An Assessment of Nigeria-China Economic Relations from 1999-2014

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Abstract
Nigeria and China established diplomatic relations in February 1971, relations between these two countries had blossomed over the years. This was made possible with the high level of visits and the conclusion of a number of bilateral agreements between the two countries. The bilateral relations progressed from political engagements to intense economic penetration of the Nigerian economy. China seemed to be driving the relations because there had been the issue of excessive trade imbalance in favour of China, poor infrastructural development of facilities in Nigeria which have hampered it from competing favourably with China. This paper looked at the historical overview of these relations, assessed the impact of the Chinese penetration of the Nigerian economy and the challenges faced by both countries in the pursuit of these economic relations. Finally, it provided ways of enhancing the relations between the two countries.

Introduction
The Peoples’ Republic of China is sometimes referred to as a modern day miracle and continues to draw the attention of the entire world for the remarkable
progress it has made in economic development. In 1980, China joined the World Bank and the International Monetary Bank, since then more foreign investment came in. As it steered its economic recovery, China’s foreign policy stressed the development of friendly relations with other nations paying little regard to their social systems or ideological orientation. The principle of peaceful co-existence was reiterated as the basis for its foreign relations (Muekalia 2004:2).

With Deng Xiaping’s reform policies of the 1970s and 1980s, China’s dramatic growth and modernization and attendant industrial, energy and market expansion needs brought it into greater contact with Africa (Utomi 2009:2). This new expanded presence offered a partnership seen by Nigeria as an alternative model to Western relationships mainly from Europe, America and Canada. This resulted in the establishment of diplomatic relations at ambassadorial level in 1971 (Utomi 2009:2), and since then it has achieved a smooth and steady development. In May 1999 when Nigeria returned to constitutional democracy, President Obasanjo visited China twice in 2001 and 2005 respectively with his Chinese counterpart reciprocating both visits. China and Nigeria have also signed a number of agreements on trade, economic and technological cooperation as well as on investment protection (Nuhu 2012:8). In 2004, the volume of trade grew by 17.6 percent, with Nigeria’s exports to China registering a growth of 330 percent. China’s main exports to Nigeria are light industrial, mechanical and electrical products. China’s main imports from Nigeria are petroleum, timber and cotton (Akongbowa 2009:9).

As a resource rich country, Nigeria’s economic performance has been driven by the oil and gas sector (Ogunkola 2008:7). The agricultural sector has been neglected leading to food imports. The decline in the performance of the agricultural sector has been dramatic since the discovery of oil. The manufacturing sector has not performed even better. It has been recognized that sustainable development of the Nigerian economy rests on the diversification of the economy away from oil and gas to non-oil sector and this should be based on the country’s abundant resources and comparative advantage (Ogunkola et al 2010:68).

Statement of the Problem

Nigeria has since 1971 maintained diplomatic relations with China but it seems that the benefit accruing from the relations have always favoured China. In the area of trade, China exports more to Nigeria resulting in huge trade imbalances to its favour. For instance, China’s total imports to Nigeria in 2005 were valued at US$2.3 billion in contrast to Nigeria’s export to China within that same year valued at US$503.9 million with export of mineral fuel accounting for about 90% of total exports (world Integrated Trade Solution Database, 2007).
Also, the expansion of Nigeria’s economic interactions with China is constrained by the inadequacy of the industrial infrastructure for the promotion of relations (Samuel 2010:73). Nigeria’s underdeveloped infrastructure is often seen as one of the major impediments to economic development, and successive governments have made concerted efforts to rectify the situation (Egbula and Zheng 2011:14).

Theoretical Framework

The arguments of this paper are largely framed on the dependency approach, drawing on the works of Lenin, Emmanuel, Santos and others. The dependency theory builds on Lenin’s theory of accumulation but goes beyond it to account for changes that have occurred since Lenin first wrote his Marxist interpretation of Capitalism as a cause of inequality and domination (Kegley 2007:145). These scholars defined dependency as a situation in which accumulation of capital cannot sustain itself internally. A dependent country must borrow capital to produce goods: the debt payments then reduce accumulation of surplus (Goldstein and Pevehouse 2009:289). The development or lack of development of a third world state depends on its local conditions and history, though it is affected by the same global conditions as other countries located in the periphery (Goldstein and Pevehouse 2009:289).

Theotonio Dos Santos (1970), “assumed the form of dependence when some countries (the dominant ones) can expand and can be self-sustaining, while others (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development”. Hence, dependency is seen as resulting from a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. Dependent countries are vulnerable to penetration by outside forces. Foreign investment—whether private or in the form of aid from other governments is also an instrument of penetration (Kegley 2007:146).

Also, the theory of unequal exchange advanced by Classical Marxist scholars is used to explain the unequal economic relations between a developing economy like Nigeria and a developed economy like China. The theory of unequal exchange in the sphere of international trade between developed and underdeveloped countries asserts that the developed countries get higher value of the labour inputs of their products (because these countries use superior technology and produce at a large scale whereas the developing countries get lower value of the labour inputs of their products (because these countries use inferior technology and produce at a small scale) (Udeala 2010:72).

Emmanuel (1970:10), propounded the theory of unequal exchange in international trade between the Centre (Developed Countries) and the Less Developed Countries, which has led to the exploitation of the latter by the former. According to
him, unequal exchange occurs when two unequal countries produce two different commodities so that they are not in direct competition with each other. Since wages are low in LCDs, the cost of production is also low, and so is its price. On the other hand, wages being higher in DC, the cost of production is high, so is its price. Thus, the commodity of LCDs being cheaper than that of DCs, engenders unequal exchange in trade between the two. Emmanuel’s theory is based on Marx’s theory of ‘prices of production’ for the determination of international prices and technological changes in production. He believed that the main reason for economic inequality between the South and the North lies in differences in techniques of production and differences in wages which leads to unequal exchange in trade.

The relevance of the dependency theory and, to a large extent, the development theory to this study is that the defining features of the developing countries are their dependency and underdevelopment, which is derived from the unequal manner in which they have been incorporated into the periphery of world capitalism (Udeala 2010:73). Focusing on Nigeria’s bilateral economic relations with China, dependency theory will enable scholars explore how Nigerian leaders can effectively use the nation’s foreign policy to construct a self-reliant society, though, the failure of the leadership to conduct a foreign policy for economic development and the inappropriate path pursued by these leaders are blamed for the country’s continued state of dependence and underdevelopment in Nigeria (Udeala 2010:73).

Evolution of Nigeria-China Economic Relations

Nigeria’s first official contact with the Peoples’ Republic of China (PRC) was in 1960, when it was invited to the country’s independence celebrations. The 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” (Owoeye1986:294). Nigeria seemed to have reciprocated this gesture when, on gaining admission to the United Nations (UN) later that year, it supported PRC’s membership in the world body(Owoeye1986:294).

Following the establishment of diplomatic ties in 1971, a six man delegation led by the Nigerian Commissioner for Economic Re-construction and Development, Adebayo Adedeji, visited Beijing in August 1972, where agreements on economic and technical cooperation, including trade, was signed between the two countries (Ogunsanwo 2008:192). The trade agreement was hardly significant as it had no impact on the largely unregulated import of Chinese goods that had been entering Nigeria for years and was to become impossible to control in the years ahead (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 2007:6).
In 1975 and 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). 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).

The Sani Abacha government diplomatically commenced the steps that drew China closer to Nigeria. The impact of sanctions imposed by the United States and its Western Allies on Nigeria by 1995 because of its human rights abuses led the government to look “East”. 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).

Regrettably, the balance of trade continued to be in favour of China. It however, became a major concern to the Federal Government of Nigeria and it was therefore, the considered opinion in government circles that the balance of trade could be considerably bridged if China was to adopt a deliberate policy to import directly (without third parties) such agricultural products as cocoa, palm kernels, palm oil, beniseed, cotton, wood etc which were in abundance in Nigeria (Chibundu 2000:38). Besides, Chinese enterprises could invest with or without Nigerian partners in food and raw material production, livestock and fish production, establishment of plantations etc in the agricultural sector. There were also opportunities for Chinese investors in the solid mineral sector: coal, petroleum, gas, lead, tin etc which remained insufficiently tapped in Nigeria. It was for these reasons that the government promulgated the Nigerian Investment Promotion Commission Decree No. 16 of 1995 to further liberalise the investment environment in Nigeria. Under this Decree, a prospective foreign investor can now invest wholly or in partnership with a Nigerian counterpart and participate in the operations of any enterprise, except for very few in the exclusive list reserved by the government for serious reasons (Chibundu 2000:38). In December 1995, the Nigerian Federal Ministry of Transport signed an agreement with the China Civil Engineering Construction Corporation for the rehabilitation of Nigeria’s railway at a cost of US$529 million, which included the supply of coaches, locomotives, wagons and guard vans, as well as restructuring of rail lines, unfortunately, the job was not completed on target date because Nigerian contractors did not supply track materials within the stipulated period. This was followed in May 1997 by agreements on oil cooperation. At that time, the Chinese
expressed interest in purchasing Nigerian crude oil for blending purposes and to participate in the petrochemical industry (Chibundu 2000:27).

In 1999 and 2001, Olusegun Obasanjo visited China and as a result of these visits, a number of trade, economic, technical, scientific, technological and investment protection agreements were signed by both countries (Abua, 2004). To consolidate existing bilateral relations between the two countries, the Chinese President Hu Jintao paid a two-day official visit to Nigeria on the 28th April 2006. President Jintao and his Nigerian host signed a Memorandum of Understanding (MOU) on petroleum cooperation (Udeala 2010:66). This deal provides for substantial Chinese investment in the Nigerian oil industry. As part of the agreement, Nigeria granted China four drilling licences in exchange for commitments to invest US$4 billion in oil and infrastructural projects (Udeala, 2010:66). This agreement took place weeks before the end of his second term (The Report, 2010:95).

During President Umaru Yar’Adua’s visit to China in February 2008, both countries agreed to pursue a strategic partnership in power and energy as well as in transport infrastructure (Adeniyi 2011:136). Many financial agreements were also concluded. These include US$500 million concessionary loan for projects to be identified by Nigeria, construction of a hospital in Abuja to be facilitated by a US$4.2 million for the construction of China-Nigeria Friendship Cultural Centre in Abuja (Okeke 2008:4).

President Goodluck Jonathan has also maintained strong relations with China. Chinese companies have been awarded contracts in the Nigerian economy. The Vice-President of Nigeria, Namadi Sambo, said, “The government has invested over $10 billion on the generation, transmission and distribution in the power sector. And over US$2 billion has been invested in the rejuvenation of the rail system in Nigeria” (This Day, August 27, 2010). The construction of Papalanto power gas turbine plant in Ogun State was awarded to a Chinese consortium SEPCO while the rejuvenation of the rail systems was awarded to the China Civil Engineering Construction Company (CCECC) (Ogunkola 2008:126). More so, the relations between the countries have continued to wax stronger. Though, the trade volume between Nigeria and China stood at over N1 trillion in 2012 with a deficit of N270 billion against Nigeria (Businessday wed 20th August 2014).

Nigeria-China Economic Relations: An Assessment

Nigeria’s exports to China include food, animals, crude materials, oils, chemical products and manufactured products (Zenith Quarterly 2010:72). In 2000, four broad commodities were exported totalling US$307.3 million, with the main export commodity being mineral fuel and lubricants which represented US$273.7 million followed by crude materials which totalled US$33.3 million, others such as
vegetable oil, wax, fats totalled US$0.1 million, while food and animals totalled US$0.2 million. While Nigeria’s exports to China increased from US$307.3 million in 2000 to US$526.9 million in 2005, China’s share in Nigeria’s total exports fell from 1.5 percent to 1.2 in 2005 (Zenith Quarterly 2010:73).

Also, Nigeria’s total imports from China increased from US$5.3 billion in 2000 to US$17.7 billion in 2005. In 2005, imports of machinery and transport equipments which totalled US$1229.7 million ranked first followed by manufactured goods which totalled US$566.0 million, miscellaneous manufactured goods totalled US$290.1 million, chemicals totalled US$174.6 million, food and animals totalled US$29.8 million (Zenith Quarterly 2010:73).

According to Bukarambe (2005:20) “from the time when actual functional contacts began, the pattern has been such that China exported manufactured and industrial items to Nigeria and imported unprocessed agricultural and mineral items from it. As time went on, China added mechanical and human expertise and investment capital to the list of items it exports to Nigeria”. He further asserted that, “the continuation of the trend uninterrupted, unaltered and unabated indicate that China had a net industrial and developmental advantages over Nigeria from the beginning and the imbalance remained”.

However, the implication from this trade analysis is that the Sino-Nigeria trade which has increased since both countries started relations has largely been export of primary products to China and import of finished products to Nigeria, particularly, as Nigeria lacks the technological know-how to produce the finished goods (Akongbowa, 2008:16).

For China these advantages have been widening trade imbalance in her favour, access to large Nigerian domestic market with penchant for imported goods and avenue to invest heavily in underdeveloped sectors of the Nigerian economy.

Also, China has undertaken to reduce the average tariff on agricultural imports from 22% to 15% and eliminate export subsidies and non-tariff barriers to the import of several important agricultural goods. However, this initiative was not taken seriously by the Nigerian government (Kwanashie 2007:7). The failure of the cassava initiative by the Obasanjo’s government is a sad example. Farmers were encouraged to plant cassava but government did little in promoting the initiative (Kwanashie 2007:2).

China has set up over 30 solely owned companies or joint venture in Nigeria actively involved in the construction, oil and gas, technology, services and education sectors of the Nigerian economy (Olugboyega, 2010). Some of the wholly foreign owned investments are: ZTE Nigeria Investment limited, Plas Alliance Company, Royal Motors Company limited etc. some of these Chinese investments have also
benefitted from incentives in the country such as pioneer status and expatriate quotas (Ogunkola 2008:20).

According to UNCTAD (2008), Nigeria accounted for over 80 percent of about $7 billion inflow to West Africa and this was dominated by Nigeria’s oil industry, these inflows mostly originated from China. In 2007, the China National Offshore Oil Company (CNOOC) limited made payments for a 45% stake in the Akpo oil field (UNCTAD, 2009), with expected production of 225,000 barrels of oil per day. The total deal offered to CNOOC was worth US$2.7 billion (Abbah 2006:55). Subsequently, Chinese National Petroleum Corporation (CNPC) received the license for four oil blocks-OPL 471, 721,732 and 298 in return for a commitment to invest US$2 billion to rehabilitate the Kaduna oil refinery. President Musa Yar’Adua’s inquiry into the oil block auctions in 2007 was strongly critical of the oil-for-infrastructure approach. The investigative committees report questioned the conduct of the bidding rounds and the awarding of blocks to bidders who were well connected but had little industry experience (Egbula and Zheng 2011:11). Secondly, the committee said the system had been abused, with the Asian multinational oil corporations gaining access to high potential oil assets but failed to deliver on the promised infrastructure projects. With contracts cancelled or suspended, this resulted in a deep set-back for this Chinese oil company (Egbula and Zheng 2011:11).

In the information and communication technology (ICT) sector, the development of the national backbone infrastructure occupies a prominent place. Nigeria’s first communication satellite NigComSat-1 received financing from China Exim Bank. The Nigerian Communication Satellite (NIGCOMSAT-1) was launched in 13 May, 2007 at the cost of $256m, out of which China Export Import Bank gave a loan of $200m and offered to control and managed it for two years. Unfortunately, due to solar power assembly problems, the satellite was de-orbited on November 10, 2008. The Chinese authorities quickly commenced replacement of the satellite at no cost to Nigeria (THISDAY, Sept. 16, 2010, 30).

The Chinese Civil Engineering Construction Corporation (CCECC) was awarded the contract for the modernization of the Nigerian one track rail line to standard gauge rail project (Siaka 2009:5). In October 2006, the Nigerian government signed a US$2.5 billion loan facility with China, a substantial part of which was used to finance the refurbishment of the railway system (Emeje 2006:33). The contract for the first phase covered 1,215 kilometres of double track standard gauge line from Lagos in the southwest to Kano in the northwest with a branch in Minna and Abuja was signed. The railway modernization and expansion project when completed will be able to run 36 trains per day from Lagos to Kano (Tamn 2009:161).

The China Exim Bank is partly funding thermal power stations in Nigeria. By the end of 2006, China was providing US$3.5 billion toward the construction of six
major hydro-power projects amounting to some 6,000 megawatts (MW) of installed capacity (*Thisday*, August 27, 2010, 9). The five thermal power stations handled by the Chinese are: Ughelli, Geregu, Papalanto, Alaoji and Omotosho power plants through a credit facility repayable in 12 years. It is also to develop financial and technical support for two new hydropower plants at Zungeru and Mambilla in northern Nigeria (*Thisday*, August 27, 2010, 9).

In the manufacturing, the Chinese investment has been in the textile sector, but has manifested itself to large investment in industrial processing zones in a number of states in Nigeria e.g Ogun and Lagos states, which consist of 100 firms engaged in the light to medium manufacturing activities including footwear and rubber production, ceramic processing, furniture production and household appliances (Ogunkola 2008:105). These activities promised to generate employment to different categories of Nigerians.

The importance of the investment and technical cooperation with China to Nigeria cannot be over-emphasized as they are targeted at those sectors- power, communication of the economy that particularly require such interventions. They are also areas in which China has developed appreciable expertise from which Nigeria can draw immense benefits.

**Challenges of Nigeria – China Economic Cooperation**

One of the major challenges is the present state of infrastructural facilities especially in the areas of power, rail network systems and communication in Nigeria which is very poor and if urgent steps are not taken to address these, it may get worse. And until Nigeria rises up to these challenges, foreign investment inflow will continue to elude the country.

Another challenge is the wide trade imbalance that continues to be in favour of China. In 2005, the total value of trade between Nigeria and China was US$2.5 billion. Out of this Nigeria made only US$400million while China’s share amounted to US$2.1 billion (Alli 2007:5). With the great need of the Chinese for agricultural raw materials which the Chinese need, it is already clear that Nigerian government should intensify efforts to promote industrial and agricultural production and their export to China (Alli 2007:5).

Attempts by Nigeria to participate in global economy has to a large extend been stifled by poor technology. As a result China has become its best partner in terms of technological transfer. However, concern has been raised over the role of China in this regard (Akongbowa 2008:18), increasingly, the technology transferred from Chinese FDI is insignificant because most of the Chinese firms bring into the country complete equipment with Chinese technicians. This was the case with the Zamfara state government. The government signed a US$250 million agreement for
the construction of three new processing and smelting factories in the state. Under the joint venture projects, Chinese companies had 90 percent in each of the joint venture projects while the Zamfara government had 10 percent. The Chinese firms will design the projects, select appropriate technology, buy all the equipment, install and run them while Zamfara government will provide land, acquire both exploration mining licenses, provide security for the Chinese investment and employ 5,000 local miners (Thisday July 7, 2010, p.70).

China has complained about the high rate of insecurity arising from pronounced social violence. There are instances of kidnapping of foreign investors, properties and investments of foreign investors come under direct attack. For instance, oil bunkering and the destructions of oil installations in the Niger-Delta region. This endless insecurity in Nigeria which ranges from ethnic conflicts to religious clashes will no doubt overshadow whatever incentives that the Nigerian government may provide to attract foreign investment. In April 2006, the Movement for the Emancipation of the Niger Delta condemned China for its multi-billion investments in oil fields in the South of Nigeria. The group warned that Chinese investors would be treated as “thieves” and threatened new attacks on oil workers and infrastructure (Jonathan 2009:15).

Conclusion

Like many other African countries, Nigeria has embraced China as an economic partner. This has been made possible through the regular meetings and exchanges at the head-of-state and ministerial levels where both countries have affirmed their commitment to broadening economic relations. The relations between the two countries have witnessed a number of Chinese investments, conclusion of a number of bilateral agreements. While a lot of positives are discernible in the relations between the two countries, the issue of excessive trade imbalance in favour of China has persisted. In this regard, Nigeria must take advantage of this bilateral interaction to improve on its domestic economy by being an exporter of finished goods than a mere producer of raw materials for China. Otherwise the pull of imbalance would continue to work against Nigeria.

Recommendations

Nigeria should create an enabling business environment to encourage Chinese and other investors. It must address basic infrastructural impediments such as provision of electricity, transport and better telecommunication facilities.

Nigeria can learn from the trend of reform in China and create policies in such a manner that the economy of Nigeria becomes the focus of development. For instance, during the Chinese years of reform, foreign direct investment inflows to
China were subjected to various rules and regulations including extensive plans on
technological capacity building of Chinese, stringent local content requirements.

Nigeria should use China’s thirst for oil to extract concessions in areas vital
to Nigeria’s interest. China should be encouraged to strengthen and improve its co-
operation with Nigeria in engineering projects and technological cooperation.

Nigeria should identify and systematically develop areas it has comparative
advantage over China in order to maximise benefits from this trade.

Nigeria should undertake a comprehensive overhaul of its foreign policy and
use it for the aggressive pursuit of economic security and mutually beneficial
international cooperation bilaterally and internationally.

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