
La cooperación sino-nigeriana: un comentario sobre las implicaciones para la seguridad económica de Nigeria

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Abstract

This paper examines the implications of the Sino-Nigeria cooperation on Nigeria’s economic security. Over the past few decades, China and Nigeria have strengthened their bilateral relations through various economic agreements and partnerships. As China’s influence in Africa grows, the nature and extent of its involvement in Nigeria’s economy have raised concerns about the potential impacts on Nigeria’s economic security. The study explores the key areas of collaboration between China and Nigeria, such as trade, investment, and aid. It assesses the implications of these partnerships, weighing their effects on Nigeria’s economic independence and economic security. By analyzing the trends in bilateral trade, foreign direct investment, and infrastructure projects, the paper aims to identify the potential risks and opportunities that the Sino-Nigeria cooperation presents. The study found that although bilateral cooperation with China increases Nigeria’s economic security through increased investment, trade, and support for infrastructure development, there are multiple risks associated with this cooperation. This includes the potential debt issues and lack of transfer of technology. The paper however recommends that there is a need for Nigeria to prioritize the development and support of local industries to increase their competitiveness against Chinese imports.

Keywords: China, Nigeria, cooperation, economic security.
Resumen

Este artículo examina las implicaciones de la cooperación sino-nigeriana en la seguridad económica de Nigeria. En las últimas décadas, China y Nigeria han reforzado sus relaciones bilaterales a través de diversos acuerdos y asociaciones económicas. A medida que crece la influencia de China en África, la naturaleza y el alcance de su implicación en la economía nigeriana han suscitado preocupación por las posibles repercusiones en la seguridad económica de Nigeria. El estudio explora las principales áreas de colaboración entre China y Nigeria, como el comercio, la inversión y la ayuda. Evalúa las implicaciones de estas asociaciones, sopesando sus efectos sobre la independencia económica y la seguridad económica de Nigeria. Mediante el análisis de las tendencias del comercio bilateral, la inversión extranjera directa y los proyectos de infraestructuras, el documento pretende identificar los posibles riesgos y oportunidades que presenta la cooperación sino-nigeriana. El estudio concluye que, aunque la cooperación bilateral con China aumenta la seguridad económica de Nigeria gracias al incremento de la inversión, el comercio y el apoyo al desarrollo de infraestructuras, existen múltiples riesgos asociados a esta cooperación. Entre ellos, los posibles problemas de endeudamiento y la falta de transferencia de tecnología. No obstante, el documento recomienda que Nigeria dé prioridad al desarrollo y apoyo de las industrias locales para aumentar su competitividad frente a las importaciones chinas.

Palabras clave: China, Nigeria, cooperación, seguridad económica.

Introduction

The nature of globalization has significantly influenced the gamut of relations between different countries especially as it pertains to trade. While these relationships develop and is sustained, it has become a phenomenon that globalization has ensured the removal of existing barriers to the free movement of international capital which is further rapidly facilitated and accelerated by the never ceasing revolution witnessed in advancement of ‘technovations’. Globalization in this regard has given room for the integration of different economies of the world into one capitalist world market to the extent that some communist acclaimed states and even peripheral states are also global practitioners of capitalism. In the process of globalization, national interest is not relegated. Economically driven national interests consequentially, explains why nations consider first what they stand to benefit prior to inter-state relations or engagement. However, this development has been seen in both positive and negative light given that while globalization enhances the volume of international trade and investment, which reflects the global pattern of specialization in production (Akindele et al, 2002), it has the potential risk of subjecting the industrial base of the economy to extinction given the widened dichotomy between technologically advanced economies and economies with little, poor or no technology. It has also been argued that while some countries are the drivers of globalization, some are the passengers and perpetually remain passengers in the globalization train.

The enormous expansion of China’s commercial interests in Africa has become a significant trend in the continent’s foreign relations arena (Raji & Ogunrinu, 2018). In terms of trade, China’s relations with Africa have evidently superseded the United States which is largely aided by China’s Investible Export loan assistance of $150 billion to its multinational corporations (Brautigam 2009,
p. 22). Between 2001 and 2011, Chinese exports to Africa were raised from $4.4 billion to $56.3 billion (Raji & Ogunrinu, 2018). Nevertheless, the Sino-Nigeria cooperation has been criticized, for example, Sanusi- the former governor of the Central Bank of Nigeria- stated in 2013 that: ‘China takes from us primary goods and sells us manufactured ones. This was also the essence of colonialism (Adunbi & Stein 2019 p.195). Concerns have been raised in particular about the effect of Chinese investments on Nigeria’s economic security, which is significantly impacted by the importation of subpar Chinese industrial products, the absence of technology transfer from China to Nigeria, the lack of opportunities for survival of Nigeria’s investments in China, and visa and employment restrictions on Nigerians looking to explore business opportunities there (Ogunsanwo 2018). Hence, the thrust of this paper is to explore the implications of the unequal relations in the Sino-Nigeria cooperation to the Nigerian economy.

Operationalization of Terms

Cooperation:

In this paper ‘Cooperation’ is conceived as the collaborative efforts and agreements among nations to facilitate the flow of goods, services, and investments across borders. It involves mutual agreements, negotiations, and frameworks aimed at reducing trade barriers, promoting fair competition, and fostering economic growth and development. Cooperation in international trade is essential for establishing a predictable and stable environment that encourages trade and benefits all participating countries.

Economic Security:

The term 'Economic Security' is construed in this paper to mean the condition of a nation’s economy as such that it is been protected against economic risks (endogenous or exogenous), uncertainties, and vulnerabilities. It is a stage of economic maturity that encompasses measures and policies aimed at ensuring the macro-economic stability, resilience, and sustainability of the economic system. A secured economy in this sense is an independent economy that is not conditioned by external determinisms of any sort.

Theoretical Framework: Cooperation and Dependency Theories

This paper adopts the theories of cooperation and dependency as it’s framework for analysis. The theory of cooperation is predicated on the assumption that no nation in itself is autarchic or self-sufficient and as Nye and Keohane (1994) have argued that within the confines of international relations, there are more cooperation and interdependence among nations which is purposed on attaining mutually benefitting outcomes. The corollary for this postulation is that in the international system both weak and stronger economies come together by means of trade or
economic cooperation and stand to gain from such relationship regardless of the proportion just in the Sino-Nigeria case, although the dynamics of unequal relations in the international division of labour cannot be ignored (Raji & Ogunrinu, 2018).

At the other hand, the Dependency theory offers the explanation that resources flow from a “periphery” of poor and underdeveloped states to “core” wealthy states, enriching the latter at the expense of the former (Raji & Ogunrinu, 2018). The theory of dependency offers an in-depth insight into what causes underdevelopment in underdeveloped countries and argues that it is the nature of the exploitative relationship that characterize economic cooperation between countries that contributes to the economic imbalance between countries such that one depends on the other for economic progress and growth. Thus, dependency is a state in which a set of countries are conditioned by the growth and expansion of another, wherein the former is subordinate. Prominent African advocates of dependency theory includes Santos, Walter Rodney, Samir Amin, and Claude Ake.

Despite the fact that Nigeria and China have collaborated for mutual economic gain, their relationship could be better understood within the context of the dependency theoretical postulation, where the trend of relations between the two countries favours China as the senior partner, a position she has been using to condition Nigeria’s development pattern to produce the raw materials needed for China’s industrial growth in exchange for Nigeria’s perpetual reliance on import of Chinese products and finished goods which further exacerbates balance of trade and balance of payment issues for Nigeria. The theories of cooperation and dependency is key to the understanding of this paper because the theoretical thrusts have a unique similarity which centers on the mutual cooperation of both strong and weak economies although certain dynamics involved in the nature of economic interactions between Nigeria and China has become a matter of concern given the unequal relations posed by the international division of labour.

The Sino-Nigeria Cooperation

Over the years, China has been relating to Nigeria through trade, aid and investments while Nigeria has equally been exploring trading opportunities in China. The Sino-Nigeria relation also has its basis on the premise of exploring their economic comparative advantages for mutual benefits (Raji & Ogunrinu, 2018). The relations between China and Nigeria has transformed from the limited and intermittent contact that characterised the immediate post-independence era to an increasingly complex and all-round engagement (Ebede, 2017). While, like most other African countries in the 1960s and 70s, Nigeria viewed China as an unaligned developing country, it did little to foster business or even special diplomatic relations with the Asian giant. China’s own economic and political challenges made it an unlikely development partner at that time. Following Deng Xiaopeng’s reform policies of the 1970s and 80s, China’s dramatic growth and modernization, and attendant industrial, energy, and market expansion needs, brought it into greater contact with Africa. Its new expanded presence offered a partnership seen by many stakeholders as an alternative model to Western relationships (Utomi, 2008).
The Sino-Nigeria trade has also increased as China’s growing economy requires more raw material resources from Nigeria; including crude oil to propel its industries. China is also taking advantage of Nigeria’s huge population, which is estimated at around 150 million people (2006 Population Census) to generate extraterritorial markets for China’s manufactured goods. In 2001, Nigeria and China signed an agreement to set up the Nigeria Trade Office in China and the China Investment Development and Trade Promotion Centre there. Beginning with this, the two nations’ economic links became stronger. Nigeria-China relations continued to deepen from 2003 to 2007 due to visits from Nigerian President Obasanjo, Chinese President Hu Jintao, and Prime Minister Wen Jiabao of China. Again, with the establishment of the intergovernmental Nigeria-China Investment Forum in 2006, there has been an increase in the participation of Chinese businesses in Nigerian projects, particularly in industries like telecommunications, construction, transportation, and power. Additionally, there was a significant growth in the export of manufactured goods from China to Nigeria, and towards the end of 2008, Chinese investment in Nigeria was estimated to be around $6 billion (Izuchukwu & Ofori, 2014).

In recent times, the Sino-Nigerian cooperation has intensified and increased. Even on resumption of office, President Bola Ahmed Tinubu has received words of assurance from the Chinese President Xi Jinping who pledged increased economic cooperation of China and Nigeria which he stated in his words that “Nigeria is important to Africa and the world”.

**Chinese FDI in Nigeria**

Investment relations between Nigeria and China have shown positive developments. Recent data indicates a consistent increase in foreign direct investment (FDI) inflows from China to Nigeria. While Chinese engagement in Nigeria encompasses various sectors such as trade, commerce, investment, health, education, and technology, the majority of Chinese investment is primarily focused on the economic sector. According to the East Asian Investment Indicator (2016), China has established over 200 companies and joint ventures in Nigeria, specifically in construction, oil and gas, technology services, and education. Chinese economic interests in Nigeria can be broadly categorized into three types: solely-owned investments by private Chinese investors, investments owned by the Chinese government, and joint ventures involving Chinese and Nigerian private investors or other foreign investors. At the other hand the tax reductions and generous expatriation quotas offered by Nigeria to attract foreign investment have also benefited Chinese investments (Raji & Ogunrinu, 2018).

Nigeria is the most populous country in Africa, with a large population, and is rich in natural resources. Chinese investments in Nigeria have become an issue of contention in the 21st century, and more than 200 Chinese businesses are presently operating in Nigeria, thus making the country “the largest recipient of Chinese Foreign Direct Investment (FDI) – about $15 billion out of its $26.5 billion investments in Africa as of 2016” (Raji & Ogunrinu, 2018, p.124). According to a 2019 report from the Chinese embassy, there are approximately 70 construction, 40 investment, and 30 trading companies from China operating in Nigeria. In 2018 alone, Chinese companies
were awarded 175 construction contracts with an estimated total value of around $17 billion USD (Nwachukwu, 2021). Furthermore, Nigeria officially joined the Belt & Road Initiative (BRI) in 2018 by signing a memorandum of understanding (MoU), solidifying its position as a prominent investment destination for BRI projects in Africa. China’s investments in Nigeria have primarily focused on rail line infrastructure, a significant gas pipeline project, and the development of new airport terminals (Lee, 2021).

**Oil and Gas Sector**

In the past, China primarily relied on long-term contracts and spot market purchases to access Nigerian oil. However, due to China’s rapidly growing demand for oil, the Chinese government has been seeking to increase Chinese ownership of Nigerian oil reserves. The Nigerian government, particularly during Olusegun Obasanjo’s presidency from 1999 to 2007, actively encouraged China’s interest in Nigerian oil, with a specific emphasis on obtaining “oil for infrastructure.” Under Obasanjo’s administration, oil blocs were auctioned off through bidding rounds that required Chinese bidders to commit to significant infrastructural projects in Nigeria. Eventually China responded positively and combined its investments with substantial involvement in construction projects within Nigeria (Mthembu-Salter, 2009). There are three major big Chinese oil companies running operations in Nigeria. They include the China National Petroleum Corporation (CNPC), the China Petroleum & Chemical Corporation (SINOPEC), and the China National Offshore Oil Corporation (CNOOC). In 2019, these companies are said to have contributed to an amounting Chinese investment on the Nigerian Oil and Gas Sector which was estimated up to $16billion.

**Telecommunications**

Nigeria has emerged to be an important telecommunications market for China in recent years. State-owned ZTE (Zhong Xing Telecommunication Equipment Company) and Huawei are the two biggest companies in Nigeria’s telecoms market. Due to their pricing, Chinese firms have gained a competitive edge in Nigeria. ZTE offers prices that are 30 to 40% less expensive than European telecom companies, while Huawei offers prices that are 5 to 15% less expensive than international rivals like Nokia and Ericsson (Ebede, 2017). ZTE entered the Nigerian market in 1999 and has a handset factory in Abuja, along with offices in multiple cities including Lagos, Ibadan, Port Harcourt, Kaduna, Bauchi, Jos, and Maiduguri. In 2005, ZTE secured a contract with Nigeria’s primary telecommunications operator, Nitel, to expand the country’s CDMA wireless communications network in seven north-eastern states. Additionally, they signed a contract to supply Nitel with 13,000 CDMA terminals and handsets. In December 2010, the Nigerian government awarded ZTE a USD 400 million contract, financed by China’s Exim bank, to construct a national security communications system. The presence of Chinese telecommunications companies like ZTE and Huawei in Nigeria’s telecoms sector has been significant, driven by their competitive pricing and successful contract bids for expanding and improving the country’s telecommunications infrastructure and services (Egbula & Qi Zheng, 2011).
Chinese Special Economic Zones (SEZs) in Nigeria

The purpose of creating Free Trade Zones (FTZs) in Nigeria is to create a unique location within the country where foreign and domestic businesses can import materials, produce goods, export products, and run business operations without being constrained by the usual customs, tax, labour, and other administrative regulations (Nwadike, 2022). In Nigeria, Chinese FTZs include the Lekki Free Trade Zone (LFTZ), Ogun Guangdong Free Trade Zone (OGFTZ) and the Kajola Specialized Railway Industrial Free Trade Zone. A key element of the zones is their potential to attract Chinese manufacturing companies. Chinese FDI has the potential not only to provide employment, expand manufactured exports, and increase demand linkages but also to contribute more broadly to the structural transformation of the country through technology transfer and spill overs to domestic companies. They are a potential source of labour skills development and training, entrepreneurship, and management upgrading, and have the potential to dramatically increase value added (Adunbi & Stein, 2019).

Aids

The Sino-Nigeria cooperation has also resulted to the provision of aid by China to Nigeria. One definite area of cooperation between China and Nigeria is agriculture. Experts from China are training Nigerian farmers on technologies and techniques to boost production. A South-South Co-operation initiative between China, Nigeria and the Food and Agricultural Organization (FAO) aims to send 500 Chinese experts to Nigeria to help improve food production and water management. More than 400 experts have already travelled to Nigeria to work on the construction of small earth dams. In July 2011, Nigeria and China signed an agreement to boost agricultural co-operation in order to enhance food security in both countries. More Chinese technology and expertise will be deployed with the primary aim of boosting the production of cash crops, such as cocoa, soybeans and palm oil, all of which are in high demand in China (Egbula and Zheng, 2011).

China has also provided several service-based aids to Nigeria. During the COVID-19 pandemic in 2020, China aided Nigeria with health expertise, relief equipment and donations in the bid to support Nigeria’s fight against the Corona Virus in 2020. China has also offered several loans for different purposes. The China aid has also in recent times been extend to projects. More recently, China has sponsored the installation of solar-powered traffic lights in the Federal Capital Territory as part of the benefits of the Sino-Nigeria cooperation. Chinese loans as part of the aid provisions are also integral parts of the pronounced benefits Nigeria stand to gain from the cooperation and over the years, huge loans have been disbursed for different purposes as shown on the DMO table in the appendix section.

Implications of the Sino-Nigeria Cooperation on Nigeria’s Economic Security

Virtually all sectors of the Nigerian economy are dominated by Chinese- the oil sector, manufacturing, textile, agriculture, construction, etc. It is however obvious that the Nigerian
market is saturated by different Chinese products to the extent that Nigerians now use Chinese, wear Chinese, and even eat Chinese.

The appendix section includes two tables that clearly illustrate a trade imbalance between China and Nigeria, with China benefiting significantly from the business transactions. While most of Nigerian imports from China indicate billions and millions in value, exports from Nigeria shows just values millions and many in thousands even as low as $3,023 in a trade year. Also, from the table, it can be observed that some products imported from China inclusively plastics, rubbers, ceramic products and paper are products that can be produced in Nigeria but because of the perpetual dependence on Chinese imports, it becomes hard to put into consideration, the manufacturing of these products in Nigeria therefore creating a scenario of trade imbalance between the two countries.

Chinese investments in Nigeria have been substantial, while Nigeria’s investments in China are relatively smaller. Nigeria faces challenges in competing with Chinese products in the Chinese market, which undermines its economic security in the face of China’s dominance. Nigeria must enhance its internal capacity to effectively compete in China’s competitive environment. Although Chinese investments in Nigeria are significant, their developmental contributions to the country are questionable as a large portion of the gains are repatriated to China rather than being reinvested locally. This hinders the survival and growth of Nigeria’s economy. Chinese investments in sectors such as oil and gas, power, telecommunications, and construction have increased Nigeria’s reliance on China for telecommunication gadgets, rather than promoting the development of locally made ICTs through technology transfer. This lack of diversification and creativity undermines Nigeria’s economic security and self-reliance. Furthermore, the fact that the foreign-managed oil sector, which constitutes a significant portion of Nigeria’s economy and foreign trade, including Chinese involvement, undermines Nigeria’s economic security by granting privileged access to information that could compromise the country’s oil economy if exploited (Raji & Ogunrinu, 2018).

The paper reveals that Chinese investments in Nigeria have been expanding, resulting in increased competition between local manufacturing industries and foreign investments. These negative circumstances pose risks to the Nigerian economy, hindering its growth and undermining nascent industries due to strong competition from China (Raji & Ogunrinu, 2018). Nigeria’s economy also heavily relies on China, with a significant percentage on electronic imports coming from China due to their lower costs compared to European imports. Consequently, many Nigerian middle-range industries struggle to sell their products due to higher production costs, high overhead expenses, and inadequate infrastructure, putting local companies at risk of collapse in the face of intense competition from Chinese imports. Corruption within Nigeria further compromises economic security, as certain tax agencies undervalue Chinese company taxes, leading to substantial revenue losses. Additionally, the inhumane treatment of Nigerian workers in Chinese companies contributes to their personal economic insecurity, with instances of unfair dismissals, overwork, and underpayment (Raji & Ogunrinu, 2018).
Undoubtedly, Chinese goods have become ubiquitous within the Nigerian economy. A particularly worrisome aspect of this is that Nigeria has become a dumping ground for made in China inferior goods. It is a fact to thus say that the products used by Chinese are quite different from the ones imported in Nigeria. The domineering presence of Chinese products in Nigeria has saturated Nigerian market with a lot of inferior products that does not last including electrical and electronic equipment. This can critically be perceived as a Chinese strategy to encourage a continuous purchase of products hence the reason why they produce inferior products.

Furthermore, there has been a noticeable lack of technology transfer from China to Nigeria. The issue of trade disparity between the two countries is widely acknowledged, with China reaping considerable gains from the transactions while Nigeria has yet to fully benefit. As a result, the following section aims to investigate the underlying reasons for this disparity and the challenges associated with it.

The increased presence of Chinese businesses and Multinationals in Nigeria has had a significant negative impact on local industries, resulting in job losses and economic insecurity for workers. This is evident in the Kano state, where the establishment of Chinese textile companies has led to the closure of many local businesses, as they were unable to compete with the Chinese companies. Nigeria has also become a large market for Chinese products, further strengthening China’s economy rather than Nigeria’s and weakening Nigeria’s economic security. The Chinese Embassy in Nigeria has contributed to this by granting visas primarily to Nigerians looking to import goods from China, which has encouraged the patronage of cheaper Chinese products instead of locally made ones, leading to the gradual collapse of domestic industries. Additionally, many Chinese companies, including ZTE, do not produce goods in Nigeria but instead import fully equipped products from China, along with Chinese technicians, which undermines job security for many Nigerians (Raji & Ogunrinu, 2018).

Conclusion

The Sino-Nigeria cooperation has significant implications for Nigeria’s economic security. While Chinese investments have expanded in Nigeria, there are challenges and concerns that need to be addressed. The influx of Chinese businesses has led to competition and displacement of local industries, resulting in job losses and economic insecurity for Nigerian workers. Moreover, the dependency on Chinese imports, particularly in sectors like electronics, weakens Nigeria’s economy by limiting opportunities for local industries to thrive. Corruption within Nigeria’s tax agencies also undermines economic security by undervaluing Chinese company taxes and depriving the country of significant revenue. The mistreatment of Nigerian workers in Chinese companies further exacerbates personal economic insecurity. To enhance Nigeria’s economic security, it is crucial to foster a balanced and mutually beneficial partnership with China, focusing on technology transfer, promoting local industries, addressing infrastructure challenges, and ensuring fair trade practices. By addressing these issues, Nigeria can maximize the potential benefits of Sino-Nigeria cooperation while safeguarding its economic security for sustainable and inclusive growth.
Recommendation

Based on the findings, this paper recommends the following;

Nigeria should prioritize the development and support of local industries to increase their competitiveness against Chinese imports. This can be achieved by providing incentives, improving infrastructure, and promoting innovation and technology transfer. There is need for Nigeria to review and strengthen its trade policies to ensure fair competition and pursue protectionist policies to protect nascent local industries from unfair trade practices. This may involve imposing tariffs or quotas on certain imports, while also encouraging export-oriented industries to boost Nigeria’s presence in the global market.

Nigeria should also negotiate for technology transfer agreements in key sectors such as manufacturing, telecommunications, and power. This would enable the country to develop its own industries, reduce reliance on imported technology, and foster economic diversification. Accompanied to this is that Nigerian government should therefore prioritize investment in education and research to build a skilled workforce and promote innovation. By focusing on science, technology, engineering, and mathematics (STEM) education, Nigeria can enhance its human capital and stimulate economic growth. Because if technology is transferred and there is poor human capital to sustain it, then it becomes more problematic.

Nigeria should seek strategic partnerships and joint ventures with Chinese companies that promote knowledge transfer, skills development, and value addition within Nigeria. This would enable the country to leverage Chinese expertise while retaining ownership and reaping long-term benefits.

Finally, there is urgent need to pay more attention on the means to expand the productive base of the economy. This can only be achieved when the government actively pursue economic diversification to reduce its dependence on oil and increase resilience against external shocks. This involves investing in sectors such as agriculture, manufacturing, renewable energy, and technology, which have the potential to create jobs, increase productivity, and drive sustainable economic growth.

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