
Nigeria-China Relations: Gains and Challenges

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ABSTRACT

China's emergence in Nigeria has been of interest to many. Its re-emergence is seen as a combination of optimism, concern and puzzlement. There is intense debate generally by this re-emergence which centred on two core issues; what motivates the present engagement and what are its implications for Nigeria's development? However, many have argued that the engagement is apparently meant to repeat what western countries did decades ago when they exploited Nigeria's resources and governed same. This had led to many questions whether China is a new colonizer, an exploiter or a partner in development. While there is no one-to-one way to disparage this, the fact remains that China sees African continent and Nigeria in particular as a new investment frontier and politically. China is keen on exploring the opportunities the continent presents and prepared to continue giving development assistance to African countries. This paper presents China's emergence in Nigeria as a potential gain in areas such as providing alternative market, infrastructural development, and investments in telecommunication, satellite and so on. However challenges abound such as the flooding of cheap and sub-standard goods, negating to develop a grassroot based economy, the political will to carry the development aspirations of the people, the institutionalisation of basic structural changes and articulating the rules of engagement. The study concluded that the Nigerian government should encourage massive direct investment and the location of production facilities in Nigeria by the Chinese firms rather than trade relations to correct the imbalance and provide more jobs for Nigerians.

Keywords: Nigeria, China, Gains, Challenges.

INTRODUCTION

The Republic of China is in East Asia. It has a total area of 9,571,300 square kilometres with the world largest population of above 1.3 billion people. While Nigeria, is the most populous country in Africa with over 180 million people and a rapidly growing population Oji-Okoro (2014). The first phase of Chinese engagement with Africa in general began during the Bandung Conference of non-aligned in 1955. There was a substantial improvement in the relationship towards the end of 1950s as a result its worsening ties with the Soviet Union. China then was looking for allies in Africa to establish counter balance weight to soviet hegemony and western imperialism Konings (2007). China's recent economic interests and investments in Nigeria have put its bilateral

relations with Nigeria under scrutiny. As a fact, impacts of Chinese economic activities are being felt in many parts of Africa in general and Nigeria in particular. The areas of impacts include Foreign Direct Investment (FDI), funding for infrastructural development and increasing the prices of Nigerian commodity products and introduction of low-price electronic and telecom hardware products Haros (2011).

China's emergence and re-emergence in Nigeria are presented in historical terms; the 1990s marked an important phase in China's re-appearance in Nigeria. The period was characterised by unprecedented involvement in the country. The relationship was broadened in the areas of trade, investment, development assistance, technology transfer and training. These

areas witnessed increased activities and investments from both Chinese private sector and state-owned enterprises. It was also marked by advancement of development assistance to several African countries. Chinese did not foist itself on Nigerian government like the western colonialists who took up the administrative governance and resources of the country. However, Nigerian leaders considered closer economic and political relations with China as a guarantee for future economic prosperity considering China's accomplishments with a short period of time. Between 1981 and 2015, China reduced the number of people living in poverty from 84% to 15.9% Konings (2007). Also many African nations did not only see China as an economic partner, but also a country which could offer an alternative development model.

Nigeria's first official contact with the Peoples, Republic of China (PRC) was in 1960, when China was invited to Nigeria for the independence celebrations, There the Chinese delegation delivered congratulatory messages from Zhou Enlai and the late Vice –Premier, Marshall Chen Yi. In their message the Chinese leaders acclaimed “the great victory won by the Nigerian people in their struggle against colonialism” (Owoeye 1986:294). Following the establishment of diplomatic ties in 1971, a six man delegation led by the Nigerian Commissioner for Economic Re-construction and Development Adebayo A dedeji, visited Beijing in August 1972 there agreement were reached and signed on economic (trade) and technical cooperation between the two countries (Ogunsanwo 2008:192). The agreement on economic cooperation was open ended. In theory therefore, there was no limit to the number of projects Nigeria could call on the Chinese to implement in the country (Ogunsanwo 2008:6). From 1975 to 1976, Nigerian imports from China totalled US\$69.86 million and US\$140.87 million respectively, while Nigeria's exports to China for these combined years was US\$8.85 million (Ogunsanwo 2008:193). However, throwing money at the problem is not an answer to Nigerian development challenges. If it were, several billion of dollars offered for the past five decades ought to

have positively changed the face of Nigeria. But the Western development partners are not voting with their feet in sectors that are critical to Nigeria economic development.

Nigeria- China relations the Gains

The question which one needs to ask is where Chinese investment in Nigeria is a threat to the country or it is a gain? To answer this one has to take a look conditions Nigeria's foot before signing contracts either for exploration or other economic activities. Secondly, 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 development. It is well known that Nigeria needs infrastructure of all type. China investment is a welcome development to Nigeria (Zheng 2010:271-276)

The Nigerian government was concerned about the adverse trade imbalance in view of declining foreign reserves in 1978. This led to a visit by the Chinese Vice- Premier, Geng Biao in October 1978. After the negotiations, the two countries agreed to cooperate in the fields of agriculture, industry and trade. China agreed to buy palm kernels, cocoa, cashew nuts and cotton as an initial step towards correcting the trade imbalance (Owoeye 1986:302). However, trade statistics showed that the balance had been heavily weighted in favour of China, which imported goods and services, of a value of not more than N39.360 million from Nigeria, as compared with Nigeria's import of N5.388 billion from China in 1996 (Chibundu , 2000:20).

The Sani Abacha government, from (1993-1998) initiated a contact with Chinese government, early during his regime. The Nigerian-Chinese Chambers of Commerce was founded in 1994, which paved way for China Civil Engineering Construction Corporation (CCECC) to win a \$529 million contract to rehabilitate the Nigerian railway system in 1995, thereafter the former premier of China's State Council, Li Ping visited Nigeria in 1997, signing protocols relating to power generation, steel and oil. Due to western nations

sanction on Nigeria, during Sani Abacha's regime, CCECC was unable to complete the Nigerian railway project given to them. Li Ping's protocols were barely implemented, it was until Olusegun Obasanjo returned to power as the elected civilian president in 1999, and the start of new China's orientation to Nigeria began in 2000 (Chebundu,2000:27). Additionally the China new focus to Africa countries has equally influence the two giant's trade relations. In October 2000 the first ministerial conference of the Forum on China-Africa Co-operation was held in Beijing, senior Nigerian representatives were in attendance. In the same year tender award was given to CCECC to build 5,000 housing units for athletes participating for the eighth annual All-African Games in Abuja, which were duly built. In 2001 the two countries signed an agreement on the establishment of Nigeria Trade Office in China, China Investment Development and Trade Promotion Centre in Nigeria. From 2003 to 2007 the Nigeria-China relations intensified further, President Hu Jintao and Prime Minister Wen Jiabao of China both visited Nigeria while Obasanjo visited China twice. In 2006 the inter-governmental Nigeria-China investment Forum was founded and it increased the growing number of Chinese companies in Nigeria projects. Chinese multinational company's MNCs won significant contracts in Nigeria, particularly in telecommunications, construction, transportation and power. However the volume of Chinese manufactured goods exported to Nigeria increased substantially, by the end of 2008 according to the Chinese Ministry of Commerce, the total volume of Chinese investment in Nigeria is about \$6 billion (Oji –Okoro, 2014: 2).

More so, according to Oji-Okoro, (2014) Nigeria is the largest recipient of FDI in Africa. FDI inflows have been growing enormously over the course of the last decade from \$1.14 billion in 2001 to \$11.5 billion in 2009 according to UNCTAD, making the country the nineteenth greatest recipient of FDI in the world. As China seek [sic] to expand its trade relation with Africa, she is becoming one of Nigeria most important source of FDI from \$3 billion in 2003, China's direct investment in Nigeria is reported to be now worth about \$10 billion.

Recently in 2013, the Chinese government has invested \$1.1 billion in Nigeria's infrastructure, in the form of low-interest loans. The loans will be used in the construction of four airport terminals in the country and a light-rail line in the capital city Abuja, with an additional \$1.7 billion contract that the Chinese companies won to construct road in the country. However, the question is, why is China investing so heavily in Nigeria? Analyst has argued to the fact that the country is one of the largest oil-producing countries in the world and statistics has shown that oil and gas sector receives 75% of China's FDI in Nigeria. China is investing in raw material deposits overseas, and is multiplying its trading partnerships in order to secure regular supplies.

China outward FDI flow has been on the increase in the past 7 years, its relations to Nigeria is closely linked to trade and development assistance and has increased by 30 percent per year and ranked second after South Africa among the ranks of Africa host countries for Chinese FDI between 2003-2009.

According to Adekola, (2013) Nigeria obviously has everything to gain by evolving a strategic partnership with China. For instance, Nigeria "would be better off to copy the Chinese character epitomized by discipline, purposeful leadership and deliverability" (Daily Independent, Monday, Nov. 6, 2006). The process of economic development and liberalization embarked upon by China which has turned her into an investment magnet and one of the most competitive markets in the world, should be very instructive to Nigeria. Like in the words of Amadu Sesay (2008), at a public forum, he inferred that, "If the Chinese can close up and make a lot of progress...with humility and proper focus, is it not possible for Nigeria to close up, especially in this era of globalization?" It is thus plausible that an improved investment climate in Nigeria would ultimately guarantee a reliable supply of resources and further unlock vast potentials in the labour market.

According to studies by Ayoola,(2013), Emordi & Osiki,(2009) The perceptions of stakeholders on the effect of Nigeria – China trade relations on the Nigerian economy 89% of the

respondents believed the trade relations will have a positive effect on the Nigerian economy. In recent years, Nigeria has become one of China's most important telecoms market. The two largest players in the country are the state-owned Zhong Xing Telecommunication Equipment Company (ZTE) and Huawei. The key advantage of the Chinese companies is their competitive pricing; Huawei officials say its prices are 5 to 15 % lower than those of its chief international competitors, Nokia and Ericsson. ZTE's prices are said to be 30 to 40 % lower than European telecom companies. Established in 1985 as an electronics factory affiliated with the Chinese Aerospace Ministry, ZTE is now China's largest listed telecommunications equipment maker and its second biggest telecom gear vendor after Huawei. ZTE entered the Nigerian market in 1999 and has a handset factory in Abuja and offices in seven different cities (Lagos, Ibadan, Port Harcourt, Kaduna, Bauchi, Jos and Maiduguri). In 2005, ZTE won a contract with Nigeria's main telecommunications operator, Nitel, to expand the country's CDMA wireless communications network across seven north-eastern states. It also signed a contract to provide 13 000 CDMA terminals and handsets to Nitel. In December 2010, the Nigerian government awarded ZTE a USD 400 million contract to build a national security communications system, with financing provided by China's Exim bank. (Egbula, 2011: 2).

The Lekki Free Trade Zone (LFTZ) occupies a total of 165 square kilometres (16 500 hectares) on the Lekki peninsula, which is about 60 kilometres southeast of Nigeria's economic centre (central Lagos). The zone is administered through a joint venture between the Lagos State government; Lekki Worldwide Investments, a private company established by the Lagos State government; and China-Africa Lekki Investment Ltd., a consortium of four Chinese enterprises that includes the China-Africa Development Fund. The Chinese consortium assumes 60% ownership, and the Lagos State government and LVM each hold 20% equity. Initially, the Chinese investors were to provide USD 200 million in funding, while LVM was to inject an additional USD 67 million. The Lagos State government was responsible for providing land and

infrastructure as well as relocating and compensating villagers displaced by the project. Construction is underway at the LFTZ, with the 30-square-kilometre (3 000 hectares), USD 5 billion Phase I project scheduled for completion in 2014. Developers intend for the zone to specialise in transportation equipment, home appliances, telecommunications, textiles and other light industries. The site will also include real estate operations, media centres, hotels and recreational facilities. By late 2009, the Lekki zone developers concluded Memorandums of Understanding with at least 20 interested companies, 20-30% of which were Chinese. China's CSCEC has been contracted to build an oil refinery on the premises, and there are plans for a deep-water seaport within the zone and a new international airport nearby. Besides being the largest in West Africa, the Lekki Free Trade Zone is remarkable in the amount of local involvement in the management of the zone. Most African partner governments own only a small share in the co-operation zones and play little or no role in operating them. With a 40% stake, the Nigerian investors have taken a more active role in the Lekki project, and Nigerians hold some of the key management position (Egbula, 2011: 4). Another area of economic relations is on Agricultural aids, While China as a rule does not release detailed information on which countries receive which forms of aid, one definite area of co-operation between China and Nigeria is agriculture. Experts from China are training Nigerian farmers on technologies and techniques to boost production. A South-South Co-operation initiative between China, Nigeria and the Food and Agricultural Organization (FAO) aims to send 500 Chinese experts to Nigeria to help improve food production and water management. More than 400 experts have already travelled to Nigeria to work on the construction of small earth dams. In July 2011, Nigeria and China signed an agreement to boost agricultural co-operation in order to enhance food security in both countries. More Chinese technology and expertise will be deployed with the primary aim of boosting the production of cash crops, such as cocoa, soybeans and palm oil, all of which are in high demand in China. Furthermore according to Cody,

(2007) China's space cooperation provided the Nigerian Communication Satellite, or NIGCOMSAT-1, which was launched by a Long March 3-B rocket from the Xichang Satellite Launch Center in southwest China's Sichuan province early Monday, Xinhua said. The launch was part of a \$311 million deal signed by China and Nigeria in 2004, and the satellite will be used to expand cell phone and Internet services in central Africa, Xinhua said. China has been commissioned to send about 30 foreign satellites into space and signed several contracts offering commercial launching services for foreign satellites, including one with Venezuela. While it is clear that China represent benefits to Nigeria and an engagement with the new industrial giant is welcome, any engagement should be qualified and critically assessed. Though China is visibly an opportunity for gains, the challenges is on how to response to the emerging gains, the challenges is on how to respond to the emerging giants. Available evidence suggests that the Nigerian government and China Company, the North China Power Engineering Company, have signed a \$110 million power transmission agreement. The deal was for the construction of a 268 km transmission line from Jos to Makurdi as part of the National Integrated Power Project (NIPP) , the motive is to expand the transmission network in Nigeria(Emordi & Osita 2009:84)

Challenges of Nigeria–China Relations

Based on study by Ayoola, (2013), Emordi & Osiki, (2009) 99% of the respondents believed that the greatest challenge faced by the Nigerian economy is in respect of the sub-standard nature of the Chinese goods being imported into the country. In terms of the lack of competitiveness of Nigerian goods with China made- goods, power failure, shortage of affordable credit to procure input and multiple taxation ranked first, second and third respectively as the factors responsible for the un-competitiveness of the Nigerian products. All the respondents agreed that local manufacturing firms must be protected through tariff and subsidies against the invasion of sub-standard, subsidized foreign products. Nigeria might rethink its cooperation with China and exclude them from

lucrative trade deals and free trade zones, which allow Chinese businesses to cheaply establish bases in Nigerian cities.

There is the problem of Chinese companies bribing their way to winning contracts, thereby undermining the war against corruption in the country and hampering Nigeria's development (Jimam2009:181) China has helped to spur Nigeria's economic growth but more can still be achieved. What is missing is a lack of strategic engagement on a long term basis that would have a broader impact on poverty alleviation in the country. This raises two main concerns: 1. the resource rich Nigeria which ought to have a greater leverage in dealing with the Chinese have not converted this into a strong negotiating power. 2. The African Union (AU) has been unable to coordinate Nigerian engagement In addition, the economic policies embarked upon by various Nigerian governments have made it impossible to prepare local industry for competition, today, many of these industries have not been able to have their products compete with the ones produce in China or elsewhere.

While Nigerian entrepreneurs in small and medium sized enterprises have benefited from the informal and formal linkages with Chinese business network, this will have to be complemented by making doing business easy and exports procedures easier. But taking the advantage of this will be a mirage if Nigeria still wants to remain an exporter of natural resources.

CONCLUSION

Like many other African countries, Nigeria has embraced China as a partner in the quest to create a global order where the security of one is the security of all and the prosperity of one is the prosperity of all an option that is believe to create a "win-win" outcome. The relations between the two countries have witnessed a number of Chinese investments, conclusion of a number of bilateral agreements. The relations between the two countries politically have been reciprocal but the excessive trade imbalance in favour of China has been the nature of the China –Nigeria relations. In this regard, Nigeria must take advantage of this bilateral interaction to improve on its domestic

economy by a balance of legitimate interest in line with the tenets of the interdependence theory. Nigeria stands to gain from the Chinese model of growth, the Nigeria government needs to operate from the position of strength and impose tariff on China's good in order to provide level playing ground for the Nigerian entrepreneurs to operate effectively.

One fundamental issue is that Nigerian government, policy makers and intellectual should look inwards by investing in the educational sector to make it a world class one, where there will be effective training in the fields of science and technology to enable Nigerians operate as major players to meet up to the challenges of globalization.

RECOMMENDATIONS

There is need for the Nigerian government to encourage massive direct investment by Chinese companies in Nigeria which is capable of correcting the serious trade imbalance.

1. China should be encouraged to set up production facilities in Nigeria, which in turn will create more jobs for Nigerians, contribute to the development of GDP and the economy.
2. Nigerian government and Nigerians should learn from China in the areas of building human and physical infrastructure, granting manufacturers access to cheap credits and technologically advanced production system.
3. Nigerian government should adopt strong anti-dumping policies against fake and sub-standard goods from foreign companies and multiple forms of taxation should be abolished.
4. Nigerian government should build the export capacity of Nigerians by building Nigeria competitiveness in global markets through the provision of technical assistance and transfer of expertise from China.
5. The government should protect local industry because real economic growth can only be sustained with a vibrant

manufacturing sector than a vibrant trading environment.

6. The Nigerian government should diversify the economy by utilizing the non oil sectors rather than over relays on oil

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