

**NIGERIA-CHINA ECONOMIC RELATIONS, 2007-2015**

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**DEPARTMENT OF HISTORY AND INTERNATIONAL STUDIES  
FACULTY OF ARTS  
UNIVERSITY OF BENIN  
BENIN CITY.**

**SEPTEMBER, 2023.**

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**A PROJECT SUBMITTED TO THE DEPARTMENT OF HISTORY AND  
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## **CERTIFICATION**

This is to certify that this project was carried out by **ARCHIBONG BLESSING UDOH** with matriculation number **ART1901026** in the Department of History and International Studies, Faculty of Arts, University of Benin under my supervision.

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**Date**

## **DEDICATION**

This Project is dedicated to the God Almighty for his unending love, guidance, protection and provision throughout my stay and study in University of Benin, Benin City.

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## CHAPTER ONE

### BACKGROUND TO THE STUDY

#### Introduction

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.<sup>1</sup>

Nigeria's first contact with the people's republic of China (prc) was in 1960, when she was invited to the country's independence celebration. Nigeria which had consistently voiced its willingness to formalize ties with People's Republic of China did so on 10 February 1971. This Nigeria's first contact with China is designated as the "era of

informal ties" 1960-1971.<sup>2</sup>

Nigeria established relations with China in February 1971 and has since then maintained good relations with her. However, Kwanashie argued that the Sino-Nigeria economic relationship if properly managed by Nigeria is capable of enhancing the success of reforms. He maintains that China provides a good source of growth inputs into the Nigerian economy.<sup>3</sup>

Nigeria is endeavoring vigorously to project a new stand of power with China the most astronomical and second biggest economy in the world. The two countries are of geographical and demographic significances in their respective regions. China is ready more than ever before to expand spheres of diplomatic and economic ties in an ever changing world economic and political order Nigeria is a country that cannot be ignored in Africa. Comparatively Nigeria is still a struggling economy while China is both the fastest growing and second largest economy in the world. The present locale of China the world economic system cannot be ignored by a struggling economy like Nigeria. Logically too, in a fast changing world system, China cannot ignore Nigeria in both economic and overall strategic considerations in Africa. Nigeria remains a potential market in the world at any time. Strategically China needs Nigeria to consolidate its new

found relations in Africa, for Nigeria, it is time to widen economic and strategic relations to include China as the leading economy in the 21st century. No doubt the U.S.A is the strongest nation on the world stage, but China is ruling the world economy in the 21st century.<sup>4</sup>

Meanwhile, Salami remarked that China and Nigeria have 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.<sup>5</sup> 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 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.<sup>6</sup>

After former diplomatic relations was established, the friendship grew rapidly. To solidify this relationship, former Chinese president Hu Jintao paid state visit to Nigeria in 2006, addressing a joint session of the national assembly and also signing a memorandum of understanding (M.O.U) on establishing strategic partnership in a number of areas of mutual interest. Today, China is considered one of Nigeria's most dependable allies and partners. It is also one of Nigeria's biggest trading and export partners. A poll in 2014 placed Nigeria as the most pro-Chinese nation in the world with 85% of its citizens approving of Chinese positive influence in the country. This may be why the Nigerian government has seriously expanded bilateral trades and cooperation with China.<sup>7</sup>

### **Aim and Objectives**

The main objectives of this study is to

- i. Examine the foundations of Nigeria-China relations.
- ii. To analyze the impact of China-Nigeria political and economic relations on

Nigeria's economy owing to China's contemporary role on the international scene.

- iii. To examine the opportunity and the challenges of Nigeria-China trade relations

### **Scope of the Study**

This research work covers the history of Nigeria-China bilateral relations but the main focus is on political and economical relations, the impact of this relations on Nigeria's economy and the opportunities and challenges of these relations on Nigeria from 2007-2015.

### **Methodology**

In conducting this research which is an historical one, it is required that a descriptive and analytical method be employed, this will make room for originality and effectiveness in order to achieve a comprehensive and interesting study. Basically, secondary source of data was extensively used in this study. Secondary source of data refers to a set of data authored by another person, usually data from the available data. Also data was generated mainly from internet websites, journals, articles and newspapers/magazines.

## Literature Review

This chapter is a review of a number of literature on the topic and relevant works done by scholars, which will enhance our understanding of Nigeria-China political and economic relations, trends, challenges, benefits and opportunities for the country. The objective is to appreciate the works already done, note the contributions and identify gaps in the literature. It is the gaps identified in the literature that this research work intends to fill.

The first literature to be reviewed is *'Elephant, Ants and Superpowers: Nigeria's relations with China'*<sup>8</sup> by Mthembu Gregory. It 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 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 was considered inferior and substandard and the grand strategy of China in Nigeria especially in the oil sector.<sup>9</sup>

Also Pat Utomi in his work *China and Nigeria*<sup>10</sup> examined the Evolution of Trade and Diplomatic Ties between Nigeria and China particularly up to 2007. Pat Utomi's 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. Although Utomi's work did not look at some important areas such as military, culture, politics etc. His work, is useful in in providing details on the short comings of the relationship between Nigeria-China.<sup>11</sup>

According to Ogunkola E.O in his book *China-Nigeria Economic Relations*<sup>12</sup> 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 concern about a lack of transparency, the new administration cancelled or suspended most of the oil for infrastructure contracts signed during the Obasanjo years.<sup>13</sup> 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 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 newspapers, 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.<sup>13</sup>

More so, Abiodun Alao, in his book, *Nigeria and the Bricks: Trade, Cultural and Military Relations*<sup>14</sup> he said Relation between Nigeria and China have been very cordial and active. Highlights of Nigeria-China relations include a joint commission, several protocols of cooperation and consequent consultations as well as increased people to people contacts between two countries. It is worthy of note to state that there was a recent high leveled official state visit of Mr. President, AMFA and the cabinet ministers to China on July 2013. This state visit awarded Nigeria the opportunity to sign some agreements and memorandum of understanding [MOU] with China 2011 marks historic period of the 40th anniversary of diplomatic relations between Nigeria and China. In June 2002, Nigeria and China signed four agreements on consulate matters, co-operation in the fight against illicit trafficking, the abuse of narcotic drugs Also, the report from the Ministry of Foreign Affairs on Nigeria- China and psycho tropic substances, and the diversion of precursor chemicals. Other agreements include an exchange of notes on the provision of

goods between the two countries and an agreement on tourism and co-operation.<sup>15</sup>

Also, the report from the Ministry of Foreign Affairs on Nigeria-China Economic Relations<sup>16</sup> states that Nigeria and China are two strategic countries in their respective continents, thus, both countries support each other's interest and aspirations in the international arena. Economic relation between Nigeria and China dates back to the early 70's. Economic and commercial activities with China have greatly improved by the end of 2012, trade volume was over USD7.8 billion making Nigeria China's second largest trading partner in Africa. Chinese investments also amounted to USS 8.billion during the same period, cutting across agriculture, oil and gas, solid minerals as well as manufacturing of the agro-allied products. Nigeria and China have signed agreements on trade, economic and technical, scientific, technological co-operation and investment protection.<sup>17</sup>

However, Ogunkola E.O and Adewuyi A, in their book *Nigeria-China trade and economic relations*<sup>18</sup> pointed out the recent developments in Nigeria-China relation which presents Nigeria with both opportunities and challenges. Opportunities to learn from China's growth, development and poverty reduction strategy and maximizing the spill over from China's growth in terms of supply of required inputs and services are important

for Nigeria given the size of Chinese market and its growth trajectory in recent times. The relation with China also provides the country with alternative markets for sourcing inputs for the industrial sector and finished products for consumption purposes. Hence, it has potential of meeting Nigeria's quest for the much needed diversification of markets for Nigeria's merchandise.<sup>19</sup>

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## CHAPTER TWO

### THE FOUNDATIONS OF NIGERIA-CHINA FOREIGN RELATIONS

The people's republic of China was founded and proclaimed on 1st day of October, 1949 and the federal republic of Nigeria emerged as an independent entity from British colonial rule on the 1st day of October, 1960. Nigeria and China therefore shared symbolic day and month of political independence. Beyond the symbolic coincidence of the historic dates, China is the most populated country in the world {with estimated population of 1.5billion), while Nigeria is a country with the largest concentration of blacks in Africa {with an estimated population of 195million}. Although informal relations had existed between Nigeria and China before independence.<sup>1</sup>

Nigeria's first official contact with the people's republic of China (PRC) was in 1960, when the later was invited to the latter's independence celebration.<sup>2</sup> Nigeria seemed to have reciprocated this gesture when, on gaining admission to the United Nations {UN} later that year, Nigeria supported PRC's membership in the world body.

These informal and official contacts notwithstanding, formal diplomatic ties between Nigeria and China were not established until February 10, 1971. After this diplomatic relations had been established, China opened its embassy in Lagos on 6th April 1971

while Nigeria reciprocated in October of the year.<sup>3</sup>

Following the establishment of diplomatic ties in 1971, a six man delegation led by the Nigerian commissioner of 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.<sup>4</sup> 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. The agreement on economic cooperation was open in theory. Therefore, there was no limit to the number of projects Nigeria could call on the Chinese to implement in the country.<sup>5</sup>

In 1975 and 1976, Nigerian imports from China totaled US\$69.86 million and US\$ 140.87million respectively, while Nigeria's exports to China for these combined years was US\$ 8.85million.<sup>6</sup> The Nigerian government was concerned about the adverse trade imbalance in view of declining foreign reserves 1978. This led to a visit by the Chinese vice-premier, Geng Biao in October 1978,<sup>7</sup> after the negotiations, the two countries agreed to cooperate in the fields' agriculture, industry and trade. China agreed to buy palm kernels, cocoa, cashew nuts and cotton as an inimical step towards correcting

the trade imbalance.<sup>8</sup>

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 favor of China, which imported goods and services of a value of not more than N39.360million from Nigeria, as compared with Nigeria's import of N5.388billion from China in 1996.<sup>9</sup> The balance of trade continued to be in favor 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 of China was to adopt a deliberate policy to impact directly (without third parties) such agricultural products as cocoa, palm kernels, palm oils, beni seed, cotton, wood etc. which were in abundance in Nigeria.<sup>10</sup> besides Chinese enterprises could invest with or without Nigerian partners in food and raw materials production, livestock and fish production, establishment of plantations etc. in the agricultural sector.<sup>10</sup>

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 liberalize 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.<sup>11</sup> 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\$529million, 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 agreement on oil cooperation. At that time, the Chinese expressed interest in purchasing Nigerian crude oil for blending purposes and participate in the petrochemical industry.<sup>12</sup>

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.<sup>13</sup> 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 of April 2006. President Hu Jintao and his Nigeria host signed a memorandum of understanding (M.O.U) on petroleum co-operation.<sup>14</sup> This deal provides for substantial Chinese investment in the Nigerian oil industry, As part of the agreement, Nigeria granted China four drilling licenses in exchange for commitments to invest 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.<sup>15</sup>

President Good luck Jonathan has also maintained strong relations with China Chinese companies have been awarded contracts in the Nigerian economy. The vice President of Nigeria, Niamach 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." 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).<sup>17</sup> 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.<sup>18</sup>

### **Nigeria-China Bilateral Relations, 1960-1998**

The government of newly independent Nigeria adopted a broadly pro-western stance and while it did not actively support Taiwan, it also did not seek relations with China. Chinese premier Zhou En-Lai's 10-country trip to Africa in 1963 did not include Nigeria and a Chinese delegation that visited Nigeria in 1964 seeking the establishment of diplomatic ties sent away empty handed unlike other African countries that drew close to China, Nigeria never received gifts of imposingly built sports stadia or government ministry buildings from the Chinese government during this era.<sup>19</sup>

After two years of silence on the matter in September 1968 the Chinese government publicly backed the bid by Nigeria's Igbo-dominated Biafra region to secede from the federation. A statement by Chinese foreign minister Chen Yi at the time linked this support to the Soviet Union's backing of the Nigerian government on the issue, though another factor appears to have been the support given to Biafra's cause by China's key ally in Africa at the time. China covertly supplied the Biafra administration with all small quantities of light arms, souring China's relations with the Nigerian government, but making no discernible difference to the outcome of the war which ended with Biafra's

collapse in January 1970.<sup>20</sup> Formal diplomatic ties were established only in 1971, when Nigeria was in the fifth year of rule by its second military dictator, General Yakubu Gowon and China 22 years after first applying finally obtained admission to the UN. Gowon visited China in September 1974, the first Nigerian head of state to do so, but to little consequence since he was ousted from power ten months later by Brigadier (late General Murtala Ramat Muhammed). He was assassinated in 1976 and Olusegun Obasanjo then the armed forces chief of staff, took over as head of state. Obasanjo became worried at the growing trade imbalance between the two countries as Chinese manufacturing and export capacity increased and high level delegations travelled between the two countries in both directions to discuss the matter in 1978 & 1979.

The visits resulted in China agreeing to a limited aid package for Nigeria including the sending of medical personnel and agricultural experts to assist in the development of new model farms but this did nothing to reverse the trade imbalance.<sup>21</sup> At the same time, the Nigerian Government, like that of most African countries, strongly disputed the link that the Chinese government took during this period over the Angolan conflict. Despite its long- held rhetoric support for "anti- imperialist struggle", the Chinese government had to the outrage of many other African governments, opposed Cuba's intervention on the side of the Angolan government because of China's support for a rival group also

backed by the U.S the frente nacional de libertacao de Angola'. As with Biafra, China's position appeared solely due to its intense rivalry with the Soviet Union, who supported Cuba at that time.<sup>22</sup>

The 1980s and 1990s were a difficult time in Nigeria. Obasanjo left power in 1979 and Shehu Shagari won the ensuing election and became president, lasting until 1983, when he was deposed by Major-General Muhammadu Buhari. Buhari ruled for two years until he too was toppled, this time by Major-General Ibrahim Babaginda. Babaginda held power until 1993. When following a disputed election defense minister Sani Abacha seized power. Abacha proved to be the most brutal and inept of the country's military rulers, presiding over both intensifying economic collapse and ever-worsening state thuggery and there was an unmistakable sense of relief when it was learned in June 1998 that he died, apparently of a heart attack, while in the company of two prostitutes. Abacha initiated contact with the Chinese government early in his rule.

The Nigerian-Chinese chamber of commerce was founded in 1994, the China civil engineering construction corporation (CCECC) won a \$529million to rehabilitate the Nigerian railway system in 1995 {with Abacha's children allegedly on the deal}, and the former premier of China's state of council, Li Ping, visited Nigeria in 1997, signing

protocols relating to power generation, steel and oil. The reasons why Abacha looked east appeared to be similar to those of Zimbabwean president Robert Mugabe a decade later: the need to seek alternative sources of aid and investment following the imposition of sanctions by western nations, plus, perhaps, the shared experience with China of sustained international criticism of their respectively countries human rights records.<sup>23</sup>

### **Nigeria-China Bilateral Relations {1999-2015}**

The Nigeria-China relations gained momentum with the transition from military to civil rule in 1999. As earlier noted CCECC was contracted to rehabilitate Nigeria's railways; however, Ping's protocols were barely implemented, and it was not until Obasanjo's return to power in Nigeria in 1999, this time as a civilian, elected president and the start of China's new orientation to Africa in 2000 that relations between the two countries began measurably to deepen. The first ministerial conference of the forum on China-Africa co-operation was held in Beijing in October 2000. Obasanjo did not attend, but senior Nigerian representatives did, and in the same year, CCECC was awarded a tender to build 5000 housing units for athletes participating in the eighth annual all-African games in Abuja, which were duly built. In 2001, the two countries signed agreement on the establishment of a Nigeria trade office in China and a China investment

development and trade promotion Centre in Nigeria.<sup>24</sup>

Nigeria-China relations intensified further during Obasanjo's second term in office, 2003 to 2007. President Hu Jintao and prime minister Wen Jiabao of China both visited Nigeria during this period and Obasanjo went to Beijing twice. The inter- governmental Nigeria-China investment forum was founded in 2006 and as will be examined more closely in the section on Nigeria-China trade in the oil and gas sector in the next chapter. Obasanjo used his position as his own minister for petroleum to secure several major oil blocs to Chinese companies. The bloc award entails significant infrastructure building commitments from Chinese companies across a range of sectors, adding to their already number of Nigerian projects.

By this stage, the signs were that both Nigeria and China had developed coherent policies towards each other, both seemingly, firmly founded on economic interests on the Chinese side, the evidence suggest the main arms of government policy towards Nigeria were:

- i. To increase China's presence in its oil sector
- ii. To increase Chinese multinational company's {MNCs} Nigerian market share
- iii. To expand the Nigerian market for Chinese manufactured goods.

The Chinese government pursued the policy with rigor and some success. China sources under a third of its oil from sub-Saharan Africa (SSA) and only 3% of the oil China purchases from this region comes from Nigeria.<sup>25</sup> Chinese MNC's won significant new contracts in Nigeria during this period, particularly in construction, telecommunications, power and transport, while the volume of Chinese manufactured goods exported to Nigeria rose dramatically. By the end of 2008, total Chinese investment on Nigeria stood at \$6 billion. Meanwhile, the key element of Obasanjo's policy towards China may best be summarized as oil for infrastructure. Simply put, Obasanjo required that Chinese and other Asian preferred bidders for oil blocs include in their bids a commitment to provide Nigeria with major infrastructure projects.

This appeared to be motivated by the growing frustration and disillusionment of the Nigerian government with the west, together with its irritation with the cumbersome conditionality of western aid and partly because Obasanjo was personally so impressed with the infrastructure he has on visits to China. Another aspect of the policy was to try to improve the quality of Chinese manufactured goods entering the Nigerian market which was widely held within the country to be inferior.

The issue came up time and time again during bilateral meetings between the two

governments. An additional, lesser element of the policy was the procurement of Chinese military equipment to complement the existing sources of hardware for the Nigerian military. There was much talk, though barely an official pronouncement about buying Chinese ships to assist the Nigerian navy in the Niger-delta, and in May 2006, the Nigerian government officially announced the purchase of a dozen F7-7N1 combat aircraft from China at a cost of \$251million.<sup>26</sup>

From 2006 onwards, Obasanjo worked increasingly hard to secure a change in the Nigerian constitution that would allow him a third term in office. His efforts failed, though and instead Yar'Adua was elected president in 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 electoral materials, including ballot papers were made in China. Jonathan led a delegation of Nigerian officials and business men to China on 5th July,

2013 where a number of bilateral agreements were signed. Bilateral relations are likely to make positive advances under the new Jonathan government. China and Nigeria have recorded a total bilateral trade volume of 101 billion dollars from 2004 to 2015.<sup>27</sup>

### **The Need for Nigeria and China Relations**

The Nigeria and China relations is necessitated by economic, political, social and cultural desires. While Nigeria is emulating China's process of development, China is embarking on the game of developed nations, particularly America, perhaps in different dimensions. When China initiated her economic reforms in 1970s, despite the frosty relationship between America and China because the ideological differences America supported and penetrated China with her economic experts for the purpose not just to boost the reforms but to turn China into capitalist economy. America hoped that the benefits of capitalism would encourage the Chinese to agitate for American political democracy and subsequently lead to the doom of communism.

China carefully adopted capitalism without allowing it to penetrate its political system. China opened up for the American multi-nationals to operate and quickly gained American technologies for her benefit. From the mid 1990s China became a unique place where big corporate deals were forged, startup founded, contract inked and technological

frontier. Chinese scientists and engineers were sent to America to acquire greater knowledge. They networked with the Chinese government to assist in the development of China through financial aids and technical know-how.

The Diaspora Chinese moved in their life-saving to support China's effort to fast track its industrialization. With the success recorded, China has unleashed a new and surging business community, comprising entrepreneurial startups, venture capitalist and giant multi-nationals giving strong challenges to US, Japan and Germany. Today, China is one of the world's economic power house and player. China haven captured the world's economic industrial development and improving on the domestic structure has taken the steps known of most industrial economies by fighting for external markets for finished products and sources for raw materials to meet the increasing demand at home. African and indeed Nigeria present China opportunities to actualize its goal.

Initially, China was shut out of Nigeria by Western firms but through political prowess and technological contributions, Chinese firms are getting foothold in the country. On the other hand, Nigeria has realized the means and process China left the country in the same group of developing countries to the status of a developed nation. Nigeria has realized that its numerous agreements and relationships with Europe

amounted to neo-colonialism. The US Agency for International Development (USAID) and the World Bank have fought poverty to no avail and decades of structural adjustment have worsened the condition of Nigeria. Nigeria has come to terms that business-driven entrepreneurial efforts accounted for China's prominence in the global economic system. The country views Chinese diplomacy as providing a new arena for maneuver for an alternative international system in the 21st century.<sup>28</sup>

The Obasanjo regime believed that this can work as it worked for China. The regime was determined to remove the obstacle that hindered entrepreneurial growth and development in Nigeria, to create enabling environment to encourage both local and international business.

Nigeria is attractive to Asian investors who are willing to offer the needed infrastructure in exchange for drilling rights. In exchange for a \$ 4 billion investment on infrastructure, China National Petroleum Corporation (CNPC) was given first refusal rights on four oil blocks.

Nigeria is disposed to China's lending policy which is contrary to what the G8 call "irresponsible" lending by China to Africa and other poor countries. Nigeria believes that the loan if properly utilized will lead to economic growth. China is seeking to diversify

its holding away from the dollar and investment in Nigeria is an avenue to achieve this. Nigeria like other African countries sees China as her protector at the UN Security Council. China has always been on the side of Nigeria even during the military eras when Nigeria was isolated by the Western world. China is favorable to the reform of the United Nations where an African country is expected to assume a permanent seat in the Security Council. Nigeria hopes to actualize this dream through China.

Cultural exchanges are very important for social cultural development of nations particularly at this era of globalization. China like Africa has a very long history of civilization, a tradition of rich culture and art. With the cordial relations existing between Nigeria and China, Nigeria hopes to go China's path to economic development and international promotion. Nigeria finds China a willing partner in this quest due to past relations and China quest to penetrate world markets. Nigeria and China relations have great prospects in the short and long term for both countries. China has got enough financial resources to invest in Nigeria while Nigeria possesses adequate natural resources required by China to keep pace with its economic growth.<sup>29</sup>

The economic engagement between Nigeria and China has given rise to multi-faceted social networks and expatriate communities in each country. Although

official statistics are not available, an estimated 50, 000 Chinese people were living in Nigeria in 2010. The Chinese community in Nigeria is evolving in line with the recent trends in economic and trade relations.

Hong Kong and Taiwanese Chinese came to Nigeria in the late 1960s and early 1970s, setting up manufacturing operations, particularly in textile, in Kaduna. With increasing competition from cheap imports, many of these operations were forced to shut down. Their owners began to leave Nigeria, to be replaced by a new generation of mainland Chinese investors. China's migrants to Nigeria can be found in the wholesale and retail markets in all Nigeria's major cities and are now also increasing presence in smaller towns. One of the most significant Chinese retail ventures is the China Town in Lagos built in 2004, which consists of about 120 shops selling a range of manufactured goods, particularly clothes, shoes, and fashion accessories. Some of the merchandise is imported from China or produced by Chinese manufactures in Nigeria. The China-Lagos Industrial and Commercial Federation was established in 2003 to help Chinese businesses navigate legal, social and security matters and to encourage a climate favourable to further expansion. The organization also publishes the "West Africa United Business Weekly," the first Chinese language newspaper to circulate in the region.<sup>30</sup>

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## **CHAPTER THREE**

### **NIGERIA- CHINA POLITICAL AND ECONOMIC RELATIONS SINO-NIGERIA**

#### **POLITICAL RELATION**

##### **Introduction**

In contemporary international relations, trade cannot be realistically divorced from politics. It is imperative knowing that politics is the ultimate driving force in the Sino-Nigeria relations therefore; trade and investment would certainly play a part in the relationship and many more.

Nigeria's bilateral relations with China have gradually become an issue of domestic concern as Nigerians have become aware of lack of balanced trade. It has been observed, that this situation has led to a great economic disequilibrium and to China's advantage. This signifies that the economic advantage has gone to China, regardless of increased trade volume between the two countries."

However, since the founding of People's Republic of China in 1949, China has made tremendous efforts to explore a development road designed for her own needs and suitable to her own national condition, which was finally summed up by Deng Xiaoping, the architect of the opening-up in 1978. The past three decades have been a critical period

for Chinese people to seek harmonious scientific and sustainable development at national and international level to strengthen cooperation and embrace globalization with the world. In its quest to be part of globalization, China-Nigeria established diplomatic relations on February 10, 1971. But the internal crises faced by both countries reduced the pace of economic integration like Nigeria, the trade policy since 1960 witnessed extreme swings from high protectionism from the West in the first few decades after independence and also placed high restrictions on the importation of capital goods that could have enhanced local industries like machineries to boost agricultural production.

The relation of the two countries grows closer as a result of international isolation and condemnation of Nigeria's military regimes 1970-1998. While on the other hand, the Chinese open door policy embarked by the communist party in 1978 led by Deng Xiaoping which gives equal commercial and industrial rights to all the nationals precipitated the economic relations between the two. However, in the early post-independence era, economic exchanges between China and Africa were largely marginal, as language and cultural barriers kept trade levels relatively low in comparison with Western powers that had established strong colonial linkages. China's strategy was largely centered on the search for ideological allies against capitalism and opposition to Western influence. But despite China's role in the nonaligned movement and broader

Asian efforts to woo African states in forums such as the Bandung Conference, the conservative Nigerian government in Lagos at independence was an unlikely ally of a communist government and did not rush to embrace its Chinese counterpart. Chinese premier Zhou En-lai's 10-country trip to Africa in late 1963 did not include Nigeria.

Under the leadership of Deng Xiaoping, China's relationship with Africa shifted from a period of indirect political and ideological support to direct support for various national liberation movements. Nigeria, as a self-styled frontline state against white-led regimes in southern Africa, served as a facilitator of support for liberation fighters. This interface strengthened diplomatic relations with China but affected trade only marginally, because Taiwan remained the favored trading partner at the time. Nonetheless, this period saw an incipient expansion of Chinese trade relations with Nigeria. Hong Kong Chinese were especially successful in investing in Nigeria. At the invitation of the premier of the Northern Region of Nigeria in the 1960s to take advantage of thriving cotton production in the region, their investment helped shape the early days of textile manufacturing in Nigeria.<sup>2</sup>

In spite of these warm diplomatic ties, which saw Nigeria support the "One China, Two Systems" policy and the return of Hong Kong to China, there were very few

high-level visits to Nigeria by Chinese leaders for many years. The visit of a former premier of the State Council Li Ping in 1997 was the highest level of visitation. On that visit several protocols were signed on subjects as wide ranging as investment protection and enhanced cooperation in the electric, steel, and oil industries. Implementation of these agreements, however, was halfhearted at best.

The volume of trade between Nigeria and China continued to grow at low levels until rapid growth turned China in 1993 from a net exporter of crude oil to the second- largest importer of crude oil in the world Gulf of Guinea countries like Nigeria that produce fascinating low-sulfur crude oil and offered developing markets open to international investment, were particularly attractive to the Chinese. As China secured various joint-venture contracts with Nigerian oil companies, often in exchange for low- interest loans and targeted development projects, the volume of trade rapidly increased from 1.3billion Naira in 1990 to 5.3 billion in 1996, to 8.6 billion. Most of this growth was attributable to the oil sector, with a small fraction emanating from the importation of cheaply manufactured Chinese goods and products.<sup>3</sup>

Around 2006, the tone of the Chinese had changed, and the People's Republic of China president Hu Jintao and Prime Minister Wen Jiabao were participating in regular

shuttles to Africa, which Nigeria is a significant port of call. Hong Kong Chinese, who entered the Nigeria market earlier than other Chinese, as well as businessmen from the mainland, establishing new manufacturing ventures for export and local markets at a time when Nigerian manufacturing was uncompetitive and collapsing into a state of deindustrialization. Quickly, Nigeria top officials, ministers and governors began leading delegations to China seeking investments, aid and development partnership in their various states- in the belief that increasing ties to China could significantly help their communities. In fact, it was in February 1971 during the time of General Yakubu Gowon as Nigeria's head of state and the great Chairman Mao of the People's Republic of China that ambassadorial exchange agreements were signed. Over the years, leaders and high government officials from both countries have consistently paid courtesy and diplomatic visits. To comprehend or underline the growing importance of the relationship.<sup>4</sup>

#### **Notable Nigerian leaders who visited China 1974-2005**

- The former head of state, General Yakubu Gowon September 1974,
- Vice president Dr. Alex I. Ekwueme March 1983,
- Chief of the Army Staff, General Ibrahim Babangida September 1984,
- Chief of the Army Staff, General Sani Abacha October 1998,

- Chief of the Defense Staff, General Abdulsalam Abubakar July 1997,
- President Olusegun Obasanjo April 1999, August 2001 and November 2006,
- Former president of the senate Anyim Pius Anyim December 2001,
- Vice President Atiku Abubakar July 2002
- Deputy Speaker Nwuche of the National Assembly July 2002,
- Federal Polytechnic Offa and Nnamdi Azikwe University are also involved.
- Chinese leaders who visited Nigeria are as follows 1981-2006
- Vice Premier Geng Biao October 1978, Vice Premier Huang Hua November 1981,
- Vice Premier Tian Jiyun November 1984, also Vice Premier Wu Xueqian March 1990,
- Vice Premier and foreign Minister Qian Qichen January 1995,
- State Councilor and Secretary General of the State Council Luo Gan September 1996,
- Premier Li Peng May 1997,
- Special Envoy of the President Jiang Zeming, State Councilor Ismail Amat May 1999,
- Foreign Minister Tang Jiaxuan January 2000,

- President Jiang Zemin April 2002,
- Vice chairman of the Standing Committee of the National People's Congress Han Qide December 2003.
- China's foreign Minister, Li Zhaoxing January 2006,
- President Hu Jintao 2004 and April 2006.
- These visits at the highest level, no doubt, are the precursors to developments in other facets of the relationship. More so, the former Nigeria president Olusegun Obasanjo visited China twice in two years, 1999 and 2001 with a return call by President Jiang
- Zemin in April 2002.5

### **Notable Nigerian leaders who visited China From 2007-2015;**

President Umaru Yar'Adua came to power following elections held in April 2007 the late Nigeria President, Umar Musa Yar'Adua paid a highly successful state visit to the Asian giant by February, 2008. A little after President Umaru Yar'Adua came to power, not minding his failing health, he still found time to visit China, a trip that angered the old friends, USA, and for which they commenced picking bones with Nigeria in so many ways for getting uncomfortably close to China instead. Yar'Adua had, during his visit to

China made a brief stop at Shanghai where he held talks with top executives of ZTE Researching and Developing Center and the outcome of the discussion culminated in the signing of a Memorandum of Understanding (MOU) between the federal government of Nigeria and the management of ZTE Cooperation.

The government of Nigeria had made a down payment of \$70,500, 000 which is 15% of the total contract sum and signed a Sovereign Guarantee to the tune of \$399,500.000 to enable ZTE source the loan from the Chinese government. President Goodlck Jonathan after taking over from Yar'Adua ever failed in continuing with the nation's presidential tradition and also visited China in July 2013. That was after the new administration of the much admired president Xi Jinping had come to power.

For all this visits, after 10 years of Nigerian presidents frequenting Beijing, they got a weak answer when in May 2014, the China's second in command, Premier Li Kiqiang visited Nigeria to address the World Economic Forum For Africa in Abuja.?

These meetings have witnessed the signing of a number of agreements on trade, economic and technical cooperation, science and technology even in the areas of investment protection. Both Hu and Yar'Adua agreed that the two countries ought to advance ex-changes of personnel at all levels and be ready to work better for further

cooperation especially on international issues. In the past, there had not been much notable issues in international foray that drew the two nation close. That has not placed any view on the shape of what the future will be for them either. Form the above analysis, it is glaring that China-Nigeria have been enjoying economic boom despite the up and down in their historical relationship. However, without political development they would never be economic development.<sup>8</sup>

### **Nigeria-China Economic Relations**

Nigeria's quest for development which has spanned some decades is yet to deliver on the ultimate goal of poverty reduction, despite various plans, programmes, and projects. Analysis of performance on poverty reduction strategy necessarily examines issues in growth and equity simply because growth may be recorded without impacting on the poor. Indeed it is not impossible for growth to have occurred at the expense of equity. Analysis of growth drivers on one hand has identified several factors including macroeconomic environment, political and social environment and investment gap. Some policies are required to attract foreign direct investment and to direct such investment into appropriate sectors.

As a resource-rich country, Nigeria's economic performance has been unfortunately

driven by the oil and gas sector to the extent that even progress recorded towards genuine economic development prior to the discovery of oil in commercial quantity has been virtually eroded. In recent time (2000-2005), the GDP growth was about 5.7% and the growth in the non-oil sector which contributed about 5.9% of the GDP. However, the sector dominates the supply of foreign exchange and given that the political economy of the country vested this important resource in the hand of the government it also contributes a large chunk of government revenue.

The decline in the agricultural sector performance has been dramatic since the discovery of oil. The manufacturing sector has not performed even better. A few statistics illustrate the poor performance of the non-oil sector. The share of non-oil sector decreased from about 94% in 1970 to about 52% in 2004. The decrease affected all the sectors (agriculture, industry, and services) but in different magnitude. Agriculture GDP declined from about 41% to about 17% over the same period. The decline in the services sector was from about 45% to about 27% during the period under review<sup>9</sup>

It was not until return of domestic rule in Nigeria that economic relations began to develop in earnest. Olusegun 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. Various other ministerial level visits conducted during this time allowed the two countries to develop and intensify mutual friendship and familiarity. In 2001, the two countries signed agreements on the establishment of a Nigeria Trade Office in China and a China Investment development and Trade Promotion Centre in Nigeria. The intergovernmental Nigeria-China investment Forum was then founded in 2006. During the Chinese foreign Minister's visit to Nigeria in 2006, the two governments signed a memorandum of understanding (MOU) on the establishment of a strategic partnership.

Nigerian officials specified that the petroleum, power, telecommunications and manufacturing sectors would be the main targets for investment. Given China's keen interest in securing a steady supply of fuel for its rapidly expanding economy, the petrol sector was at the centre of its investment strategy. The Nigerian agency responsible for the privatization of state-owned enterprises also appealed for Chinese investment in its privatization programme. Beijing laid out a clear strategy based firmly on its economic interests. The Ministry of Commerce identified the main aims of the government's policy towards Nigeria as

- (1) To increase Chinese multinational companies
- (2) To expand the Nigerian market for Chinese manufactured goods;
- (3) To increase China's presence in Nigeria's oil and gas sector; and
- (4) To leverage its investment in Nigeria as a gateway for entering the ECOWAS market.

Obasanjo's approach to China, branded "oil-for-infrastructure," consisted of awarding oil contracts on favourable terms in exchange for China's commitment to deliver key infrastructure improvement projects. According to Gregory Mthembu- Salter, of the South African, Obasanjo's decision reflected Nigeria's dire need for improved infrastructure and a growing frustration with the conditionalities associated with Western aid. Obasanjo was also certainly impressed by the infrastructure he was during his visits to China. President Umaru Yar'Adua came to 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 years.

Little progress was achieved during the last three years. After Yar'Adua's death in May 2010, Vice President Goodluck 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. The key objectives of the new plan were to: Enhance political mutual trust to promote strategic cooperation Expand cooperation in areas including agriculture, oil, electricity, infrastructure construction, telecommunications and satellite; Expand cultural exchanges and cooperation in combating various diseases including malaria and bird flu; Strengthen cooperation in international affairs to promote world peace, enhance coordination and human rights, anti-terrorism and peacekeeping efforts and promote South-South and South-North dialogues. 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.

The Chinese President sent special envoy and Minister of Railways Sheng Guangzu to attend Jonathan's inauguration in May, during which they reaffirmed the friendship between the two countries and vowed to increase the involvement of Chinese enterprises in railway and other infrastructural improvements as well as in Nigeria's overall economic development. Bilateral relations are likely to continue to make positive advance under the new Jonathan government.<sup>10</sup>

Bilateral trade has grown exponentially since China and Nigeria signed an agreement

on trade and investment promotion and protection in 2001. The value of trade reached USD 17.7 billion in 2010, almost 10 times its level just ten years before. While Nigerian exports to China more than doubled, they have not kept pace with the growth of Chinese exports to Nigeria. Thus a hefty trade imbalance has not only persisted but also intensified. Chinese exports represented 66.7 % of the bilateral trade total in 2000 and 87.3 % of the total in 2010. By 2010, Nigeria had become China's fourth biggest African trading partner, and the second largest Chinese export destination on the continent. Trade between the two countries accounted for nearly one third of the trade between China and the whole of West Africa, indicating the importance of Nigeria to China's entry into the regional market. Despite recent expansion, China still only accounts for a small fraction of Nigeria's global trade, lagging far behind the country's top partner (the United States) and also notably facing competition from Brazil and India, as well as more traditional partners such as France. Around 87% of Nigeria's exports to China are oil and gas products. China, by contrast, exports a diversified range of goods to Nigeria, most notably machinery, equipment and manufactured commodities. While the official numbers are impressive, they fail to capture the complete picture of trade between China and Nigeria. 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

neighbouring states, which have long, porous borders with Nigeria.<sup>11</sup>

### **China Establishes West Africa Trade Hub in Lagos**

China Ocean Shipping Group Company (COSCO), the largest shipping company in China, has established its West Africa hub in Nigeria's economic capital, Lagos. In November 2010, a Chinese joint venture between China Merchants and the China- Africa Development Fund paid USD 154 million for a 47.5 % stake in the Tin- Can Container Terminal at Lagos Port. Nigeria's second largest container terminal, Tin- Can has three berths, with a capacity to handle 360 000 standard 20-foot containers per year.<sup>12</sup>

Nigerian incentives and Chinese investment Nigeria's investment incentives, along with its massive reserves of oil and gas, appear to have succeeded in attracting the attention of Chinese investors. According to China's Bulletin of Overseas Investment, Nigeria occupied the second position (after South Africa) among the ranks of African host counties for Chinese Foreign Direct Investment (FDI) between 2003 and 2009. Chinese FDI stocks in Nigeria totaled USD 1.03 billion in the period, while FDI stocks for the continent were USD 9.3 billion. Chinese investments are concentrated in the oil industry, manufacturing, construction and telecoms. A study from the African Economic Research Consortium 1 reports that China has established more than 30 solely-owned or

joint-venture companies in the construction, oil and gas, technology, services and education sectors of the Nigerian economy. The report also found that FDI from Chinese private investors<sup>13</sup>

### **The Lekki Free Trade Zone**

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 LWI each hold 20% equity. Initially, the Chinese investors were to provide USD 200 million in funding, while LWI 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 positions.<sup>14</sup>

The economic engagement between China and Nigeria has given rise to multifaceted social networks and expatriate communities in each country. Although official statistics are not available, an estimated 50,000 Chinese people were living in Nigeria in 2010.<sup>15</sup> The Chinese community in Nigeria is evolving in line with the recent trends in economic

relations. Hong Kong and Taiwanese Chinese came to Nigeria in the late 1960s and early 1970s, setting up manufacturing operations, particularly in textiles, in Kaduna. With increasing competition from cheap imports, many of these operations were forced to shut down. Their owners began to leave Nigeria, to be replaced by a new generation of mainland Chinese investors.

However, there is so far relatively little contact between Chinese workers and the local population. There have been several incidents of kidnapping and other attacks against Chinese workers, raising concerns in Beijing. Two Chinese migrants can be found in the wholesale and retail markets in all Nigeria's major cities and are now also increasingly present in smaller towns. One of the most significant Chinese retail ventures is the Chinatown in Lagos built in 2004, which consists of about 120 shops selling a range of manufactured goods, particularly clothes, shoes, and fashion accessories. Almost all of the merchandise is imported from China or produced by Chinese manufacturers in Nigeria's

## **Nigeria-China Trade Relations**

### **Trade Policies and Trade Agreement between China and Nigeria**

China and Nigeria seems to pursue liberal trade policies with their membership of the

World Trade Organisation (WTO). The Go global policy of China is anchored on liberal trade and investment policies. Both unilateral and regional trade policy initiatives have influenced Nigeria's trade policy stance and hence the trend of tariffs. Nigeria embarked on liberal trade and investment policies since the adoption of the Structural Adjustment Programme (SAP) in 1986. Its membership of the Economic Community of West African States (ECOWAS) has also influenced its trade policy stance particularly with the implementation of the Trade liberalization scheme (TLS) and the recent adoption of the common external tariff (CET).

According to the data obtained from the World Integrated Trade Solutions (WITS), average most favoured nation (MFN) tariff rates are higher in Nigeria than in China for all major traded products. The applied MFN rate in Nigeria on Chinese products ranged between about 39.6 percent (for food and live animal) and 17.1 percent (for crude materials) in 2000. But the tariffs on most products fell marginally in 2001. However, while the tariff on crude materials fell from its level in 2000 to about 15.3 percent in 2002-2004, those on other products rose during the same period. By 2005- 2008, tariffs on all products fell significantly and in most cases by more than half of their levels in 2004, and to as low as 6.0 percent. This drastic reduction in tariff on Chinese products may be attributed to a number of factors including recent trade and investment ties

between China and Nigeria and liberal trade policies pursued by Nigerian government.<sup>16</sup>

Compared to Nigeria, China's tariffs are relatively low on Nigeria's products. This may be attributed to the go global policy of China (particularly the outward trade and investment oriented policies). In 2000, tariff level ranged between 20.0 percent (for food and live animals) and about 2.3 percent (for crude materials, etc). While tariffs on some products fell in 2001 (food and live animals; crude materials; and mineral fuels, etc), those on other products rose. But by 2003 there was a change such that while tariff on crude materials rose tariffs on other products fell significantly.<sup>17</sup>

In China, imports, like domestic products, are subject to value-added tax; the current rates are 17%, in general, and 13% for most goods like audio and video products and other forms of electronic publication. In addition to import tariffs and VAT, an excise tax (consumption tax) is also levied at the border on certain items such as cigarettes, alcoholic beverages, gasoline, cosmetics, cars, golf balls and equipment, luxury watches, yachts, disposable wooden chopsticks, and wooden floorboards.

Import prohibitions are maintained on grounds of public interest, environmental protection, or in accordance with international commitments. Prohibition list include some products of animal origin, opium, mineral products, rubber, chemicals, raw hides,

waste of skins and leathers, used clothes, ash of precious metals, base metals, second hand precision equipment, games and imports of used articles of HS sections 16 and 17(machinery and transport equipment). Quantitative restrictions have been eliminated and no fees, charges, deposits or advance payments are required for the issuance of licenses.

China's schemes to promote exports comprise mainly tax concessions, export finance operated by the Export-Import Bank of China (EXIM Bank), export credit insurance by the China Export & Credit Insurance Corporation (SINOSURE), and export fairs. China does not provide export subsidies.

Nigeria bound other duties and charges on all imports at 80%. Additional duties applying only to imports include: a port development levy of 7% of the duties payable; an ECOWAS community levy of 0.5%; a Comprehensive Import Supervision Scheme charge of 1% on the F.O.B value of imports, a national automotive council levy of 2% on vehicles and parts; and a levy of 10% on the importation of both sugar and rice.

Although Nigeria signed a number of investment agreements with China but there is no clear cut trade agreement yet. Nigeria does not benefit from Chinese preference scheme for Africa, which covers 440 products and specifically designed for least

developing countries (LDCs).<sup>18</sup>

### **Nigeria's Imports from China**

The increase in Nigeria's total imports from about US\$5.3 billion in 1996 to US\$44.23.7billion in 2010 was reflected in Nigeria's imports from China which rose from as low as US\$252 million in 1996 to US\$7.32 billion in 2010.<sup>19</sup> Although, the country imports all the broad categories of products from China, some products are more significant in this import trade with China than others. For example, imports of electrical and electronics, vehicles, machinery and transport equipment ranked first in 2010, followed by manufactured goods, miscellaneous manufactures, chemicals and food and live animals. The importance of products in the imports has also altered since 1996. For instance, chemical products imports which ranked second only to machinery and transport equipment in 1996 was replaced by manufactured products in 2000. Nonetheless, machinery and transport equipment imports maintained its foremost important position in the import relationship with China.

China has assumed quite an important source of Nigeria's imports since about a decade. China's share of Nigeria's total imports increased consistently from 3.5% in 1996 to 16.6% in 2010. Despite this general rise, some broad categories of goods imported

from China did not record this consistent improvement; mineral fuels/lubricants and animal/ vegetable oil/fat/wax imports are a case in point. Furthermore, when the broad categories are considered, Nigeria imported more of miscellaneous manufactures such as footwear and related articles from China relative to the rest of the world. This rose from 7.8% in 1996 to between 45% and 50.0% in 2007 and 2010. China's share of Nigeria's imports also rose consecutively in electrical electronics, food and live animals, as well as beverages and tobacco (both minimally); crude materials excluding food and fuel, manufactured goods, machinery and transport equipment, and miscellaneous manufactures (all four substantially).

Nigeria's imports supplied by China have also become more diversified. The trend can be traced partly to the competitiveness of China's imports compared to Nigeria's traditional sources of imports; and partly to the Structural Adjustment Programme which not only encouraged increased liberalization of imports but also created an austerity environment that made importers focus more on cheaper sources such as China.<sup>20</sup>

Table 3: Share of China in Nigeria's Import (%)

In order to get a grasp of the other features of Nigeria's imports from China, a top-30 list of imports was drawn up using the HS Chapter classification. First, it is discerned that

the top 30 import commodities from China are all manufactured goods. On top of this list is knitted or crocheted fabric (HS 60) followed closely by bird skin, feathers, artificial flowers, human hair (HS 67) and vegetable textile fibres, paper yarn, woven fabric (HS 53) as well as articles of leather, animal gut, harness, travel goods (HS 42). Interestingly, 50% of the top 10 imports are textile materials of HS Chapter 50-63, while about 37 % of the top 30 imports from China belong to HS Chapter 50-63.

This finding confirms China's dominance of the global textile trade and partly explains the misfortune of Nigeria's textile sector. Combining this finding with the fact that China's export to Nigeria has risen since 1995, the inability of Nigeria to curtail import surges of textile products from China with effective safeguard mechanism could have contributed to the demise of domestic production of textiles. Although, import prohibition has always been imposed on textiles, its implementation could not be fully monitored due to porous borders, corruption and inadequate enforcement capacities of the Nigerian Customs Service. The lower part of the top 30 list features such products as toys, games, sport requisites (HS 95); tools, implements, cutlery etc (HS 82); furniture (HS 94); soaps, lubricants waxes, candles, modeling (HS 34); and electrical/electronic equipment (HS 85); these are labour-intensive, light manufactures which Nigeria was producing under its import substitution industrialization strategy.<sup>21</sup>

## **Nigeria's Exports to China**

Available data from the international Trade Center (ITC) show that Nigeria's export to the world economy rose from about \$12.3 billion in 1995 to about \$86.5 billion in 2010. The country's export to China followed the increased trend though relatively moderate, rising from \$307 million in 2000 to about \$1,440 million in 2010. The composition of Nigeria's exports to China is not as diversified as its imports from China. These products are spread over agricultural products, crude materials, oils, chemical products, and manufactured products. Analyzing data from ITC recorded for 2000 and 2010, four broad commodities totaling US\$307.3 million were exported in 2000, dominated by Mineral fuel and lubricants representing US\$273.7 million. This was followed at a distant second by crude materials excluding food and fuel exports totaled US\$33.3 million. The remaining two broad commodities exported to China were quite insignificant with values between US\$0.1 million and US\$0.2 million. Therefore, mineral fuel and lubricants ranked first on Nigeria's export list to China, followed by crude materials excluding food and fuel. Beverages and live animals exports rank third while manufactured goods rank fourth.

In terms of significance of Nigeria's exports to China relative to the world, Nigeria's

export to China remains negligible at 1.7% in 2010 (Table 4). Mineral Fuel and lubricants constituted the main exports of Nigeria to China, and its proportion in 2007 and 2015 was a paltry 1.6% and 1.7% of Nigeria's total world exports. However, Nigeria exported more crude materials excluding food and fuel to China than any other country. This trend is not compatible with the industrialization aspiration of the country.

In 2015, Nigeria's world exports position was more impressive as the country's exports more than quadruple the value in 2007 from about US\$20.0 billion to US\$86.6 billion in 2015. However, Nigeria's exports to China did not reflect the type of growth that its total exports exhibited even at US\$1.44 billion in 2010. Indeed, the composition of exports to China in 2010 was not significantly different from that of 2007 but some certain broad products became repositioned. As a result, though mineral fuel and lubricants still ranked first followed by crude materials excluding fuel, and manufactured goods, which ranked lowest in 2007, displaced food and live animals while two products; chemicals, and miscellaneous manufactures, featured beginning from 2008,<sup>22</sup>

Table 4: China's Share of Nigeria's Export to the world (%)

Top 20 Products Name	2007	2008	2010	2011	2012	2013	2014	2015
1 Mineral fuels, oils, distillation products, etc	0.7	0.4	0.5	0	1.4	0.2	1.2	0.9
2 Raw hides and skins	0.0	0.0	0.4	0.02	8.8	3.9	8.7	19.4

	(other than furskins) and leather								
3	Oil seeds, oleagic fruits, grain, seed, fruit, etc, nes	0.0	0.0	1.2	0	5.1	5.0	3.0	3.8
4	Ships, boats and other floating structure	0.0	0.1	1.9	0	3.9	0.4	2.0	4.0
5	Rubber and plastics articles thereof	0.0	0.2	2.6	0	6.1	3.8	8.9	4.0
6	Footwear, gaiters and the like, part, thereof	0.0	0.0	0.0	0	6.5	0.6	4.9	3.6
7	Inorganic chemicals, precious metal compound, isotopes	0.0	0.0	3.8	0	9.4	3.1	0.7	3.9
8	Cocoa and cocoa preparations	0.0	0.0	0.0	0	3.5	0.2	0.6	0.5
9	Machinery, nuclear reactors, boilers, etc	0.0	9.5	2.9	6.22	39.8	0.5	0.8	1.2
10	Copper and articles thereof	0.0	0.0	0.0	96.14	16.3	12.5	7.5	18.5
11	Electrical, electronic equipment	0.0	0.0	2.2	0	1.3	0.5	1.7	20.2
12	Miscellaneous chemical product	0.0	0.0	5.9	0	13.6	1.1	1.7	14.1
13	Cotton	0.0	0.0	0.0	0.012	4.7	0.4	6.8	0.4
14	Wood and articles of wood, wood charcoal	0.0	0.0	0.0	0	2.0	9.6	8.6	0.7
15	Article of iron or steel	0.0	0.4	42.4	0	27.6	1.1	1.5	1.3
16	Lead and Aluminum and article thereof	0.0	0.0	0.0	52.16	3.2	3.3	2.9	0.4
17	Fish, crustaceans, molluscs, aquatic invertebrates	0.0	30.9	0.0	0	0.6	1.0	0.5	0.3
18	Lac, gums, resins, vegetable saps and extracts nes	0.0	0.0	0.0	0	2.6	4.2	1.3	0.3
19	Vehicles other than	0.0	18.8	0.0	0	0.7	0.0	40.2	8.4

	railway, tramway								
20	Manmade staple fibres	0.0	0.0	0.0	0	0.5	0.0	1.2	0.5
21	Others	0.0	0.0	5.2	0.27	1.9	0.9	3.3	1.1
	All products	0.7	0.4	0.5	0.01	1.6	0.3	0.0	1.7

A more robust picture of Nigeria-China trade is discerned with HS nomenclature adopted to obtain the top 30 export products using 2007-15 average values. Mineral fuels, oils and related products tops the list of first 30 exports of Nigeria to China followed at a distant second by ores, slag and ash, as well as raw hides and skins (other than furskins), and leather (HS 41). In effect, mineral products constitute the first two export products of Nigeria to China. Cotton (HS 52) came at a distant fourth followed by oil seed, oleagie fruits (HS 12) and copper and articles thereof (HS 74). The first 30 export products are a mixture of primary and non-agricultural commodities. The last 10 commodities in the top 30 list contain as much agricultural and non-agricultural goods whose individual export values are less than US\$50,000. After the 16th export product, the share of other products in total imports of China from Nigeria became quite negligible. However, this is an indication that Nigeria should endeavour to increase exports to China.<sup>23</sup>

### **Nigeria's Gains and Losses from Imports and Exports**

Ideally, Nigerian consumers and government should gain from imports from China

while Nigerian producers and workers should lose particularly if most of the imports are import-competing final products since this implies the market share of Nigerian producers would shrink and lead to excess capacity and shedding of workers. This is captured in aggregate by an analysis of the gainers and losers of Nigeria-China trade relation via the trade balance between Nigeria and China. Table 5 shows that Nigeria imports mostly agricultural (HS 01-24) and industrial (HS25-99) goods from China during 2007-2015. In the specific case of agricultural goods, Nigeria's deficits rose from \$16.6 million in 2007 to \$59 million in 2010 and \$781.9 million in 2015. In the case of industrial products, Nigeria's trade deficits rose from \$1.7 billion in 2007 to \$3.2 billion in 2010 (by almost 100%) and \$41.5 billion in 2015. After an initial reduction by only 8% in 2008, the trade surplus of China rose by almost 91% in 2009 for agricultural products and 24% in 2007. For the non-agricultural goods also, China's trade surplus rose by 27% in 2007 falling from about 40% increase in 2005 and 2006. The total trade surplus of China was \$3.3billion in 2007 and \$42.3 billion in 2010. Given this analysis losses to different economic agents in Nigeria can be imagined. There is therefore the need to boost Nigeria's exports perhaps through bilateral trade agreements.<sup>24</sup>

	2007	2008	2009	2010	2011	2012	2013	2014
Sub-total: HS 01-24 (US\$'000)	16.6	15.3	29.1	47.8	59.1	990.5	296.1	781.9

Sub-total: HS 25-99 (US\$'000)	1,697.7	1,240.1	1,747.1	2,526.6	3,199.6	52,636.4	15,735.1	41,550.7
Total surplus/deficit HS 01-99	1,714.3	1,255.3	1,776.3	2,74.4	3,28.8	53,626.9	16,031.2	42,332.6

Source: *Data for 2003-2010 obtained from International Trade Centre*

*COMTRADE Database.*

Generally, producers and exporters of those broad categories of products whose exports increased between 2000 and 2005 are better off as they earned additional incomes from exporting to China, assuming export price of their products and the real exchange rate remained constant. There are a few products in which China recorded trade deficits with Nigeria which constitute a gain to the latter. These are the goods namely of HS 05, 12, 13, 18, 26, 27, 41, and 47. The deficit was expectedly largest for mineral fuels, oils, distillation products etc (HS 27). The others are also basically primary commodities. Given that the main component of Nigeria's exports to China is mineral and related products, most of the gains of Nigeria's exports to China go to the government and joint venture oil companies. The benefit derived by ordinary Nigerians is therefore indirect, and emanates from the benefits that are generated by government spending on social and economic services in the country.<sup>25</sup>

### China's Trade deficit with Nigeria Products and Values (\$000)

HS Chpt	Product Description	2003	2004	2005	2006	2007
'05	Products of animal origin, nes	-14	0	31	40	-22
'12	Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	-184	-4005	-1134	-4021	-3713
'13	Lac, gums, resins, vegetable saps and extracts nes	-83	-263	-388	-311	-81
'18	Cocoa and cocoa preparations	-182	-331	-1610	0	-936
'26	Ores, slag and ash	-6620	-5011	-7312	-10929	-18001
'27	Mineral, fuels, oil, distillation product, etc	-51397	-442364	-502851	-239571	-488030
'41	Raw hides and skins (other than furskins) and leather	-568	-1050	-7454	-11264	-11301
'47	Pulp of wood, fibrous cellulosic material, waste etc	-48	-131	-140	-182	-435

### China's Investment in Nigeria

According to Ogunkola et al. Chinese economic interest in Nigeria can be broadly classified into two: private and public. Chinese private FDI is composed of agro- allied industry manufacturing and communications sectors. On one hand some of the investments are joint venture mainly between Chinese and Nigerian investors. On the other hand, some are wholly foreign owned either by Chinese or in partnership with other foreign investors. Some Chinese or in investment have also benefited from investment incentives in the country as pioneer status and expatriate quotas have been granted some

of these companies.

Ogunkola et al noted that public investment and economic activities of Chinese in Nigeria have also gained prominence in recent time. This is not unexpected given the high profile engagements witnessed at the political level. This type of investment spanned different areas of the Nigerian economy and prominent among them are those in oil and gas, construction especially building of infrastructure Neither Nigeria nor China has good data on investment on each other; we shall dwell on data provided by institutions/authors as well as available data from CBN. CBN (2009) observed that the FDI inflow to Nigeria have increased significantly following the deregulation of the economy in 1986. FDI inflows increased steadily by 21.6 percent from N624.5 billion in 2006 to N759.4 billion in 2007. It declined by 393.4 percent to N460.2 billion in 2008 due to the global financial crisis but rose by 24.4 percent to N572.5 billion in 2009. Capital importation and reinvested earnings account for over 80 percent of total FDI flows to Nigeria new capital imported into the country in 2009 amounted to US \$5.4 billion.

The inflows were mainly to the banking sector, capital market and telecommunications. Analysis of the inflows by source as at 2009 showed that capital

importation from the United States accounted for a share of 62.2 percent, United Kingdom (13.8percent) the Netherlands (3.5precent), China (2.6 percent) and others.<sup>26</sup>

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## CHAPTER FOUR

### PROSPECTS AND CHALLENGES OF NIGERIA-CHINA FOREIGN RELATIONS

#### **Benefits of Nigeria-China Investment Relations**

A number of benefits accrue from Foreign Direct Investment (FDI), which include augmentation of domestic capital, transfer of technology, knowledge and skills, promotion of competition and innovation, employment and enhanced output, export and revenue performance. These must be weighed against their costs such as anti- competitive and restrictive business practices, tax avoidance and abusive transfer pricing, volatile flows of invest and related payments deleterious for balance of payments, transfer of polluting activities and technologies, and excessive influence no economic affairs with possible negative affects on industrial development and national security. A country desirous of hosting FDI must of necessity institute policies aimed at maximizing the direct and indirect benefits as well as maximizing the possible motive of FDI is to classify such investment seeking. Efficiency seeking FDI is preferred to the host country. However, for a country to attract efficiency-seeking of FDI macroeconomic stability must be ensured and distinct, predictably and easy to assess policy environment including

incentives must be instituted.

Giving the list of private FDI and the sectoral concentration efficiency motive may not be the driving force of inflow of Chinese FDI in the Nigerian economy. The loss of public FDI in Nigeria suggests resource-seeking motive. However, there are other categories of FDI seeking class. These include those in the area of building infrastructure and manufacturing which can be classified as market-seeking. A veritable channel for optimal benefit is in involvement of indigenous entrepreneurs in the affairs of the particular firm. A joint venture has higher potential of positive impact in the host economy. Beyond, the involvement of indigenous entrepreneur at the management level, local expertise and other work force are the channels through which technology is transferred and technology capacity is developed. However, Chinese firms in Nigeria have been criticized for being "closed" as they hardly employ local experts. There are even submission that they maltreat their workers.

According to the Nigerians in Chinese firm neither conform with the Nigeria labour laws nor to that of international labour organization (ILO). It was reported that Chinese companies such as Wahum Nigeria Limited and Galvanizing Company Limited are firms with most inhuman condition of service (12 hours a shift) and many casual workers. Also

there is the familiar report on the September 2002 fire incidence at a Chinese owned factory in Lagos which up to 40 Nigerians were trapped as a result of locked up of building factory by a foreman' Besides, how reasonable was the compensation given to the victims of the incidence (if any)? The report also alleged that technology transferred from Chinese FDI is insignificant because most of the Chinese firms bring into the country finished products and complete equipment with Chinese technicians. In a nutshell the expected benefits may not be realized. The lesson is for the country not only to design appropriate policies and regulations but also to ensure that they are implemented.

Although some of the Chinese investments are critical areas of the Nigerian economy especially in infrastructure (telecommunications, water, electricity, housing, etc) hence they have high social contents. However, there are reservations about the activities of Chinese investors especially those who are engaged in manufacturing such complaints include sharp practices such as importation and production of sub-standard products, and lack of adherence to existing laws and regulations, such as labour law.

In summary therefore, perhaps the most important opportunity offered by Chinese FDI in Africa and Nigeria in particular is the increase in investment in transformation activities. It should be noticed that China can be very responsive to the complaints across

African countries including Nigeria.

For instance, Nigeria's complaint over the lack of technological and human resources development impact of Chinese telecoms investment in the country has been favourably responded to. However, there have been few and limited complaints which might be reflection of limited capacity of the country to engage in strategic partnership with Chinese.

The challenge, therefore, is for Nigeria to invest. The inflow of resources from the commodity dooms in improving investment climate, developing human resources necessary to support investment in new industries and ensuring the provision of long-term financing to provide financial support to private investors. Towards this end, there must be good and transparent governance while implementing these initiatives in order to ensure that the desired outcomes are realized. Successful implementation of these initiatives under good governance will create necessary conditions for Chinese FDI to have significant backward and forward linkages in the Nigerian economy. It is important to state that, careful monitoring and evaluation processes including requisite research must be carried out regularly to ensure that Chinese and indeed, FDI from other source and in any sector are beneficial to the host countries.<sup>2</sup>

## **Challenges of Nigeria -China Economic Relations**

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 US2.1 billion.<sup>3</sup> 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.

Attempts by Nigeria to participate in global economy has to a large extent 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 regards 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 IJAH 4(1), S/No 13, January, 2015 27 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.<sup>6</sup>

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.<sup>7</sup>

## **Potential Gainers and Losers**

All economic agents (producers, consumers and government) in the country will benefit from the China's transformational investment finance in Nigeria particularly in the area of infrastructure and social amenities. Provision of adequate infrastructure in Nigeria through China's financial resources will improve investment climate and welfare in the country. This is expected to promote output, export, employment and government revenue. This idea presupposes that all projects are completed and they are underpinned by comprehensive cost benefit analysis. The issue of debt accumulation and servicing is important because Chinese financial or loans may not be as generous as may be thought, necessitating. The need for adequate debt sustainability analysis.<sup>8</sup>

The positive revenue effect of Chinese FDI may not be realized by the Nigerian Government because of too many tax & other fiscal incentives as well as the possibility for tax evasion/ avoidance by Chinese firms (as evident by their recent collaboration with some custom officials in the importation & open sale of contraband goods of the China-town at Lagos which led to a temporary closure of the market) coupled with the permission to repatriate profit & incomes.

Massive influx of Chinese FDI into the country to produce goods & services at

cheaper prices coupled with import of cheap commodities from China will enhance the welfare of Nigerians. Besides, the establishment of China's export processing zone should promote export and increased foreign exchange earning. However, given that Nigerian firms are not competitive, massive influx of Chinese FDI into country to produce goods & services may lead to closure of domestic competing firms, with adverse employment effect particularly where Chinese firms are found of bringing in workers from their country. Also, the fact that Chinese firms in Nigeria bring in inputs from their own country & set up their own market outlets implies that there may not be any (or major) backward & forward linkages between Nigerian Chinese firms. Besides, widespread contract awards to Chinese firms will cripple activities of domestic contractors. All these have to be considered by the Nigerian Government in a country characterized by high level of unemployment.

The issues of negative externalities associated with Chinese investment in Nigeria is worthy of mention oil exploration & production as well as manufacturing activities have been known to be associated with series of environmental problems. This is a major cost of Chinese investment to be borne by the host communities & producers in such activities are located. There is a need to ensure compliance of Chinese firms with social responsibility laws in Nigeria. Needless to say that domestic firms operating in sectors of

interest to China (such as oil & gas, power, construction, manufacturing & services may lose as a result of lack of competitiveness.<sup>3</sup>

### **Trade Imbalance between Nigeria and China Relations**

Bilateral trade has grown exponentially since China and Nigeria signed an agreement on trade and investment promotion and protection in 2001. The value of trade reached USD 17.7 billion in 2010, almost 10 times its level just ten years before while Nigerian exports to China more than doubled, they have not kept pace with the growth of Chinese exports to Nigeria. Thus a hefty trade imbalance has not only persisted but also intensified. Chinese exports represented 66.7% of the bilateral trade total in 2000 and 87.3% of the total in 2010. By 2010, Nigeria had become China's fourth biggest Africa trading partner, and the second largest Chinese export destination on the continent.<sup>4</sup>

Trade between the two countries accounted for nearly one third of the trade between China and the whole of West Africa, indicating the importance of Nigeria to China's entry into the regional market. Despite recent expansion, China still only accounts for a small fraction of Nigeria's global trade, lagging far behind the country's top partner (the United States) and also notably facing competition from Brazil and India, as well as more traditional partners such as France. Around 87% of Nigeria's exports to China are oil and

gas products. China, by contrast, exports a diversified range of goods to Nigeria, most notably machinery, equipment and manufactured commodities. While the official numbers are impressive, they fail to capture the complete picture of trade between China and Nigeria. 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 neighbouring states, which have long, porous borders with Nigeria.<sup>10</sup>

### **An Agenda for Future China-Nigeria Economic Relations**

The following policy implications, lessons & agenda for the future, China-Nigeria economic relations are proposed. Attempts to compromise the benefits of FDI should be persistently resisted by the Nigerian Government through active government engagement & negotiation with the Chinese government & investors.

There is need to ensure implementation of laws and regulations in Nigeria and to ensure compliance by the Chinese investors such include labour law, social responsibility law & local content requirement. The Raw Material Development Council (RNDC) should see to compliance of the local content requirement (in terms of human & physical materials) by all investment promotion council (NIPC) and other relevant organizations such as the Nigerian Extractive Industry Transparency initiative (NEITI) should ensure

compliance with the social responsibility in Nigeria.<sup>11</sup>

Owing to poverty of data at both the federal & State levels to carry out detailed & comprehensive study of this nature. There is the need to enforce the relevant law that will enable the data gathering agencies of government such as the National Bureau of statistics (NBS), Nigerian investment promotion council (NIPC) Federal Ministry of finance and Central Bank (CBN) to have access to important & necessary information for the evaluation of the benefits & costs of investment relation between Nigeria and China. Chinese firms have been noted for hoarding information. The relevant ministries & department should be supported financially to gather information including those on China-Nigeria relations.

The analysis clearly shows that the engagement with China just like any bilateral relationship has some advantages & disadvantages & that optimal outcome of The analysis clearly shows that the engagement with China just like any the engagement will depend on the policies & institutions that are put in place to maximize the complementary effects and to minimize the competing effects. The study shows that China is virtually everywhere in the country but information about its engagement & activities are fragmented. This is manifested the more in government, Ministries, departments &

agencies. There is therefore, the need to establish a coordinating body on China. This body, preferably a technical arm of existing body, should be empowered to scrutinize articles of association between Nigeria & China. The ultimate objective of the proposed body is to spell out the cost as well as the benefits of the proposed project and for programme. The proposed technical committee in its assignment must have taken into consideration domestically available resources including skills & ensure that as much as possible, the local content of the agreement is high enough not only for the purpose of generating employment for Nigerians but also to develop their technological capacity.<sup>12</sup>

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## **CHAPTER FIVE**

### **CONCLUSION**

This study is focused on the Nigeria-China political and economic relations from 2007-2015. 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. 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 2013 of \$13 billion between Nigeria and China as against \$2.51 billion for 2000 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 shows 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 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 neighbouring 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.

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