

A Review of the Challenges of Nigeria-China Economic Relations in Contemporary times

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Abstract

Nigeria finally established diplomatic ties with China in February, 1971, since then both countries have opened embassies in each other's capital. In this study, secondary sources of data was used which are drawn from books, newspapers, journals and other related materials on the topic under study. Data collected are descriptively analyzed to underscore the challenges of the economic and trade relations between China and Nigeria. 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. Moreover, 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. On the whole, 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 on technological capacity building of Chinese, stringent local content requirements.

Introduction

The origin of Nigeria-China relations dates back to the early 1960's when Chinese delegation visited Nigeria in 1964 seeking to establish diplomatic ties with the country. Since then, Scholars and Researchers have produced research works on the bilateral relationship between Nigeria and China. Nigeria, the most populous country in Africa, with vast reserves of oil and gas, needs China's financial and technical assistance in the development of its decaying infrastructure. China too needs Nigeria's oil and gas to fuel its growing industry. In addition, Nigeria is potentially, the largest market for China's industrial products in Africa. Nigeria's imports from China account for over a third of its total trade with West Africa.

Nigeria has since 1971 maintained diplomatic relations with China but it seems that the benefit accruing from the relations have always favoured China. In the area of trade, China exports more to Nigeria resulting in huge trade imbalances to its favour. But there is a pitfall here which Nigeria has to watch very closely in this seemingly win-win relationship with China. There is a chronic and growing trade imbalance between the two countries in favour of China. Nigeria should seek to reduce this vast trade imbalance by increasing its nonoil exports to China. China's exports to Nigeria are currently estimated at 3 billion US dollars, while Nigeria's exports are estimated at only 1 billion US dollars, a trade gap of 2 billion US dollars (Peter: 2013). This trade deficit, a concern to Nigerian leaders and its private sector, is being discussed by the Nigeria-China Joint Planning Commission. Nigeria should be wary of being used by China as a dumping ground for cheap Chinese exports, particularly textiles, as this will increase the existing trade imbalance between the two countries in favour of China and lead to more job losses for Nigeria.

Nigeria trade Unions have been reported as blaming Chinese imports for the loss of 350,000 Nigerian manufacturing jobs, chiefly in the textile sector (John:2012). For instance, China's total imports to Nigeria in 2005 were valued at US\$2.3 billion in contrast to Nigeria's export to China within that same year valued at US\$503.9 million with export of mineral fuel accounting for about 90% of total exports (World Integrated Trade Solution Database, 2007).

For instance, in 2006, South Africa imposed two-year import restrictions on some Chinese textiles. In this regard, the Nigerian authorities are beginning to take some limited action against cheap and fake Chinese

exports. In 2006, NAFDAC banned pharmaceutical imports from some Chinese and Indian companies (Idris: 2007). It is true that China's relationship with Nigeria has helped the country infrastructure-wise, but it is clearly evident that the relationship has been purely and majorly a mercantile transaction between business elites and politicians. There is no doubt that the terms of trade still unfortunately favoured China, whose exports represented 73% of the bilateral trade total in 1995 and 68% of the total in 2000. In 2008 it was 93%.

On the whole, the expansion of Nigeria's economic interactions with China is constrained by the inadequacy of the industrial infrastructure for the promotion of relations (Samuel 2010:73). Nigeria's underdeveloped infrastructure is often seen as one of the major impediments to economic development, and successive governments have made concerted efforts to rectify the situation (Egbula et al 2011:14). It is against this background that this study seeks to engage in the review of literature on the challenges of the Nigeria-China economic relations in contemporary times.

A Review of the Challenges of Nigeria-China Economic Relations

The origin of Nigeria-China relations dates back to the early 1960s when a Chinese delegation visited Nigeria in 1964 seeking to establish diplomatic ties with the country. Since then, foreign policy scholars have produced research works on the bilateral relationship between Nigeria and China. A review of related materials on Nigeria-China relations shows that there has been a cordial relation between the two countries except between 1967 and 1970 when China supported the Biafran forces by supplying them light arms against the Federal Military Government of Nigeria.

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

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

Victor (2003) opined that the Nigeria and China bilateral relationship which is popularly known as Nigeria China Friendship Association was established since 1960, but it took its real shape on 10 February, 1971. Since then, the relationship has achieved a smooth and steady development. On 10 February, 1978, the leaders of both countries exchanged views on a wide range of issues of mutual interests to promote economic, social, cultural and technological cooperations, where Nigeria received a grant of 30 million RMB Yuan, which is equivalent to N380 million or (USD 3.5 million).

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

Charles (1998) maintained that the increasing needs of citizens of various nation states and the inadequacy of internal resources to meet such needs have given impetus to the preeminence of economic co-operation as a priority agenda in inter-state relations; this is a fact of national survival. In recent times, the relations between Nigeria and the People's Republic of China has been on the increase.

On the economic prospects of Nigeria and China relations, the developing economic structures of the two countries places them on a sure footing to reap the bountiful reward of their economic resources. Nigeria which is increasingly discriminated against in the Western market can take advantage of the Chinese large

market which is arguably the largest in the world. Most importantly, the technological breakthrough of Nigeria has a better prospect with an accelerated Nigeria-China joint venture in several areas of economic cooperation. He noted that one of the areas of Chinese trade that is of benefit to Nigeria include, the Chinese traditional medicine, and for Nigeria as a nation the solid and liquid mineral deposits in the country can be of great interest to the Chinese growing economy and can in return bring more capital inflow to Nigeria.

Elkanah (2006) pointed out that the Nigeria and China bilateral relations is generally considered to have gained momentum in the days of Nigeria military dictatorship of General Sani Abachi's government when Nigeria was isolated by the West and especially Nigeria's traditional partners UK and USA. The low profile of China and Nigeria bilateral relations prior to this period was not unconnected with the raging ideological cold war in which Nigeria was firmly tucked in the West sphere of influence.

According to Marafa (2005) there are some commonalities and parallels between Nigeria and China that can be drawn; by size, Nigeria is about 10% of China; by population it is about 10% of China; by regional relevance they share status symbols; internally they are both endowed with abundant natural resources and furthermore, they have similarities and differences in the historical legacy, historical development, pluralistic culture and so on. Like China, Nigeria is composed of numerous ethnic and religious groups and both have existed for thousand of year. While both countries have the largest population on their respective continents and vast natural resources, both have relatively low per capital income, with China working earnestly towards normalizing this anomaly.

Writing on China and Nigeria relation, Laid (1981) posited that Nigeria-China relationship was confirmed by the two nations as a reality in international diplomacy and it covers both countries stand on major world issues. Dialogue was used as an opportunity to appraise Nigeria-China bilateral relations. This was with the view of understanding past limitations and improving the existing ones and prescribe ways of making such improvement. He argued that the dialogue, in this context prove wonderfully useful despite the existing good relations which began with the visit of Yakubu Gowon to China in 1972, a lot has been achieved in terms of realizing the basic objectives of the existing agreements. In 1972, Nigeria's economic commissioner, Dr. Adebayo Adedeji, who was later the U.N. under-Secretary General signed the Sino-Nigeria agreements on trade and related issues. In 1975, a Nigerian delegation sponsored by the Murtala-Obasanjo regime was in China to study the lessons of the Chinese Cultural Revolution and in 1976 there was a cooperative move on transportation, particularly railway. In 1987, the total Nigeria imports from China amounted to N78 million, while Nigerian export to China amounted to N30 million. " Through this, China has more aid and other forms of assistance to Nigeria than other foreign power; the Chinese cooperation with Nigeria is standing at good relations point. The essence of international relations and bilateral cooperation is to further advance the defined national goals and provide avenues through which these national goals could be achieved; the two delegations therefore exploited the available time to achieve this objective bilaterally," (Osoba, 1986:23).

Ogaba (1999) noted that during the diplomatic visits made by leaders of both countries in 2001, trade agreements between the two countries were signed; Chinese companies were awarded contracts to become involved in oil production in Nigeria, the refurbishment of the long-neglected Nigeria railway corporation, the dredging of seaports at Calabar and Warri, and development of mass housing projects. He further stated that the trade between Nigeria and China in 1995 reached \$ 10 million doubling the 1994 figure, indicating an increased economic interaction between the two countries.

Ogaba (1999) again noted that the growth of the Chinese economy in the last one and half decade has been phenomenal and holds some attraction for the Nigeria economy. The significant growth of Chinese economy which outstripped all other countries not only in the Asian-pacific, but in the entire world, has made it an important country. Ogaba observed that it is as a result of China's economic performance in recent times that the Nigerian government under General Sani Abacha considered it imperative to establish trade partnership with China, and that the Chinese economy is a model for the Nigerian economy which was undergoing guided transformation.

Jide (1998) wrote that Nigeria embraced China and abandoned its traditional trading partner of the west with consequent serious economic decline. This has opened a window of opportunity for a carefully assessment of the future of its foreign relations as well as graphically underscoring the fact that one cannot really separate foreign and domestic policies.

Tunde (2006) writing on China and Nigeria relations noted that both Nigeria and China are seriously in need of each other in term of energy, economic, social and cultural development. Chief Olusegun Obasanjo paid an official visit to people republic of China from 26-29 August 2001 and was receive by the Chinese president Mr. Jiang Zemin. They discussed ways and means of creating and expanding the new economic ties of both countries. Finally, the following agreements were signed: bilateral trade agreements, framework agreement on the reciprocal promotion and protection of investments and memorandum of understanding on communication. It was in line with the above that many Nigerian Governors and corporate organization paid visits to China in search of business partners.

Nevertheless, Onuoha (2008) noted that China-Nigeria relations can best be summarized in a speech at the Organization of African Unity (OAU) meeting, by the former Chinese President, Jiang Zemin, when he announced that: "China is willing to consolidate and develop a long term stable cooperation relationship with African countries in the 21st century, under the five principles of peaceful coexistence, principles of sincerity, friendship, equality, mutual benefit and common development". He expressed the Chinese people's sincere and decisive attitude towards deepening their friendship with the African people, and stated that the Chinese government will continue it's economic and trade cooperation with Africa on the principles of equality and mutual benefit, diversified forms, efficiency and common development.

It was not until the return of democratic rule in Nigeria that economic relations began to develop in earnest. Obasanjo's election in 1999 coincided with the start of a new Chinese orientation toward Africa in 2000. During Obasanjo's second term, 2003-2007, both China's President Hu Jintao and Prime Minister Wen Jiabao visited Nigeria, and Obasanjo made two official visits to Beijing. In 2002, the two countries signed agreements on the establishment of a Nigerian Trade Office in China and a China Investment Development Trade Promotion Centre in Nigeria. The intergovernmental Nigeria-China Investment Forum was then founded in 2006 (Adesanya, 2010).

According to Ogunkola (2008) Obasanjo's approach to China, branded 'Oil-for Infrastructure', consisted of awarding oil contracts on favourable terms in exchange for China's commitment to deliver key infrastructure improvement projects. President Yar'Adua came into power following elections held in April 2007. Citing concerns about a lack of transparency, the new administration cancelled or suspended most of the oil-for-infrastructure contracts signed during the Obasanjo's years. Little progress was achieved during the next three years.

One of the major challenges is the present state of infrastructural facilities especially in the areas of power, rail network systems and communication in Nigeria which is very poor and if urgent steps are not taken to address these, it may get worse. And until Nigeria rises up to these challenges, foreign investment inflow will continue to elude the country. Another challenge is the wide trade imbalance that continues to be in favour of China. In 2005, the total value of trade between Nigeria and China was US\$2.5 billion. Out of this Nigeria made only US\$400million while China's share amounted to US\$2.1 billion (Alli 2007:5). With the great need of the Chinese for agricultural raw materials which the Chinese need, it is already clear that Nigerian government should intensify efforts to promote industrial and agricultural production and their export to China (Alli 2007:5).

Attempts by Nigeria to participate in global economy has to a large extend been stifled by poor technology. As a result, China has become its best partner in terms of technological transfer. However, concern has been raised over the role of China in this regard (Akongbowa 2008:18), increasingly, the technology transferred from Chinese FDI is insignificant because most of the Chinese firms bring into the country complete equipment with Chinese technicians. This was the case with the Zamfara state government. The government signed a US\$250 million agreement for the construction of three new processing and smelting factories in the state.

Under the joint venture projects, Chinese companies had 90 percent in each of the joint venture projects while the Zamfara government had 10 percent. The Chinese firms will design the projects, select appropriate technology, buy all the equipment, install and run them while Zamfara government will provide land, acquire both exploration mining licenses, provide security for the Chinese investment and employ 5,000 local miners (*Thisday* July 7, 2010:.70).

Finally, China has complained about the high rate of insecurity arising from pronounced social violence. There are instances of kidnapping of foreign investors, properties and investments of foreign investors come under

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

Conclusion

Nigeria and China realize the importance of economic cooperation between them. As both countries are regional powers within their region. 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, a feat without any precedent in the annals of economic development. Nigeria, the most populous country in Africa, with vast reserves of oil and gas, needs China’s financial and technical assistance in the development of its decaying infrastructure. China too needs Nigeria’s oil and gas to fuel its growing industry. It is against this background this study engages in the review of literature on the challenges facing Nigeria-China economic relations in contemporary times.

Recommendations

There is a need to focus on improving the quality of these goods and the Nigerian authorities need to strengthen their monitoring mechanism such as Standard Organization of Nigeria (SON) and perhaps ensure that Chinese firms produce and export to Nigeria meet national standard.

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

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

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