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Nigeria's Quest for Investments Relations from China: Prospects for Achieving Mutual Benefits

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ABSTRACT

The study assessed the prospects for achieving mutual benefits in the investment relations between Nigeria and China from 1999 to 2022. The investment relations involved execution of government contracts in the form of infrastructure such as roads, dams among others. The objectives of the study were to examine the nature and benefits of investment relations between Nigeria and China from 1999 to 2022. The methodology used was the explanatory design. The data were analysed through themes and content analysis. The findings revealed that Chinese investments in Nigeria was not beneficial to Nigeria in the area of technology transfer and equal opportunities for market access. This implied that the unequal relationship increased the dependency of the Nigerian economy on China

INTRODUCTION

Nigeria established diplomatic relations with China in February, 1971 with an understanding to abide by a set of five principles, namely: mutual respect for each other's sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, sovereign equality and peaceful existence. The search for an alternative 'transformative development model' led Nigeria to take a closer look at the instructive lessons from the Asian giant. China's historical experience as a former colony and spectacular development experience since the mid-1970s raised hopes among Nigerians that they too could one day break away from the shackles of poverty, underdevelopment and aid dependency (Cheru & Obi, 2010). This was buttressed by the official pronouncements by the Chinese leaders that it will not exploit any country, rather it will engage in mutual benefit in the partnership. This led to subsequent bilateral agreements with the Chinese government and private companies aimed at the rapid development of the partnering countries.

Hence, China's rapid industrialisation and increasing demand for energy and raw materials, created incentives for expansion of economic and political ties with As Nigeria's largest import partner, China contributed significantly to Nigeria's trade deficit of USD 11.1 billion in 2021 and it received around USD 7.5 billion in Chinese foreign direct investment from 2013 to 2021 (Tayo & Muhammed, 2023). Basically, the Nigerian government offered Chinese opportunities in technical and business ventures in the areas of Information and Communication Technology (ICT), hydrocarbons, plastic production, electronics, construction and many others. These had heightened Nigeria's dependence on the Chinese economy and this phenomenon could lead to increased capital flight from Nigeria to China through expatriate fees and remittances, thereby stiffening local industrial development and technology transfer. However, Nigeria on the other hand has no real investment in China.

Therefore, an effective partnership between Nigeria and China would ultimately depend on how the Nigerian government structure its relations with China. The contribution of this study to knowledge was that policy makers did not make adequate policies to protect Nigeria's interests given the unequal level of development of both countries. An in-depth study was necessary with a view to understanding the nature and quantum of investment relations between Nigeria and China to achieve mutual benefits.

This section attempted a comprehensive review of empirical literature on views of authors who carried out a structured work on the investment relations between Nigeria-China. The study aimed to identify key components of the theoretical framework, namely: the multiple actors that influenced the relations, the diversity of issue-areas within the investment relations and the unequal exchange that existed between Nigeria and China. The actions taken to strengthen the investment relations for mutual benefits from these studies. One of such studies was that of Ogunsanwo (2008), who examined the content of the protocols signed by both countries from 2001 to 2006. The study observed that the Memorandum of Understanding on investment cooperation 2006 was designed to attract investments by both countries. It was able to attract Chinese companies in the fields of construction, agriculture, water and oil into Nigeria. The author stressed that the economic relations were based on a commercial basis but Nigeria must be realistic in driving the relations.

Oji and Daniel (2014) assessed why south-south foreign direct investment (FDI) was booming in Nigeria from 1992-2010 through the application of three-step procedures (Autocorrelation Function, Unit-root test and Granger Causality test). The results of the analysis affirmed the existence of autocorrelation and Unit-root with Granger causality showing that China FDI inflow was bidirectional with Gross Domestic Product (GDP) indicating a significant contribution in the economy growth of the country. The study summed up that China FDI inflows had a positive effect on Nigeria

economic growth, only if Nigeria strengthened cooperation and provided an adequate macroeconomic environment in the country to ensure better productivity and sustainability of investment. In another dimension, Rindap (2015) examined the economic relations between Nigeria and China from 1999-2014 through the channels of trade and investments. In the investment sector; the expansion of Nigeria's economic interactions with China was constrained by the inadequacy of the industrial infrastructure for the promotion of economic relations. Some challenges affecting the economic relations were; the state of infrastructural facilities in the areas of power, rail network systems and communication in Nigeria; the wide trade imbalance; the high rate of insecurity arising from pronounced social violence. With this situation, the study suggested that Nigeria should take advantage of the relations to improve its domestic economy by being an exporter of finished goods.

Chen, Sun, Ukaejiofor, Xiaoyang and Brautigam (2016) explained the new trends of Chinese foreign direct investment and technology transfer in Nigeria's manufacturing sector, and evaluated their potential to catalyse further industrialization in Nigeria. The study surveyed a sample of Chinese firms and Sino-Nigerian technical partnerships operating in Nigeria, examining firms and industrial clusters in four regions: the states of Lagos and Ogun in the Southwest, Calabar in Cross Rivers State; and two cities in Anambra state. Based on field research carried out in 2014 and 2015, they collected data on a total of 20 Chinese and 21 Nigerian firms, gathering information on company histories, the extent of Sino-Nigerian linkages, and relationships with other manufacturers and suppliers, in order to assess how micro-level mechanisms of technology transfer might contribute to these broader processes of economic transformation. Fieldwork investigations of both Chinese and Nigerian firms in three regions of Nigeria show some evidence of positive, if limited, technology transfer, although they also revealed negative perceptions towards Chinese investment. While Nigerian economic

policies had served to promote Chinese investment and skills promotion in Nigeria, that a more coherent strategy was needed to leverage this new, growing source of capital and the potential resources it brought. The authors' gave a worthwhile analysis on the essence of technology transfer between the Chinese and Nigerians in the manufacturing sector. This study was useful in assessing the impact of investment relations between Nigeria and China.

Shittu and Ogunrinu (2018) were concerned about the implications of Chinese investments in Nigeria with emphasis on exploring their economic comparative advantage for mutual benefits. Several literature on Chinese investments in Nigeria were reviewed to guide the study on the nature and dimension of the relationship. The study showed that Nigeria and China economic relations were established for mutual benefits but the economic relations favoured China in trade and investments. This was made possible by the unequal exchange that made Nigeria rely on China for its manufactured goods and investments. The findings revealed that Chinese investments continued to expand in Nigeria with increased competition between local manufacturing industries in Nigeria. The unequal relationship between Nigeria and China increased the dependency of the Nigerian economy on China. It recommended that Nigeria should export secondary products to increase its product value in China. The suggestion to add value to Nigeria's exports was necessary to boost Nigeria's crude oil and agricultural produce for better trade by both countries and others.

Conclusively, Chen's (2022) study outlined major Chinese investments in Nigeria's manufacturing sectors, specifically looking at their potential to foster industrialization and structural transformation as well as technology transfer mechanisms that might catalyse transformation processes. The study employed structured survey methods to understand the drivers of Chinese outward investment in Nigeria as well as the challenges they face in the country. The study also interviewed 28 Chinese firms or investors, within

two industrial zones in Ogun and Edo state. Using semi-structured interviews and corresponding survey questionnaires, the study captured information on firms' history, local linkages, investment motivations, employment patterns, and training practices. The findings revealed that, though positive cases exist of technology and skills transfer from Chinese firms to the local economy, poor infrastructure, lack of skills, and low social trust were barriers to the development of linkages into industrial supply chains. The study brought out empirical findings which were instrumental to analysing the findings of this study.

From these reviews, the study established that there were investments by China in Nigeria on a commercial basis and this showed that the investment relations was interdependent and evolving, but also characterised by unequal exchange between Nigeria and China. However, the reviewed works did not systematically address the investment benefits between Nigeria and China. And it is this gap that became the point of departure for the study. Based on the subject of investigation, the theoretical framework used to explain the outcome of the study was the Complex interdependence and dependency theories. This was justified by the fact that both weak and strong economies have something to gain in economic relations, even though the dynamics of unequal exchange in the international division of labour cannot be ignored, the content of unequal exchange applied so long as China's economic strengths were revealed through its extraordinary capital and productivity over Nigeria.

METHODS

The study adopted explanatory research design in order to address the research questions of the study. The explanatory research design sought to identify the scope and nature as well as uncover the underlying cause and effect relationships among different variables in a study (Bastis, 2018). The rationale for the researcher's choice of the explanatory research design was to explain the relationships in the investments relations between

Nigeria and China as well as identify benefits in the Nigeria-China investment relations.

Population and Sample of the Study

For the purpose of the research, a part of the population was selected using the purposive sampling for the research. The population for the study was captured as:

Population of the Study

The target population for the study include government officials (both for Nigeria and China), business and industry representatives in Nigeria. Government officials, business and industry representatives were chosen in view of the fact that they were the driving force behind Nigeria-China Economic policies. These were Government officials working in the National Planning Commission (NPC), Ministry of Foreign Affairs (MFA), Ministry of Commerce, Trade and Investments (MCTI), Nigerian Investment and Promotion Commission (NIPC), Chinese Embassy in Nigeria, China Chambers of Commerce in Nigeria (CCCN), Centre for China Studies, Nigerian Institute of International Affairs (NIIA). Business and industry representatives include; Manufacturers Association of Nigeria (MAN), Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA), Rifeng (Nigeria-China joint venture company) and Western Metal Products Company Limited, China (WEPCO).

Sample

In determining the interviews in Nigeria, the purposive sampling was used to identify 'information-rich' individuals. The sample members that were selected had knowledge and special relationship with the phenomenon under investigation.

Sampling Techniques

A total of 20 interviewees were selected by the purposive sampling technique. These people selected were specialists and especially informative on the subject of study.

Method of Data Analysis

The data collected were analysed through thematic and content analysis. The thematic analysis enabled the researcher to identify the main themes from the interview transcripts. Accordingly, the content analysis was used to systematically and objectively describe and to convey one or more meanings, often in combination with text.

RESULTS AND DISCUSSION

The Nature and Quantum of Nigeria-China Investment Relations

Nigeria's industrial development was largely stagnant for much of its post-independence history. As a resource-rich country, the oil sector has been a fundamental driver of the Nigerian economy since its first boom in the 1970s, constituting the majority of both exports and government revenue. The effect of mineral fuels reliance brought about the crowding out of the non-oil product sector, particularly in agriculture, which saw its share of GDP fall from 41 percent to 17 percent over the period from 1970-2004 (Chen, Sun, Ejiofor & Xiaoyang, 2016), to 18.00% and 21.93% in 2017 and 2018 respectively (NBS, 2018). The dominance of oil exports was a large contributing factor to the underdevelopment of the manufacturing industry. Despite consecutive industrial development plans from 1960-80, policies of import-substitution industrialization were unsuccessful in spurring manufacturing development. Key obstacles included the lack of human capital and technical and managerial skills for industrial projects.

According to the National Bureau of Statistics (2018), the contribution of the manufacturing sector was N6,421 trillion, representing 9.20 percent. Domestically, Nigeria also instituted a policy of import substitution for certain goods, intended to encourage the localization of manufacturing production. According to the President, Nigerian Association of Chambers of Commerce, Industries, Mines and Agriculture (NACCIMA), Ide John Udeagbala, that: "Although Nigeria can be said to have an advanced service sector, an average manufacturing contribution of 9% to national output (GDP) indicated that we were falling well below our industrialisation goals" (Yinka, 2022).

Furthermore, positive developments were recorded in respect to the net Foreign Direct

Investment (FDI) inflow from China to Nigeria. In 2015, Nigeria received USD2.4 billion in Chinese FDI (David, 2017). As at 2018, Chinese companies invested USD20 billion in over 218 firms in Nigeria (Akeredolu, 2018); and in 2021, it totalled USD 201.67 million. It was mostly concentrated in the industrial sector (Textor, 2022). The Chinese also invested in Nigeria's manufacturing sector especially through the establishment of the Chinese sponsored Special Economic Zones in the country. The zone was predominantly known for light industry, electrical appliances, furniture, ceramics, glass, packaging, steel structures, wigs and hardware. It was estimated that roughly 4000 Nigerians were currently employed in the zone and more investors were moving to Ogun due to its relatively lower taxes when compared to Lagos. The penetration of Chinese firms by means of an ever-increasing sectoral portfolio of investments had brought with it increasing numbers of Chinese nationals working and living in Nigeria. The importation of manpower hence became an integral part of Chinese economic investments in the country.

In an interview conducted with (The Director, Department of Investment Promotion, at the Nigerian Investment Promotion Commission), he acknowledged that:

It was splendid that the Nigerian government liberalised the economy. The Chinese government came to Nigeria for fact finding so as to help Nigeria address its infrastructural issues. As at 2013, 80% of Nigeria's economy was dominated by Chinese investments.

Despite the intensifying economic relations between Nigeria and China, investments overwhelmingly flowed in one direction as reflected in Table 1.

Table 1. China's FDI Inflow to Nigeria and Nigeria's FDI Inflow to China (2003-2017)

Year	China's FDI Inflow to Nigeria (Million USD)	Nigeria's FDI to China (Million USD)	FDI Gap
2003	24.40	20.83	3.57
2004	45.22	15.83	29.39
2005	53.30	8.56	44.74
2006	67.79	20.00	47.79
2007	390.35	12.11	378.24
2008	162.56	55.04	107.52
2009	171.86	0.33	171.53
2010	184.99	5.00	179.99
2011	197.42	19.99	177.43
2012	333.05	12.53	320.52
2013	209.13	14.88	194.25
2014	199.77	30.08	169.69
2015	50.58	3.00	47.58
2016	108.50	0.87	107.63
2017	137.95	6.25	131.7

Source: China Statistics Yearbook, 2018

Considering Table 1 above, on China's FDI inflow to Nigeria and Nigeria's FDI to China, one could see that the FDI from China to Nigeria was greater than the FDI from Nigeria to China. For example, in 2007, China's FDI inflow to Nigeria was high at USD 390.35 million while Nigeria's FDI to China was USD12.11 million, with FDI gap of USD 378.24 million. Going down to 2017, China's FDI inflow to Nigeria decreased to USD 137.95 million whereas Nigeria's FDI to China reduced drastically to USD 12.53 million with the gap or difference of USD320.52 million. This implied that China had more investments in Nigeria whilst Nigeria recorded low foreign direct investments to China within this period. In another analysis on China's FDI inflow to Nigeria, in 2018, it was totalled USD 194.7 million, USD123.27 million in 2019, USD 308.94 million in 2020 and USD 201.67 million in 2021 but there was no information on Nigeria's FDI to China within this period reviewed (Textor, 2022). In all, the data still revealed that China continued to account for more investments inflow into Nigeria than Nigeria's FDI to China, hence, giving China an edge in the investment relations.

Besides, Chinese investments in Nigeria were in the oil, gas and road sectors. Other Chinese investment interests cover rail construction, power and telecommunications, with SINOPEC (China Petroleum and China Corporation), China National Petroleum Corporation (CNPC) and China National Offshore Oil Corporation (CNOOC) being the

major Chinese investors in the Nigerian oil and gas sectors. The Chinese investments in the construction sector in Nigeria, was dominated by 4 major companies; China Civil Engineering Construction Company (CCECC), China Geo-engineering Corporation (CGC), SINOMA and China State Construction Engineering Corporation (CSCEC). The Chinese Civil Engineering Construction Company (CCECC) was involved in the construction of railways, housing, highway, bridges and housing, while the China Geo-engineering Corporation (CGC) was involved in the construction of airports and water supply projects such as dams. SINOMA was into cement production while China State Construction Engineering Corporation (CSCEC) was into building of real estate. Zhongxing Telecommunications Equipment (ZTE) and Huawei were the major companies in the Telecommunication sector and Shandong Electric Power Construction Corporation (SEPCO) was a major investor in the Nigerian power sector. This showed that Chinese investments in Nigeria were huge and growing.

Whilst the Nigerian business environment had offered lots of opportunities for Chinese to invest in the retail and commercial sector, the Chinese stringent laws continued to reserve an exclusive business area for the Chinese. These stringent laws among others for instance were that, foreigners were permitted to acquire a minority interest in large and successful Chinese

companies, provided such investment would provide collateral benefits in the form of technology transfer or access to new markets; foreigners were not permitted under any circumstances to purchase a majority interest in a large and successful established Chinese company and foreigners were permitted to purchase small established Chinese companies where the government was too busy to be concerned with the management of the small company (Colino, 2021). With these laws, the need to form a joint venture with a local company, or the caps on foreign ownership, would place Chinese businesses in a privileged position to pressure overseas investors to compete for their partnership, thus giving them the power to require know-how access. Jingsi, a corrugated plastics manufacturer, moved to Nigeria after regulations shut down their industry in China— now they operate solely in Lagos. Other industries such as Weiyang Marbles, also noted how competition and overcapacity in China in their sector pushed them, and other industries using low-level technologies considered redundant (taotai), out. Many of these ‘sunset industries’ decided to offshore to developing economies such as Nigeria, where these taotai technologies were still considered competitive compared to local firms (Chen, 2020, p. 13).

While Nigerian economic policies served to promote Chinese investment and skills promotion in Nigeria, a more coherent strategy was needed to leverage this new, growing source of capital and the potential resources it brought. These situations implied that it would be difficult for Nigerians to own industries in China considering the legal and environmental regulations. This equally showed that there were no comparable investments for Nigerians in China. The above negative scenarios exposed the Nigerian economy to the dangers of stunted growth and undermined its nascent industries because of strong competitors from China. For Nigeria to benefit, the country needs to build up its internal productive capacity to achieve mutual benefits in the investment relations with China. From the findings, Nigeria and China had benefited from their diplomatic relations but the investment

relations were not mutually rewarding, having been tilted towards China. The unidirectional pattern of investment relations between Nigeria and China made China achieve more economic benefits than Nigeria.

CONCLUSION AND RECOMENDATION

Conclusion

The desire for access to strategic resources such as oil by China and Nigeria’s need for a socio-economic transformation in its infrastructure strengthened the economy between these countries since 1999. While Chinese investments abound in Nigeria in sectors such as manufacturing, construction and oil, the same could not be said about Nigerian investments in China—no real investments existed. The uni-directional pattern of China’s investment created an unequal relationship between the two countries. Hence, the need for Nigeria to effectively balance the engagement with China to enable the creation of mutual bilateral investment relations.

Recomendation

Based on the findings, the study recommended that the Nigerian government should promote:

1. Re-negotiation of investment policies by Nigeria and China to promote investments through joint ventures partnership and local content policies.
2. Encouraging China to reciprocate the gesture by the Nigerian government to open up and accept Nigerian entrepreneurs to explore opportunities in China.
3. Supporting local firms to increase productive capacities and competitiveness with an outward look to take advantage of investment opportunities in China.

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