

Economic and Development Issues in Nigeria-China Engagements, 1999-2020: Re-centering the Idea of Economic Diplomacy in Bilateral Relations

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Abstract

Africa-China relations have remained one important external window through which African States interact with the outside world especially since the post-colonial period. Nigeria since her independence has in that line found some patterns of relations with China, though the relations were not so much substantial in the early years of post-Independence to compare with the metropolitan countries in the West. However, since the turn of the 1990's decade, China's presence in Nigeria has hugely increased especially in the area of economy. This study therefore investigates Nigeria-China economic relations in the turn of the first two decades of the twenty first century. It looks at the channels, machineries, organization and outcomes of the relations. It also examines the impact of the relations on Nigeria's development. The paper therefore traces the historical and analytical voyage of this intercourse using written sources arriving at the various events that have taken place between the two nations and the outcome of their relationship in international system.

Introduction

The relationship between Nigeria and China began prior before independence, however the year 1999 was chosen because it was the period Nigeria became a democratic nation and that period helped boosted her economic growth. The year 2020 was chosen as the end date as that period marked the period Covid19 pandemic became very paramount in Nigeria as the virus reduced the import and export of goods from the both countries.

Economic Relations is a vital tool in the functional and effective working of any society. It is the most dynamic phenomenon in all developed and developing countries due to its impact on the growth of any country. Economic Relations helps bring about social integration, Industrial location, flow of information and political integration amongst countries. Since time memorial the frequent conflicts, wars and wholesome destruction of properties had always led man to serious soul searching as to how to prevent future conflicts, how to live in peace and harmony with fellow man since man started cohabiting with fellow man which is the basis of several relations brought about by countries to help create a communal living between and among states in the international system.

Right from independence, Nigeria's foreign policy had been Afro centric. This was based on the principles of African unity and independence, capability to exercise hegemonic influence in the region, non-alignment and non-interference in internal affairs of other countries, regional economic cooperation and development. In achieving these, participating in the AU, ECOWAS, Non-Aligned Movement, Commonwealth of Nations and the UN were key as they would open Nigeria to numerous options for growth in the international community.¹

The relationship that exists today between Nigeria and China is built on the foundation of an extensive partnership that informally began with the independence of Nigeria in 1960.² This includes visits of Chinese leaders to Nigeria and vice versa which resulted from the growing interest of China in Africa. Establishing relations with Nigeria, being the "Giant of Africa" at the time, became a necessity for China to further their relations with Africa. However, this was met with resistance as Nigeria, being pro-West in their ideologies as a result of being colonized by Britain, refused the establishment of official relations with communist China. However, with the admission of China into the Security Council of the United Nations in 1971, the response was finally positive.³

The relationship that bloomed, thereafter, between China and Nigeria came from a diplomatic recognition that manifested in practical cooperation in various fields. Following the exchange of

principal envoys, there have been socio-political and economic exchanges in several fields of mutual interests.⁴ The benefits of the relationship are mutual as China benefits contracts for development projects while Nigeria benefits in terms of growth and development.

However, the question of how beneficial Nigeria's relationship with China actually is comes to mind. Various opinions exist on this issue. While some see it as destructive and detrimental to the development of Nigeria, others see it as an opportunity for the country to grow and compete favourably with other countries in the world market. Indeed, the Nigeria China relations have grown exponentially over the years and will continue to do so for a long time in areas of trade, agriculture, investments, energy, electricity, technology, education, health, military and security, cultural exchanges and politics.

Nigeria and China

Nigeria covers a region of 923,768 sq. km (356,669 sq. mi). It covers around 1,200 km (around 750 mi) from east to west and around 1,050 km (around 650 mi) from north to south. Nigeria is bounded by Cameroon toward the east, Chad toward the upper east, Niger toward the north, Benin toward the west, and the Gulf of Guinea on the Atlantic Ocean toward the south.⁵

Nigeria is a republic in western Africa, bordered in the South by a coast along the Atlantic Ocean on the Gulf of Guinea, Niger to the North, Benin to the West and Cameroun to the East. The vast majority of Nigeria comprises of lowlands cut by waterways, particularly the Niger and its biggest tributary, the Benue. The nation takes its name from its central waterway; the Niger. Nigeria has a federal system of government and is separated into 36 states and an official capital region. Until 1991, the capital was the biggest city, Lagos, but was later changed to the city of Abuja.⁶

China is a country located in the eastern part of Asia. Being the fourth largest country in the world, it also holds the world's largest population and has emerged to be one of the greatest powers of the 21st century. Geographically, China is divided into three major regions which include: outer China, Agricultural China and Northeast China. Outer China region consists of high mountains, plateaus, deserts and steppes which have resulted in its sparse settlement pattern. Agricultural China, however, houses 95% of the Chinese population, while Northeast China is the industrial region of the country. The population of China as of 2018 stands at 1.4 billion people which is about 18.4% of the world total population.⁷

The total area of China is 9,571,300 sq km (3,695,500 sq mi) including inland waters. The country stretches across East Asia in a broad arc that has a maximum east-west extent of about 5,000 km (about 3,000 mi). From the country's northernmost point to the southern tip of Hainan Island, the north-south extent is about 4,000 km (about 2,500 mi). China borders the East China Sea and North Korea on the east; Russia, Mongolia, Kazakhstan, and Kyrgyzstan on the north; Tajikistan, Afghanistan, and Pakistan on the west; and India, Nepal, Bhutan, Myanmar (Burma), Laos, Vietnam, and the South China Sea on the south.⁸

China has three major rivers which include; the Huang He (Yellow River) in the north, the Yangtze (Chang Jiang) in central China, and the Zhu Jiang (Pearl River) in the south.⁹ The country's varied terrain includes vast deserts, towering mountains, high plateaus, and broad plains. Beijing, located in the north, is China's capital and its cultural, economic, and communications center. Shanghai, located near the Yangtze, is the most populous urban center, the largest industrial and commercial city, and mainland China's leading port.

Economic Relations

The economic relations between Nigeria and China encompass trade, investment, infrastructural development and communication technology. The reestablishment of the China Nigeria relations in the 21st century began based on an "oil for infrastructure"¹⁰ policy. This experienced a short challenge during the presidency of Yar'Adua in Nigeria which led to rumors of it falling apart. However, it has neither fallen apart or will it be doing so in the foreseeable future, considering the growing complexities in the relationship, including the recently established currency swap between the two countries.

Trade and investment

The return of Obasanjo to power in a civilian regime in 1999 saw Nigeria becoming the third largest market for Chinese goods after United Arab Republic and Morocco.¹¹ China turned to Nigeria for crude

oil which led to large increases in the volume of trade between the two. This is in comparison to the period prior to 1999. Before 1999, the commodity composition of Nigeria's exports to China shows that China imported mainly cocoa, beans and cashew nuts from Nigeria while Nigeria imported only light industrial goods and chemicals from China. China later on pledged to import cotton and palm kernel as well as cassava. However, the pattern of trade during this period exhibited low levels in volume of trade and a heavy imbalance against Nigeria as the benefits of Sino- Nigeria trade were accruing to China rather than Nigeria. This is because Nigeria imports from China more than she exports. The industrial growth of China made her to embark on the strategy of "going out" and accordingly, since 1999, trade and investment relations between her and Nigeria have been on a steady increase with Nigeria ranking among the top 5 African countries importing from China, accounting for up to 55% of African imports from China.¹² China imports timber, cassava, cotton, petroleum, cocoa from Nigeria while Nigeria imports everything from books, pens, gadgets, e.t.c.

Construction of Infrastructure

One of the major problems to the economic development of Nigeria is the underdeveloped infrastructure, and successive governments have pledged to remedy this situation. China first became heavily involved in infrastructure improvements through the previously mentioned oil-for-infrastructure deals during the Obasanjo era. With this, China became involved in Nigerian projects that have created more employment opportunities and opened up the economy such as the Garment Factory in Rivers that has employed up to 1000 Nigerians.¹³ The Huan Jian Iron Steel Group also, for example, was registered in the Calabar Free Trade Zone in 1999 and as of 2010, has about 80 Chinese workers and 680 Nigerian workers.¹⁴

China Civil Engineering Construction Corporation (CCECC) which was established in 1979, the biggest Chinese construction company in Nigeria with more than 50 agreed projects, has invested more than US \$10 billion in the country. One of the biggest is a US \$850 million railway linking the capital Abuja with the northern city of Kaduna. This has been described by Senator Shehu Sani of Kaduna as "the oxygen and lifeline of the people".¹⁵ The project is partly funded by a US \$500 million loan from China's Exim Bank.¹⁶

Special Economic Zones

China has been able to accumulate wealth of experience, and success, using Special Economic Zones (SEZ) to drive industrialization and attract foreign investment. These are designated areas in a country, subject to unique economic regulations that intend to facilitate rapid economic growth by leveraging tax incentives to attract foreign capital and technological advancement. China currently has at least 100 SEZs established on its own shores which are specialized in areas such as technology or trade.¹⁷ In 2006, its capital, Beijing, announced it was "going global" with plans to establish about 50 economic zones in countries around the world.¹⁸ During the Beijing summit of FOCAC, China pledged to build three to five of these zones in Africa. The African zones also allow Chinese manufacturers to benefit from the more favorable terms offered to local businesses, and they put Chinese producers closer both to the raw materials they require and to their target markets, not just on the continent but also in the West. By late 2010, six zones were under development in five countries across Africa: Egypt, Ethiopia, Mauritius, Nigeria and Zambia. And Nigeria hosts two zones in Lagos and Ogun States. However these developments as at 2020 has not been completed.¹⁹

Telecommunications

Nigeria has become one of China's most important telecoms market. The two largest Chinese telecoms companies in Nigeria are the: Zhong Xing Telecommunication Equipment Company (ZTE) and Huawei. The key advantage of the Chinese companies is their competitive pricing; while Huawei has declared its prices to be 5% to 15% lower than those of its major international competitors, Nokia and Ericsson; on the other hand, ZTE's prices have been declared to be 30 to 40% lower than European telecom companies.²⁰ This is a strategy that enables China to gain access into the African Market where Western countries already dominate.

Having been established in 1985 as an electronics factory partnering with Chinese Aerospace Ministry, ZTE is now the largest listed telecommunications equipment maker in China and also its second biggest telecommunications gear producer after Huawei.²¹ ZTE became affiliated with the Nigerian market in

1999 and has a handset factory in Abuja and offices in seven different cities which include Lagos, Ibadan, Port Harcourt, Kaduna, Bauchi, Jos and Maiduguri. It became a supplier of system equipment to Starcom and Multilinks. In 2005, ZTE won a contract with Nigeria's main telecommunications operator, Nitel, to expand the country's (Code-Division Multiple Access) CDMA wireless communications network across seven north-eastern states. It also signed a contract to provide 13 000 CDMA terminals and handsets to Nitel.

Challenges to The Relations

Since the conception of the Nigeria-China relations, various challenges have come up which threatened its existence.

Trade Imbalance

Since the establishment of bilateral diplomatic relation, there has been a substantial expansion in Chinese exports, essentially conditioned by the demands of the Chinese economy and requirements to keep up economic growth. In line with this need, China then devised economic policy strategies to penetrate the markets of the South (third world countries).

China's rapidly expanding industrial base has provided motivation for its expanded economic penetration of Nigeria, a relatively large market with immense purchasing power. Over the years, Nigeria has served as market outlet for Chinese products. The problem posed by this for Nigeria is the negative role which the big Chinese companies have played and are likely to continue to play in Nigeria and Africa, and its consequences for the fulfillment of the interests of the Nigerian people. It is regrettable that after 50 years of successful bilateral relations, the most discernible pattern in this bilateral relationship is uneven.²²

Maltreatment of Nigerian workers in Chinese firms

Chinese companies are known for being "closed"; that is, they hardly employ local experts, which worsens the unemployment situation in Nigeria. However, when they do, the working conditions of Nigerians in these Chinese firms do not seem to conform to either the Nigerian Labor Law or the International Labor Organization. Consequently, Chinese firms have a knack of maltreating their workers, which would work against the capacity building of employees. They pay low wages and when some workers have accidents in the course of production, there is no compensation provided. China is involved in Human rights violation against Nigeria.²³

'Substandard' Goods from China

The Nigerian market is flooded with cheap goods from China. In response to this, the opinion of a member of the Ministry of Foreign Affairs of Nigeria was that it wasn't necessarily a bad thing as China sells based on what the country can afford. This would mean that Nigeria can only afford to import cheap goods. However, the issue here is that these cheap goods are substandard and affect the working of domestic industries.²⁴

Increased Unemployment Rates

Unfortunately, Nigeria, in its unquenchable thirst for foreign goods, has helped China to sustain its industries and also keep the youths of China employed; whereas the number of unemployed youths in Nigeria has been on the increase. It is true that Chinese companies in Nigeria have employed Nigerians for jobs in their companies; however, worthy of note is that these "jobs" usually consists of low positions that bring in very little income as a majority of the workers remain Chinese. While executive positions are retained by China men, positions such as clerks, gatemen, drivers and so on; are the jobs retained for Nigerians.²⁵ With many domestic industries being forced to close down due to competition with the incoming Chinese firms, many workers are laid off to fend for themselves and their families in the already struggling economy.

Currency exchange

In 2016, a currency exchange agreement was signed between Nigeria and China which would increase the availability of the Chinese Yuan (Rmb) in Nigerian banks as well as its availability to business persons who trade with China. The implementation of this agreement commenced on July 2018.²⁶

However, its signing has brought contending views among Nigerians, with some being of the opinion that this currency swap will only bring about an overreliance on the Chinese. Another opinion states that Nigerians will be able to buy goods at cheaper prices from China which should reduce the trade imbalance. This is because there will no longer be a need to convert to dollar in order to trade and China will be encouraged to import more from Nigeria.²⁷

Conclusion

In the economic relations between Nigeria and China, Nigeria growth is seen in two phases; her being among one of the top five growing countries due to her partnership with China and on the other hand the disadvantage this relationship which has brought more harm than good has played in her economy. Nigeria relations with China ranges from Health relation, Political relations, Cultural and Educational Relations and other minor relations, this relation has brought about technological advancement, infrastructure and trade and investment, however Nigeria is still one of the slow growing countries due to the low impact of this relation. Nigeria's dependency on China and other countries of the west puts Nigeria at risk. Nigeria is also exploited and gain little out of their economic exchange.

This does not mean that Nigeria benefits nothing; it does as we have seen in the impacts of the relations on the various Nigerian sectors. However, the question is; have these impacts raised Nigeria's economic and political growth significantly? The conclusion is in the negative. Amidst all the trade, investment, construction, cultural exchanges, health exchanges, educational exchanges etc, Nigeria still remains underdeveloped and a weaker partner in the bilateral relations.

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