

# Topic Overview: China's Relationship with Nigeria

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## CX Resolution 2016-2017

While China is the most populous country on earth, with over 1.3 billion people, Nigeria is the most populous country in Africa, with over 180 million people and a rapidly growing population. China's relations with Nigeria have been primarily economic for most of their coexistence, although China is also looking toward Nigeria becoming a potential defense ally in the future. Nigerian have one of the highest approval ratings of China in the world, with about 85% of all Nigerians approving of China. One potential area of future conflict between the two nations is the flooding of cheap Chinese manufactured goods into the Nigerian market, which harms local industries. If the trade imbalance continues, Nigeria might rethink its cooperation with China and exclude them from lucrative trade deals and free trade zones, which allow Chinese businesses to cheaply establish bases in Nigerian cities.

### **China has invested in the Nigerian economy for twenty years**

*(Oji-Okoro Izuchukwu is a postdoctoral researcher in economics at Wuhan University of Technology, "Why south-south FDI is booming: case study of China FDI in Nigeria," Asian Economic and Financial Review, [http://www.aessweb.com/pdf-files/aeifr%204\(3\),%20361-376.pdf](http://www.aessweb.com/pdf-files/aeifr%204(3),%20361-376.pdf), 2014)*

The Sani Abacha government, from (1993-1998) initiated a contact with Chinese government, early during his regime. The Nigerian-Chinese Chambers of Commerce was founded in 1994, which paved way for China Civil Engineering Construction Corporation (CCECC) to win a \$529 million contract to rehabilitate the Nigerian railway system in 1995, thereafter the former premier of China's State Council, Li Ping visited Nigeria in 1997, signing protocols relating to power generation, steel and oil. Due to western nations sanction on Nigeria, during Sani Abacha's regime, CCECC was unable to complete the Nigerian railway project given to them. Li Ping's protocols were barely implemented, it was until Olusegun Obasanjo returned to power as the elected civilian president in 1999, and the start of new China's orientation to Nigeria began in 2000. Additionally the China new focus to Africa countries has equally influence the two giants trade relations. In October 2000 the first ministerial conference of the Forum on China-Africa Co-operation was held in Beijing, senior Nigerian representatives were in attendance. In the same year tender award was given to CCECC to build 5,000 housing units for athletes participating for the eighth annual All-African Games in Abuja, which were duly built. In 2001 the two countries signed an agreement on the establishment of Nigeria Trade Office in China, China Investment Development and Trade Promotion Centre in Nigeria. From 2003 to 2007 the Nigeria-China relations intensified further, President Hu Jintao and Prime Minister Wen Jiabao of China both visited Nigeria while Obasanjo visited China twice. In 2006 the inter-governmental Nigeria-China investment Forum was founded and it increased the growing number of Chinese companies in Nigeria projects. Chinese multinational company's MNCs won significant contracts in Nigeria, particularly in telecommunications, construction, transportation and power. However the volume of Chinese manufactured goods exported to Nigeria increased substantially, by the end of 2008 according to the Chinese Ministry of Commerce, the total volume of Chinese investment in Nigeria is about \$6 billion.

### **Chinese FDI in Nigeria is increasing**

*(Oji-Okoro Izuchukwu is a postdoctoral researcher in economics at Wuhan University of Technology, "Why south-south FDI is booming: case study of China FDI in Nigeria," Asian Economic and Financial Review, [http://www.aessweb.com/pdf-files/aeifr%204\(3\),%20361-376.pdf](http://www.aessweb.com/pdf-files/aeifr%204(3),%20361-376.pdf), 2014)*

More so, Nigeria is the largest recipient of FDI in Africa. FDI inflows have been growing enormously over the course of the last decade from \$1.14 billion in 2001 to \$11.5 billion in 2009 according to UNCTAD, making the country the nineteenth greatest recipient of FDI in the world. As China seek [sic] to expand its trade relation with Africa, she is becoming one of Nigeria most important source of FDI from \$3 billion in 2003, China's direct investment in Nigeria is reported to be now worth about \$10 billion. Recently in 2013, the Chinese government has invested \$1.1 billion in Nigeria's infrastructure, in the form of low-interest loans. The loans will be used in the construction of four airport terminals in the country and a light-rail line in the capital city Abuja, with an additional \$1.7 billion contract that the Chinese companies won to construct road in the country. However, the question is, why is China investing so heavily in Nigeria? Analyst has argued to the fact that the country is one of the largest oil-producing countries in the world and statistics has shown that oil and gas sector receives 75% of China's FDI in Nigeria. China is investing in raw material deposits overseas, and is multiplying its trading partnerships in order to secure regular supplies Lafargue (2005). China outward FDI flow has been on the increase in the past 7 years, its relations to Nigeria is closely linked to trade and development assistance and has increased by 30 percent per year and ranked second after South Africa among the ranks of Africa host countries for Chinese FDI between 2003-2009.

### **China is a model for Nigerian growth**

*(Oluwole Gabriel Adekola is a lecturer of International Relations at Obafemi Awolowo University Ife-Ife, "New perspectives to Nigeria's foreign policy towards China," International Organization of Scientific Research Journal of Humanities and Social Science, <http://iosrjournals.org/iosr-jhss/papers/Vol6-issue5/A0650106.pdf?id=5940>, February 2013)*

Nigeria obviously has everything to gain by evolving a strategic partnership with China. For instance, Nigeria "would be better off to copy the Chinese character epitomized by discipline, purposeful leadership and deliverability" (Daily Independent, Monday, Nov. 6, 2006). The process of economic development and liberalization embarked upon by China which has turned her into an investment magnet and one of the most competitive markets in the world, should be very instructive to Nigeria. Like in the words of Amadu Sesay (2008), at a public forum, he inferred that, "If the Chinese can close up and make a lot of progress....with humility and proper focus, is it not possible for Nigeria to close up, especially in this era of globalization?". It is thus plausible that an improved investment climate in Nigeria would ultimately guarantee a reliable supply of resources and further unlock vast potentials in the labour market.

### **Generally positive opinion of Chinese trade, but with significant issues**

*(Tajudeen Ayoola is a professor of management and accounting at Obafemi Awolowo University Ife-Ife, "Nigeria-China Trade Relations: Implication on the Nigerian Domestic Economy," Research Journal of Finance and Accounting, 2013)*

Perceptions of stakeholders on the effect of Nigeria – China trade relations on the Nigerian Economy Tables 3 present the perceptions of stakeholders on the effect of the increased trade relations on the Nigerians economy. 89% of the respondents believed the trade relations will

have a positive effect on the Nigerian economy. On further analysis, 99% of the respondents believed the greatest challenge faced by the Nigerian economy is in respect of the sub-standard nature of the Chinese goods being imported into the country. In terms of the lack of competitiveness of Nigerian goods with China made- goods, power failure, shortage of affordable credit to procure input and multiple taxation ranked first, second and third respectively as the factors responsible for the un-competitiveness of the Nigerian products. All the respondents agreed that local manufacturing firms must be protected through tariff and subsidies against the invasion of sub-standard, subsidized foreign products.

### **Telecommunications**

*(Margaret Egbula is a consultant at the Sahel and West Africa Club at the Organisation for Economic Cooperation and Development (OECD) and an editor at the United Nations Development Programme, "China and Nigeria: A Powerful South-South Alliance," West African Challenges, <https://www.oecd.org/china/49814032.pdf>, November 2011)*

In recent years, Nigeria has become one of China's most important telecoms market. The two largest players in the country are the state-owned Zhong Xing Telecommunication Equipment Company (ZTE ) and Huawei. The key advantage of the Chinese companies is their competitive pricing; Huawei officials say its prices are 5 to 15 % lower than those of its chief international competitors, Nokia and Ericsson. ZTE 's prices are said to be 30 to 40 % lower than European telecom companies. Established in 1985 as an electronics factory affiliated with the Chinese Aerospace Ministry, ZTE is now China's largest listed telecommunications equipment maker and its second biggest telecom gear vendor after Huawei. ZTE entered the Nigerian market in 1999 and has a handset factory in Abuja and offices in seven different cities (Lagos, Ibadan, Port Harcourt, Kaduna, Bauchi, Jos and Maiduguri). In 2005, ZTE won a contract with Nigeria's main telecommunications operator, Nitel, to expand the country's CDMA wireless communications network across seven north-eastern states. It also signed a contract to provide 13 000 CDMA terminals and handsets to Nitel. In December 2010, the Nigerian government awarded ZTE a USD 400 million contract to build a national security communications system, with financing provided by China's Exim bank.

### **Lekki Free Trade Zone**

*(Margaret Egbula is a consultant at the Sahel and West Africa Club at the Organisation for Economic Cooperation and Development (OECD) and an editor at the United Nations Development Programme, "China and Nigeria: A Powerful South-South Alliance," West African Challenges, <https://www.oecd.org/china/49814032.pdf>, November 2011)*

The Lekki Free Trade Zone (LFTZ) occupies a total of 165 square kilometres (16 500 hectares) on the Lekki peninsula, which is about 60 kilometres southeast of Nigeria's economic centre (central Lagos). The zone is administered through a joint venture between the Lagos State government; Lekki Worldwide Investments, a private company established by the Lagos State government; and China-Africa Lekki Investment Ltd., a consortium of four Chinese enterprises that includes the China-Africa Development Fund. The Chinese consortium assumes 60% ownership, and the Lagos State government and LWI each hold 20% equity. Initially, the Chinese investors were to provide USD 200 million in funding, while LWI was to inject an additional USD 67 million. The Lagos State government was responsible for providing land and infrastructure as well as relocating and compensating villagers displaced by the project. Construction is underway at the LFTZ, with the 30-square-kilometre (3 000 hectares), USD 5

billion Phase I project scheduled for completion in 2014. Developers intend for the zone to specialise in transportation equipment, home appliances, telecommunications, textiles and other light industries. The site will also include real estate operations, media centres, hotels and recreational facilities. By late 2009, the Lekki zone developers concluded Memorandums of Understanding with at least 20 interested companies, 20-30% of which were Chinese. China's CSCEC has been contracted to build an oil refinery on the premises, and there are plans for a deep-water seaport within the zone and a new international airport nearby. Besides being the largest in West Africa, the Lekki Free Trade Zone is remarkable in the amount of local involvement in the management of the zone. Most African partner governments own only a small share in the co-operation zones and play little or no role in operating them. With a 40% stake, the Nigerian investors have taken a more active role in the Lekki project, and Nigerians hold some of the key management positions.

### **Ogun Guangdong Free Trade Zone**

*(Margaret Egbula is a consultant at the Sahel and West Africa Club at the Organisation for Economic Cooperation and Development (OECD) and an editor at the United Nations Development Programme, "China and Nigeria: A Powerful South-South Alliance," West African Challenges, <https://www.oecd.org/china/49814032.pdf>, November 2011)*

Ogun Guangdong Free Trade Zone (OGFTZ) covers an area of 100 square kilometres (10 000 hectares) in Ogun, a south-western Nigerian state bordering Lagos State. The OGFTZ site is just 30 km from both the Apapa seaport and Murtala Mohammed International Airport, both in Lagos. The publicly-owned China-Africa Investment Co., a unit of Guangdong Xinguang International Group, holds a controlling 82 % equity, with the remaining 18 % held by the Ogun state government. Construction on the zone is underway with Guangdong Xinguang funding the USD 500 million first phase, and the First Bank of Nigeria collaborating in the areas of investment banking, project finance and business advisory services. The OGFTZ has a special focus on construction materials and ceramics, ironware, furniture, timber processing, pharmaceuticals, computers and lighting. By late 2010, twelve companies had registered their establishment in the zone and two had begun operations.

### **Agricultural aid**

*(Margaret Egbula is a consultant at the Sahel and West Africa Club at the Organisation for Economic Cooperation and Development (OECD) and an editor at the United Nations Development Programme, "China and Nigeria: A Powerful South-South Alliance," West African Challenges, <https://www.oecd.org/china/49814032.pdf>, November 2011)*

While China as a rule does not release detailed information on which countries receive which forms of aid, one definite area of co-operation 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.

### **China's space cooperation**

*(Edward Cody is a correspondent for the Washington Post and has a doctorate from Columbia University, "China Builds And Launches A Satellite For Nigeria," The Washington Post, <http://www.washingtonpost.com/wp-dyn/content/article/2007/05/13/AR2007051301264.html>, May 2007)*

China announced Monday that it had launched a Chinese-manufactured communications satellite into orbit on behalf of Nigeria, marking the first time China has built a commercial satellite and put it into orbit on contract for another country. The launch, in Monday's pre-dawn hours from the Xichang space center in southwestern Sichuan province, was viewed as another sign of China's increasing prowess in space and its determination to be among the world's great powers seeking to utilize the reaches of outer space for benefits on Earth. Wang Haibo, president of the Great Wall Industry Corp., told reporters earlier that the Nigerian contract ushers China onto the short list of countries that can build, launch and maintain a satellite for other nations. In the 1990s, China frequently launched satellites for other countries -- but after they were manufactured elsewhere -- and acquired a reputation for providing such services more cheaply than other launch-capable countries. About 30 such contracts have been signed for future launches, Chinese officials said. In addition, the new launch was seen as a symbol of China's broad network of economic relations with Africa. As its economy forges ahead, with growth of nearly 10 percent a year, China has been particularly eager to establish commercial relations with oil-producing nations such as Nigeria.

### **China's space cooperation**

*(NBC News, [http://www.nbcnews.com/id/18654107/#.V6ih\\_iz6uUk](http://www.nbcnews.com/id/18654107/#.V6ih_iz6uUk), May 2007)*

The Nigerian Communication Satellite, or NIGCOMSAT-1, was launched by a Long March 3-B rocket from the Xichang Satellite Launch Center in southwest China's Sichuan province early Monday, Xinhua said. The launch was part of a \$311 million deal signed by China and Nigeria in 2004, and the satellite will be used to expand cell phone and Internet services in central Africa, Xinhua said. China has been commissioned to send about 30 foreign satellites into space and signed several contracts offering commercial launching services for foreign satellites, including one with Venezuela, it said.