
Impact of Chinese Investments on Trade Development: Nigeria in Perspective

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Abstract: *This paper inspects the Impact of Chinese Investment on Trade Development in Nigeria. The engagement among Nigeria and China depends more on economic ties, trade, investment and finance than on political affinity. There has been some evidence that Nigeria had made positive upgrades which have been profoundly appealing to overseas investors, especially the Chinese investors. For this to continue, it was recommended that Nigeria's priority should be to build up the ability to better its own policies towards China's engagement and also see China's engagement gives it an opportunity to expand its trade.*

Keywords: *Nigeria, China, Trade and Investment, Lagos, Kano*

INTRODUCTION

Over the previous decades the volume of exchange between countries of the globe has considerably increased. Especially, Nigeria has seen a sharp ascent in trade and investment with other countries. The relations among Nigeria and the people's republic of China, which cuts across trade, investment, political aid and military spheres have tremendously grown in recent years (Omoju and Adesanya, 2012).

China's first contact with Nigeria, unofficially, started in the 1950s, precisely 1957. Nigeria's contact with China was through Egypt. It is evident that Chan Hanq Kang, a commercial officer working at the Chinese embassy in Cairo, built up informal exchange relations with Nigeria, alongside Libya, Ghana, Ethiopia, Tunisia and Tanganyika (now known as Tanzania) in 1957. Within the colonial era, it was forbidden for Nigerians to have anything to do with the communist world which China belonged. Some Nigerians, like Funmilayo Ransom Kutu, who was a politician and social activist secretly visited, Beijing and Berlin in 1950s to attend meetings, she was denied renewal of her passport. All contacts with China were forbidden and proscribed. Students from Nigeria who had scholarships from sources undisclosed and leaders of trade unions from Nigeria, who attended conferences in those countries, were all smuggled out of Nigeria through Ghana (Utomi, 2008). But the situation was reversed in 1958, by Tafawa Balewa, who was the Nigerian Prime Minister at the time. He made a policy statement, in parliament that says "we shall of course endeavour to remain in friendly terms with every nation which promises and respects our sovereignty ..." (Momoh, 2009).

Nevertheless, the first contact between Nigeria and the People's Republic of China (PRC) was in 1960 when the Chinese government was given an invitation to attend the country's independence celebrations.

As Owoeye (1986) noted, Nigerians first contact with China is designated as "the era of informal ties 1960 – 1971". The political leadership of Nigeria was not only pro-west but also anti-communist at independence.

The effect of this disposition was that Nigerian's attitude towards China pursued what had developed as an unmistakable example of the vast majority of her relations with the socialist states – diplomatic isolation occasionally accompanied with unpleasant assaults against socialist incendiary belief system at home. Ogunsanwo (2007), posits that at independence, the worlds view of Nigeria's political leadership never considered a close relationship with China, as an agenda which the country would need to cultivate. While Tafawa Balewa, the then Prime Minister declared 7th October, 1960 that Nigerians would only be friendly with all countries that respect and recognize her sovereignty, regional uprightness and political independence, he also made it clear where the line will be drawn. Leaders of the three major political parties, the National Convention of Nigerian Citizens (NCNC), the Action Group (AG) and the Northern People's Congress (NPC) were for several reasons uncomfortable with communism. The concept was not properly understood and was therefore feared. Consequently, neither Dr. Nnamdi Azikiwe nor Chief Obafemi Awolowo travelled to a communist country during their life time. This was despite the fact that Nigeria was the third biggest market in Africa, for Chinese goods with a constant growth in import from China. At the same time, the Chinese did not allow Nigeria's ideological preference for liberalism to stand in the way of their lucrative trade relations with the country (Utomi, 2008; Owoeye, 1986).

Nigerian government, which had continuously shown its interest to formalize ties with People's Republic of China did so 10th February, 1971. Kwanashie (2009), posits that Nigeria established relations with China in February 1971 and had maintained good relations with China, since then. China been an economic partner to Nigeria, has been focused in her relations with Nigeria for decades. Even with the ups and downs in Nigeria – China relations, the Chinese have always made sure that their market shares in Nigeria remains a steady growth. This means that China has a long term plan for its engagement with Africa. According to Salami (2008), Nigeria and China have so much in common. Both countries share the same national day, multiracial. In addition, China has 56 ethnic groups, Nigeria has about 250, the population of Nigeria is the largest in Africa, and China is the largest in Asia and also the biggest on the planet. China suffered from humiliation and occupation within its colonial era and Nigeria had also its fair share of colonial experience and humiliation.

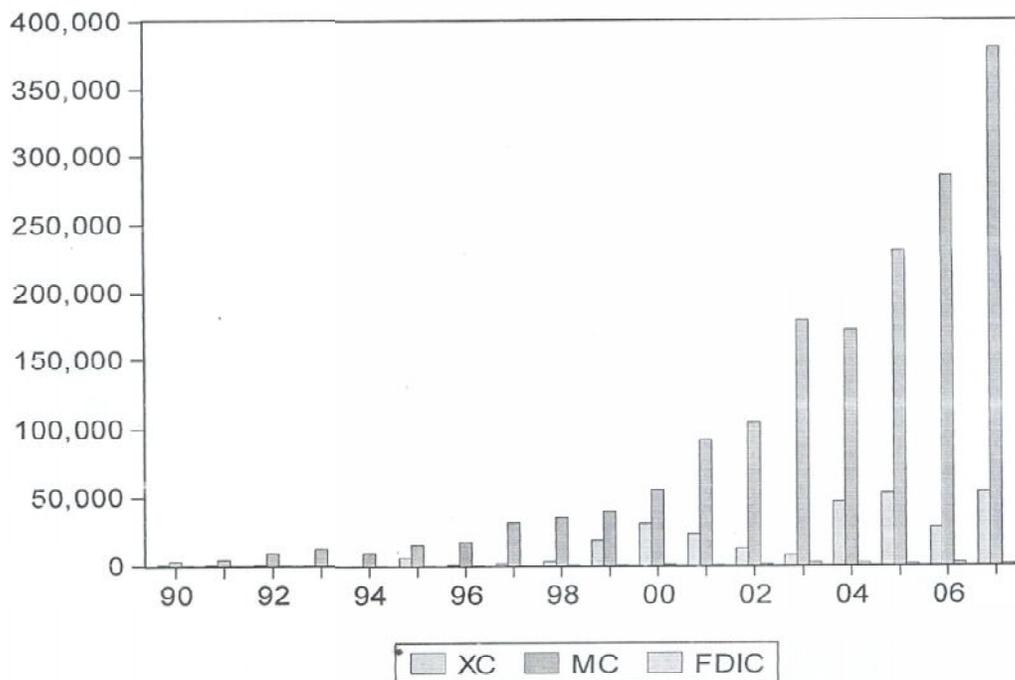
The trade relations between China and Nigeria have become most evident, in Port Harcourt, Lagos, Onitsha, Kano, Aba, Nnewi and almost every market in Nigeria, one can buy Chinese products such as textiles, food items, drugs, phones, electronics, cooking utensils and computers. The Nigerian Telecommunications Satellite (NIGCOMSAT-I) was designed, built and funded partly by the Chinese. The NIGCOMSAT-I was launched also in China. Nigeria is therefore doing so much with China in terms of investments on trade. The administration of Nigeria recently discovered Chinese organizations more touchy to monetary difficulties than their western partners. Factually, the Olusegun Obasanjo Administration (1999 – 2007) increased the rhythm of Nigeria – China bilateral relations. This is understandable, since Nigeria just freed

itself from the status of an exile state which Nigeria's burden some military dictatorship forced on it (Udeala, 2010).

Several investigations with respect to the association among trade and the Nigerian economy in spite of the fact that they incorporate Nigeria and China bilateral have disregarded the commitment of the Chinese internal foreign direct investment as an indicator of development regardless of whether it is later and immaterial.

However, the focus of this investigation is to examine the effect of Chinese investment on trade development, Nigeria in perspective.

Figure 1: Nigeria Trade and FDI from China



Nigeria – China Trade Relations

Economic relations among Nigeria and the Peoples' Republic of China, as we already know, date back to 1971, when both nations authorized the joint communique on the creation of diplomatic relations and trade relations. Both countries have grown since then in the most recent decade from restricted and discontinuous contact to an expanding complex and very expensive business engagement (Utomi, 2007). The trade volume between Nigeria and China grew by almost 300 percent in 2004 and reached the peak of \$7.2 billion in 2008. The trade volume between these two countries in 2009 reached \$7.3 billion and \$7.7 billion in 2010. With this level of trade, Nigeria became the second biggest China trade partner in Africa, after South Africa. A flow in Nigeria imports of Chinese products in respect to Nigeria ships to China brought about an exchange shortfall with China and it is relied upon to become altogether

because of increment in trade relations until Nigeria is able to offer its industrial producers home – grown alternatives of same quality at a competitive price.

Institutions, like the IMF, World Trade Organization (WTO) and World Bank have contributed in no small measure in the pulverization of nearby manufacturing area by expecting Nigeria to liberalize trade, Freez wages, remove public subsidy, devalue currency and other austerity measures which have resulted in enormous under – utilization of productive capacity. Nigeria's increase dependence on imported capital and consumer goods and services has left the domestic economy sectors exhausted. Markets in Nigeria are targeted for substandard products and because of tight competition from such products local manufacturing organizations have faded away.

According to David (2005), Chinese manufacturing sector has created more demand for oil, material and energy resources. China has possessed the capacity to embrace its overseas approach to its domestic improvement methodology to a remarkable dimension by empowering organizations controlled by state to search out investigation and supply contracts with nations producing gas, oil and other resources. China aggressively courts the government of Nigerian with tact, economic agreements and aid packages. This strategy targeted Africa and its wellspring of oil and Nigeria being the real maker of oil is not excluded.

Chinese companies see Nigeria as an excellent market for their low – cost consumer products and a burgeoning economic opportunity in the era of neoliberal policies in Nigeria (Kang, 2005). China and Nigeria have consented to various agreements on trade, monetary and innovative cooperation, scientific and technological and also on investments, narcotic drugs, consular affairs and tourism cooperation in 1980 (Marafa, 2005).

According to a Chinese bulletin, Chinese companies have invested a total of \$175 million in Nigeria, on oil exploration projects and infrastructure. In January 2006, Chinese Owned Energy Company (COEC), announced its buying of a 45% stake in an off shore oil field in Nigeria for USD 2.27 billion. Currently, China has significant trade presence in Nigeria in both the oil and non oil sectors. This affirmation is valid in the contemporary Nigeria and China relations.

The China – Nigeria trade volumes almost from \$1.1 to \$3.1 billion between 2002 and 2005 (People's Daily, 2005, The Chinese Monitor 2006; All Africa.com, 2006). China has set up over 30 solely owned firms or joint venture in Nigeria fully involved in the construction, oil and gas, technology, services and education sectors of the Nigerian economy. Products exported from China to Nigeria include: bikes, auto parts, machinery equipment, elastic tires, chemical products, textiles and garments, footwear, cement etc. (China.org.cn) while products exported to China from Nigeria include, lubricants and mineral fuels, crude materials barring food and fuel, beverages, live animals, manufactured goods and so on. It is indeed an indisputable fact that the influence of China in the zone of trade is increasing constantly in Nigeria.

Tunde (2013), posits that in 1997, the Chinese Premier, Lipeng visited Nigeria to boost China's renewed interest in Africa, aimed at reversing the decline in China's trade with Africa. Nigeria's trade with China actually dropped from \$57 million in 190 to 7million in 1985, recovering somewhat to \$35 million in 1989. Thereafter Nigeria – China trade expanded from \$35 million to \$97 million out of 1993 and got to \$327 million by 1997. It is now evaluated at \$13 billion.

The former president, Dr. Jonathan's visit to China was huge as it underlines Nigeria's developing monetary relations with China in Nigerians perspective nearer financial ties with the People's Republic of China have become imperative. The Chinese loan of \$1.5 billion brings to a total of \$15 billion China investments and loans to Nigeria recently, including the \$2.5 billion investment in the newly refurbished Lagos – Kano rail line. Nigeria's share of Chinese interest in Africa has grown to over 30 percent. In 2012, aggregate Chinese interest in Nigeria was \$13.3 billion.

Due to the bilateral ties established with China, the trade scenario of Nigeria has gotten an extraordinary catalyst in the course of the most recent couple of decades. A review of Nigerian economy will remain inadequate without referencing its developing overseas investments, which have deserted a constructive outcome on its trade (Nabine, 2009).

Nigeria, being completely incorporated into the worldwide financial framework, is a part and signatory to numerous multilateral and provincial trade agreements, for example with the People's Republic of China. The policy response to such monetary association concessions to trade strategy is to expel trade hindrances, diminish taxes and leave on outward situated trade approaches. The expectations are that following Nigeria's obligations and, responsibilities in these trade assertions, tariffs will be reduced to the barest minimum as required by the World Trade Organization (WTO) conventions and in consistence with trade agreements (Jayme, 2001).

According to Charles (1998), Nigeria which is progressively victimized in the western market is opportune to exploit the Chinese expansive market which happens to be the biggest on the planet. In particular, the technological achievement of Nigeria has a superior prospect with a quickened Nigeria – China joint venture in a few regions of monetary cooperation. He noted that an area of the Chinese trade, that is of benefit to Nigeria is the Chinese customary medicine, and for Nigeria as a country the strong and fluid mineral deposits in the nation is of great interest to the Chinese developing economy and can in return bring increasingly capital inflow to Nigeria.

Ogaba (1999) noted that conciliatory visits made by the leaders of Nigeria and China in 2001, brought about the signing of trade agreements; Chinese organizations were granted contracts to be part of the oil generation in Nigeria, the repair of the long – neglected Nigerian railroad partnership, the digging of seaports at Warri and Calabar and development of mass housing projects. He stated also that the trade between Nigeria and China in 1995 got to \$10 million doubling that of 1994, which indicates an increased economic interaction between these two countries.

Adesanya (2010) noted that it was not at the return of democratic rule in Nigeria that economic relations began to develop. Olusegun Obasanjo's election in 1999 concurred with the beginning of another Chinese orientation towards Africa in 2010. During the second term of Obasanjo, 2003 – 2007, China's President Hu Jintao and Prime Minister Wen Jiabao visited Nigeria, and Obasanjo also made two visits to Beijing.

The two countries in 2002, signed agreement on building up a Nigerian trade office in China and a China Investment Development Trade Promotion Center in Nigeria. The intergovernmental Nigeria – China investment assembly was now founded in 2006.

Onuoha (2008) expressed the Chinese people's sincere and decisive attitudes as regards deepening their friendship with Africans, like Nigeria and was optimistic that the Chinese government will continue its economic and trade cooperation with Nigeria and Africa at large on

the standards of equity and common advantage, efficiency, diversified forms and common development.

Impact of Chinese Investment on Trade in some States in Nigeria

China and Nigeria are building one of Africa's largest free trade zones in the commercial capital city, Lagos. Chinese companies will use the facility to manufacture goods for export throughout Africa. On the tip of the Lekki Peninsula in Lagos, Nigeria and China are building a 16,000 hectare free trade zone to develop local manufacturing and reduce Nigeria's dependence on imported consumer goods. It is one of the quickest developing territories in Lagos State and will before long have another profound water section, a worldwide air terminal and new hotels as a major aspect of a 60 – 40 association between the Chinese government and Lagos State. According to the deputy managing director of the "Lekki Free Zone Development Company", the first phase of the zone, that is the 3000 hectare zone will be near a \$5 billion venture, which is comprehensive of the infrastructure to put on the ground, the streets, the power plants, the water plants. He says the Nigerian free trade zone gives Chinese organizations more noteworthy access to developing African markets for customer goods, electrical hardware, and industrial products.

The former Lagos state governor Babatunde Fashiola says the free trade zone will help develop Nigeria's manufacturing sector while cutting prices for consumers. He says "there is a colossal market quickly pausing, when you take a gander at how much Nigerians spend bringing in goods from over the world, or for the amount they pay in abundance baggage at significant air terminals, bringing this here resembles bringing prosperity home".

One of the reasons, Lekki free zone is so attractive to the Chinese is that, the Chinese government is encouraging these companies which are shutting down in China to move out. There are funds which the government has accommodated these organizations to urge them to move out to come and set up their manufacturing plants in different parts of the world. Nigeria has the market the administration of Nigeria is additionally reassuring investors to go to China and likely purchase these industrial facilities, which are closed down, possibly at a fourth of the cost and bring them into Lekki, set it up and fabricate those goods which you realize you have 100 percent market here in the country.

According to Fashiola, 90 percent of products used in Nigeria come from outside Nigeria. The free trade zone will enable Nigerians to purchase a considerable lot of similar products currently delivered in China without the expense of bringing them in, while generating jobs for Nigerian employees. Chinese firms gain both more immediate access to African markets and few cheaper routes to ship their "made in Nigeria" exports to Europe. (VOA, 2010).

According to Okoli (2017), a Chinese firm is to construct \$1.5bn shoe production line in Aba, with an end goal to enhance the nature of shoes delivered in Aba, Abia State to an internationally accepted standard. The Governor, Okezie Ikpeazu anchored the enthusiasm of a Chinese organization that has consented to set up \$1.5 billion shoe industry in Aba. The firm, Huajian Shoe industry based in Dongguan, Guangzhou, China met with the governors spokes man and secured this agreement during the recent 1st Nigeria – China Governors Investment Forum. The Abia – Huajian Shoe Industry City is required to deliver 5,000 shoes for each day and will connect around 10,000 individuals specifically and by implication. The view of this understanding give that Abia State Government would provide the land and other conducive

investment incentives for the project while the Huajan Group would fund the entire project. The Chinese firm has currently employed about 20,000 staffs in China and operates a 10,000 shoes per day factory in Dongguan, China said to value at \$2 billion.

A Chinese organization, Golden Promise Limited has said that it has plans to build up a modern city in Onitsha, Anambra State. The organization was joined with the China Construction Company (CCC) and Nigeria Inland Water Ways Authority. The Deputy Manager of Golden Promise Ltd., Mr. Sisely Yand said the companies' zone of accentuation is infrastructure advancement, and the companies' premium is to stretch out its business task to Onitsha with a perspective of enhancing the nature of trade at the well-known Onitsha main market. The Deputy Manager also said the company would expand its business in Nigeria, adding that Golden promise already had a shipping company that operates from China to Lagos. (Ujumadu, 2018).

According to Dawud (2018) a Chinese firm has agreed to invest over \$600 million dollars in the textile and garment industry in Kano. The governor, Abdullahi Umar Ganduje announced this at the just concluded Annual Investment Meeting (AIM) in Dubai, UAE, says the Chinese investment is a huge success in the efforts of the government of the state to pull in Foreign Direct Investment (FDI).

The Chinese worldwide organization, Shandong Ruyi Technology, as of now grasped the advantages of the liberal investment strategy and is putting over \$600 million in the textile and garments industry in Kano. The government of Kano, also said the state is positioned the 23rd (2017) in the simplicity of doing business by the World Bank and this impacted the choice of the state to re-double endeavors to remain investor friendly. Talking on the investment sector, the government revealed that the state has more than 18,648 square kilometers of available and for cultivation, stressing that Kano is the most flooded state in Nigeria. He says the state has abundant natural resources in solid minerals sectors, such as lead, zinc, tin, kaolin, molybdenum, silver, copper, lithium, niobium, feldspar, silica, gold, granite and gemstone etc. There is likewise an immense open door for investment in such basic territories, as the Kano Economic City which on culmination is relied upon to be the biggest current market in Nigeria, ICT, education, infrastructure, sustainable power source, producing and also low cost housing.

According to the governor, the establishment of "Kaninvest", the state's investment office, a one-stop-search for investors in the state, was gone for pulling in as well as expanding investment offer, and in addition encourage open – private organization and by and large help and arrange investment exercises in Kano State.

CONCLUSION

It is obvious that, there is an existence of trade imbalance between Nigeria and China which favours the Chinese due to their high rate of export to Nigeria with little import from Nigeria. The trade irregularity regardless, Nigeria is to pick up a great deal from Chinese growth model, investment and their expertise on manufacturing. The government of Nigeria need to impose tariff on Chinese goods so as to permit a level – playing field with Nigerians.

RECOMMENDATIONS

The Chinese should be encouraged to set up production facilities in Nigeria which will certainly create excess jobs for Nigerians.

Trade relations must try to request China to manufacture the export ability of Nigerians by building intensity in worldwide markets through the delivery of specialized assistance and transfer of expertise.

Nigerians should ensure they develop the capacity to better its policies towards China's engagement and see China's engagement as an opportunity in expanding trade.

The Abia – Huajian shoe industrial city must be well established to produce quality shoes – and also employ a good number of people as this will help reduce the rate of unemployment in the state.

The government of Nigeria must ensure the free trade zone project in Lagos State is completed, because it is a zone that will certainly develop local manufacturing and lessen the nation's reliance on imported consumer goods.

The state investment agency “Kaninvest” should ensure they attract more investors to Kano State and increase investment appeal and in addition encourage public – private partnership and for the most part help and facilitate investment exercises in Kano State.

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