

Impact Assessment of Nigeria-China Economic Relations During President Goodluck Jonathan's Administration in Nigeria, 2011-2015

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Abstract

Nigeria finally established diplomatic ties with China in February 1971, and since then both countries have opened embassies in each other's capital. Nigeria trade Unions have been reported as blaming Chinese imports for the loss of 350,000 Nigerian manufacturing jobs, chiefly in the textile sector. In this study, secondary sources of data were used which are drawn from books, newspapers, journals, and other related materials on the topic under study. Data collected are descriptively analyzed to underscore and examine the impact of the economic and trade relations between China and Nigeria. The study discovered that Nigeria and China realize the importance of economic cooperation between them as China needs Nigeria's oil and gas to fuel its growing industry while a Chinese loan of 1.5 billion US dollars is used to develop infrastructure in Nigeria, including the expansion of four airports at Lagos, Kano, Abuja, and Port Harcourt. In October 2010 Huawei signed a deal worth US\$ 40 million with MTN Nigeria for the deployment of rural telephony infrastructure in 350 villages across the country. On the whole, the Federal Ministry of Trade and Investment should create an enabling business environment to encourage Chinese and other investors.

Keywords: Trade, Investment, Economy, Nigeria, China, Infrastructure

Introduction

China began formal trade with African countries in the late 1950s. The most important partners were North African countries, especially Egypt. Most African countries now agree to export, primary products to China and import consumer and capital goods from China. Although there were differences between countries over time, this pattern did not change until recently. China's economic and development enthusiasm for Africa is immense and has gone through changing phases of activity over the past three decades.

This is influenced by several factors. Critical factors include the formulation and announcement of a newly independent African policy at the 12th National Congress of the Communist Party of China in September 1982. This was followed by Premier Zhao Ziyang's 11-country tour from December 20, 1982, to 17 January 1983. At the end of the tour in Tanzania, the Chinese Premier reaffirmed China's support for the African liberation struggle in Namibia and South Africa and did so. It is clear that the core of the new relationship is based on the four principles of China-Africa economic cooperation: mutual benefit, practical results; common development without ideological baggage determined by domestic development priorities and its limited resources.

Second, after the collapse of the Soviet Union and the collapse of the Cold War, China revised its foreign policy in Africa, making China a strategic ally. While isolated after the Tiananmen Square murders in 1989, China launched a diplomatic offensive aimed primarily at the Third World and Africa, promoting visits by Chinese foreign leaders across ideological lines. In addition, it moved to third-world countries (mainly SSA) within international institutions.

Nigeria's first contact with China was in 1960 when a Chinese delegation attended Nigeria's independence celebrations at the invitation of the Nigerian government. The delegation brought a message from the Chinese leaders congratulating the Nigerian people for their victory in the struggle against colonialism. In February 1971, Nigeria finally established diplomatic relations with China more than ten years after independence. Both

countries opened embassies in each other's capitals during the year. For example, Nigeria exported cocoa beans, rubber, cashew nuts, hides and skins, as well as some other agricultural products and oil. China tends to export large quantities of cheap products that meet Nigeria's local requirements, which reflects a shrinking economy. It also caused a major trade imbalance between the two sides. Trade imbalances with China have been a common structural problem for most African countries. To compensate, China used its economic aid programs.

Nigeria is vigorously trying to build a new power with China, the most astronomical and second largest economy in the world. These two countries are geographically and demographically important in their region. China is more than ever ready to expand diplomatic and economic relations in the ever-changing world economy and political order. Nigeria is a country that cannot be ignored in Africa. In the 21st century, China talks about economic and commercial issues rather than military issues. Both Nigeria and China are trying to explore and find ways not only to strengthen diplomatic relations but also to expand and deepen economic and technical cooperation. Both are keen to reach mutually beneficial agreements, narrowing their differences outside of normal diplomatic relations. Both countries must also strive proactively to establish mutually beneficial export and import operations and customs.

China's growing economy depends on manufacturing. Thus, his main concern for Nigeria in the late 1990s was the desire to secure access to Nigeria's natural resources to fuel its growing economy. Currently, Beijing is making a very concerted effort to outbid all other Western businessmen in infrastructure projects, offering soft loans and using political tools to increase its competitive advantage in obtaining natural resources from Nigeria. Its newfound role as the world's commodity factory has given birth to a voracious appetite in Nigeria not only for the cheap products of the market, but interestingly, for raw materials as well. One of the main raw materials it needs most is oil, which is abundant in Nigeria and has also placed Nigeria in a good position in global oil politics and diplomacy (Odeh, 2011).

Nigeria's economy is still struggling, while China is both the fastest-growing and the second-largest economy in the world. A struggling economy like Nigeria cannot ignore China's current position in the world economic system. Logically, China cannot ignore Nigeria in the economic and general strategic aspects of Africa in the rapidly changing world system. Nigeria is still a potential market in the world at any time.

Strategically, China needs Nigeria to strengthen its new relationship in Africa. It is time for Nigeria to expand its economic and strategic relations to make China the leading economy of the 21st century. The United States is undoubtedly the most powerful country in the world, but China dominates the world economy in the 21st century (CNN: 2011). Although China's economy is highly diversified and has an increased capacity to export various products, Nigeria is still too dependent on oil, the dominant pillar of its economy. Brave China presents a fight against China in the Nigerian domestic market, the African market, and the Chinese market, as well as sharp business practices. Overall, Nigeria's current relationship with China depends more on how stable the political system becomes, the security climate, and the leadership's ability to implement major structural economic change in the economy.

China needs Nigeria for energy and a ready-made market for its cheap and colorful goods. In turn, Nigeria needs China for its rich industrial cluster models, technology transfer, strategic partnership, and cheaper credit loans for infrastructural development. China's increasing presence in Nigeria, and elsewhere in Africa, has spurred much speculation about the nature of the emerging partnership model. A national debate across sectors on this partnership will be a healthy exercise and may drive a more rigorous analysis of what best serves African countries' quest for a human-material advance; friendly, mutually beneficial relations in trade and politics; and stewardship of the shared heritage of the planet (Oyejide, 2009).

The economic conditions of Nigeria have advanced over the last few years as a result of the rapid phase of industrialization. The economy of Nigeria also improved tremendously with foreign investment aided high quality and development. Nigeria was under the British colonial rule for a considerable period. During this phase, major raw materials and minerals were exported to foreign countries along with food grains which in due course of time spearheaded the rise of slavery and exploitation of the labor class by the Europeans. After the achievement of independence in Nigeria, efforts were made to revive the economic growth of the country through a set of economic reforms.

Finally, Nigeria and China realize the importance of economic cooperation between them. As both countries are regional powers within their region. Most studies regarding the connection between trade and the Nigerian

economy although they include Nigeria and China bilateral have ignored the contribution of the Chinese inward foreign direct investment as a predictor of growth even if it is recent and insignificant. It is against this background that this study seeks to assess the impacts of Nigeria-China relations under President Jonathan's administration.

Literature Review

What accounts for the increase in the volume of Chinese trade with Nigeria on one hand and the impact of the Nigeria-China trade relations on economic development in Nigeria on the other hand, remain a subject of debate among scholars. Overtime, researchers such as Gregory (2009), Ogunkola *et al.* (2006), Okolie (2009), Onuoha (2008), Taylor (2007), Egbula & Zheng (2012), Monroe (1975), Bukarambe (2005) and several others, have variously contributed in the area of international trade, the volume of trade, foreign aids, economic relations, trade and economic growth between Nigeria and China. Most of them centered their explanation on the adverse effects of Chinese trade on the Nigerian economy, unraveling the trade imbalance between the two countries.

Consequently, Monroe (1975) noted that the inevitability of international trade led to the complete or partial removal of arbitrary trade barriers in form of tariffs, and embargoes by virtually all countries of the world. Utomi (2008) in his study was apprehensive over Nigeria's continued dependence on China for manufactured goods; he focused on key economic issues that were left untouched by several writers on Nigeria-China relations, especially the role of the non-state actors in Nigeria's economic relations with China.

Onuoha (2008) emphasized the security implications of China-Africa trade relations. He noted that China's arms trade with Africa tends to make mock of conflicts and wars which might fuel political instability and militancy in the continent. Gregory (2009) in his analysis of Nigeria-China trade relations starting with the critical oil and gas sector and followed by the power, rail transport, construction, manufacturing, and service sectors, argued that a study on Nigeria-China trade relations should focus on the manufacturing sector.

However, Sabine (2009) noted that the impact of Chinese trade on economic development indicates that the relationship is not favorable in the short run but might enhance economic growth in the long run. Okolie (2009:97) remarked that "the balance of trade has continued to be in favor of China". Ode (2009:133) noted that "the economic relations between Nigeria and China are premised on moral imperfections and economic imbalance". Ogunkola, *et al.*, (2006) concluded that China has set up over 30 solely-owned companies or joint ventures in Nigeria in the construction, oil, and gas, technology, services, and education sectors of the Nigerian economy, the foreign direct investment to Nigeria is typically accompanied by Chinese workers and most of the supplies are sourced directly from China.

Nevertheless, Cole and Helpman (1995) show that trade affects economic development positively through technology transfer. Again, the results of Moghadam and Coe (1993) suggest that trade and capital have a positive influence on economic development in France. Maddison (1998) showed that the gradual liberalization and capital flow in the Organization for Economic Cooperation and Development (OECD) countries stimulated West European reconstruction, recovery, and catch-up growth.

In the same vein, Appleyard, *et al.*, (2006) argued that China's economy is not taking place at the expense of its many trading partners. From the foregoing views of these scholars, such as Onuoha (2008), Okolie (2009), Ogunkola *et al.*, (2006), Cole and Helpman (1995), Maddison (1998), Manroe (1975), Utomi (2008), Gregory (2009) and among several others, it is evident that they tended to have paid less attention on the impact of Nigeria-China bilateral trade agreements on the volume of Chinese trade with Nigeria; and more so, the impact of the increase in the volume of Nigeria-China trade on Nigeria's economic development within the period of study necessitates further research. These, therefore, inform the thrust of this study. Based on the gaps in the literature.

Theoretical Framework

Scholars and Researchers have developed several theories to explain the relationship between and among states such as the Dependency Theory which states that to understand why some societies are developed and others are not, it is important to analyze the relationship between the societies now considered as the developed and the underdeveloped ones because the condition of the latter cannot be explained in isolation. This theory implies therefore that; it is the condition that is responsible for development in western societies that is

responsible for the underdevelopment of third-world nations. To this theory, the relationship that existed and still exists today was characterized by the unequal exchange which is why one society is decapitalized to enrich the other (Odeh, 2011). However, the dependency theory fails to capture some benefits accrue to Nigeria in her relationship with China. Besides, the dependency there sees the Nigeria-China relations as a Loss-Win situation.

Marxist Theory is also one interesting theory that sheds light on the nature of the relationships is the one popularized by the German political theorist Karl Marx, in terms of bourgeois capitalist exploitation of the proletariat. Eskor Toyo explains this in terms of competitive inequality. Competition is unequal in two circumstances; the first is competition in circumstances of inherited inequality in equipment, technology, market access and so on. The second is when competition becomes exploitative; He reasserts that Marxist theory is designed to enlarge the living space for imperialism by enlarging the living space for capitalism (cited in Odeh, 2011). However, the Marxist theory suffers a similar defeat like the dependency theory in the explanation of the impacts of Nigeria-China relations.

Nevertheless, in this study, the theoretical framework to be employed shall be the interdependence theory. The interdependence theory was adopted because it best captures the essence of this study, and would provide valuable insights into the nature of trade and economic relations between Nigeria and China. Interdependence theory assumed that states are not the only actors in international politics and those actors such as transnational corporations, non-governmental organizations, individuals, etc. are also actors in the international system. Joseph Nye raises an interesting theory of modern international relations through his concept of complex interdependence. Nye describes interdependence in an analytical sense, as "situations in which actors or events in different parts of a system affect each other." (Nye, 1979).

Nye continues his definition of interdependence by stating that the results are often varied and although the potential for benefits exists, the potential for tragedy exists as well. Despite this potential for varying results Nye 31 also notes that it is very difficult and very costly for a country to try and cut itself off from the world, such as Myanmar or Albania did. According to Nye interdependence can be divided into four separate dimensions, which are its sources, benefits, costs, and symmetry. These dimensions can originate in both the physical and social aspects of society. The idea of economic interdependence is an idea that cannot be disputed as a reality in this modern world. According to Nye, "economic interdependence involves policy choices about values and costs." These policy choices are based most often on the ideas of supply and demand; in the sense that what one country cannot supply for its citizens, can be supplied through trade with another country. These policy decisions, however, are quite often not as simple as just supply and demand, but instead are largely dependent upon the distribution of resources, especially those resources considered to be "power resources". In Nye's explanation of complex interdependence, he is very quick to point out that in and of itself, interdependence is neither a good thing nor a bad thing. The results of economic interdependence can be extremely varied in the distribution of gains for those nations involved. Economic interdependence can be viewed as a positive for bringing countries closer together and forcing them to act more cooperatively. This can most obviously be seen today in the international relations of America with most Western European nations, such as England, the Netherlands, Germany, and even France. These countries acknowledge the interdependence between them and often attempt to create policies that will foster those relationships becoming partnerships. He also posited that as with any decision or any theory, there are certain benefits and certain costs associated with it; economic interdependence is no different in this respect.

On the whole, the benefits created by complex interdependence, with economic interdependence as a main aspect have proven more often than not to be beneficial for all parties involved. In this modern day and age, technology is expanding at such a rate, that the distance between countries is seemingly getting smaller and smaller, not only in the respect of travel for people but also of information. It holds that there is no hierarchy of issues in the international system meaning all issues with an international outlook are important, particularly those that border on world peace, progress, and development, and that force or use of violence is not an acceptable means of defining, interstate relations. The theory dismisses war as an instrument of state policy utilized to achieve state objectives. The theory of interdependence emphasizes the relationship of mutuality, and interdependence among nation-states rather than isolationism.

The Volume of Trade Between Nigeria and China

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. The Gulf of Guinea countries like Nigeria, which produce sweet, low-sulfur crude and offered developing markets open to international investment, was 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 11.3 billion Nigerian nairas 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.

Nonetheless, many imported Chinese goods were often substandard, leading the Standards Organization of Nigeria in October 1996 to threaten China that a formal complaint would be lodged with the World Trade Organization (WTO) if the situation was not immediately corrected. The Chinese responded by explaining that they had not deliberately engaged in the 45 dumping of inferior goods in Nigeria and that it was often Nigerian businessmen of dubious disposition who were ordering products of questionable quality. Problems with corruption and unethical conduct by Nigerian businessmen and public officials would later resurface as a key obstacle in the Sino-Nigerian relationship when the Chinese blamed these forces for contributing to the ineffectiveness of a Chinese project to revive the Nigerian Railway Corporation (Ogwo, 2010).

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

from 1.5 percent to 1.2 in 2005 (Zenith Quarterly 2010:73).

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

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

However, the implication from this trade analysis is that the Sino-Nigeria trade which has increased since both countries started relations has largely been primary products to China and the port of finished products to Nigeria, particularly, as Nigeria lacks the technological know-how to produce the finished goods (Akongbowa, 2008:16). For China these advantages have been widening trade imbalance in her favor access to large Nigerian domestic market with pea enchant for imported goods and avenue to invest heavily in underdeveloped sectors of the Nigerian economy. Also, China has undertaken to reduce the average tariff on agricultural imports from 22% to 15% and eliminate export subsidies and non-tariff barriers to the import of several important agricultural goods.

However, this initiative was not taken seriously by the Nigerian government (Kwanashie 2007:7). The failure of the cassava initiative by the Obasanjo's government is a sad example. Farmers were encouraged to plant cassava but the government did little in promoting the initiative (Kwanashie, 2007:2). China has set up over 30 solely owned companies or joint ventures involved in the construction, oil and gas, technology, services, and education sectors of the Nigerian economy (Olugboyega, 2010). Some of the wholly foreign-owned investments are: ZTE Nigeria Investment limited, Plas Alliance Company, Royal Motors Company limited etc. some of these Chinese investments have also benefitted from incentives in the country such as pioneer status and expatriate quotas (Ogunkola 2008:20).

According to UNCTAD (2008), Nigeria accounted for over 80 percent of about \$7 billion inflow to West Africa and this was dominated by Nigeria's oil industry, these inflows mostly originated from China. In 2007, the China National Offshore Oil Company (CNOOC) limited made payments for a 45% stake in the Akpo oil field (UNCTAD, 2009), with expected production of 225,000 barrels of oil per day. The total deal offered to CNOOC was worth US\$2.7 billion (Abbah 2006:55).

Subsequently, Chinese National Petroleum Corporation (CNPC) received the license for four oil blocks-OPL 471, 721,732, and 298 in return for a commitment to investing US\$2b 2 billion rehabilitate the Kaduna oil refinery. President Musa Yar'Adua's inquiry into the oil block auctions in 2007 was strongly critical of the oil for-infrastructure approach. The investigative committee port questioned the conduct of the bidding rounds and the awarding of blocks to bidders who were well connected but had little industry experience (Egbula and Zheng 2011:11). Secondly, the committee said the system had been abused, with the Asian multinational oil corporations gaining access to high potential oil assets but failed to deliver on the promised infrastructure projects. With the contracts calendar suspended, this resulted in a deep setback or this Chinese oil company (Egbula and Zheng 2011:11).

In the information and communication technology (ICT) sector, the development of the national backbone infrastructure occupies a prominent place. Nigeria's first communication satellite NigComSat-1 received financing from China Exim Bank. The Nigerian Communication Satellite (NIGCOMSAT-1) was launched in 3 May, 2007 at the cost of \$256m, out of which China Export-Import bank gave a loan of \$200m and offered to control and managed it for two years. Unfortunately, due to solar power assembly problems, the satellite was de-orbited on November 10, 2008. The Chinese authorities quickly commenced the placement of the satellite at no cost to Nigeria (THISDAY, Sept. 16, 2010, 30). The Chinese Civil Engineering Construction Corporation (CCECC) was awarded the contract for the modernization of the Nigerian one-track rail line to standard gauge rail project (Siaka 2009:5).

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

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

In manufacturing, the Chinese investment has been in the textile sector, but has manifested itself in large investments in industrial processing zones in several states in Nigeria e.g Ogun and Lagos states, which consist of 100 firms engaged in the light to medium manufacturing activities including footwear and rubber production, ceramic processing, furniture production and household appliances (Ogunkola 2008:105). These activities promised to generate employment in different categories of Nigerians. The importance of the investment and technical cooperation with China to Nigeria cannot be over-emphasized as they are targeted at those sectors- power, and communication of the economy that particularly require such interventions. They are also areas in which China has developed appreciable expertise from which Nigeria.

The trade value between Nigeria and China reached \$ 13 billion in 2013, up from less than \$ 2 billion in 2000. Accompanying this boom in trade is the growing number of Chinese companies in several sectors of the Nigerian economy. Chinese investment in Nigeria is largely perceived as positive in terms of its contributions to economic development by the host country. This is largely due to its effect on job creation, a pressing need for Nigeria as a country.

It should be noted that the Chinese government imposes no political conditions on African governments before signing contracts either for exploration or other economic activities. Chinese firms are willing to invest where Western companies are unwilling. Western investors and aid agencies are unwilling to invest in areas such as physical infrastructure, industry, and agriculture. These are areas that are crucial to Nigeria's economic

development. It is well known that Nigeria desperately needs an infrastructure of all types. This is more reason why Chinese investment is a welcome development in Nigeria.

Nigeria gains from favorable financial assistance in form of loans offered by Chinese banks. This comes with a combination of grants and concessional and commercial rate loans. Because of Nigeria's poor credit ratings, it must pay a huge risk premium to access commercial capital. On the other way, Chinese concessional loans are subsidized through the budget thus permitting lower interest rates than those available through commercial lending houses. For instance, the China Ex-Im Bank gave the Nigerian government a \$500 million concessional loan to develop the railway system. In addition, the Ex-Im Bank gave another \$260 million credit facility to the Nigerian government for waterworks projects across the country.

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

Nigeria is one of the leading recipients of investments from Chinese companies between 2005 and 2012, according to data from a new report by Derek Scissors of the US-based Heritage Foundation Show. According to the report, within this period, the value of Chinese investments in Sub-Saharan Africa (SSA) totaled \$ 97.8 billion, out of which Nigeria had the largest share of \$ 15.9 percent of the total. In SSA, South Africa came second with \$ 8.6, while the Democratic Republic of Congo came third with \$ 7.8 billion of Chinese investments within this period. Chinese investments into Nigeria also topped those of Saudi Arabia, which had \$12.9 billion of investments from China, Britain's \$14.7 billion, Kazakhstan's \$14.0 billion, Russian Federation's \$ 13.3 billion, France's \$ 8.3 billion, and Vietnam's \$ 8.9 billion.

Furthermore, is the fact that the Chinese do more overseas assistance than just investment. The engineering and construction contracts included in Heritage Tracker are valued during a visit of the presidential panel to China in July, 2013; First Bank of Nigeria Plc signed an agreement with China Development Bank for the provision of \$100 million facility meant to be dispensed as loans to Small and Medium Scale Enterprises (SMEs) in Nigeria. Aganga, Nigeria's Minister on Trade and Investments described the loans as very important because of Small and Medium Scale Enterprises in the powerhouse of any economy, including that of Nigeria. "SMEs are a major economic driver, especially in a developing country like Nigeria. Today we have about 17 million SMEs in our country, employing close to 32 million people.

Concerning skill transfer and human capital development, between 2002 and 2006, China trained 3,000 Nigerian professionals. Another 4,000 was scheduled to be trained between 2010 and 2012. In 2009, former Chinese president Hu Jintao announced expansive aid program that would be expansive government scholarships and train 30,000 Africans in various sectors by 2015. In October 2010 Huawei signed a deal worth US\$ 40 million with MTN Nigeria for the deployment of rural telephony infrastructure in 350 villages across the country.

Impact assessment of Nigeria-China Economic Relations

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

Former President Goodluck Jonathan administration has also maintained strong relations with China. Chinese companies have been awarded contracts in the Nigerian economy. The former Vice-President of Nigeria, Namadi Sambo, said, "The government has invested over \$10 billion on the generation, transmission and distribution in the power sector. Over US\$2 billion has been invested in the rejuvenation of the rail system in Nigeria" (ThisDay, August 27, 2010). The construction of Papalanto power gas turbine plant in Ogun State

was awarded to a Chinese consortium SEPCO while the rejuvenation of the rail systems was awarded to the China Civil Engineering Construction Company (CCECC) (Ogunkola 2008:126). More so, the relations between the countries have continued to wax stronger. Though, the trade volume between Nigeria and China stood at over N1 trillion in 2012 with a deficit of N270 billion against Nigeria (Businessday wed 20th August 2014).

Former president Jonathan paid a five-day official visit to China. The highlight of the visit was the signing of a Chinese loan of 1.5 billion US dollars for the development of infrastructure in Nigeria, including the expansion of four airports at Lagos, Kano, Abuja, and Port Harcourt. From the Nigerian point of view, closer economic ties with China have become imperative. The loan of 1.5 billion US dollars brought to a total of nearly 15 billion Chinese investments and loans to Nigeria in recent years, including the 2.5 billion US dollars' investment in the newly refurbished Lagos-Kano rail line. Nigeria's share of Chinese investment in Africa has increased to over 30%. In contrast total US FDI in Nigeria was 8 billion US dollars (John: 2012).

Both Nigeria and China now realize the importance of economic cooperation between them. China, the most populous country in the world, with, the fastest world economic growth in the last 30 years, averaging 10% annually, has emerged a leading player in the world economy. Its national economy is now bigger than that of Japan, or the EU countries combined. Within a few decades, China has lifted some 300 million of its citizens from abject poverty (Daniel: 2013), a feat without any precedent in the annals of economic development. Nigeria, the most populous country in Africa, with vast reserves of oil and gas, need China's financial and technical assistance in the development of its decaying infrastructure. China too needs Nigeria's oil and gas to fuel its growing industry.

In addition, Nigeria is potentially, the largest market for China's industrial products in Africa. Nigeria's imports from China account for over a third of its total trade with West Africa. What am arguing is that the relationship should not be a win-loss situation rhetorically and diplomatically encapsulated under the paraphernalia of win-win umbrella. The Chinese have demonstrated courage and faith in the Nigerian economy having continued to make substantial strategic investment in the country at the time many western investors are complaining of security and instability. Chinese investments in Nigeria was expected to be worth about US\$10 billion by the end of 2011, are all source of great benefits to the Nigerian economy in virtually all sectors of the economy such as oil, infrastructural development, railway rehabilitation, construction, agricultural production and trade (Alli, 2013).

China-Nigeria relations have shown tremendous increase in the volume of trade between 2001 and 2006 moving from US\$384million to US\$3billion. But the trade volume is put at US\$13billion in 2015 (Ibrahim, 2016). As a mark of renewed confidence between the two nations, bilateral trade by 2014 had galloped to US\$18.1billion. China also secured oil licenses and agreed to invest US\$4billion in oil and infrastructure development projects in Nigeria and both countries agreed to improve bilateral relations. Trade and investment in agriculture, telecommunications, energy, and infrastructure developments, while railway sectors secured a US\$1billion loan to help it upgrade and modernize its network nationwide. In 2015, Nigeria was the 2nd largest market for Chinese export and the 3rd largest trading partner of China in Africa (Peoples Daily Editorial, 2016). In 2011, the China Great Wall Industry Corporation (CGWIC) launched Nigerian Communications Satellite 1R, which has thereafter met Nigeria's requirements in communications, broadcast, navigation and broadband access and also provided services for Africa, Europe and Asia. People-to-people communication and cultural exchanges are an integral part of our bilateral relations. Both countries enjoy ancient civilizations and splendid cultures, and we could often find similarities in our value systems and world views (Ojeme, 2013).

In the African Arts and Crafts Expo, the Chinese delegation showcased the exquisite Chinese handicrafts, most of which are acknowledged as UNESCO Intangible Cultural Heritage. Two Confucius Centers have been founded in Nigeria, namely in Lagos University and Nnamdi Azikiwe University. Besides, "Nigerian Culture Week" in China last year impressed quite many Chinese people (Ojeme, 2013).

Human and cultural exchanges have promoted the educational advancement of several thousand that have obtained a doctorate, master's and bachelor's degrees in different fields including the Chinese language to break the language barriers including the posting of Chinese language tutors to propagate the teaching and learning of Chinese language in Nigeria (Ibrahim, 2016). Another positive aspect in Nigeria-China relations is in the area of space-science and technology leading to launching of NICOMSAT I and II. Huawei for instance has trained more than 5000 local engineers and launched a 1000 girls Information and

Communication Technology (ICT) program in partnership with the Federal Ministry of Communication Technology (Ibrahim, 2016).

It is believed that at the centre of most of Nigeria's economic relations with China, is the principle of exchanging oil for development, citing a number of rail construction contracts signed in April 2011 between Nigeria and Chinese company named China Gezhouba Group Corporation, such as the three Eastern rail lines (463 kilometre from Port Harcourt to Makurdi; the 1,016 kilometre line from Makurdi to Kuru, with the inclusion of the spur lines to Jos and Kafanchan; and the 640 kilometre line from Kuru to Makurdi) as a validation of such diplomatic agreement (Alao, 2011).

China and Nigeria have signed many economic agreements (1997, 2001, 2003, 2008 2011 and 2016) for the purpose of seeking strategic partnerships for the long-term. The areas of agreements included investment, technical cooperation, telecommunications and others (Tom-Jack, 2016). There are about 40 official identified development finance projects in Nigeria, ranging from a US\$2.5 billion loan for Nigeria Railway, power and telecommunications projects. Nigeria and China signed an MOU for US\$1 billion for the construction of houses and water supply in Abuja (Xiaojie, 2016).

Support of Nigeria's anti-terror campaign is one of the many areas in which the two countries collaborate and strengthen China-African Economic relations. China knows that it cannot overlook Nigeria which boasts the third largest economy in Africa currently only behind South Africa and Angola, holds significant energy resources and immense market potential that cannot be ignored. Nigeria is the 7th most populated country in the world. Bilateral trade between the two countries has grown exponentially in the last 10 years and much of Nigeria's population has benefited from the infrastructural improvement and remodeling handled by Chinese firms (Xiaojie, 2016).

During the 2011 Nigerian election, China was reported to have exported ballot papers to Nigeria (Tom-Jack, 2016). In 2013, China decided to address the problem of power shortage in Nigeria by making a large investment through the building of a hydro-dam and making provision of technical aid to support the agricultural sector. In 2014, former President Goodluck Jonathan commended the phenomenal expansion of bilateral trade between Nigeria and China in recent years. He maintained the relationship with China just like his predecessor.

Nigeria's relationship with China under President Goodluck Jonathan was driven by commercial and economic interests. In the same vein, China's bilateral relationship with Nigeria during the period (2009 to 2015) was shaped by China's oil and investment policies in the 36 states of Nigeria including the Federal Capital Territory. Thus, the relationship between Nigeria and China under President Jonathan had advantages and disadvantages. For instance, while Nigeria's export increased from N106,733,131,758 in 2009 to N216,506,104,707 in 2010, the negative trade balances sky-rocketed from N786,461,617,718 in 2009 to N884,274,401,292 in 2010 (Egbula and Zheng, 2011). Also, Nigeria's imports from China rose by 10% to N1.21trn in 2012 from N1.1trn in 2010. However, exports to China increased more than four times to N933.31bn in 2012 from the N216.51bn recorded in 2010 (Okechukwu, 2013). In other words, China's capital flows into Nigeria under President Jonathan have been huge.

Under President Jonathan, several bilateral agreements were signed to boost financial, trade, economic, technical, and cultural relations between Nigeria and China. A statement by the Special Adviser to the President on Media and Publicity, Dr. Reuben Abati, said the agreements, which were signed after bilateral talks between the two leaders, include the framework agreement on comprehensive financial cooperation in support of Nigeria's economic development and a preferential buyer credit agreement for Nigeria's four airports expansion project. Others were a new agreement on economic and technical cooperation between Nigeria and China; an agreement on mutual visa exemption for holders of diplomatic and official passports from both countries and an agreement for the prevention of the theft, illicit import, and export of cultural property (Xiaojie, 2016).

President Goodluck Jonathan has also maintained strong relations with China. Chinese companies have been awarded contracts in the Nigerian economy. The former Vice President of Nigeria, Namadi Sambo, said, "The government has invested over \$10 billion on the generation, transmission, and distribution in the power sector. And over US\$2 billion has been invested in the rejuvenation of the rail system in Nigeria" (ThisDay, August 27, 2010).

The construction of the Papalanto power gas turbine plant in Ogun State was awarded to a Chinese consortium SEPCO while the rejuvenation of the rail systems was awarded to the China Civil Engineering Construction Company (CCECC) (Ogunkola 2008:126). More so, the relations between the countries have continued to wax stronger. Though, the trade volume between Nigeria and China stood at over N1 trillion in 2012 with a deficit of N270 billion against Nigeria (Businessday, 20th August 2014). By the end of 2015, China said that its trade volume with Nigeria exceeded \$13 billion (Xiaojie, 2016).

Another highlight of the growing confidence of China in the economy of Nigeria is the conversion of \$ 500 million in 2013, a fraction of Nigeria's foreign reserves, initially domiciled in American dollars, into Yuan (the Chinese currency) by the Central Bank of Nigeria (CBN). Describing the conversion, which was done over six months, CBN Governor Lamido Sanusi said it was inevitable, thus signaling the country's readiness to start receiving payments for its oil exports in Yuan. Sanusi said the country looked beyond the present in taking the decision.

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 (E.U. Times, 2011).

In 2015, President Muhammadu Buhari acknowledged the Chinese for their long-term support and investment in Nigeria because it has protected our national security and the developing economy (Tom-Jack, 2016). 2016 marks the 45th anniversary of Nigeria-China diplomatic relations, all indications point to a stronger and ever-growing partnership and cooperation that is mutually beneficial to both countries. The Sino-Nigeria economic cooperation firmly sticks to the principle of mutual benefit, equality, and self-willingness. As a result of their strategic partnership agreements, Nigeria is one of the few countries in the world that stores parts of its foreign reserves in the Chinese yuan and should benefit substantially from Premier Li's target of US 400billion in total trade with Africa and quadrupling direct investment in the continent to US\$100billion.

Conclusion

Nigeria's first contact with China took place in 1960 when a Chinese delegation, on the invitation of the Nigerian government, attended Nigeria's independence celebrations. The delegation brought a message from Chinese leaders congratulating Nigeria on the victory won by the Nigerian people in their struggle against colonialism. In February 1971, Nigeria finally established diplomatic ties with China more than a decade after independence.

Both countries opened embassies in each other's capital within the year. Nigeria, for example, exported cocoa beans, rubber, cashew nuts, hide and skin, and some other agricultural products and oil. China tends to export large amounts of low-cost manufactures meeting Nigeria's local demands that reflected a declining economy. This also resulted in serious trade imbalances between both sides. The trade imbalance with china has been a structural problem common to most African countries. For compensation, china utilized her economic assistance programs.

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 many Chinese investments, and the conclusion of some 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 its domestic economy by being an exporter of finished goods than a mere producer of raw materials for China. Otherwise the pull of the imbalance would continue to work against Nigeria.

On the whole, in 2011, the China Great Wall Industry Corporation (CGWIC) launched Nigerian Communications Satellite 1R, which has thereafter met Nigeria's requirements in communications, broadcast, navigation, and broadband access and also provided services for Africa, Europe, and Asia. People-to-people communication and cultural exchanges are an integral part of our bilateral relations. Both countries enjoy

ancient civilizations and splendid cultures, and we could often find similarities in our value systems and world views.

Recommendations

- a. The Federal Ministry of Trade and Investment should create an enabling business environment to encourage Chinese and other investors. It must address basic infrastructural impediments such as the provision of electricity, transport, and better telecommunication facilities.
- b. The Federal Ministry of Trade and Investment and sister agencies can learn from the trend of reform in China and create policies in such a manner that the economy of Nigeria becomes the focus of development. For instance, during the Chinese years of reform, foreign direct investment inflows to China were subjected to various rules and regulations including extensive plans for technological capacity building of Chinese, and stringent local content requirements.
- c. The Federal Ministry of Trade and Investment in collaboration with the Federal Ministry of Science and Technology should use China's thirst for oil to extract concessions in areas vital to Nigeria's interest. China should be encouraged to strengthen and improve its cooperation with Nigeria in engineering projects and technological cooperation.
- d. The Federal Ministry of Trade and Investment should identify and systematically develop areas it has a comparative advantage over China to maximize benefits from this trade.
- e. The Federal Ministry of Foreign Affairs and the various parastatal agencies under its jurisdiction should undertake a comprehensive overhaul of Nigerian foreign policy and use it for the aggressive pursuit of economic security and mutually beneficial international cooperation bilaterally and internationally.

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