

**NIGERIA-CHINA ECONOMIC RELATION: THE UPS, THE DOWN AND THE  
FUTURE.**

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**Abstract**

*Since the evolution of sedentary life and development of states, history has shown that no community or nation-states entirely lived in isolation. In modern times, due to exigency of the period, nations enter into bilateral or multi-lateral relations cutting across cultural, political, military and economy. It is on this basis that Nigeria-China relations came to be established. Since the establishment of diplomatic ties in February 1971, the relationship has grown and beneficiary to both countries. The beneficial factors of the relationship have given rise to different interpretations by different commentators depending on the perspectives of such description. It is on this premises that the paper examine the relationship over time and pimp into what the future holds. Using content method analysis, the paper concluded that the economic relations has been in favor of China but could be balance and even be in favor of Nigeria the near future.*

## **Introduction**

Long before contact with the Europeans there emerged political entities in Africa that were at different level of development and civility. The differences in the level of political development, technology and resources therein led to the establishment of inter relations across regions, politics and even with people of different races.<sup>1</sup> For instance, there existed diplomatic and trade ties between the Sudanese states and their Maghreb counter parts across the Sahara. These relationships grow and became formalized under astute leaders that abound in the continent. This made Adeniran to comment that:

In traditional Africa... Kings and the various traditional rulers were engaged in competition and rivalries in the negotiation of treaties, the delimitation of political jurisdiction and trade frontiers and in the settlement of disputes, Emissaries and presents were exchanged from time to time among neighboring kingdom and other political entities<sup>2</sup>.

With the evolution of modern states and advancement in science and technology that made nonsense of environmental barrier, contact became more frequent and formalized among people and politics of different extraction across the globe. It is in the light of this that nations of the world enter into bilateral and multilateral relations such as Economic Community of West Africa (ECOWAS), European Union (EU) and South – South Cooperation among others.

Nigeria as a nation is involved in both bilateral and multilateral nations with different nations of the world depending on the situation and interest. One of such bilateral relations is the

one involving Nigeria and china that formally came into being in February, 1971. These relations that has grown and beneficial to both countries as epitomized by economic activities formed the subject of this paper.

### **Theoretical Framework**

It is true that no communities, societies or nation's no matter how close they may be, are endowed with equal resources. The variation in resources endowment led to the establishment of definite relations among nations. It is also true that no matter the level of development of nations involved in the relationship, it cannot operate on equality at all times but beneficial to those involved. This situation brought about dependency theory as propounded by Lenin, Emmanuel, Santos, Rodney, Samir Amir and Claude ake.

The theory was propounded to explain the unequal relations among people, society or nations. It described a situation where a developed or more advanced society/nation enjoyed a much favorable condition in terms of exploitation and utilization of resources than a less developed nation in the relation. This may cut across political, cultural and economic most especially trade imbalance and flow of capital which keeps a developing and dependent nation to receive finished goods, receive loans and so called transfer of technology for export of resources to develop economy-thereby enriching the firm and enslaving the later.<sup>3</sup> With reference to Nigeria – China relations, depending theory gives us opportunity to scale the relations and its characteristics in order to exploits a favorable path for the nation towards economic development .

### **Understanding the material wealth of Nigeria and china**

Nigeria is located in West African sub-region of African continent. It covers a land mass area of about 923,768 km<sup>2</sup> with a population of over 180million people. It has two distinct vegetation of forest and savanna with uneven rainfall distribution that decrease from coastal sooth to the interior north ranging from 1500mm to less than 500 mm. the country is drained by a number of rivers and streams that empty into Atlantic Ocean, Lake Chad or a tributary of other rivers. The two major rivers in the country are Niger and Benue.

Her location along the coastal area of West Africa made her easily accessible to other continents of the world. The accession became apt considering her vast agricultural potentials emanating from over 80% of her land being arable. In addition to varieties of agricultural products, the area is blessed with large reservoir of minerals that included crude oil, gas, limestone, tin,

columbite, kaolin, gold, coal, iron ore, bitumen among others that made her a major player in the world economy.

The agricultural, mineral and water resources made Nigeria's quest for industrial development not to be out of place. This is supported by a large population concentration which made her a single largest market in Africa. Despite these potentials Nigeria is still a major in primary goods production while depending much on crude oil to lubricate her economy and importer of wide range of finished and consumable goods.<sup>4</sup>

China is an East Asian country occupying a landmass area of 9,596,960km<sup>2</sup>. It has population of about 1.4billion people. The climate is continental Monsoon with uneven distribution of rainfall that decreases from southern coast inward. The rainfall ranges between 50mm to 2535mm thereby affecting vegetal cover of the country<sup>5</sup>. The vegetation covers ranges from forestry to desert area. About 80% of the land surface of the country is arable or could be reclaimed for agriculture and other economic activities<sup>6</sup>.

China is blessed with huge surface water resources that included over 1500 water drainage such as Rivers Yantze, Yellow and Hai among others that ran into the Pacific Ocean. The Nu, Yahu drained into Indian Ocean while Ergi's emptied into Arctic Ocean. In addition to agricultural potentials and water resources, China is blessed with wide range of mineral resources such as coal, oil, gas and hydro energy. In fact the mineral resources made China to be leading reservoir of resources in the world.

Despite her population, China is able to feed its teeming population, and her industrial achievement made her a leading economy in the world.

From the material wealth of Nigeria and China though located on different continent, they have many things in common and yet at variance with each other's. For instance, while China is the most popular country and leading economy in the world, Nigeria is the largest market in Africa and has the potential to be an industrial and prosperous nation. This made the relationship between the two inevitable and fundamentally necessary.

### **Nigeria – China relationship in Historical perspective**

From the second half of the 20<sup>th</sup> century, the hitherto contacts and interaction between Africa and China that has been on for centuries became formalized through the establishment of diplomatic relations. This began with Egypt in 1956. Since then, virtually all African countries

have established diplomatic relations covering economy, political, scientific and cultural sphere<sup>8</sup> with China that was looking for alternative to European and American capitalism.

The contemporary relations between Nigeria – China dated back to colonial period through the activities of Nigerian trade union leaders. The union leaders paid clandestine visits and obtained material and financial aids from China. The peak of this relationship was the audience and attention given to Nigerian labour delegates in 1958 at The All China Federation of Trade Union conference.<sup>9</sup> However, the official link began with the official invitation of People's Republic of China to Nigeria's independent celebration in 1960<sup>10</sup>. Unfortunately, this was not taken further due to Nigeria's anti – communist stand<sup>11</sup> until February, 1971 when amnesty was extended to supporters of the secessionists. China reciprocated by opening her embassy in October, 1971.<sup>12</sup> Since then, the two countries exchanged frequent visits leading to signing of bilateral agreements on economic, technical and trade.<sup>13</sup> The visits and agreement increased the volume of trade and cooperation between the two.

From 1990s most especially during Sani Abacha military administration the two countries got closer to bridge the gap of Nigeria isolation by the western world due to 1993 political impasse. Thus, Chinese government exploited the decline in trade level between Nigeria and western world to serve as an alternative allied. This not only increased trade volume but Chinese consortiums like China Civil Engineering Construction Corporation became a major contracting firm winning such contracts as building of 5000 housing units in 2000 for the eight annual All African Games<sup>14</sup> and the rehabilitation of the Nigerian railway and supply of new coaches in 1999 at a cost of US\$529million.<sup>15</sup>

The return to democratic governance enhanced the existing relationship. This was first tired by the then President Olusegun Obasanjo two legged visits to China in 1999 and 2001. The end result of the visits were signing of trade, economic, technical, scientific, technological and investment protection agreement.<sup>16</sup> Much later on 28 April 2006 Hu Jintao, the Chinese president was on a two day visit to Nigeria which culminated in the signing of Memorandum of Understanding on petroleum cooperation. The agreement pounded for granting of China four drilling (oil blocks) licenses in place of her return investment in Nigeria to the tune of four billion dollars in oil and infrastructure projects.<sup>17</sup>

The coming of Yaradua and Jonathan presidencies led to an improvement on the existing relationship. A part from state visits by the leadership of both countries a number of financial commitment / agreements were made. Nigeria was to draw a number of loans for construction of project, to the benefits of Nigerians.

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

Economic ties between Nigeria –China cut across trade, investment, construction activities and loans/grants. This began from 1972 following bilateral agreement on economy and technical cooperation and trade. The agreement allowed for continuous unguided importation of Chinese goods into Nigeria.<sup>18</sup> This gave China a favorable advantage over Nigeria which up to this moment has not been balance. For instance in 1975 and 1976 Nigeria's total import from China was us\$ 210.73m and export stood at US\$8.85m.<sup>19</sup> The value of trade in 1980s declined due to austerity measures adopted by Nigerian government which affected importation of goods and services.<sup>20</sup>

The government of Sani Abacha in response to United States of America and her western allies sanction and isolation of Nigerian look towards Asian countries for collaboration. This drew China closer to Nigeria and opened the flood gate to new economic cooperation. Thus, from mid – 1990s the volume of trade between the two increase tremendously. For instance from\$35min 1991,the value of trade rose to\$210m in1995, \$330min1996, \$578m in 1999 and \$850 in 2000.<sup>21</sup>

The return to democracy and exchange of visits by the leadership and officials of the two countries was to have significant effect on the trade relations. The Chinese government policy of sustainable growth and response to Nigeria's leadership complaint on trade imbalance led to increase in importation of Nigeria goods by China. The trade continued to be in favour of China as shown in the trade of balance of 2007, 2008 and 2012 in total of ₦515, 322,082120, ₦470948778909<sup>22</sup> and ₦270billion respectively.<sup>23</sup>

Apart from trade ties, the Chinese companies have been involved in Nigeria construction industries and investment. The first major contractual undertaken in Nigeria was in 1995 when Chinese Civil Engineering Construction Corporation (CCECC) was involved in the rehabilitation and modernization of the Nigerian railway one track rail line to a standard gauge. The track line ran's from Lagos to Kano with a break to Minna and Abuja. Part of the funding of the contract was prodded for in the 2006 US\$2.5billion loan facility from China's Exim Bank.<sup>24</sup> in 2000 the

company also got contract for the construction of 5000 housing units to house participating athletes to the eight Abuja All – African Games.<sup>25</sup>

Since then, various Chinese companies (CCECC,SEPCO), have been involved in the construction of ICT facilities such as the Nigerian Communication Satellite (NIGCOMSAT – 1) that was launched on May 13, 2007, thermal power stations at Ughelli, Gerego, Papalanto Alaoji and Omotosho and Hydropower at Zungeru and Mambill and roads construction across Nigeria landscape.<sup>26</sup>

The various bilateral agreements and Memorandum of Understanding between Nigeria and China has also yielded high level of investment from China. This investment either wholly or in partnership with Nigerian improved the economic ties between the two. For instance the 2006 MOU on petroleum cooperation provided for and granted Chinese National Petroleum Cooperation (CNPC) four oil block license in return for investment in oil (including rehabilitation of Kaduna refinery) and infrastructure project to the tune of US\$4billion.<sup>27</sup> China is and has been investing in Nigeria economy through over 30 Chinese's owned or joint venture companies in construction, oil, gas technology, services and education running into billions of naira. Among the Chinese companies operating in Nigeria are SEPCO, ZTE Nigeria Investment Limited, Royal Motors Company Limited etc<sup>28</sup>

Lastly, in most of the construction works Chinese firms are involved; EXIM bank provided loan facility towards funding the project. For instance in the rail rehabilitation, housing provision, thermal and hydropower projects, NIGCOMSAT – 1 airports expansion and other infrastructures. Exim bank provided loan facilities for the project this made both direct investments and loans to Nigeria to be about US\$15billion.<sup>29</sup> Similarly, China becomes the world Leading economy with investment in Nigeria.

### **The ups of Nigeria – China relations**

Nigeria – China relations since its formalization and most especially from the Abacha era has grown beyond intermittent level to frequency and expansive engagement in the field of politics, culture, scientific and economy. This has led to ever increasing Chinese presence in Nigeria in

virtually all home endeavor. The expansion of Chinese activities at both either political, official or business level no doubt has been of benefit to Nigeria and Nigerian society.

The growth and modernization of China brought her into greater contact with Africa and Nigeria in particular in order to attend to her industrial, energy and marked expansion needs.<sup>30</sup> This made her to developed a friendly relations and partnership based on alternative model to that of the west and capitalist nations that emphasis no – strings – attached policy on foreign aid and trade in order to sustained her domestic growth and allowed for the growth of her trading partners.

The relationship between the two countries in the last decade has attracted a number of financial aid from China to Nigeria. This aid in the range of about six to seven billion US dollars were meant to finance the modernization and refurbishment of the Nigeria rail line system at the cost of US\$2.5b in October, 2006<sup>31</sup>, US\$3.5billion for the construction of six major hydropower projects with total capacity to generate 6000MW in 2006<sup>32</sup> and \$200m loan quality to construct and manage the nigeri's first communicating satellite Nigcomsat – 1, that was launched in 13 May, 2007.<sup>33</sup> The fund for the projects were provided by the China Exim Bank. In 2008, US\$500million loan for identified projects in Nigeria and construction of a hospital in Abuja through a loan of US\$4.2m.<sup>34</sup>

The Chinese government and business class expression of interest to invest in Nigeria oil industry from 1997, only became realistic following high level exchange of visits between president Olusegun Obasanjo in 1999 and 2001 and president Hu Jintao in 2006. The return visit led to the signing of Memorandum of Understanding that open the gate for Chinese investment in Nigeria. The MOU received the commitment of China to invest US\$4billion in oil and infrastructure.<sup>35</sup>

China seeing Nigeria as a leading economy in Africa has invested over US\$15billion. Her investment interest included her US\$2.76 (457,) state in the Akpo oil field with production capacity of 225,000 banels per day through china national offshore oil company (CNOOC)<sup>36</sup> in 2007. Also, chinese national petroleum corporate. (CNPC) got allocation of from oil blocks with commitment to invest US\$2billion to relabillitate kaduna refinery which was later suspended<sup>37</sup>.

Apart from these, over 30 companies or venture either only owned or jointly owned by Chinese and Nigeria are operating in Nigeria. The total investment of these companies that operates in the oil ,and gas, technology, construction and services sectors run into billions of US



dollars some of the companies are ZTE Nigeria Investment Limited, Royal Motors Company Limited and Chinese Civil Engineering Construct Corporation (CCECC).

Nigeria society also benefitted from Chinese expertise in her construction contract such as the provision of 5000 housing units for all African games in Abuja, construction of China – Nigeria friendship Culture Center in Abuja and series of road constructions.

Also through Chinese involvement in construction, many Nigerian citizens became employed at both skilled and unskilled level.

Similarly, through Chinese imports of Nigeria goods ranging for agriculture, mineralic, chemical and manufactured goods, Nigeria production process became stimulated.

### **The Down**

The strength of bilateral relations among nations is often measured by economic indices of which trade formed the bases. Thus, Nigeria – China relations came to revolved around export – import of which Nigeria exports include food, animals, oil and gas, chemical products and manufactured goods Most of these goods are classified to be raw material, or semi processed goods. On the other hand, China exports to Nigeria finished goods such as machinery, transport equipment, chemicals, industrial items and later mechanical and home expertise. In 2007, Nigeria's total export to china worth ₦111,365,515,522 and imports stood at ₦626,687,597,642 favoring China to the tune of ₦515billion.<sup>38</sup>The huge trade deficit is occasioned by disequilibrium in resources, industrial level of development, scientific and technological know – how, policy and infrastructure for development and promotion of trade.

Nigeria being the largest market in Africa for Chinese goods that exported finished goods has virtually turned Nigeria to a dumping ground for cheap substandard goods most especially textile and electronics. This has the potential of killing even the local industries as Nigeria is reduced consumer nations without producing.<sup>39</sup>

The unfaithful implementation of agreements and contracts by Chinese companies is a big minors to the bilateral relation. The Chinese firms involved in NIGCOMSAT – 1 shoddy execution led to its withdrawn from circulation two years later; the railway project which has not progressed much and refurbishment of Kaduna refinery that was not well done are few examples.

Non respect by the Chinese business class in Nigeria to Nigeria policies and government lack of political will to enforce it is setback to the relations and Nigeria. For instance, the banning of importation of substandard as classified goods which made Chinese business class to build what come to be known as Chinese Village where they continued to import, display and sale such goods.<sup>40</sup>

Similarly, Nigeria has not benefitted much from technological transfer as Chinese business outfits came with their labour. Where Nigeria labour were employed the working condition is unfriendly.

### **The Future**

Nigeria- China bilateral relationship as stated earlier is of much benefit to both countries despite being lopsided in favour of China. The lopsided nature of the relationship against Nigeria could be seen as temporary challenges and meant to steer development of Nigeria economy from a depended ,and developing nation to a developed economy.

However, this could only materials when deliberate efforts are made not to mortgage Nigeria future to Chinese loan and intangible investment. Thus, the following need to be addressed urgently;

**Policy redefinition** –The government of Nigeria should focus on the long time national objective capable of transforming the national economy. Emphasis should not be on near increase in the volume of trade and wooing Chinese investors but to protect the local industries, forging of partnership and competition in the economy.

**Diversification of export commodities**-Nigeria export to China has been dominated by oil and allied products mostly termed as raw materials. Effort should be made to look elsewhere most especially solid minerals and manufactured goods to add value to the export goods.

**Diversification of Chinese enterprise** –Chinese business communities in Nigeria should diversify its activities from only import of finished goods to production of goods in the country. The production in Nigeria using available local raw materials and augment with import where necessary will increase Nigeria productive capacity and export made in Nigeria goods.

**Technological transfer and local content:** China is found of exporting substandard goods to Africa and Nigeria in particular, use of expertise in their companies and complete importation of machines. These must be stopped in order not to turn Nigeria in to a dumping ground, killing

of local industries, non-transfer of technologies or expertise to Nigeria workers in their employment and non – use of local content in their activities. This if check on the long run Nigeria – China relationship will be enhanced and cooperation strength and development encouraged.

**Faithfull implementation of agreement:** Since the Abacha administration when China became seriously involved in Nigeria economy she has not honestly implement all agreement, faithfully and execute contracts therein to conclusion. Starting with rail rehabilitation, through NIGCOMSAT to rehabilitation of Kaduna refinery among others has been a tale of shedding execution and abandonment. Government of Nigeria most stand firm and have the political will to enforce compliances to make her an equal partner not a dependent partner.

**Infrastructural development:** For Nigeria to balance her economic ties, she needs to fix her basic and critical infrastructure that is fundamental to sustainable development. These basic infrastructures included constant and stale electricity supply, telecommunication facilities, transportation among others whose absence inhibits industrial development. These are what gave China and other Asian tigers edge over Nigeria and other third world nations.

**Human Capital Development:** Nigeria with over a hundred university, hundreds of polytechnics and other tertiary institutions has its Human Capital Development indices below expectation. It ranked about 134 in the world. Thus, for Nigeria to be at competitive level with her business partner effort should be made to produce the right caliber of skilled personal with mental capacity to build institution develop their ration and provide quality leadership.

**Redefinition of Foreign policy:** The emphasis on partnering with Asia and China in particular in business and economic development should be redefined. The need to balance the relation with Western Europe and Americas with china and others became paramount to gain from the two.

## **Conclusion**

Nigeria – China economic relations is in its fifth decade since its formalization in 1971. The bilateral relations no doubt has been of benefit to both countries with china at advantage being importer of basically raw materials and exporter of finished goods to Nigeria. This has made the relations to be in favour of China with trade balance of over \$5billion, hence a depended relation.

Despite the unfavorable curve against Nigeria, considering her potentials in agriculture, mineral and human resources, the future is bright but all depend on the political will and astute wisdom and skills of Nigeria entrepreneurs to transform Nigeria economy.

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