no colonial past or imperialist ambitions in Africa that can stand in the way of increasing economic co-operation between the two. China has no military bases in Africa or anywhere else outside its own territory. It is unlikely to use force to advance its economic interests in Africa What China wants, like any other foreign power, is access to Africa’s huge natural resources, particularly its oil, and new markets for its industrial products. Africa is more mature now and should ignore unjustified foreign concerns about its new economic relations with China. In its economic engagement with China, it should, collectively, be able to protect its own economic interests.

China’s presence in Nigeria has grown rapidly since both countries established diplomatic ties on 10th February 1971. China has offered Nigeria economic, military and political assistance while the latter continues to look onto China for help in achieving growth and development. Both Nigeria and China exchanged diplomatic visits and signed agreements on establishing a strategic partnership since 2004 (Egbula and Zheng, 2011). Prior to 2000, Western firms controlled virtually all the trade sectors of the Nigerian economy. However, Chinese firms in the last decade have gained a foothold in the Nigerian economy, particularly the oil. This was made possible by China’s pragmatic approach by assisting Nigeria in addressing its huge investment need. China-Nigeria relations have grown exponentially since 2003. One of the highlights was the move by the China National Offshore Oil Company to acquire one sixth of the rights to Nigeria’s oil reserves (Tom, 2009).

***Table 4.2 Major Chinese Companies In Nigeria***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Company | Active Sector | Asset(USDBillion | Employees | Investment in Nigeria |
| SINOPEC | Oil and Gas | 152.80 | 373 375 | Blocks OML 64,66,29% stake and operating rights to block 2 Nigeria Sao  Tome Joint Development  Zone |
| CNPC | Oil and Gas | 470.80 | 1.67 million  (80 000 foreigners | Licenses for OPL 471, 721, 732, 298 |
| SEPCO  CONSTRUCTION | Electric Power  Construction | 38.60 | 19 756 | Papalanto Power Plant |
| CCECC | Construction | 2.17 | 70000 | Rehabilitation of Alalanto-Lagos  Expressway, Athletes’s village, Ikot  Akpanden-Okoroette road, Lekki Free  Trade Zone |
| CNOON | Offshore Oil and  Gas | 13.8 | 21000 | 45% Interest in Offshore Exploitation  Licenses OML 130 |
| SINOMA | Cement  Engineering  Construction | 2.9 | 9000 | In collaboration with Nigeria DangoteGroup for Cement Production LineEPC project since 2008 |
| HUAWEI | Telecom | 25.00 | 51000 | Network, Handsets |
| ZTE | Telecom | 13.00 | 85 232 | CDMA, Handset |
| CSCEC | Construction | 58.90 | 121,500 | Refinery |

**Based on Data from Nigerian Investment Promotion Commission (NIPC) www.nipc.gov.ng**

Chinese investment in Nigeria is largely perceived as positive in terms of its contributions to economic development by host country. This is largely due to its effect on job creation, a pressing need for Nigeria as a country. It should be noted that the Chinese government imposes no political conditions on African governments before signing contracts either for exploration or other economic activities. Chinese firms are willing to invest where Western companies are unwilling. Western investors and aid agencies are unwilling to invest in areas such as physical infrastructure, industry and agriculture. These are areas that are crucial to Nigeria’s economic development. It is well known that Nigeria desperately needs infrastructure of all type. This is the more reason why Chinese investment is a welcome development in Nigeria. Since the late 1970s the United States Agency for International Development (USAID) has not funded heavy infrastructure projects in Nigeria. The World Bank and USAID in the 1990s reduced support for agriculture as high as 90%. Recently, the World Bank pulls its support for palm oil farmers in Nigeria because of pressure from environmental non-governmental organizations. Chinese firms have committed huge investment in upgrading Nigeria’s infrastructure. For the past few years, Chinese companies have built bridges, upgraded railroads, telecommunication networks and other such needed infrastructure. In view of the unwillingness of Western countries and its agencies to invest heavily in Nigerian infrastructure for fear of generating inadequate returns to offset the investment risks, Chinese investment is highly valuable and significant.

**4.8 The Impact of Chinese Loans and Aids on Economic Development in Nigeria**

Nigeria gains from favourable financial assistance in form of loans offered by Chinese

banks. This comes along with a combination of grants as well as concessional and commercial rate loans. Because of Nigeria’s poor credit ratings, it must pay huge risk premium to access commercial capital. On the other way, Chinese concessional loans are subsidized through aid budget thus permitting lower interest rates than those available through commercial lending houses. For instance, the China Ex-Im Bank gave a $500 million concessionary loan to the Nigerian government for the development of the railway system. In addition, the Ex-Im Bank gave another $260 million credit facility to the Nigerian government for a water works projects across the country.

Nigeria’s President Goodluck Jonathan in 2013 concluded a state visit to China in which

deals worth over $ 1 billion were signed, amid policy makers in developing countries, like Nigeria, questioning the role of China their respective economies. Jonathan and the Chinese President Xi Jinping in July, 2013 presided over the signing of accords between their governments to facilitate $ 1.1 billion in low-interest loans for much needed infrastructure in Nigeria. The loans finalized during the trip are part of $ 3 billion approved by China at interest rates of less than 3 percent, according to Nigerian Finance Minister, Ngozi Okonjo-Iweala. Chinese companies are already building roads across Nigeria in contracts worth $ 1.7 billion. China’s demand for crude oil produced in Nigeria is expected to rise tenfold to 200,000 barrels a day by 2015 (French, 2007).

Nigeria is one of the leading recipients of investments from Chinese companies between

2005 and 2012, according to data from a new report by Derek Scissors of the US-based Heritage Foundation Show. According to the report, within this period, the value of Chinese investments in Sub-Saharan Africa (SSA) totaled $ 97.8 billion, out of which Nigeria had the largest share of $ 15.9 percent of the total. In SSA, South Africa came second with $ 8.6, while the Democratic Republic of Congo came third with $ 7.8 billion of Chinese investments within this period.

Chinese investments into Nigeria also topped those to Saudi Arabia, which had $12.9 billion of investments from China, Britain’s $14.7 billion, Kazakhstan’s $14.0 billion, Russian Federation’s $ 13.3 billion, France’s $ 8.3 billion, and Vietnam’s $ 8.9 billion.

Equally important is the fact that the Chinese do more overseas assistance than just

investment. The engineering and construction contracts included in Heritage Tracker are valued during a visit of the presidential panel to China in July, 2013; First Bank of Nigeria Plc signed an agreement with China Development Bank for the provision of $ 100 million facility meant to be dispensed as loans to Small and Medium Scale Enterprises (SMEs) in Nigeria. Aganga, Nigeria’s Minister on Trade and Investments described the loans as very important because Small and Medium Scale Enterprises is the powerhouse of any economy, including that of Nigeria. “SMEs are a major economic drive, especially in a developing country like Nigeria. Today we have about 17 million SMEs in our country, employing close to 32 million people. So when we talk about job creation, the real sector to focus on is SME. That $ 100 million is made available through First Bank,” he added. Other areas of Chinese loans and aids include:

i. A concessionary export grants of N 8.36 billion to support the development of infrastructure in Nigeria by China Ex-Im Bank, 2006;

ii. The provision of about N670 million for the training of 50 Nigerian officials and

medical personnel on comprehensive malaria prevention and control, 2007

iii. The supply of anti-malaria drugs worth N 83.6 million in support of Roll-Back

Malaria Programme, 2004;

iv. China Ex-Im Bank is partly funding five thermal power stations in Nigeria

(Ughelli, Geregu, Papalanto, Alooji and Omotosho power plants) through credit

facility repayable in 12 years;

v. China has also given financial and technical support for the two new hydro power

plants at Zungeru and Mambila in Northern Nigeria. The Mambila power plant is planned to generate 2500mw of electricity on completion.

vi. China has signed a $23 billion deal with the Nigerian government to build three

oil refineries and a petrochemical plant. The government of President Goodluck Jonathan has signed a MoU with CCEC to that effect. The three refineries are to be built in Lagos, in Kebbi and Bayelsa. The three refineries would have a combined capacity of 900,000 barrels per day (bpd), double the expected domestic of 450,000 bdp by the time they are due to be completed in five years.

**CHAPTER FIVE**

**SUMMARY, CONCLUSION AND RECOMMENDATIONS**

**Summary**

This study analyzed the Nigeria-China trade relations and economic development in Nigeria within the period 2011-2015. We provided answers to the following research questions:

i. Has the Nigeria-China bilateral trade agreements enhanced the volume of trade

between China and Nigeria within the period of study?

ii. Has the increase in the volume of trade between China and Nigeria enhanced

economic development in Nigeria?

The questions adduced to give focus and direction to the study helped us to formulate the

following hypotheses:

i. Nigeria-China bilateral agreements enhanced the volume of Chinese trade with

Nigeria within the period of study;

ii. The increase in the volume of trade between China and Nigeria enhanced

economic development in Nigeria within the period of study.

However, the study has seven chapters; chapter one focused on general introduction. The

Nigeria-China trade relations and economic development from 2001-2013 was analyzed, while other specific objectives were:

i. To ascertain whether Nigeria-China bilateral trade agreements has enhanced the

volume of Chinese trade with Nigeria within the period of study;

ii. To determine whether the increase in the volume of trade between China and

Nigeria enhanced economic development in Nigeria within the period of study.

To make our analysis clear, we used the complex interdependence theory as our theoretical framework. The theory assumes that the economies of states are inextricably tied together and that mutual benefits accrue to states in their inter-state trade relations; consequently, through Chinese businesses in Nigeria, loans and other forms of assistance accompanying trade from China, the Nigeria-China engagement enhanced economic development in Nigeria within the period of study. The study demonstrated empirically the impact of Nigeria-China trade engagement on economic development in Nigeria in creation of local jobs, poverty reduction, infrastructural development in form of roads, railway, bridges, stadia financed partly through revenue generated from Chinese based firms and financial assistance in form of loans and aids from China.

The Nigeria-China trade relations have strengthened over time. Exports and imports value have substantially risen and become reasonably diversified. In the case of Nigeria’s imports from China, Chinese manufactures have gained at the expense of Europe and North America, as the former continue to displace the latter’s products in Nigerian market because of their inability to produce and export cheap products to Nigeria. In terms of relative share of market, China constitutes only about 2.5% of the volume of Nigeria’s exports in 2011 and 2015. Nigeria’s exports to China have been dominated by oil exports with few non oil exports finding their ways to China. These are basically resource-based and primary exports. In the non oil exports areas where both countries simultaneously export and import, Nigeria glaringly exports less to China, indicating the higher productivity, competitiveness and large scale production of China. The combination of both export and import features culminated into China recording trade surpluses against Nigeria in most of the commodities.

**Conclusion**

This study is focused on the Nigeria-China trade relations and economic development in Nigeria, 2011-2015. Having carried out an analysis of the data collected for this research work, it was found that Nigeria-China bilateral trade agreements within the period of study had a positive impact on the volume of Chinese trade with Nigeria. The trade figures for 2015 of $15 billion between Nigeria and China as against $11 billion for 2011 supports a positive relationship between Nigeria-China trade agreements and the volume of Chinese trade with Nigeria. Therefore, it can be concluded that the data gathered for the study validates our first hypothesis that, “the Nigeria-China bilateral trade agreements enhanced the volume of Chinese trade with Nigeria’’.

Also, the study found that the increase in the volume of trade between China and Nigeria enhanced economic development within the period of study. The empirical evidence of the contributions of Chinese firms, businesses and financial institutions in employment generation, human capital development, and poverty reduction through infrastructural development, loans and aid validates this conclusion. While the possibilities certainly exist for Nigeria to derive higher value from China’s growing influence, Nigeria has not fully capitalized on the potential benefits.

While the official trade records between Nigeria and China impressive, they fail to capture the complete picture of trade between them. In addition to the recorded trade, there is a significant amount of unrecorded trade, particularly in Chinese goods. Most of the smuggled imports are said to arrive via neighboring countries, which have long porous borders with Nigeria. China has been involved in Africa as trading partners, development partners’ comrades, and immigrants. China has engaged in Africa’s territory and strengthened ties through diplomacy to gain access to natural resources in Africa. The question as to whether China is a development partner, economic competitor, or colonizer is contested. However, our analysis of the Nigeria-China trade relations clearly shows that the engagement has positive impact on economic development in Nigeria and the trade relations between the two countries just like any trade relations has some advantages and disadvantages and that optimal outcome of the engagement will depend on the agreements, policies and institutions that are put in place to maximize the complementary effects and to maximize the competing effects.

**Recommendations**

Based on the findings of this study, we recommend as follow:

1. Nigeria-China trade relations have strengthened over the years. Exports and imports value have substantially risen and become reasonably diversified. In almost every Nigerian market, Chinese goods abound. However, there is a need to focus on improving the quality of these goods and the Nigerian authorities need to strengthen their monitoring mechanism such as Standard Organization of Nigeria (SON) and perhaps ensure that Chinese firms produce and export to Nigeria meet national standard.

2. There is a need for the government to establish a coordinating body on China. China is virtually everywhere in the country but information about its engagement and activities are fragmented. This body preferably a technical arm of an existing body should be empowered to scrutinize and evaluate agreements, memoranda and any other articles of association between Nigeria and China. The ultimate objective of the proposed body is to spell out the cost as well as the benefits of the Nigeria-China engagement. The proposed technical committee in its assignment must have taken into consideration domestically available resources including skills and ensure that as much as possible, the local content of the trade agreements is high enough not only for the purpose of generating employment for Nigeria but also develop their technological capability.

3. The Nigerian government should move beyond arrangements that focus solely on the petroleum sector. High commodity prices are only a temporary vehicle that can be utilized to drive Nigeria’s economy into a more economically diversified state, the true mechanism for sustained growth.

4. The Nigerian government should make concerted effort at policing its borders to prevent the influx of smuggled goods into the country. This will encourage local manufacturing.

5. In addition, for Nigeria-China trade relations to wear a more acceptable face, concrete steps must be taken to fully implement the existing trade agreements and initiate fresh trade agreements to cover areas that will enhance Nigeria’s export of non-oil products to China. This will be to the mutual benefit of both countries. By this initiative, Nigeria will take advantage of this bilateral interaction to improve on its domestic economy rather than being a mere provider of raw materials and importers of finished goods from China.

6. Nigeria should learn from the successes and failures of other states’ relations with China and their policies toward development, while also learning from their own experiences. The Nigerian government should undertake a thorough review to investigate what agreements have been beneficial for Nigeria’s long-term development and what areas need improvement. Particularly, the government should closely examine the United States’ relations with China and replicate successful agreements and policies. The U.S has a long history of trade disputes with China, challenging it in such multilateral institutions as the World Trade Organization (WTO). Nigeria appeared successful in its ability to confront China when it was being inundated with inferior goods by threatening a WTO complaint. Whether they learnt anything from the U.S experience is unclear, but the Nigerian government could certainly tap into the vast array of Western expertise on how to better manage a difficult trade relation and how to project important sectors of the economy against foreign competition.

7 It would be of significant interest and purpose if a clause in technology transfer via compulsory training and development is entrenched in the economic and trade agreements between Nigeria and China.

8 Attempts to compromise the benefits of Foreign Direct Investment should be persistently resisted by the Nigerian Government through active engagement and negotiation with the Chinese government and investors. Good governance and stable macro-economic environment in Nigeria is a necessary tool to promote productivity and sustainable investment.

9 The Raw Material Development Council (RMDC) should see to compliance of local content requirements, in terms of human and physical materials by all firms especially the foreign ones.

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