A Tale of Two Superpowers: Nigeria and China Relations

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A Tale of Two Superpowers: Nigeria and China Relations

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by
Faouziatou Aboudou Kabassi

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by
Faouziatou Aboudou Kabassi
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UNIVERSITY OF SAN FRANCISCO

Under the guidance and approval of the committee, and approval of all the members, this research project has been accepted in partial fulfillment of the requirements for the degree.

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Date
A Tale of Two Superpowers: Nigeria and China Relations

Abstract

The study discusses the historical development of the Sino-Nigerian bilateral relations. The paper provides a detailed view of China's FDI in Nigeria and the diverse challenges faced by the oil rich country to develop its own economy through NEEDS as a result of China's economic power. China’s partnership with Nigeria is ideally for economic growth but practically poisonous to Nigeria’s development goals as China is solely pursuing its own interest and diverting its partner from working toward its NEEDS goal. A deep investigation of the relations should be reviewed for both countries. This will be needed to produce vital economic growth and ensure a better co-ordination for both countries and to a great extent use the procedures that are most beneficial for a “win-win” partnership.
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List of Abbreviations and Acronyms

AGOAAfrican growth Opportunities Act
ANOCAsian National Oil Companies
CCECCChina Civil Engineering Construction Corporation
CDBChina’s Development Bank
CGCGeo- Engineering Company
CNOOCChina National Offshore Oil Corporation
CNPCChina National Petroleum Company
COSCOChina Ocean Shipping Group Company
CRCPChina Railway Construction Corporation
CSCECChina State Construction Engineering Corporation
DPRDepartment of Petroleum Resources
FDIForeign Direct Investment
FOCACForum On China Africa Cooperation
FTZFree trade Zone
GDPGross Domestic Product
HIPCHeavily Indebted Poor Countries
IBRDIinternational Bank of Reconstruction and Development
IDAIinternational Development Association
ILOInternational Labour Organisation
IMFIinternational Monetary Fund
IOCInternational Oil Companies
LFTZLekki Free Trade Zone
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LWIL  Lekki Worldwide Investment Limited
MOU   Memorandum Of Understanding
MNC   Multinational Company
MNOC  Multinational Oil Company
MEND  Movement for the Emancipation of the Niger Delta
NEEDS National Economic Empowerment Strategy
NEPZA Nigeria Export Processing Zone Authority
NLL   Nigeria Labour Laws
NNPC  Nigerian National Petroleum Corporation
NPV   Net Present Value
OGFTZ Ogun Guandgong Free Trade Zone
OEL   Oil Exploration License
OML   Oil Mining Lease
OPL   Oil Prospecting License
OECD  Organisation of Economic Co-Operations and Development
RFR   Right of First Refusal
SAP   Structural Adjustment Program
SOE   State Owned Enterprise
SEZ   Special Economic Zone
SEPCO Electric Power Construction Corporation
SINOMA China National Materials Group Corporation
SINOPEC China Petroleum and Chemical Corporation
TOC   Transnational Oil Company
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Chapter I: Introduction

National Economic Empowerment Development Strategy: Policy and Importance

Nigeria is a geographically diverse fragmented country with one of the largest populations in West Africa. Nigeria’s population has over 250 ethnic groups with English being the country’s first language. Nigeria is also one of the richest countries on the continent endowed with natural resources: oil and gas. It is the 12th largest producer of oil in the world as well, which attracts foreign investors from all over the world. Although Nigeria is rich in natural resources, 7 of every 10 Nigerians live on less than $1 a day (National Economic Empowerment Development Strategy, 2005, p. ix). In search of a better way to reduce poverty and tackle some of the problems it is facing, the government created one of the most important documents necessary to fulfill its wishes: the National Economic Empowerment Development Strategy, or NEEDS. NEEDS is viewed as Nigeria’s plan for prosperity and was created in 2005 by the Nigerian National Planning Commission (NEEDS, 2005, p. viii).

“It is the people’s way of letting the government know what kind of Nigeria they wish to live in, now and in the future. It is the government’s way of letting the people know how it plans to overcome the deep and pervasive obstacles to progress that the government and the people have identified. It is also a way of letting the international community know where Nigeria stands—in the region and in the world—and how it wishes to be supported” (ibid).

NEEDS’ brochure outlines strategies as follows: reorienting values, reducing poverty, creating wealth, and generating employment. It is based on different goals of creating a better business environment to provide Nigerians with basic needs, empowering people and creating reforms that will set Nigeria’s vision to become Africa’s largest economy and a major player in the global economy. NEEDS advances strategies and methods to make its plan for Nigerian prosperity flourish over the coming years by
setting a charter that will help the country achieve these goals as well as the ways to achieve them. “The success of NEEDS rests on three pillars: empowering our people, creating a legal and financial environment that enables us to make the most of our natural resources and flair for business, and reforming our laws and the way our government works” (ibid, p. xv). NEEDS is not just a plan, it is a process of development supported by clear visions, values, and principles (NEEDS, 2005, p. 2).

The focus of the assessment of this research is on the implementation of NEEDS, and on China’s investment alignment with Nigeria’s goals in NEEDS. I argue that not only is NEEDS hard to implement in Nigeria, but also that China’s investments in trade, oil, and debt are diverting from NEEDS, which in turn impacts Nigeria’s development aspirations.

**State’s Objectives in NEEDS**

NEEDS’ values, principles and visions rest on four main goals: wealth creation, employment generation, poverty reduction, and value re-orientation. These goals center around a macro economic framework that focuses on three missions: empowering people, promoting private enterprise, and changing the way government does its work. The empowerment of people is about providing Nigerians with their individual rights and delivering the basic necessities for a better human existent. This social pillar created a development approach to improve health, education, environment, housing, employment and youth employment, safety nets, gender and geopolitical balance and pension reforms.

The promotion of the private enterprise is mostly to reduce the dominance of the public sector and strong reliance on oil. Creating an approach to promote Nigerian’s economy through security and rule of law; infrastructure finance, sectorial strategies;
privatization and liberalization; trade; regional integration and globalization, will create more opportunities for domestic and regional markets (NEEDS, 2005, p. 53). Changing the way government does its work is important in order to restore the professionalism of the civil service in Nigeria, which has been greatly undermined over the years. This will be channeled through the reformation of the public sector, privatization and liberalization, governance, transparency and anti-corruption, service delivery, budget and expenditure reforms (NEEDS, 2005, p. x).

**State’s Methods of Achieving NEEDS**

NEEDS envisaged the reformation of these sectors through different methods. Right-sizing the sector and eliminating ghost workers, restoring the professionalism of the civil service, rationalizing, restructuring, strengthening institutions, privatizing and liberalizing the sector will address the transformation of the public sector, privatization and liberalization (NEEDS, 2005, p. 87). Other methods announced to tackle corruption and improve transparency in government accounts; accounts of government agencies, and joint venture oil companies include reducing waste and improving efficiency of government expenditures, enhancing economic coordination, opening and competitive tender arrangements for government contracts (NEEDS, 2005, p. 87). Designing massive anti-corruption campaigns involving all public officials, including the President, public sector reforms to reduce, if not completely eliminate, opportunities for corruption, especially through the comprehensive monetization of benefits to public officers, and establishing an independent anticorruption agency and an economic and financial crimes commission (NEEDS, 2005, p. 87).
As part of a policy to improve service quality, budget and expenditure reforms, NEEDS states that every government agency will be urged to implement a service delivery charter that includes checklists, processing deadlines, and other benchmarks for delivery of public services (NEEDS, 2005, p. 91). The charter will mainstream service delivery at the national, state, and local government levels. The rationalization envisioned in this strategy will involve clearer delineation of roles among the federal, state, and local governments in line with the changes in the revenue allocation formula (NEEDS, 2005, p. 110). The federal government will withdraw from programs and projects best left to state and local governments, not only to avoid duplication but also to enhance efficiency in implementing and monitoring programs and projects. A federal matching grant scheme will be established to promote national programs and projects (NEEDS, 2005, p. 110).

Other methods explained in NEEDS include the restructuring of the industrial sector to promote export, strengthening the private and public sector partnership, and reducing imports to develop local industries in order to promote employment and youth employment. By promoting local industries, the export percentage can improve and reduce the reliance on a single commodity, oil, while creating employment at the same time. NEEDS also mentions more allocation of businesses to local industries to increase competition in order to facilitate the transfer of technology for the development of the country’s infrastructure (NEEDS, 2005, p. 58). This will facilitate the development of the industry sector to be more competitive while contributing to the economy, and therefore be more efficient through privatization. The importance of privatization in order to strengthen local companies’ productivity and effectiveness is emphasized in the charter.
The public sector in Nigeria is weak and ineffective; therefore privatization can offer effective service provision.

Another NEEDS’ approach to generate employment and promote local industries is through the establishment of a medium-size enterprise sector that will enhance economic development, generate employment and create wealth for Nigerians. NEEDS notes that two of its ambitions in this sector are the development of indigenous entrepreneurial class that can compete in a global market, and the facilitation of Foreign Direct Investments (FDIs) among local small-size and medium enterprises to support local produced goods. This will also promote the production of quality goods and services in Nigeria to facilitate a competitive export-oriented manufacturing sector (NEEDS, 2005, p. 72).

Elevating local manufacturing companies is also significant to tackle unfair competition from dumped, second-hand, counterfeit, smuggled and sub-standard products that impede local markets. Several ways of achieving this is through the reduction of the oil sector dominance and create a more diversified economic base by increasing manufactured goods in exports. This will also facilitate projects that transfer technology in the non-oil sector, increase transparency in the management of oil revenues, reduce or eliminate corruption, improve transparency in government accounts, maintain a substantial debt relief program, and generate revenues from other sources such as local enterprises (NEEDS, 2005, p. 116). By reducing oil exports, NEEDS also hopes to reduce environmental degradation from oil and gas extraction, which results to unsustainable land use and promote environmental standards, as well as local manufacturing (NEEDS, 2005, p. 65).
Nigeria has created a clear and detailed pattern of what and how development should be for its prosperity. Nigeria’s objectives are comprehensible, yet raises some questions that need answers. Are these goals realistic, reachable, measurable and implementable? Are foreign investors disrupting Nigeria’s goals? What are foreign investors like China doing in Nigeria? Are China’s investments aligning with NEEDS? Why and how does China’s investments align with or differ from NEEDS? How do we understand and measure China’s pattern in Nigeria? The aim of this study is to analyze if the state’s goals are realistic and implementable. This study also intends to understand if China’s engagement in trade, oil, and debt in Nigeria is in alignment with NEEDS and offer an explanation to reasons why it has an effect on Nigeria’s development goals.

**NEEDS and State’s Objectives**

This research demonstrates Nigeria’s inability to implement NEEDS, an ambitious plan for the transformation of Nigeria. It resembles a policy package that can hardly be achieved. NEEDS, like many other programs and policies, appears to create an illusion in letting populations believe that the government will better their lives. “It is a propaganda exhibit for the government of Nigeria” (Paul Adogamhe, 2010, p. 76).

NEEDS’ goals seem very unrealistic. The government lacks willingness and capacity to help achieve them. The charter outlines the goals, without addressing issues of implementation and establishing an agenda for achieving these objectives. There is no effective mean for the Nigerian government to achieve some of the goals mentioned in the package due to the weakness of the state, and other problems surrounding the government’s inabilities and ineffectiveness.

**China in Nigeria**
I will demonstrate in this paper that there is an apparent disconnect between NEEDS and China’s investment true objectives with Nigeria’s oil, trade and debt sectors. With no agenda for implementation, not only will NEEDS be hard to achieve, but also with investors like China diverging from what Nigeria wants, NEEDS faces essential obstacles to be realized. China has no joint partnership with Nigeria, and its involvement in the trade, oil, and debt sector does not align with NEEDS. Both countries have signed agreements and contracts to promote their relations, on the basis of a “win-win” partnership, which is contradictory to the status of their partnership, because China’s investments in Nigeria are primarily to promote its own economy. China’s investments might benefit some sectors in Nigeria’s economy and able it to grow, but considering that each country’s interests are rarely the same, China’s pattern in Nigeria does not align with NEEDS. China’s strategy of operations and its investments pose a threat to NEEDS in several ways.

China’s strategy of gaining access into African markets for its own benefit is pervasive in Nigeria’s economy. Firstly, by establishing diplomatic relations with Nigeria, China offered a small aid package that featured education and trade. The aid package grew once Nigeria viewed China as a substitute partner to complete its infrastructure deficiency. Through infrastructures, Chinese companies were able to settle in Nigeria to complete the different projects that were requested. Access to Nigeria’s oil sector was eased for China, because the President attributed many oil blocks to China to complete Nigeria’s infrastructure (Alex Vines et al., 2010, p. 11). China later gained entrance into other sectors of the economy, which allowed for trade relations and imbalances in the Nigerian’s trade sector to grow (Ndubisi Obiorah et al., 2008, p. 274).
Chinese Multi National Companies (MNCs) found businesses in the different sectors of the economy in Nigeria, which reinforced the partnership between both countries (Gregory Mthembu- Salter, 2009, p. 6).

By investing in free trade zones, China has showed Nigeria that it wants to strengthen the bilateral relations between both countries, while integrating Nigerian markets and developing business opportunities for Chinese companies. Considering that Nigeria has accumulated debt from increased loans to pay for some of the infrastructure projects that could not be paid for with oil money and other projects completed by China, China has subsequently been able to maintain a stronghold in Nigeria. Subsequently, its engagements with the country have continued to grow following its strategic interests. This partnership has also been sustained, since China now owns oil assets in Nigeria and is also helping in the exploration of more oil and gas.

This study is important, because it creates a new approach of understanding the Sino- Nigerian relations, and analyzing the effects of China in Nigeria, with a focus on Nigeria’s developmental goals, which gives a stronger analysis of the relations.

**Theoretical Framework**


A better analysis of NEEDS and the Nigerian government’s objectives will be approached through the work of William Reno. It is arguable that Nigeria’s politics still
resemble what William Reno calls “Warlord Politics”. The logic behind warlord politics is that the state is created but it does not really exist. Rulers form relationships with other people in power. It is a setup of elites and authoritarian rulers who buy off their enemies and their friends to facilitate their decisions. These rulers then disable any type of government arm, and create an informal militia. They also focus on getting aid from the developed countries to develop and reduce poverty in their country, but in reality the money never reaches the people it was allocated for. Moreover, they try to accumulate more wealth by being involved in illegal businesses. The whole system is set up based on patronage to benefit those in power that hinders any attempt to be accountable to citizens.

The rulers create a patronage network inside and outside the country for their own benefit. The state is set up to benefit those in power with no one to challenge its authority. The citizens and the rest of the world perceive the state to be real and functioning, but it is not in reality. The fabrication of the state is just there to amalgamate more wealth for their personal use (William Reno, 1999). Nigeria tries to portray that warlord politics has disappeared and an actual state exists by designing policy packages to display the idea that the government is working and creating programs to develop the country. The reality is that, Nigeria’s politics and government is still at the stage of weak management and ineffectiveness. The patronage network is created and embedded in every sector of the country. No effective leadership can be established to generate a mechanism that will be responsible to implement the right policies and decisions for reducing poverty, and achieving NEEDS.

Rulers are more interested in gathering wealth than creating a successful agenda that will eradicate the problems faced by their citizens. Corruption from the top often
finds its grassroots at the bottom. A corrupted state barely has any service sector capable of managing the affairs of the country. Weak management often leads to unproductiveness and inability to prioritize important issues facing a country. Reno (1999) concludes by explaining that warlord politics destabilizes the ability of the state’s performance, because the pursuit of wealth is the top agenda from leaders to civil servants.

The realist school of thought, considered as the oldest and most important in international relations, will be used to serve as the basis to approach the Sino- Nigerian relations. The basic ideas behind realist ideas and assumptions are: 1) a pessimistic view of human nature; (2) a conviction that international relations are necessary conflicted and that international conflicts are often resolved through wars; (3) a high regard for the values of national security and state survival and in pursuit of security, states strive to secure as many resources as possible; and (4) a skepticism that there can be progress in international arena that is comparable to that in domestic political life (Jackson and Sorenson, 2007). Realism central focus is the acquisition, maintenance, and exercise of power by states. Power often divided into “hard” and “soft” varies depending on the issues. Hard power often refers to tangible military capabilities, and soft power results from ideas, wealth, and political and economic innovation (Kelly- Kate Pease, 2008). Realism further embraces the idea that nations are self-interested and will place their interests in the forefront.

From this basic theory, neorealism and neoclassical realism were developed. Neorealism developed by Kenneth Waltz focuses predominantly on the structure of the international system. It was only used to describe political outcomes. “Neoclassical”
realism on the other hand, adds the theories of foreign policy to neorealism.

“Neoclassical” realism argues that the scope and ambition of a foreign country’s foreign policy is driven first and foremost by its place in the international system and specifically by its relative material power capabilities (Gideon Rose, 1998).

One of the “neoclassical” realist’s approaches is to presume that foreign policy has its sources in domestic politics. “These Innenpolitik theories argue that internal factors such as political and economic ideology, national character, partisan politics, or socioeconomic structure determine how countries behave toward the world beyond their borders” (ibid, p. 150). They also consider the impact the international system has on national behavior because the most speculated characteristic of a state in international relations is its position in the international system (Rose, 1998, p. 150). They distinguish between power resources and a country’s foreign policy interests by which they mean the goals and preferences that guide the country external behavior (Rose, 1998, p. 151).

“Neoclassical” realism incorporates the notion of foreign policy and adds it to realism theory of state’s pursuit of interest. Since states are comprised of conflicting interests and power distribution, foreign policies overlap and conflict among states. This theory is considered the best for analyzing the Sino-Nigerian relations. It is undeniable that the relationship between China and Nigeria is based on their own economic growth and development. Nigeria views China as an alternative partner for its growth and development, while China looks at Nigeria for energy security and a gateway to develop its own economy.

Thus, China’s foreign policy pursued through soft power, does not only consider its domestic politics, but also considers its position in the international system to pursue
its own interests for its survival. Whereas, Nigeria’s foreign policies inhibit its domestic politics and its goals to become an African economic giant by also pursuing its own interests and agenda. But interests cannot always align, due to the fact that each country’s policy is subjected to its own realities.

The first theory will guide me towards a better approach of understanding and analyzing obstacles behind NEEDS’ implementation. The “neoclassical” realism theory will provide a clear understanding of the dynamics behind the Sino-Nigerian relation. This approach will attempt to answer the research questions addressed in this study. Following sections on literature and methods, this research will first examine NEEDS’ implementation, and will later examine the three main sectors of China’s involvement in Nigeria: trade, oil and debt, by incorporating the two theories. I will then evaluate the results of China’s involvement in these three different sectors and their alignment with or divergence from Nigeria’s development aspirations as detailed in NEEDS in regards to these three sectors. Finally, I will discuss if the results of my findings follow the pattern Nigeria envisaged by opening its market to foreign investors as a development strategy, as well as the consequences of China’s engagement pattern on Nigeria’s developmental goals.

**Definition of Terms**

1. **Bilateral Trade**: “Cross border transactions that occur between two countries. A number of nations have set up bilateral trade agreements with a major trading partner in order to facilitate trade and economic stability between their respective countries. Such agreements often substantially reduce barriers to trade such as
duties, customs procedures and quotas. It also facilitates trade relations between two countries” (Bilateral Trade)

2. **Black Market**: “Illegal free market that flourishes in economies where consumer goods are scarce or are heavily taxed. In the first kind, black market prices are higher than the 'official' or controlled prices. In the second kind, prices are lower than the 'legitimate' or taxed prices, due to tax evasion.” (Black Market)

3. **Concessional Loans**: “Grants and subsidized loans that carry market or near-market terms and therefore are not foreign aid”. (OECD)

4. **Debt Overhang**: “The accumulation of a stock of debt so large as to threaten the country's ability to repay its past loans, which, in turn, scares off potential lenders and investors.” (Reisen and Ndoye, 2008, p. 11)

5. **Debt Sustainability**: “1) A country’s medium- to long-term debt situation. A country’s eligibility for support under the HIPC Initiative is determined on the basis of the analysis of its debt situation, jointly undertaken by the staffs of the IMF, the World Bank, and the country concerned. 2) It also implies a country’s solvency plus liquidity at any moment.” (OECD)

6. **Development**: “The act or process of growing, progressing developing or the state of being developed. 2) A fact, event or happening that changes a situation.” (Development)

7. **Diplomacy**: “1) The art and practice of conducting international relations, as in negotiating alliances, treaties, and agreements between nations for the purpose of maintaining cohesion and peace. 2) Diplomacy seeks maximum national
advantage without using force and preferably without causing resentment.”
(Diplomacy)

8. **Foreign Aid:** “1) Financial flows, technical assistance, and commodities that are designed to promote economic development and welfare as their main objective (excluding aid for military or other non-development purposes), and are provided as either grants or subsidized loans. 2) The policy of a nation of giving economic, and technical aid to other countries for purposes of relief and rehabilitation for economic stabilization.” (Foreign Aid)

9. **Foreign Direct Investment (FDI):** “The objective of obtaining a lasting interest by a resident entity in one economy in an entity resident in an economy other than that of the investor. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprise. Direct investment involves both the initial transaction between the two entities and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated.” (OECD)

10. **Foreign Policy:** “General objectives that guide the activities and relationships of one state in its interactions with other states. The development of foreign policy is influenced by domestic considerations, the policies or behavior of other states, or plans to advance specific geopolitical designs. Foreign policy typically relates to considerations of factors such as human rights, terrorism, economy and foreign aid to achieve national objectives.” (Foreign Policy)
11. **Free Trade Zones (FTZs):** “Airport, seaport, or any other designated area for duty-free import of raw materials, components, sub-assemblies, semi-finished or finished goods. Such items can be stored, displayed, assembled, or processed for re-export or entry into the general market of the importing country (after paying the required duties). Also called foreign trade zone or free zone.” (Free Trade Zone)

12. **Globalization:** “The act or process of globalizing; the state of being globalized. It is the worldwide movement toward economic, financial, trade, and communications integration. Globalization implies the opening of local and nationalistic perspectives to a broader outlook of an interconnected and interdependent world with free transfer of capital, goods, and services across national frontiers.” (Globalization)

13. **Gross Domestic Product (GDP):** “The value of a country’s overall output of goods and services (typically during one fiscal year) at market prices, excluding net incomes from abroad. Gross Domestic Product (GDP) can be estimated in three ways, which, in theory should yield identical figures. They are (1) Expenditure basis: how much money was spent, (2) Output basis: how many goods and services were sold, and (3) Income basis: how much income (profit) was earned.” (Gross Domestic Product)

14. **Imprudent Lending:** “Lending a large amount of money to a country to the extent of having its debt not fully serviced, which endangers the debt sustainability of that country.” (Reisen and Ndoye, 2008, p. 20).
15. **Licensing Round**: “A coordinated offering of exploration acreage to oil companies by governmental authorities, typically in return for fees and/or a commitment to carry out a work program.” (Licensing Round)

16. **Market**: “An actual or nominal place where forces of demand and supply operate, and where buyers and sellers interact (directly or through intermediaries) to trade goods, services, or contracts or instruments, for money or barter.” (Market)

17. **Net Present Value (NPV)**: “NPV is the discounted sum of all future debt-service obligations (interest and principal) on existing debt.” (Reisen and Ndoye, 2008, p. 20).

18. **Oil Exploration License (OEL)**: “A license to explore for petroleum.” (Petroleum Act)

19. **Oil Mining Lease (OML)**: “A lease to search for, win, work, carry away, and dispose of petroleum.” (Petroleum Act)

20. **Oil Prospecting License (OPL)**: “A license to prospect for petroleum.” (Petroleum Act)

21. **Resource Curse**: “The resource curse holds that underdeveloped countries with great natural wealth fail to diversify their industry or to invest in human development, which leads to a long-term economic decline.” (Ali Zafar, 2007, p. 109)

22. **Revenue**: “The income generated from sale of goods or services, or any other use of capital or assets, associated with the main operations of an organization before any costs or expenses are deducted. Revenue is shown usually as the top item in
an income (profit and loss) statement from which all charges, costs, and expenses are subtracted to arrive at net income.” (Revenue)

23. **State-Owned Enterprise (SOEs):** “Business entities established by central and local governments, and whose supervisory officials are from the government. State-Owned Enterprises (SOE) are wholly or partially owned by a government and is typically earmarked to participate in commercial activities.” (OECD)

24. **Structural Adjustment Programs:** “Policy changes for economic reforms aimed at improving or liberalizing an economy, imposed and implemented by the World Bank and International Monetary Fund on poor or developing countries in exchange for new loans.” (Structural Adjustment Program)
Chapter II: Review of the Literature

Since this study is concerned with the inability to implement NEEDS in Nigeria, and China’s investments and engagements in the Nigerian trade; oil and debt sector, it is important to understand the current opinions on the topic. China’s strategy of operations in Nigeria follows the same pattern in other African countries, but the focus of this research is the analysis of China’s pattern in trade, oil, and debt in Nigeria and its compatibility to the National Economic Empowerment Development Strategy (NEEDS). I will examine the field of current researches on the implementation of NEEDS, and on China’s engagements in trade, oil, and debt in Nigeria by outlining the main concepts of NEEDS and of China’s engagements in these three sectors, which will be used in my analysis. This literature is mostly an interpretation of the available sources that will be used to back up evidence of the concepts that will be discussed in my data analysis. The literature will be organized around the main themes.

The first section of the literature will discuss the difficulty in implementing NEEDS in Nigeria. The second section will focus on China- Nigeria relations in trade along with different opinions of China’s investments in Nigeria’s trade sector. The third section will focus on research of China’s entry in the oil sector as well as the challenges Chinese oil companies have been facing in Nigeria’s oil sector. The fourth section discusses sources’ opinions on the role of debt in the Sino- Nigerian relations.

The first section explains how problematic NEEDS will be hard to implement while the other three sections explicate how the Sino- Nigeria relations gradually
developed for Nigeria to become important to China’s investments, as well as the main arguments regarding NEEDS implementation and China’s involvement in these sectors.

All of these themes will be discussed using several sources to highlight the essential arguments when making my point. These sources are all significant, because they all have a unique way of approaching the state’s objectives in NEEDS, and China and Nigeria’s relations. By analyzing the benefits and inconveniences of China’s investments in the different areas of Nigeria’s economy, and the recommendations to make this partnership beneficial to both countries, these authors give an evaluation of the relations. The goal of using these sources in my research is to investigate the particular concepts around China’s investments in each of these three sectors, which are all goals that NEEDS’ targets for Nigeria’s development aspirations.

**Implementing NEEDS**

NEEDS’ success depends on a variety of factors that are hard to reach in Nigeria. The most important factor for NEEDS’ success is implementation. Implementation is an essential step for a state to achieve its targets and integrate its policies. Nigeria does not have the ability to implement the right policies targeted in NEEDS, because it lacks implementation methods. Implementation cannot be sustained in Nigeria because of different problems that affect the state. One essential problem to successful implementation of NEEDS is corruption.

Corruption is an important obstacle to achieve state’s goals. Nigeria is plagued with too much corruption for any policy to be successfully implemented in the country. Weak leadership and management, lack of planning and lack of willingness also have an impact on the state’s ability to deliver. Due to corruption in all sectors of the government,
there is no ability and willingness to plan and manage any state’s policy and target. Along with that are a weak mechanism and political structure, and lack of appropriate fund to achieve different objectives. Nigeria’s political structure is fill with elites chasing wealth and appropriating government’s funds for personal uses. As a result of all these problems, the implementation of NEEDS will be hard to accomplish.

From gathered evidence, Adogamhe (2010) explains that NEEDS is one of Nigeria’s numerous plans. However its creation is flawed to a great extent, which makes implementation barely possible (Eneh, 2011; Bambale, 2011; Marcellus, 2009). Adogamhe (2010) acknowledges some of the charter’s good intentions, but he argues that there are failures in the plan to target the important population, and no real strategy was created to address the issues that can create development. “It appears that the authors of NEEDS approached poverty from the perspective of an income or consumption index, as is customary with several Nigerian scholars who deal with poverty evaluation” (ibid, p. 53).

The evidence suggests that the majority of the poor population was not acknowledged in NEEDS, and little is known about structure; strengths; weaknesses and mode of operations. “Consequently, this population is unknown and un-provided for by the NEEDS document. To do justice, to a comprehensive plan for prosperity for this population, NEEDS must recognize this omission and rectify it” (ibid, p. 64). Adogamhe (2010) also adds that NEEDS’ failure to recognize the ineffectiveness of the system and political structure proves that no real measures wants to be taken to achieve those goals (Eneh, 2011; Bambale, 2011). “NEEDS did not prioritize the goals it set, nor did it outline the benchmarks or stages of development for the attainment of these goals”
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(Adogamhe, 2010, p. 67). Evidence from the research showed that the government is structurally handicapped to handle the programs outlined in NEEDS.

In his analysis of Nigeria’s development visions, Eneh (2011) argues that most visions, plans, programs and projects have failed in Nigeria as a result of weak management and corruption (Adogamhe, 2010; Bambale, 2011). “Where there is no vision, the people perish is an aphorism that has become common knowledge among the Nigerian political leaders who often articulate visions in colorful and expensive development plans, policies, programmes, etc., but mostly for chanting” (Eneh, 2011, p. 63). Nigeria is good at creating visions, policies and plans, but most of them fail at been implemented as a result of corruption, and lack of willingness from political leaders (Eneh, 2011; Adogamhe, 2010; Bambale, 2011).

“They are chicken- hearted in the implementation of these plans, except to enrich cronies, political stooges and royal choristers or sycophants. At the end of political leaders tenure, no actualization of the vision and no regrets for the failure; no review and no direction have been done. Yet, such a non- performing leader often aspires to continue in office even after his tenure has expired” (Eneh, 2011: 63).

In his search of reasons behind failed development implementation of development projects and underdevelopment in Nigeria, Eneh (2011) investigates past governments in Nigeria and their different development projects and visions. From the Gowon administration in 1970 till date, a lot of policies have been formulated to improve the quality of life and tackle some of the country’s problems, but most of them end up been just policies due to corruption (Eneh, 2011). “Nigeria is replete with brilliant, impeccable and well-written policies. The problem is implementation. The logical and expensively produced policies often end there as policies. Weak efforts at implementation often rubbish them trough corruption” (ibid, p. 66). Eneh (2011) goes further to argue
that corruption is Nigeria’s number one enemy, and only when it is removed will policies such as NEEDS be successful. In his conclusion, Eneh (2011) urges political leaders to stop breeding and perpetuating corruption for any successful implementation of NEEDS.

Along with Eneh’s ideas (2011), Bambale (2011) also indicates the effects of weak leadership and corruption to NEEDS’ success. Bambale (2011) argues that because of political leaders’ behaviors, projects and policies may never see rise in Nigeria (Adogamhe, 2010). From Bambale’s research (2011), major obstacles to improving opportunities remains at the state level. A reformation of Nigeria’s leadership where the political will exists is lacking in Nigeria. “The major obstacles to improving opportunities and capabilities of the poor and reducing their vulnerabilities contained in the reforms remain at the level of Nigeria’s leadership where the political will and ethical considerations seem to be lacking” (ibid, p. 22).

Bambale (2011) implies that for NEEDS to be successful, Nigeria needs an effective leader that is committed to achieve Nigeria’s development goals, and a system that is not corrupted (Eneh, 2011; Adogamhe, 2010; Marcellus, 2009). Without these attributes, hardly will the state’s objectives see rise. From Bambale’s point of view (2011), Nigeria must focus on leadership and stronger state institutions for reforms to significantly reduce poverty and stimulate economic progress. In addition, weak institutions and structures also remain a detriment to sustainable growth and the success of NEEDS (Bambale, 2011; Eneh, 2011; Marcellus, 2009). “Leadership and stronger institutions for successful neoliberal reforms including NEEDS could be achieve through promotion of popular democracy, free and fair election and quality education” (ibid, p. 22).
Due to Nigeria’s weakness, there was no mechanism or framework created to address the proclaimed goals (Marcellus, 2009). In his investigation of NEEDS’ strategy to reduce poverty in Nigeria, Marcellus (2009) finds that poverty level has only increased, and the plan has not been realized. “The realization of the poverty eradication plan is yet a far cry. Special programs and infrastructures through which the government hopes to empower the citizens especially the most vulnerable ones have not been efficiently provided” (ibid, p. 205). According to Marcellus (2009), there was no appropriate fund created by the government to undertake some of the objectives such as poverty reduction.

The funds created couldn’t be sufficient in working towards achieving the objective. Moreover, Anger (2010) observes that there was misappropriation of funds, and the little amount of funds created did not go towards addressing poverty reduction in Nigeria. He notes that as a result of corruption, funds created to carry out the program in NEEDS failed. “The probe revealed that over 10 billion US dollars was said to have been spent on the National Integrated Power Project without any result to show for it” (ibid, p. 141). In his conclusions, for achieving NEEDS’ goals “the federal state and local government must ensure commitment in the areas of fund allocation” (ibid, p. 143).

**Trade Relations**

The bilateral trade relation between China and Nigeria was the link that opened doors to the many problems facing the relations today. Trade relations between both countries have resulted to more troubles to Nigerians and Nigeria’s economy. Trade between both countries has created trade imbalances in favor of China, and an increase of cheap products from China dumped into the Nigerian market. Smuggling of goods, black
markets, and illegal towns are all results of Chinese exports to Nigeria. The Nigerian market has suffered as a result of these problems that have perpetually led to de-industrialization, unemployment, and infringed labor laws. Trade relations with China is boosting Nigerian markets to be filled with Chinese goods and enterprises as a result of foreign direct investments (FDIs) that are increasingly posing a problem to Nigeria’s economy.

In the awakening of China-Nigeria relations, a diplomatic tie that favored exchanged formal visits between both countries leaders and representatives, and the signing of diplomatic relations between both countries was the glue that kept both countries close (Ogunsanwo, 2008; Methembu-Salter, 2009). But after a long friendly relation, both countries decided to take the partnership forward. Ogunsanwo (2008) notes that in 1972, Adebayo Adedeji, Nigerian Commissioner for Economic Reconstruction and Development at that time, went to Beijing to step up the relation by signing agreements on economic and technical cooperation that included trade.

It was from this agreement that the trade relations evolved, because it allowed the entry of unlimited Chinese goods in the country. Ogunsanwo (2008) observes that the trade agreement between both countries merely had an impact because there was already a significant amount of Chinese goods that have been entering Nigeria for years, and were becoming hard to control. “The trade agreement was hardly significant as it had no impact on the largely unregulated imports of Chinese goods that had been entering Nigeria for years and were to become impossible to control in the years ahead” (ibid, p. 192).
In the outset of the relations, Ogunsanwo (2008) posits that the economic cooperation between both countries was open ended and allowed Nigeria to request a good amount of projects from China, but there was little demand from Nigeria, which made it differ from other African states that immediately began assistance after creating relations. “The Nigerian engagement had differed from Beijing’s relations with other African states, where technical and financial assistance usually began to flow almost immediately after forging formal relations” (ibid, p. 192).

Regardless, trade imports grew over the years. Ogunsawo (2008) emphasized the importance of imports from China to Nigeria between 1972 and 1974 that totaled to millions of dollars, which only grew overtime. He adds that the technical and economic cooperation evolved more through the trade sector, because bilateral trade between both countries played a big role in the relations. “Between 1972 and 1974, Nigerian exports to China totalled US$14 million, whereas imports from China totalled US$249 million” (ibid, p. 193).

Mthembu- Salter (2009) notes that bilateral trade expanded, and in 2008 it was worth 7.3 billion, nearly nine times the level in 2000, but with a trade imbalance that has persisted and indeed worsened. “Right from these early stages, the terms of trade were heavily in China’s favour, with GBP 4 million of the trade recorded in 1970 derived from Chinese textile exports to Nigeria” (ibid, p. 10). Increased trade imbalances between both countries were viewed by many as detrimental or exploitive to Nigeria, and Ogunsanwo (2008) indicates that as a result, Nigeria’s economy became known as a ‘cargo economy’ with ships laden with containers docking at Nigeria’s ports and returning almost empty to their places of origin, as Nigeria does not have much to export.
Amadasun (2008) remarked that the trade imbalance between both countries also became an issue because of the vast sales of sub-standard Chinese manufactured goods to the Nigerian population at the expense of Nigeria’s industry. “There was no favorable trading balance with China. Nigeria has always had to buy from China without selling its own products to China. This coupled with the trend of dumping Chinese rejects in Nigeria raises concern over China being a threat to the survival of Nigeria’s local industries” (ibid, p. 18). Due to the trade imbalance, the different concerns been raised are about China’s compliant nature to deliver Nigeria from its development problems (Amadasun, 2008).

Nigeria imported items such as textiles, manufactured goods, electrical apparatus, motorcycles, generators, machinery and different other products while China’s exports from Nigeria, was mainly coming from the oil sector (Mthembu- Salter, 2009). Chinese products in Nigeria created some resentment. “Nigerian trade unions have been reported as blaming Chinese imports for the loss of 350,000 Nigerian manufacturing jobs, chiefly in the textile sector” (ibid, p. 11). Most of the job loss has been from manufacturing industries, particularly from the textile industries where employment and domestic production has been heavily impacted by Chinese products (Mthembu- Salter, 2009).

Gathered research and evidence from Adeuwyi et al (2010) have demonstrated that China’s exports to Nigeria have attracted more consumers than locally produced goods. In their research, the authors discover several reasons for market loss by Nigerians. “It was discovered from the field survey that many of the consumers used made-in-China product. The main reasons for consuming Chinese products are the relative low prices, product availability, quality, technology, and packaging” (ibid, p. 92).
In addition, the authors found out that goods from China have created discomfort to Nigerian consumers. “On the sources of discomforts experienced by the consumers, majority of the consumers revealed that Chinese products are characterized by high frequency of breakdown, low quality and most of the products from China are not easy and cheap to repair” (ibid, p. 93). From their evidence, the increase of China’s goods into Nigerian markets has reduced local production as well as consumption.

In Akinrinade and Ogen’s research, they examine the effects of China’s exports to Nigeria (2008). Akinrinade and Ogen (2008) argue that China’s imports and goods have also created a weak industry in Nigeria. They identify China’s policy and method as that of de-industrialization in Nigeria, which is a result of goods that are problematic and create antagonism in Nigeria. “Available evidence suggests that China’s growing global competitiveness and its offensives in the Nigerian textile market have damaging impacts on the Nigerian economy” (ibid, p. 166). According to their research, China’s policy is killing competition from local markets and local manufacturing.

Akinrinade and Ogen (2008) have identified the easy access to products and the price of products as attractive, but dangerous to Nigeria that lost almost all of its industries as imports from China have increased. Akinrinade and Ogen (2008) reflect the effects of China’s exports to Nigeria’s economy and conclude it as being poisonous. “Nigeria has no chance against Chinese competition in reciprocal textile trade relation. Nigeria should therefore negotiate a quota system that limits Chinese textile exports to Nigeria” (ibid, p. 169).

Beyond textile, there have also been issues with Chinese trading practices (Obiorah et al., 2008). The connotation of Obiorah et al.’s effort is that there was much
violation in Nigeria’s import and export regulations by Chinese traders, and a significant amount of contraband goods imported into the country has been affecting local markets (2008). Smuggling of Chinese goods in Nigeria has led to closing several local markets. In addition to that, the authors identify China’s business practices as troublesome. “Chinese business practices in Nigeria have also raised questions regarding labor relations. Chinese companies have been increasingly accused of engagement in poor labor practices, harsh treatment of employees, low wages, and poor standards of corporate governance” (ibid, p. 280).

Poor business practices have also contributed to the unemployment factor that has created resentment from Nigerians as well. “Resentment has also risen over the use of Chinese laborers in construction projects, as well as regarding the increasing takeover of Nigerian markets by Chinese traders” (ibid, p. 280). In the conclusion of their analysis, Obiorah et al (2008) view the future of the relationship to be difficult for Nigeria without careful management.

Despite the growing resentments and issues, Chinese foreign direct investment (FDI) doubled in Nigeria. Oyeranti et al (2011) mention the correspondence between both countries. Large Chinese natural resource investments and those with large Chinese infrastructure financing for power and transport were observed (Oyeranti et al., 2011). The authors demonstrate that most Chinese investments in Nigeria have their concentration in a few sectors that are of strategic interest to China. “Chinese firms have invested billions of dollars and used Chinese engineering and construction resources on infrastructure for developing oil, gas, minerals and other natural resources in a number of countries including Nigeria” (ibid, p. 189).
According to Oyeranti et al (2011), China’s FDI to Nigeria are primarily resource seeking and market seeking. “The conclusion is that Chinese direct investment in Nigeria and other African countries is driven mainly by the need to secure access and acquire key commodity and energy assets and capture under-exploited markets” (ibid, p. 190). Their investigation of China’s investments lead them to the conclusion that China’s FDI can promote growth, but Nigeria can loose if effective measures are not taken.

Most Chinese FDIs in Nigeria have allowed the settlement of Chinese oil companies, manufacturing companies, construction companies that benefit China and bring some growth in Nigeria. The growth of China’s manufacturing companies in Nigeria has created an increasingly awarding of projects to these companies that intend to invest more in the manufacturing sector (Egbula and Zheng, 2011).

“For Nigeria, incentives lie in China’s own successful economic transformation, its capacity to deliver large-scale infrastructure projects, and more importantly, its ability to finance them… China’s public and private enterprises are making forays into Nigeria’s manufacturing and information and communication technologies sectors” (ibid, p. 3).

Although Egbula and Zheng (2011) believe that both countries could benefit from these investments, they believe stumbling blocks could impede that progress. Oyeranti et al (2011) go further to add that despite China’s ability to play a positive role in Nigeria’s economy, Chinese firms could cripple domestic contractors, because most contracts are awarded to Chinese firms, which in turn has an effect on local companies that creates disagreements and unemployment. Oyeranti et al (2011) warn the Nigerian government against such actions. “Widespread contract awards to Chinese firms will cripple activities of domestic contractors” (ibid, p. 195).
Moreover, because most technical assistance is tied to utilizing Chinese inputs, Chinese experts and Chinese technology, there have been many concerns in Nigeria and elsewhere about the role of China in transferring technology and expertise to Nigerian firms (Amadasun, 2008). The concern is intensely growing, because some Chinese FDI concentrated in the trading sector has contributed to the establishment of Free Trade Zones (FTZs) and Special Economic Zones (SEZs) in Nigeria. Oyeranti et al (2010) posit that most FDIs from China into Nigeria are market seeking with a lack of linkage to Nigeria’s economy due to Chinese inputs and markets outlets.

Oyeranti et al (2010) additionally analyze the different SEZs and their importance to China’s market seeking strategy. “In pursuit of practical evidence regarding impacts of Chinese FDI in Nigeria, five case studies were captured namely: Kajola Specialized Railway Industrial Zone, Ofada VEE tee rice Limited, and Ogun Guangdong Free Trade Zone, China Town in Lagos, and Lekki Free Trade Zone” (ibid, p. 2). They conclude by indicating that the different investments could bring growth to Nigeria, but inconveniences are still pervasive.

These different SEZs would become a manufacturing industry for Chinese firms that will house approximately 100 firms (Davies, 2008). With the creation of FTZs and SEZs, there could potentially be more employments in Nigeria and growth in exports, but this is left with a lot of skepticism. Taylor (2007) observes that most of this skepticism comes as a result of past China’s actions in Nigeria. Most jobs have been lost in the past with China’s involvement in the manufacturing and constructing sectors, because most workers come from China, and reduce Nigeria’s employment growth. Thus, the
settlement of SEZs and FTZs in Nigeria does not necessarily mean employment
generation in the oil country.

**Energy sector**

Nigeria is an oil producing and exporting country. Its oil is located in the area
known as the Niger Delta in Nigeria. The Niger Delta is one sub-national minority area
that forms a recurring decimal at the local, national and international political arena
(Akpan and Akpabio, 2009). “The Niger Delta Region is the storehouse of Nigeria’s
crude oil, which accounts for approximately ninety percent of the country’s revenue,
providing more than ninety percent of total exports” (ibid, p. 10). Akpan and Akpabio
(2009) note that the area referred to as the Niger Delta region houses the largest groups
among the ethnic minorities spread over the south-south geographical zone of Nigeria,
with a population of 7 million distributed in 1600 communities.

“The region has some unique features… it is for instance, one of the largest
wetlands in the world. It covers an area of 70,000 square kilometers and is noted
for its sandy coastal ridge barriers, brackish or saline mangrove, fresh water,
permanent and seasonal swamp forests as well as low land rainforests. The whole
area is traversed and crisscrossed by a large number of rivers rivulets, streams,
canals and creeks. The coastal line is buffeted throughout the year by the tides of
the Atlantic Ocean while the mainland is subjected to regimes of flood by the
various rivers particularly the River Niger. The Niger Delta Region is the second
largest delta in the world and the largest wetlands in Africa” (ibid, p. 12).

In addition, the region has become important due to increase violence and instability in
the area as a result of demonstrations by local people against different oil companies
operating in the region (Akpan and Akpabio, 2009). “Apart from manifest cases of
violent conflicts, the general attitude of host communities is that of aggressiveness and
confrontation” (ibid, p. 13). The authors identify most of the violence to be organized by
militants and youths against oil companies operating in the region. “Violence is targeted
at either oil companies in the region (through bombings of oil facilities or kidnappings of foreign oil workers) or the federal Government of Nigeria (threat of wars and kidnappings or killing of enforcement agents)” (ibid, p. 13).

Akpan and Akpabio (2009) demonstrate that the Delta region has been continuously unstable for a long time due to violence and attacks as a sign of disapproval from locals to the continuous risks of drilling oil in the region. In their analysis of conflicts in the Delta region, Akpan and Akpabio (2009) explain that oil exploration and exploitation has had far reaching negative environmental, social, as well as economical impacts in the region. They related their analysis to habitants’ motives for attacking oil companies.

The impact of oil activities in the region manifests in environmental degradation and pervasive poverty culminating in a sense of relative deprivation and a perception of alienation within host communities (Akpan and Akpabio, 2009). Therefore, the habitants of the region have always been against foreign oil companies’ activities in the delta, because they depend on the environment for daily living. One other main reason the authors believe militants have increased attacks against foreign oil companies and government workers, is their disappointment. Although the Delta Region is the richest in the region in terms of natural resources, Akpan and Akpabio (2009) posit that the region is threatened by environmental degradation and worse economic conditions, which has left the region under-developed.

Okpo and Chukwuemeka (2012) expand on Akpan and Akpabio’s arguments (2009) to clarify that the operations of oil companies pose a serious problem to the environment. “The process of extracting and processing crude oil has caused much
pollution of the air, water and land. Fishing activities have been disturbed by oil spill accidents, which tend to occur rather frequently” (ibid, 14). In addition, oil companies in the area have participated in human rights abuses, which have cost the lives of many people (Okpo and Chukwuemeka, 2012). “Moreover, lives have been lost in fire explosions caused by spills and leakage of oil pipelines. In addition to wanton crisis and killing of the people while protesting against the injustices they receive” (ibid).

This major crisis in the Delta was caused by one of Nigeria’s largest oil producer: Chevron. The oil company is one of the earliest that has been operating in the country, and it has invested a lot of money in oil and gas exploration. “Chevron is the third-largest oil producer in Nigeria and one of its largest investors, spending more than $3 billion annually” (Nigeria Fact Sheet: Chevron, 2012). The company has been operating in Nigeria for a long time, and has many assets in Nigeria’s oil. “The company operates under a joint-venture arrangement with the Nigerian National Petroleum Corporation and has assets on land, swamp and near-offshore concessions covering approximately 2.2 million acres (8,900 sq km) in the Niger Delta region” (ibid, p. 1).

In Bustany and Wysham’s examinations of human rights abuses in the Niger Delta (2000), they trace Chevron’s activities and records as concerning. Bustany and Wysham (2000) indicate that Chevron was involved in two different incidents in Nigeria. The first one of them was the outcome of several attempts to discuss Chevron’s oil spills that had disrupted fresh water supplies and fishing grounds by the habitants of the delta region in 1998. After protesters to the conditions created by Chevron requested several meetings that were denied by the oil company, youth’s protesters refused to leave Chevron’s platform until a meeting was agreed upon (Bustany and Wysham, 2000). After
which Chevron never came, and requested assistance from Nigerian forces to stop the protests, which resulted in killings.

“In Chevron helicopters, the Nigerian Navy and Mobile Police—known as the “Kill ‘n’ Go”—accompanied by Chevron personnel, fired upon the demonstrators, killing two people, Jolly Ogungbeje and Arolika Irowarinun, and seriously injuring two others” (ibid, p. 3). Although Chevron maintained that the protesters were trying to disarm the troops, the authors note that evidence demonstrates the opposite explaining that the youths were shot from the back. The second incident that Bustany and Wysham (2000) claim as being a strategy for clearing away villages in order for pipelines to continue along Chevron’s direct route was the destruction of a village.

“On January 4, 1999, Opia and Ikenyan, two small communities of maybe 500 people each in Delta State, Warri North local government area, were attacked by about 100 armed soldiers—who also arrived in Chevron-owned vessels… as the helicopter approached the village it started firing at them. After staying about half an hour at Opia, the helicopter flew to nearby Ikenyan and fired at the villagers” (ibid, p. 4).

There were also killings of other dozen people, along with kidnappings and destructions of houses (Bustany and Wysham, 2000). “Forty-seven people from Ikenyan community and fifteen from Opia and are still missing… The soldiers also set fire to the homes before they left, destroying most of the community” (ibid, p. 3). As a result of these actions, Chevron’s relationship with Nigeria has been somewhat controversial, and Nigeria has tried to open partnership with other countries such as China and their oil companies for trade as a way of getting more leverage and opportunities for the best deals.

China’s engagements with Nigeria extended to the oil industry overtime. Despite that China’s motives are somewhat controversial, its activities and actions in the Niger
Delta region has been problematic for Nigeria’s goals. Firstly, China’s entry into Nigeria’s oil sector set the stage for a corrupted and patronage system for gaining access to oil. Furthermore, apart from corruption and patronage, deep environmental degradation, overreliance on oil commodity, lack of diversification and the resource curse are potential problems that are arising from China’s transactions into the oil zone.

Oil was a big factor in the development of relations between both countries. In his analysis, Taylor (2007) notes “China was completely kept out of Nigeria’s oil industry by Western companies with an established presence in Nigeria, but this changed rapidly through a mix of canny diplomacy and sweetener deals, often unrelated to the actual oil industry” (ibid, p. 636). China’s promise to build and launch a telecommunications satellite for Nigeria is one of the many examples, where Beijing is able to build projects to get oil contracts (Taylor, 2007). Moreover, the Nigerian government, which also helped China to invest in the oil sector, contributed to China’s high engagement in the extractive sector. Salter’s research of China’s entry into the oil sector (2009) indicates “Even so, it apparently took persistent lobbying from Obasanjo to tempt Chinese oil companies into Nigeria — so great were their concerns about insecurity in the Niger Delta and Western companies’ dominance in the country’s oil sector” (ibid, p. 11).

Obasanjo had to offer illegal deals and promises before Asian oil companies invested in Nigeria’s oil. “Obasanjo offered Chinese companies the right of first refusal (RFR) on oil blocs at discounted rates or with signature bonus waivers, in return for their commitment to invest in downstream and infrastructure projects” (ibid, p. 11).

Additionally, Obi (2008) found that the main reason for opening the oil sector to China
was because; Nigeria wanted to increase oil revenues (Vines et al., 2009; Mthembu-Salter, 2009).

“On the part of the Nigerian faction of the transnational capitalist elite and President Obasanjo’s government, the invitation to the Chinese was part of an effort to broaden the global base of oil accumulation in the Niger Delta” (ibid, p. 148). Besides, increasing oil revenues, the most important factor in reaching out to Asian National Oil Companies (ANOCs) was to leverage it’s bargaining power. “It also wanted to increase oil revenues and leverages its bargaining power over the various western oil companies and foreign state oil corporations that dominate the Nigerian oil industry, and are struggling for increased access to the strategic oil resources of the Niger Delta region” (ibid, p. 418).

By gaining such an advantage, Chinese companies were able to extract and win big oil contracts from Nigeria, by building infrastructure for the country, while expanding the role of their companies in Nigeria at the same time. Taylor’s investigation of China’s investment in Nigeria’s energy sector (2007) indicates that China’s ability to build up goodwill projects in the telecommunications sectors played out in granting oil contracts to China. “With regard to specific Chinese oil contracts in Nigeria, in December 2004 the state-owned Chinese oil company Sinopec and Nigerian National Petroleum Corporation (NNPC) signed an agreement to develop Oil Mining Lease (OML) 64 and 66 in the Niger Delta” (ibid, p. 636).

Different oil contracts were also given to China as a result of Obasanjo’s policy of “oil for infrastructure”. Building on such development, in 2006 the Nigerian government offered China four oil exploration licenses in exchange for $4 billion worth of investment
in Nigeria’s infrastructure. Prior to bidding auctions for winning oil contracts, Vines et al. (2009) imply that President Obasanjo had entered into strategic deals with Asian companies, offering them lucrative blocks in return for investments. “Prior to the auction, President Obasanjo had entered into strategic deals with South Korea, Taiwan, China, India most recently Malaysia, offering them lucrative blocks in return for the promise of strategic investments” (ibid, p. 14).

The auctions led to different fraud oil licensing rounds that took place during Obasanjo’s term to secure oil bids (Vines et al., 2009). The 2000, 2005, 2006 and 2007 licensing rounds were all organized in an attempt to get several deals by playing companies against one another to gain the biggest investment. Vines et al. (2009) additionally argue that the main reason for such action was because the president wanted investments in return for allowing foreign oil companies to take oil from Nigeria. For so long, Shell and Exxon have been operating in Nigeria, and the country hasn’t gained much from these operations in its infrastructure and development, therefore these deals were portrayed as an opportunity for Nigeria to gain access to what it has been deprived of (Vines et al., 2009; Mthembu-Salter, 2009). “By early 2008, President Obasanjo was reportedly ‘fed up with the Shells and Exxon that had repeatedly declined to build new refineries, on grounds of cost, or to otherwise invest in job-creating projects outside their core business’” (Vines et al., 2009, p. 14).

The president felt that Nigeria was just an exploitation destination for western oil companies that did nothing in return for the country. “There was a growing sense that the IOCs came only to exploit Nigeria and gave little back in return” (ibid, p. 14). The deals signed and agreed upon were not applauded everywhere in the country. Chinese oil
companies were not welcomed in the Delta Region, because of the increased risk of extraction and environmental degradation that resulted from these contracts (Taylor, 2007; Akpan and Akpabio, 2009; Courson, 2011; Obi, 2008).

The Movement for the Emancipation of the Niger Delta (MEND) warned Chinese companies to stay clear of the Niger Delta (Taylor, 2007; Akpan and Akpabio, 2009; Courson, 2011; Obi, 2008). “Nigerian militants from the Movement for the Emancipation of the Niger Delta (MEND) warned Chinese companies to ‘stay well clear’ of the Niger Delta or risk facing attack” (Taylor, 2007, p. 636). In his article, Taylor (2007) observes that after oil contracts were signed between China and Nigeria, MEND militants sent out threats to Chinese investments in the region’s oil, and in early 2006, militants began attacking oil installations and kidnapping oil workers. “MEND also claimed responsibility for a car bomb attack near the port town of Warri, stating that the blast was ‘a warning against Chinese expansion in the region’, adding that ‘The Chinese government by investing in stolen crude places its citizens in our line of fire’” (ibid). Taylor (2007) explicates that several kidnappings and killings actually took place after the threats. Taylor (2007) attributes all these actions to discontents from locals, which had an effect on Chinese companies (Akpan and Akpabio, 2009; Courson, 2011; Obi, 2008).

The violence in the Delta region was not the only challenge Chinese oil companies faced for gaining oil operations in Nigeria. After the change of regimes in 2007, “oil for infrastructure” was no longer viewed as the best policy in Nigeria. Mthembu-Salter (2009) states in his article that when President Ya’Ardua took office in 2007, most projects that were signed during Obasanjo’s term were either cancelled or
suspended for investigation, because of the irregularities in the bidding process.

“Yar’Adua’s administration swiftly launched reviews of all the ‘oil for infrastructure’ agreements signed between the Nigerian government and Asian oil companies, which have mostly resulted either in the suspension or cancellation of these contracts” (ibid, p. 8).

Ya’Ardua’s regime did not view “oil for infrastructure” as the best strategy to gain investments. Vines et al (2009) go further to add that Ya’Ardua was more skeptics, and not sure that most of the infrastructure paid by oil will actually be constructed. Some of these believes were not wrong, because in his analysis of China’s investment in Nigeria’s energy sector, Taylor (2007) states that many contracts were signed, but some of the projects never began, because some of these projects were signed as a pre-condition to winning oil blocks that Chinese companies were bidding for. “The arrangement which was tied to oil block allocation as a result of the peculiar nature of the refinery, which requires heavy investment, was being considered for review as the Chinese firm had not shown appreciable interest” (ibid, p. 637). These oil blocks were not given to Chinese companies when most projects were suspended by the new regime, but the new policy only worsened China’s exposure to the oil sector in Nigeria.

China’s oil companies suffered from the suspension of these contracts, because some of them had invested in these projects, but the new agreements proposed by Ya’Ardua was more pleasant than the old ones (Mthembu- Salter, 2009; Vines et al., 2009). Mthembu- Salter (2009) argues that Ya’Ardua’s policy, which was now “oil for cash”, boosted China’s exposure to the oil sector in Nigeria. For example, Mthembu-Salter (2009) mentions that in 2009 China’s Petroleum and Chemical Corporation
A Tale of Two Superpowers: Nigeria and China Relations

(Sinopec) purchased Canada’s Addax Petroleum for $7.2 billion, which will only increase China’s power in the Nigerian oil sector. Mthembu-Salter (2009) implies that increased investments in the oil sector will impact Nigeria negatively, because most of its revenue already depends on oil (Taylor, 2006; Amadasun, 2008; Zhao, 2007; Zafar, 2007). And, a big concern about China’s role in Africa as well as in Nigeria is its increasing role in the extractive sectors.

Zhao (2007) discusses China’s quest for oil in the world, and its entry into African oil. Zhao (2007) argues that although China’s investments has been diversified to many other sectors of the economy, its major investments has been in the energy sector by placing itself as a long term partner in the oil sectors of most countries, to create a level of interdependence. “China’s goal is to create a level of economic interdependence that will lead to greater trade, including the purchase of oil and gas supplies” (ibid, p. 406).

Zhao (2007) demonstrates that China’s program of integrating itself in the market are all strategies for oil exports. “Strategically, these endeavors are meant to reinforce Beijing’s efforts at establishing itself in Africa as a desirable long-term customer for the continent’s oil exports” (ibid, p. 406). Zafar (2007) undertook the analysis of China’s impact on the continent and posits that China’s foreign policy is being increasingly driven by its domestic development strategy and its need for resources. Zafar’s analysis (2007) leads him to justify that China’s strategy of oil imports from Africa can increase extraction as well as no human development or diversified economy for oil rich countries.
“There is a risk that this new relationship between developing countries will be one of resource extraction and that human capital development may be neglected” (ibid, p. 121). Zafar (2007) explicates that diversified economies are potential winners in this partnership, but countries such as Nigeria with a concentrated income from the oil sector can suffer from the “Dutch Disease” (reliance over natural resources commodity). “Third, the supply shock to world manufacturing… and the growing imports of cheap Chinese goods in Africa, coupled with increasing competition between Chinese and African textiles in third-country… threaten to hinder economic diversification in Africa and contribute to deindustrialization” (ibid, p. 126). And, this risk is apparent in Nigeria.

**Debt**

China’s role in reducing African countries’ debt has increasingly become a concern to many countries. China has distanced itself from traditional donors, and placed itself as the best partner, by creating an aid package that is hard to resist by African leaders. Additionally, China’s aid programs had made it difficult to differentiate between aid and loans. Its debt and aid assistance to maintain a foothold in Nigeria’s economy is a consequence of its overall strategy. China is increasing Nigeria’s willingness to borrow while benefiting from the terms of loan contracts. Its funding and loans produces bad results to Nigeria. The results of the “tied aid” and loans result to: corruption, lack of transparency, impact on debt ratio, reliance on oil, and lack of accountability in government’s funds.

China has used loans and debt relief to assist Nigeria as well as other African countries. However, China’s assistance is somewhat problematic to Nigeria. In Eisenman and Kurlantzick’s article of China’s strategy in Africa (2006), the authors argue that debt
relief has not only been an important strategy for China to keep a stronghold in Nigeria, but it has created a cycle among the two countries. Because countries try to build and invest in different projects that cannot be paid for, Beijing places itself as a good donor (Eisenman and Kurlantzick, 2006). “Debt relief has been an excellent public relations tool for Beijing because it not only garners popular support but also allows for two positive press events: the first to provide the loan, the second to relieve the debt” (ibid, p. 221). Beijing provides loans to these countries, and when the loans are not paid, or cannot be paid it transforms it into debt relief, by effectively turning loans into grants. Such method allows for the continuous cycle of keeping African countries including Nigeria in a borrowing state that benefits China.

Oyeranti et al (2011) illustrate other methods through which debt is accumulated by Nigeria that is dangerous for the country. Oyeranti et al (2011) argue that through Chinese financing and loans for contracts awarded to Chinese firms, Chinese firms benefit from the contracts, while Nigeria uses the loan to accumulate debt for the country. Oyeranti et al (2011) warn the Nigerian government to further investigate cost analysis of their projects so that the contracts awarded to Chinese firms are awarded at a minimum cost. The debt accumulation that is apparent by the Nigerian government in different sectors is also featured in the oil sector. Despite the cancellations of “oil for infrastructure” deals, Chinese companies have been extensively growing in Nigeria, and benefiting from different Nigerian contracts (Mthembu- Salter, 2009). The growing ability to win contracts has allowed a significant increase of Chinese companies in Nigeria that gain most contracts.

“The largest Chinese construction company in Nigeria, and, it is claimed, the second largest of any origin, 96 is CCECC… One of CCECC’s first Nigerian
projects was a $4.8 million, 71 kilometre rehabilitation of the Papalanto–Lagos expressway in 2000–01, which was followed by a much more substantial contract, a $50.5 million, 5,000 unit athletes’ village for the eighth annual All-Africa Games in Abuja, which was completed in August 2003. 98 CCECC rehabilitated the Ikot Akpaden–Okoroette road in 2003–04 for $5.7 million, 99 built a new $16.7 million corporate headquarters for the Nigerian Communications Commission in Abuja in 2003–05, 100 and is the main construction company at the Lekki Free Trade Zone near Lagos” (ibid, p. 16).

According to Mthembu-Salter (2009) another prominent company that gets Nigerian contracts is the Geo-Engineering Company (CGC). It has been involved in a substantial number of projects, and is one of the biggest African operators settled in Nigeria as well.

“CGC has branched out from construction and is also involved in oil exportation for its major shareholder, Sinopec. CGC has no formal corporate social responsibility programme, but does apparently drill boreholes free of charge in impoverished communities at the behest of the government, and has started a model farm in Kebi State. CGC has more than 200 Chinese staff in Nigeria, which is the company’s biggest African operation” (ibid, p. 17).

In his article, Mthembu-Salter (2009) observes that during the “oil for infrastructure” policy, it was easier for Nigeria to debt-fund its infrastructure and pay some of its loans through oil and “tied aid”, but with the new “oil for cash” policy, the debt accumulation and repayment will be different, which can pose a problem to Nigeria. The new policy can be problematic, because it will increase corruption, since cash has had a tendency to disappear with Nigerian leaders (Taylor, 2006). “Regimes that benefit from oil receipts are not controlled by a need to generate revenues through taxation and are thus more easily tempted to sideline calls for accountability to or even participation in government” (ibid, p. 956). Taylor (2006) also mentions that oil money has rarely gone towards development, which makes any attempt of revenue generation hard and
consequently deepens debt in African countries. Thus, China’s investments in the
different sectors of the economy play a role on the debt state of Nigeria.

Reisen and Ndoye’s research on China’s role in African countries debt (2008) add
a new approach to ways in which debt impacts the country. Through their study, Reisen
and Ndoye (2008) assume that because China has an impact on debt ratio through
stimulation of export and growth, it creates a negative effect in the reduction of product
diversification, since countries tend to export the demanding product, which in this case
is oil. By demanding and exporting energy commodities, Nigeria’s export rises, while its
reliance on its natural resources increases. “Africa’s trade reorientation toward China
may also imply an important drawback: it may derail endeavors by African commodity
producers to diversify away from traditional export” (ibid, p. 38).

Gaps in the literature

It is clear from the literature that the state’s goal will be hard to implement.
Researchers have shown that NEEDS is firstly structured inappropriately, and there is an
agenda that hasn’t been created to achieve the aspirations Nigeria wants. Moreover, it is
also clear that China’s effect on Nigeria’s trade, oil and debt are diverse. On the one
hand, studies show that China has invested a lot in the development of Nigeria’s
infrastructure, economic zones and important projects while building its own industry and
business in Nigeria, and on the other hand studies also demonstrate that these actions
have resulted to consequences that have not been appraised in Nigeria. Despite evidences
from authors, there are many holes in the literature that are important.

Authors demonstrate that NEEDS is hard to implement presenting several reasons
for the state’s inability to achieve the goals. Nevertheless, there is no research on
government’s attempts to create a framework to implement NEEDS. There is no evidence demonstrating if any of these objectives has tried to be achieved by the state. Researchers also fail to assume or analyze if there are other factors that hinder the state’s trial in implementing NEEDS. Other factors that might be an obstacle to implement NEEDS such as foreign donors, and investors that have shaped and are still shaping Nigeria’s policies and development programs have been ignored. Studies have failed to include external elements in their analysis of NEEDS’ ability to be implemented pre-supposing that it is a result of past governments’ lack of effectiveness and the established patronage system of the state.

Different investigations of China’s relations with Nigeria, and involvements in Nigeria’s trade, oil and debt sector did not include important factors that have an impact on the relations. Interpretations from China’s engagements in Nigeria’s trade sector have excluded other local factors that have resulted to an increase of China’s imports into Nigeria. Authors attributed increased imports, smuggling, black markets, and de-industrialization to China’s effects on Nigeria without an analysis of the country’s statistics and realities before China became a major importer. There was also no ability to investigate if the outcomes of the relations and investments in the different sectors might generate other positive factors for Nigeria on the long term, and the kind of results that could evolve. An important factor that has been left out is if China’s investments are actually a result of what Nigeria is hoping for, or if some outcomes of this partnership align with some of Nigeria’s goals.

There is, therefore, an implied causality and directionality in these analyses. Authors approach the relation by relying on the assumptions that China’s involvement in
these different sectors has led to the outcomes perceived in Nigeria, or that it will be in the future. Some analyses rely on the events that have risen in the past with other partners and in other countries’ relationship with China.

My approach, while recognizing these gaps is not wholly apart from them. My analysis will build on existing studies on the evaluation of NEEDS implementation and outcomes of China’s involvement in these sectors. Through authors’ opinions and arguments on the different themes, the goal is to demonstrate that China’s investments are mostly for the benefits of the Chinese economy, leaving Nigeria with several issues in the trade, oil, and debt sectors that impact some of Nigeria’s developmental aspirations. While previous studies examine only the actions and outcomes of the relation, this analysis will consider Nigeria’s goals which structures a stronger conclusion of NEEDS inability to be implemented and China’s effect in Nigeria. The goal is to link the different aspects discussed above to NEEDS, and analyze if they complement each other or differ from one another.
Chapter III: Methodology

This paper is qualitative in nature. The “data” collected is a combination of primary documents, newspaper articles, working papers, reports, and historical analysis. The different sources are framed with theories discussed above to explain how problematic NEEDS is hard to implement, and how China’s investment is diverting from NEEDS.

Method of research: Textual Analysis

Previous related studies involving China and Africa relations about financial aid, investments, debt relief, infrastructure finance, trade, and oil; were used. A narrower focus was then geared towards a specific nation in sub-Saharan Africa to maximize China relations with Africa. Departing from an economic growth framework, I built upon my argument reading and analyzing texts from Nigeria’s development plans and programs. Finally, I searched for primary documents, and newspaper accounts that had recent information on China’s involvement in Nigeria to fill in some of the gaps missing from the relations’ historical record.

Methodology

Gathered information from published journals, research papers, newspaper articles, and other various sources were important to this project. Each text contributes to an entire understanding of the Sino-Nigerian relations. Moreover, the different texts approached the relations in differing manners. Primary documents (i.e. books and scholarly articles) discussed the importance of NEEDS and problems related to its implementation. It also analyzed the evolvement of the Sino-Nigerian relations as well as the challenges and opportunities apparent in the relations. Newspaper articles covered the
relations as well, but with an emphasis on the current issues arising from the partnership. As stated earlier, the goal of this thesis is to provide a thorough analysis of the Sino-Nigerian relations in order to better understand the effects of China’s involvement on Nigeria’s objectives.

The following pages will present secondary source data on the relations. The first section presents a critical analysis on the implementation of NEEDS and the different obstacles the Nigerian government faces for its success. The content of the following sections varies from major themes to particular problems around Chinese involvement in Nigeria, with a wide range of secondary source documents and few newspaper articles. The texts selection compiles information of Chinese investments in Nigeria’s trade, oil and debt sector as they pertain to the topic in question.

The documents used are to identify the issues arising from China’s engagements in these three sectors. Of interest are the ways the outcomes of China’s involvement in these three sectors has an impact on Nigeria’s developmental goals, and the consequences of the outcomes of these actions when this partnership contrast with local realities. An innate limitation of this study is in the interpretation of my data and research, because there might be counter factors that hinder the implementation of NEEDS, and impact the outcomes of the relation between both countries. The paper is written in a thematic fashion designed to present the relations in an evolving manner.
Chapter IV: Data Analysis and Discussion of Findings

Achieving Nigeria’s goals

This portion discusses the obstacles Nigeria faces in implementing NEEDS, and the strategies for the success of NEEDS in Nigeria.

Barriers to implementation

Nigeria’s experience has been one of formulating good plans, policies, programs, and projects and then failing to achieve objectives because of ineffective implementation—or no implementation. NEEDS is among its numerous plans and programs that are unrealistic and unachievable. For NEEDS to be successful and achieved, there needs to be effective implementation of the program in the country. Implementation defines the process, institutional framework, and instruments for translating aspirations, goals, and programs into action and concrete results. Implementing NEEDS calls for commitment, discipline, and a strong will to stay the course of reforms—at all levels, from the President and federal executive branch down to the grassroots. Critical to the success of NEEDS is an effective institutional framework, particularly a public service dedicated to excellence and efficiency and supportive of reforms. The pillars of Nigeria’s success in implementing the goals and objectives outlined in NEEDS are inexisten.

The government cannot achieve the professed objectives of NEEDS due to weak management and corruption (Onyenekenwa Eneh, 2011, p. 66).

“All development visions and programs fail in Nigeria because of poor handling by corrupt and poor/hungry politicians/ bureaucrats, leading to growing poverty symptoms, including electoral frauds; untrue and inefficient representatives; violence: religious crises, crises in the Middle belt and Niger Delta regions, hostage taking and cult; food insecurity, low agricultural production, illiteracy that weakens democracy; crime; high mortality; and morbidity rates; prostitution
and poor health and national image; low GDP and GNP and high unemployment rate” (ibid).

The methods described in the states’ objectives for attaining these goals are improbable. The government failed to create an agenda to address some of the goals mentioned. NEEDS only suggests what the government should do. It merely identifies the problems and their causes, without providing realistic solutions to target these goals (Paul Adogamhe, 2010, p. 65). Some of the approaches taken in the charter do not identify the poor majority of the population. There are strategic errors such as the omission of representations that undermines the recovery plan (Adogamhe, 2010, p. 58). In its efforts to provide education and jobs, the government created an economic class of educated but unemployed Nigerians, because the number of civil service positions did not expand as the pool for qualified candidates, which has failed to be addressed in NEEDS (Adogambe, 2010, p. 59). NEEDS admits that the system is bad, but fails to create a strategy to change the system rather than improving it.

“Like every aspect of the NEEDS manifesto, the strategies fall short of making the suggested solutions do-able… A second grievous omission was the government failure to recognize the ineffectiveness of the current political structure” (ibid, p. 66). There is an absence of mechanism in Nigeria to facilitate the objectives created in NEEDS as a result of gross inefficiency, mismanagement, project duplication, corruption, lack of accountability, and government mismanagement. An example is the absence of a stable and appropriate fund allocated for some of its plan, in regards to the poor population (Ikeanyibe Marcellus, 2009). “Evidence has shown that not much has been done by various schemes of the program to eradicate poverty, as funds allocated are too small to create any significant impact in addition of militating problems” (ibid, p. 205). In
fact there were reported cases of misappropriation and diversion of budgetary allocations that are meant to efficiently tackle some of the challenges of poverty in the country (Barnes Anger, 2010). “By and large, the poverty reduction or alleviation program of the government via the instrumentality of NEEDS has failed because of corruption and misappropriation of funds that are meant to carry out the program” (ibid, p. 141).

**Engaging Nigeria**

Implementation of a viable plan requires that the federal government focuses its attention on the target population to make sound investments that will benefit and raise incomes, examine the sectors and occupations where there should be more investments, promote industrial training, creativity in schools, and improve the skills of the self-employed (Paul Adogamhe, 2010). Creating creativity in schools will lead to bold socio-economic experiments that will address some of the problems the country faces. Teaching and improving skills would have helped the educational strategy designed by NEEDS to be adequate (Adogamhe, 2010: p. 61). For NEEDS to be implemented successfully, it requires that the government commits, eliminates obstacles for the creation of a transparent system, and have an effective leader to manage the government (Abdu Ja’Afaru Bambale, 2011, p. 22). There needs to be reforms that will remain at the level of Nigeria’s leadership where the political will and considerations will not be lacking for implementing successful policies (Bambale, 2011, p. 22).

Unfortunately, corruption in Nigeria hinders any good development dream, visions and policies as a result of poor handling, untrue and inefficient representatives, patronage, ineffectiveness and lack of willingness for change. Reno (1999) relates these aspects to “warlord politics”, where corruption and patronage are at the heart of the
government, than other priorities. The Nigerian government has continuously failed to play its role and take responsibility for its population. The nation’s underdevelopment is associated with weak management and corruption for the pursuit of elites’ wealth. Amalgamating the state’s funds for wealth creation rather than implementing effective policies has been the priorities of governments in Nigeria. Therefore, due to a lack of coordination and commitment, lack of continuity, policy inconsistency, deficient infrastructural facilities and corruption, NEEDS will only be a dream for Nigeria’s development goals if effective leadership does not exist and corruption does not decrease.

**China’s Trade and investment in Nigeria**

This section covers China- Nigeria trade and investments with an emphasis on (1) bilateral trade relations between both countries; (2) China’s de-industrialization policy to promote the prosperity of the Chinese economy; (3) China’s investments in the different free trade zones established in Nigeria, perpetuating its tactics for increasing trade and establishing its industries in Nigeria; and (4) a summary of the consequences of China’s role as the leader of commerce in Nigeria.

**Bilateral Trade Relations**

Trade relations between China and Nigeria have differed from Nigeria’s trade relations with other countries. China has been able to dominate the market and place itself as the largest trading partner in Nigeria today. China’s foreign policy and strategy allows it to have an easy access to products and markets that displace other competitors and makes China more appealing as a trading partner. China’s trade and investment in Nigeria has resulted to the numerous outcomes discussed below.
1. Trade Imbalance

Trade relations between Nigeria and China began in 1972 with an economic and technical cooperation that included trade (Alaba Ogunsawo, 2008, p. 192). This cooperation was unique because it was open ended and allowed an unlimited number of projects Nigeria could request from China (Ogunsawo, 2008, p. 192). Between 1972 and 1974, Nigeria as well as China’s exports totaled millions of dollars and therefore heightened in the following years. “In 1975 and 1976, Nigerian imports from China totaled US $69.86 million and US$140.87 million respectively, while Nigeria’s exports to China for these combined years amounted to US$11.8 million” (ibid, p. 192). By 1995, bilateral trade has doubled to $210 million, and climbed $830 million by 2000 (Gregory Mthembu-Salter, 2009, p. 11). The disparity in the Sino-Nigerian trade was vast, and it became a concern to the Nigerian government. Although Nigerian exports to China increased from $60 million in 1995 to $293 million in 2000, the terms of trade favored China with exports of 73% in the bilateral trade and 68% in 2000 (Mthembu-Salter, 2009, p. 11). The adverse trade imbalance only worsened over time, because by 2008 it was worth $7.3 billion with Chinese exports representing 93% of the bilateral trade (see table 1).

Table 1: Nigeria–China bilateral trade, 2001–08 ($ millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Nigeria's exports to China</th>
<th>China's exports to Nigeria</th>
<th>Bilateral trade value</th>
<th>China's exports/total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>227.4</td>
<td>917.2</td>
<td>1144.6</td>
<td>80.1</td>
</tr>
<tr>
<td>2002</td>
<td>121.3</td>
<td>1047.1</td>
<td>1168.4</td>
<td>89.6</td>
</tr>
<tr>
<td>2003</td>
<td>71.7</td>
<td>1787.5</td>
<td>1859.2</td>
<td>96.1</td>
</tr>
<tr>
<td>2004</td>
<td>462.6</td>
<td>1719.3</td>
<td>2181.9</td>
<td>78.8</td>
</tr>
<tr>
<td>2005</td>
<td>527.1</td>
<td>2305.3</td>
<td>2832.4</td>
<td>81.4</td>
</tr>
</tbody>
</table>
The trade value between both countries accounted for more than 17 percent of the trade between China and Sub-Saharan Africa, making Nigeria the second largest trading partner with China (Ndubisi Obiorah et al., 2008, p. 276). About 87% of Nigeria’s exports to China are oil products, whereas China has a variety of goods exported to Nigeria (Mthembu-Salter, 2009, p. 11). Most of Chinese exports to Nigeria were machinery and transport equipment, textiles, apparel, footwear, manufactured materials, agricultural raw products, electronics, and parts (see figure 1). The trade imbalance has resulted to a significant amount of problems in Nigeria.

“Nigerian trade unions have been reported as blaming Chinese imports for the loss of jobs of 350,000 Nigerian manufacturing jobs, chiefly in the textile sector, and Nigeria, Ethiopia, and South Africa are identified in the literature as being the three countries in SSA countries where employment and domestic production have been negatively impacted by Chinese imports” (ibid).

**Figure 1: China’s exports to Nigeria by product, 2010**

<table>
<thead>
<tr>
<th>Year</th>
<th>Vehicles</th>
<th>Textile products</th>
<th>Telecom equipment</th>
<th>Industrial machinery</th>
<th>Agro-food products</th>
<th>Other manufactures</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3133.5</td>
<td>91.1</td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4337.7</td>
<td>87.6</td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7268</td>
<td>93</td>
</tr>
</tbody>
</table>

*Source:* Gregory Mthembu-Salter (2009)
The intensity of China’s export has multiplied overtime, and China has exported beyond what it was expected to export to Nigeria (Adeolu Adewuyi et al., 2010, p. 91). “This development is traceable to economic growth recorded by Nigeria and the need to demand for more manufactured products from China in order to facilitate industrial activities in Nigeria” (ibid, p. 91).

Nigeria’s export to China is not diverse like its imports from China. Products exported to China are spread over food, animal, crude materials, oils, chemical products, and manufactured goods (Adewuyi et al., 2010, p. 15). But, mineral fuel and lubricants constitute a higher percentage of exports to China due to their significance (see figure 2). Because the main imports to China are mineral and affiliated products, most of the gains go to the government and oil companies (Adewuyi et al., 2010, p. 17). Therefore Nigeria’s exports to China do not directly benefit Nigerians, and may be generated through government spending on services for the country (Adewuyi et al., 2010, p. 17). Considering that exports to China do not have any direct impact on local markets, it does not directly affect Nigerians or the economy, because oil money has been hardly used for services or towards Nigerians’ benefits. On the other hand, imports from China have not had same results on the economy or on Nigerians.

**Figure 2: China’s imports from Nigeria by product, 2010**
China’s import of textile to Nigeria dominates the trade sector, and has had an effect on the local markets along with its other imported goods to Nigeria. Most of the textile, apparel, and other goods imported from China are more attractive to local consumers, due to its cheap price as compared to local produced goods or western goods. Consumers prefer to buy the products at a cheaper price, although the quality is different. “The major reasons for consuming Chinese products are the relative lower prices, product availability, quality, technology, and packaging” (ibid, p. 92). Most consumers are barely aware of the quality of the goods they are buying, because the price is more attractive. Some consumers are more convinced that local produced goods are not of high quality, not well packaged and do not adopt modern technology (Adewuyi et al., 2010, p. 92). In addition to recorded trade that has an impact in the trade imbalance, there appears to be a great deal of unrecorded trade between China and Nigeria (Mthembu-Salter, 2009, p. 11). Most of the trade travels via neighboring states with a lack of control at the boarders.
2. Black markets and Illegal goods

Benin, which has the closest border to Nigeria, has been reported as an area where a significant amount of goods are smuggled into Nigeria (Mthembu-Salter, 2009, p. 11). The density of this traffic has created an enterprise at both sides of the border, which is eased with corrupt officials on both sides that allow entry of goods after getting a bribe. Because of issues such as tax and the black market, it is hard to keep real figures of the trade between both countries (Mthembu-Salter, 2009, p. 11). The black market also poses a great deal of problems in the trade relations due to constant smuggling and illegal Chinatowns. Smuggling of goods through borders and bribery from customs has increased and affected local markets.

“In February 2006, the Nigerian Custom Department decried ‘gross violation of Nigeria’s import and export regulations by Chinese traders in various towns’. The customs departments also cited a case of thirty trailer loads of contraband goods imported into the country under mysterious circumstances by Chinese businesses, and their Nigerian collaborators” (Obiorah et al., 2008, p. 280).

This has affected local markets that had to lose, and led to the arrest of several Chinese people involved (Obiorah et al., 2008, p. 280).

As a result of the high density of imports and illegal goods, Nigeria’s market now habits what is known as Chinatowns. Chinatowns have become popular, because of their commercial activities that have affected local markets, and their increased criticisms by local producers. It has become a place of public concern where Chinese men and women participate in the retail trade or commercial activities (Ogunsawo, 2008, p. 202). “The mushrooming of what are called ‘illegal Chinatowns’, where goods are sold without passing through Nigerian customs service checkpoints” (ibid, p. 202).

3. China Town in Lagos
China Town in Lagos is a shopping area also known as a trading zone, where Chinese enterprises operate. International Cooperation Industry Nigeria Limited manages the market with its office located at Surulere area of the state (Olugboyega Oyeranti et al., 2010, p. 61). The introduction of preferential textile quotas for Africa under the African Growth Opportunities Act (AGOA) encouraged Chinese firms to form trading operations in Nigeria and exploit the opportunities offered by AGOA under the American government (Sola Akinrinade and Olukoya Ogen, 2008, p. 166). AGOAs preferential textile quota for Africa was one of the basic reasons for establishing Chinatown (Akinrinade & Ogen, 2008, p. 166). Local designs are fraudulently copied and taken to China for mass production. Thus, fabrics from “China come in with stolen Nigerian labels and designs for distribution in Nigeria as well as to re-export them to the United States in order to derive optimum benefit from the US preferential textile quota for Africa” (ibid, p. 166).

The market consists of 120 shops, with a 75% owned by the Chinese, with an average of two Nigerians engaged as shop attendants. Traders in the market deal in products such as textiles and apparels, lace materials, baby wears and toys, foot-wears, handbags, household utensils, personal effects, items for decorations, electrical appliances, art works, among others. These are light manufactures. Investigation shows that Chinese firms in Nigeria produce some of the products sold, while majority of them are imported from China (Oyeranti et al., 2010, p. 61). The market receives daily, relatively high potential participants with various missions. “Other participants in the market are the transporters, food sellers and the market management. There is a branch of
the Intercontinental Bank (PLC.) at the market and this is expected to facilitate financial transactions of the market participants” (ibid, p. 61).

Illegal goods, Chinatowns, black markets and imbalance of trade are all results of Chinese imports to Nigeria, and it has affected local markets, as well as other sectors. Because most imports from China are finished goods, they compete with Nigeria’s domestic manufacturing sectors, and the imports constitute a leakage to the economy (Adewuyi et al., 2010, p. 8). This has resulted to contradictory trade relations between both countries as imports have a negative impact on national income. Nigeria’s imports from China also play a double role, as these imports have also led to some growth due to the high consumption of the goods. High consumption increases demand, which in turn heightens the imports from China. But, as imports play a positive role in the country’s economic growth, so does it affect the country negatively.

“Ideally, Nigerian consumers and government should gain from imports from China while Nigerian producers and workers should lose particularly if most of the imports are import- competing final products since this implies the market share of Nigerian producers would shrink and lead to excess capacity and shedding of workers” (ibid, p. 13).

4. *China’s de- industrialization policy and its effects in Nigeria*

The market and the economy have not being the only areas hit by imports from China, but so did unemployment. Unemployment plays an important part in risen concerns from Nigerians. China has been so successful in its trade relations that its ‘going global’ policy has aided it to settle in Nigerian markets. “China has done so successfully: more than 100 Chinese companies now operate in Nigeria in various fields, from construction, to agriculture to water and oil” (Ogunsawo, 2008, p. 200). Nigeria has proven to be an ideal location for Chinese companies, due to a large consuming
population looking for cheap products, and a failed industrialized economy with availability of space for business opportunities. See Table 1 for major Chinese companies in Nigeria. The settlement of Chinese companies in Nigeria doesn’t prove to be so ideal for Nigerians. Despite that Nigeria’s industry and manufacturing companies have been unproductive due to lack of management, and inefficient policies, Chinese companies have made the situation worse. China’s trading policy has been unfavorable to the Nigerian industry. Its policy has been driven de-industrialization in Nigeria (Akinrinade & Ogen, 2008, p. 165).

Table 1: Major Chinese companies in Nigeria

<table>
<thead>
<tr>
<th>Companies</th>
<th>Sector of activities</th>
<th>Assets (USD billion)</th>
<th>Employees</th>
<th>Investments in Nigeria</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEPCO</td>
<td>Electric power construction</td>
<td>38.6</td>
<td>19756</td>
<td>Papalanto Power Plant</td>
</tr>
<tr>
<td>CCECC</td>
<td>Construction</td>
<td>2.17</td>
<td>70000</td>
<td>Rehabilitatition of Palanto-Lagos expressway, Athletes's village, Ikot Akpaden-Okorette road, Lekki Free Trade zone</td>
</tr>
<tr>
<td>CSCEC</td>
<td>Construction, real estate</td>
<td>58.9</td>
<td>121500</td>
<td>Refinery</td>
</tr>
<tr>
<td>Sinoma</td>
<td>Cement Engineering construction</td>
<td>2.9</td>
<td>9000</td>
<td>In collaboration with Nigeria Dangot Group for cement production line EPC project in 2008</td>
</tr>
<tr>
<td>CGC</td>
<td>Construction</td>
<td>0.3</td>
<td></td>
<td>Kebbi Airport, Water supply project in Gombe, Sakke Dam</td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Score</th>
<th>Number</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Huawei</td>
<td>Telecom</td>
<td>25</td>
<td>51000</td>
<td>Network, handsets</td>
</tr>
<tr>
<td>ZTE</td>
<td>Telecom</td>
<td>13</td>
<td>85232</td>
<td>CDMA, handsets</td>
</tr>
</tbody>
</table>

Source: Margaret Egbula and Qi Zheng (2011)

Although there are many factors that have previously affected the industry such as the implementation of neo-liberal Structural Adjustment Program (SAPs) that scrapped the cotton commodity board, which was responsible for the growth and sustenance of cotton, and other local mismanagement, Chinese imports destroyed local industries (Akinrinade & Ogen, 2008, p. 165). The importation of cheap products stays the most important factor that is responsible for the death of the Nigerian textile industry. “About 40 percent of the 40 million meters of wax and other fabrics imported monthly from China to Africa find their way to Nigeria through smuggling” (ibid, p. 165). There are also some reports that revealed that 80 percent of textile consumption in Nigeria comes from smuggled textile materials from China, while only 20 percent come from local industries (Akinrinade & Ogen, 2008, p. 165). The massive importation of Chinese textiles has devastated the Nigerian textile industry by massively reducing local production to a pathetic shamble (Akinrinade & Ogen, 2008, p. 166).

Prior to the invasion of neo-liberalism and Chinese fabrics, “the Nigerian textile industry was the largest single private sector of the economy in terms of investments, output, turnover, and the second largest employer of labor after the federal government” (ibid, p. 166). The industry coped with local demand and exported its surplus products. Seeing that Chinese textile provides Nigerians with cheaper access to a variety of fabrics, which has been attractive and beneficial to Nigerians, in the long term it is fatal to the Nigerian textile sector and the overall economy because it destroys local manufacturing
capacity and competitiveness, which also discourages foreign investment in Nigeria’s
textile industry. China’s global strategy and competitiveness have damaging impacts on
the Nigerian economy. Beyond the textile industry, imports from China and Chinese
companies have also destroyed other consuming product industries in the different cities
of Nigeria, which has resulted to additional unemployment (Obiorah et al., 2008, p. 279).
“Six of Kaduna’s seven textile manufacturers closed down by 2006, in part due to their
inability to compete with cheap Chinese textiles and fabrics, which had benefited from
concessionary trade terms or had entered Nigeria through outright smuggling” (ibid, p.
279).

The unemployment pool heightened when several other textile factories in the
country such as the Western Textile mills, Enpee, Aba Textiles, closed their operations
(Obiorah et al., 2008, p. 279). Resentment has also grown over the use of Chinese
laborers in construction projects, along with the increasing take over of Chinese traders in
Nigerian markets (Obiorah et al., 2008, p. 280). Unemployment is posing a problem in
almost every sector, because as Nigerian companies close due to inefficiency and
problems of competing with Chinese products, their laborers add to the other
unemployment pool. China has always been criticized for employing its own workers,
which has increased the Chinese population in Nigeria. Chinese companies operate with
their workers. They bring in their workers from China to settle in established companies
to work, manage and monitor other few local workers that have ben employed. Despite
the fact that some Chinese companies employ local workers, Chinese workers dominate
the job market in these factories and companies that have displaced local companies.
“Chinese companies are notorious for their tendency to bring in their own workers as
opposed to bring locally... local content has no meaning to the Chinese run companies” (Ian Taylor, 2007, p. 633).

Moreover, in spite of the different FTZs financed by China that should create jobs in Nigeria and open more opportunities for businesses, there is still a great concern and increasing skepticism on this topic. Unemployment has been a problem for everyone in the country. Although China employs local workers the disparity between the unemployment and the manufacturing jobs that have been lost are high (Margaret Egbula and Qi Zheng, 2011, p. 18). Only a certain amount of lost jobs have been recovered. Comparing the amount of available jobs offered by Chinese companies in Nigeria to the ones lost to those companies, the difference is troublesome. Only small portions of Nigerians are re-employed in some of these companies. Another major concern to the employment factor with Chinese companies is labor. With the little amount of Nigerians that are employed by Chinese companies, labor conditions have been an obstacle. Labor unions have complained about working conditions in Chinese companies where workers are poorly paid and treated badly (Egbula & Zheng, 2011, p. 18).

Safety standards within their industries have also been a concern (Taylor, 2007, p. 633). The fire incident at a Chinese-owned industry in Ikorodu Town, Lagos State revealed that it was standard practice to lock the workers while on duty, which hindered the workers chance to escape from the fire, and resulted in many loosing their lives (Taylor, 2007, p. 633). Officials reported the event without further investigations of the incident. Given the corrupt tendencies of Nigerian officials, it is very probable that safety inspectors were bribed to forget the incident without investigating. There have also been submissions that Chinese firms in Nigeria maltreat their workers. “According to a report,
the conditions of employment of Nigerians in Chinese firms neither conform with the Nigeria Labour Laws (NLL) nor to that of the International Labour Organisation (ILO)” (Olawale Ogunkola et al., 2008, p. 7). Reported work practices have been a barrier and have let many Nigerians relentless to work in Chinese firms. Overall, there are genuine issues surrounding Chinese labor practices in Nigeria. With a weak and corrupted state like Nigeria, it is unexpected for appropriate policies and regulations to be implemented for the benefits of Nigerians. It has also been reported that technology transfer from Chinese FDI is meaningless, because most of the Chinese firms bring finished products and complete equipment with Chinese technicians into the country (Olawale Ogunkola et al., 2008, p. 7).

**Chinese investment flows in Nigeria**

China’s FDI in Nigeria has increased as well. Most of its FDI is directed towards infrastructure, agro-allied industry, manufacturing, and communication sector (Olugbogeya Oyeranti et al., 2011, p. 186). See figure 3 for China’s finance commitments in Nigeria by sector. Chinese FDI is primarily resource seeking and market seeking, which allows them to go into partnership with enterprises (Oyeranti et al., 2011, p. 190). Most FDIs are carried out by state-owned enterprises (SOEs). A considerable amount of China’s FDI is directed towards investments in the infrastructure to accentuate the role of Chinese Multinational Companies (MNCs) in Nigeria, which will later facilitate trade and the establishment of Chinese industries in Nigeria. China proposes different projects to Nigeria’s government, which in turn is seen as an opportunity to build infrastructure and increase investments. Most of these projects are appealing as they portray opportunities for attracting foreign investors and developing the country. Most of the FDIs trigger trade
activities between both countries, and has an impact in the trade relations. China has invested a lot of money in the development of free trade zones (FTZs) in Nigeria for the benefit of industrialization and trade. Some of the FTZs have been established, and some are still under construction. The kajola Specialized Railway Industrial Free Trade Zone, the Ofada Vee Tee Rice Limited, the Ogun Guangdong Free Trade Zones (OGFTZ), and the Lekki Free trade Zone (LFTZ) are the most populous of China’s investment in the trading sector, distinct from imports and other Chinese companies that have been established. Findings from the different projects will be discussed.

Figure 3: Chinese infrastructure finance commitments in Nigeria by sector, 2001-2007

Source: Oyeranti et al (2011)

1. The Kajola Specialized Railway Industrial Free Trade Zone

The project was seen as an opportunity by the Ogun State to take advantage of the Railway Modernization Programme and the proposed inland Container terminal Project of the federal Government (Oyeranti et al., 2010, p. 58). The purpose is to attract business
and industries offering services to both projects of the federal government. Some of the investors expected in the zone are: railway industrial park, locomotive workshop, railway related services, metal fabrications, foundries, shopping centers, logistics, new towns development, Commerce & Industries (Fruit Juice Processing, Ceramic Making, Diary Production, Furniture Making, Adire and Garment production and Kola Processing).

Various activities ranging from acquisition of 2000 hectares of land to sourcing of environmental baseline data to identification of resettlement sites for affected people to design of infrastructural development plan have transcended in the launch of the Zone (Oyeranti et al., 2010, p. 58).

The zone is a joint venture of the Ogun State Government and the Chinese Civil Engineering Construction Company (CCECC). The company’s investment was estimated at about Naira 115.8 billion. The government imagined that the project would simplify the rapid industry growth of the State and deepen foreign direct investment inflow to the state. Since this free trade zone is one of the three to be recognized in the state, it will serve as a growth pole (Oyeranti et al., 2010, p. 58).

2. The Ofada Vee Tee Rice Limited

This is one other project involving the Ogun state and a Chinese firm. The company’s equity shares are to be owned by the Ogun State government, the Federal Government and Vee Tee Group with the latter holding the majority of the shares (Oyeranti et al., 20010, p. 58). The company has a design capacity of 225, 000 (9000 bags) tons of rice per day with an estimated capital of $2 billion. The company will produce rice that will compare positively to those around the world. The local farmers are to provide paddy rice to the company (de-husking, de-stoning, parboiling, sorting, polish,
packaging and marketing) by the company. The large volume of rice to be imported will signal a huge potential demand of the commodity and thus market will not be a barrier to the performance of the company (Oyeranti et al., 2010, p. 59).

Optimal benefits from the establishment of this corporation require proper integration of rice farmers into the company’s plan. “The market for the paddy must be guaranteed. Hence a contingent plan for over- as well as under-supply of paddy rice to the company is required for effective response by the farmers’” (ibid, p. 59). The backward linkage of the company is important for the economy in terms of employment and rural livelihood. The current prediction is that about 30,000 farmers are to source paddy rice to the company. Other beneficiaries, which include transporters and traders of the raw materials and the finished products, technological capabilities of Nigerians through learning by doing is necessary and this can be achieved by ensuring that qualified Nigerians man the company” (ibid, p. 59). Currently, there are only 100 people employed, and it plans to hire more when fully operational (Oyeranti et al., 2010, p. 59).

3. The Ogun Guandgong Free Trade Zones (OGFTZ)

In 2007, the establishment of a $500 million free trade zone in Nigeria’s Ogun State was announced (Martyn Davies, 2008, p. 148). This project is a tripartite project of two Chinese companies: Guangdong Xinguang International of Guangdong Province in China and China- Africa Investment Limited; and the Ogun State Government. The FTZ is located in Igbesa in Ogun State, and is one of the three free trade zones being established in the state. “The zone which is being established at the instance of the Chinese consortium with the support of the state in the area of land acquisition, processing and securing various approvals especially from the Nigeria Export Processing
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Zone Authority (NEPZA) has about 30 Chinese currently working on the site” (Oyeranti et al., 2010, p. 59). The cost of the project worth about $500 million is to be financed by the Chinese consortium (Davies, 2008, p. 148). When completed, the FTZ will dwell of about 100 firms mainly engaged in the light to medium manufacturing activities including footwear and rubber production, ceramic processing, furniture production, hardware and household appliances, real estate development, and light and heavy manufacturing plants. “These activities promised to generate direct and indirect employment to different categories of Nigerians” (ibid, p. 148).

The benefits of this project to Chinese firms have not been evaluated, making any cost-benefit analysis of the project unavailable. An analysis of the employment that will be generated from this project is also required in order to position Nigerians for the project. There is still ambiguity on the ability of this project to generate employment for Nigerians without any analysis of the nature of employment. The categories of skills, qualification and experience must be within the Nigerian Lawson the expert quotas (Oyeranti et al., 2010, p. 60). “The establishment of the project also presents various government agencies with challenges of monitoring and evaluation with a view to ensuring that the zone and the firms operating within its jurisdiction conform strictly to Nigerian laws” (ibid, p. 60).

Nigerian customs, immigration and other agencies will have to play a significant role in order to reinforce control, because some Chinese involved in these projects have already been detained. There is also the need to power these agencies and organizations performing their duties, as there is special duty in free trade zones. In order for this project to be successful, there needs to be constant monitoring and follow up activities.
“Rigorous analysis and follow-up activities are required. For example, the local farmers’ capacity for the supply of 61 paddy rice as input for Vee Tee Rice should be carefully analyzed and appropriate measures should be taking that over-supply and under-supply are minimized” (ibid).

4. The Lekki Free trade Zone

The signing of a Memorandum of Understanding (MOU) between the Lagos State Government (represented by Lekki Worldwide Investment Limited-LWIL) and the Chinese Government (represented by Nanjing Jiangning Development Zone in the Jiangsu Province and the China Railway Construction Corporation) in 2007 signaled the beginning of the Lekki free trade zone (Oyeranti et al., 2010, p. 61). “Prior to the signing of the MOU, the Lekki Free Trade Development Company was incorporated in Lagos in April 2006 as a joint venture among CCECC-BEYOND, the Lagos State Government and the LWIL. It was registered by the Nigerian Export Processing Zones Authority (NEPZA) as the developer, operator and manager of the LFTZ” (ibid, p. 61). The main missions of the LTFZ are to develop an offshore economic growth zone, attract foreign investment, promote export, generate job opportunities, minimize capital flight, and establish a one-stop global business haven (Oyeranti et al., 2010, p. 61).

The establishment of the zone required a $267 million investment for the first phase. The project links three Chinese companies and the Lagos state government (Taylor, 2007: 632). The first-phase covers an area of 15 square kilometers, with China investing $200 million and the Nigerians $67 millions (Taylor, 2007, p. 632). After the completion, Phase I will habit an industrial park incorporating light industry, textiles, building materials, household electric appliances, communications, machine processing,
real estate and gardening (Taylor, 2007, p. 632). “Phase II and III intends to cover 150 square kilometers with a total investment of $5 billion, focusing on heavy industry manufacturing, chemicals, petroleum processing, pharmaceuticals, cars, logistics, import/export businesses, a deep-water port, tourism, real estate, education, banking and finance, among others” (ibid, p. 632). The head of the Chinese delegation signing the deal reassured Nigerians that the products made and imported into the FTZ would follow international standards since the zone will be an international location for manufacturers (Taylor, 2007, p. 632).

**Summary: China as the vanguard of Nigeria’s commerce**

Although the benefits of the FTZ are enormous, there are many views that Chinese are harmful to the economy if not properly checked (Onayemi Bamidele, 2012, p. 1). “Thompson Adeyemo, deputy managing director of LFTZ, says the free trade zone initiative in Nigeria is like a honeycomb for dying Chinese industry which was hit badly during the economic meltdown as their products were rejected in many European and American countries” (ibid, p. 1). With a growing strong belief that Lekki Free Trade Zone (LFTZ) is mostly attractive to Chinese due to the fact the Chinese government encourages their companies, which are shutting down in China to move out, there has been a mixed feeling about the establishment of the LTFZ. The Chinese companies in the LFTZ have been promised 100% return on their investments, 100% repatriation of capital, profits and dividends out of Nigeria and are free to bring their workers in to work in Nigeria (Bamidele, 2012, p. 1). Therefore, there has been balancing discussions over the benefits of the LFTZ to Nigeria.
Bilateral trade between both countries is expected to increase. Mostly imports from China, due to Nigeria’s inability of creating an industrialized economy, and China’s derived benefits from Nigeria’s economy. In 2010, China Ocean Shipping Group Company (COSCO), the largest shipping company in China, established its West Africa hub in Nigeria’s economic capital, Lagos (Egbula & Zheng, 2011, p. 8). “In November 2010, a Chinese joint venture between China Merchants and the China- Africa Development Fund paid USD 154 million for a 47.5 % stake in the Tin-Can Container Terminal at Lagos Port” (ibid, p. 8). The container is Nigeria’s second largest container terminal at the Lagos Port. Along with that, there are many agreements that have been signed between both countries in the different sectors to enhance productivity. The trade imbalance and other conditions that have been ascending from the partnership is only a start.

The pressing problem from the creation of FTZs in Nigeria is the increased development of a market that is habited by Chinese industries. Chinese companies are already populous in Nigeria, and it has created a negative effect, to Nigerian industries as well as Nigerians. The increased establishment of China’s companies has not allowed any potential development of the Nigerian industry, which was already weak. On the contrary, it has contributed to the loss of the few industries that still existed. No potential manufacturing company has been able to grow with Chinese firms operating in the country, which makes it worse for medium- size companies. The creation of FTZs will bring investments and growth to Nigeria economy, but its market will be influx with Chinese companies, not aiding the development of Nigeria’s industry, nor Nigeria’s export orientation. The settlement of Chinese firms will impede any attempt of Nigeria to
promote industries and enterprises in the country. The trade imbalance will become critical in Nigeria’s economy, as most of the items to be sold by Chinese companies will be either manufactured from China and imported into the country or produced locally by Chinese firms. There will be a vast availability of cheap products that will be dumped in the market. Along with this, the generation of employment factor remains questioned, as well as labor practices. The uncertainty will only arise, because Nigeria already has a high percentage of unemployment.

China’s bilateral trade relations with Nigeria has produced a complex situation that creates many questions and concerns that need to be investigated for the benefits of the Nigerian economy. Its trade foreign policy is mainly driven to increase the benefits of its economy and interests in Nigeria. While the relations seem like a good strategy for investments in the trading sector, most of these investments are for the pursuit of China’s sole purpose. On the other hand, because Nigeria wants to develop its economy and markets, the trade relations look more attractive to the government. The rate of unemployment, social dislocation, and financial losses with local industries and markets will result in a severe national socio-economic, distributional and poverty that will be suicidal to Nigeria if appropriate policies and measures are not implemented.

**China’s thirst for Nigerian Oil**

This section narrates (1) China’s approach for securing access to Nigeria’s energy; (2) Nigeria’s policies and its effects on Chinese dominant power in the oil sector; and (3) the dynamics of China’s presence in the Niger- Delta.

**Chinese entry into the Niger- Delta**
China’s quest for oil security has attracted it to many African countries. Nigeria was not viewed as a stable country for China’s oil operations for a while, but in time this came to change. China enticed strong relations with Nigeria, and its interest in the oil sector has been growing along with the relations. China has invested in Nigeria’s oil sector through different ways, and these investments have been flourishing so far. Although the main reasons behind these investments are debatable, it is important to analyze and understand the different investments and actions China is taking in the country, and the reasons behind them.

1. **Oil strategy**

China’s entry into Nigeria’s oil sector was disturbing, because Chinese companies partook in anomaly activities and methods. Despite that it followed its usual strategy, the irregularities in its entrance are inconvenient. China’s ability to gain access to resources is usually tied to its aid package, which gives it an advantage and simplifies its entry compared to other countries. By using aid, China supports infrastructure creation, which allows it to facilitate entry into different markets. Before China could gain entry into Nigeria’s oil, it had to position itself as a good candidate to build some of Nigeria’s infrastructure as a goodwill project to gain the friendship and trust needed for other projects. During the first Forum on China- Africa Co- Operation (FOCAC) in 2000, Nigeria was able to secure a deal with the China Civil Engineering Construction Corporation (CCECC) to build 5,000 housing units for athletes participating in the eighth annual all- Africa games in Abuja (Gregory Mthembu- Salter, 2009, p. 7). After the units were built, Nigeria and China signed agreements on the establishment of trade offices in both countries (Mthembu- Salter, 2009, p. 7). China’s portrayal as the ideal candidate to
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build Nigeria’s infrastructure was reinforced with president Olusegun Obasanjo’s several visits to China. Obasanjo was impressed by China’s large buildings and roads, and saw China as a good partner to accomplish its interests.

Considering that ANOCs have always been reluctant to invest directly in Nigeria’s oil because of the instability in the region, Obasanjo was able to negotiate and attract them into the region. China was therefore interested in enlarging its oil operations in this resource rich country. Through illegal agreements, shady deals and corruption, China’s toehold in the Nigerian’s oil sector was established.

“Although the Gulf of Guinea became one of the new oil exploration frontiers at the turn of the century, and Nigeria holds over 60% of the known reserves in the region, the ANOCs shunned Nigeria for the reasons above: It took high level lobbying by President Obasanjo from the middle of 2004 to entice some ANOCs into Nigeria for the first time. His proposition was hard to resist, he would guarantee oil blocks at discounted rates or with signature bonus waivers, in return for their investments in infrastructure projects. Asian companies would get lucrative contracts while Asian national oil companies would be granted preferential access to oil blocks” (Vines et al., 2009, p. 8).

These deals prompted ANOCs, and ANOCs saw it as a new partnership industry. Obasanjo had many objectives in mind by allowing the entry of ANOCs in Nigeria’s oil. One of them was to raise reserves to 40 billion barrels and to raise production capacity (Vines et al., 2009, p. 12). He also wanted to attract new large-scale investments and players. But his main objective was to increase investments in Nigeria as a return for allowing International Oil Companies (IOCs) extract Nigeria’s oil. Obasanjo held four important licensing rounds to achieve these objectives: the 2000, 2005, 2006 and 2007 licensing rounds. These rounds would also serve as an opportunity to put some order into the award of oil blocks in Nigeria. These rounds serve as a way for Obasanjo to play ANOCs against each other, in order to secure to best deal for Nigeria as well. The
different licensing rounds that are significant to China’s access to the oil sector need to be discussed for a clear understanding of China’s actions in Nigeria.

A. The 2000 licensing round

This was the first licensing round where Obasanjo tried to operate under a transparent system. Under military rule, oil blocks were awarded to friends and families that were later sold to oil companies for profits. Obasanjo revoked the awards of the oil blocks that were given by military rulers to their associates and families. The 2000 round featured 33 blocks with 22 offshore. Only 8 blocks were taken up and awarded to an indigenous company behind closed doors, for criteria that were not revealed to the public. ANOCs barely showed any interest in the 2000 round licensing (Vines et al., 2009, p.12)

B. The 2005 licensing round

This round was Nigeria’s first open auction, where bids were recorded simultaneously for the public. Out of the 77 blocks offered only 44 were awarded. This licensing round also introduced the RFR, which favored Asian bidders, because prior to the auction, the president had concluded deals with many of them, promising them blocks in return for their investments (see table 3). Because, Obasanjo also holds the position of the Minister of Petroleum, and acts independently without consultation from the Nigeria National Petroleum Corporation (NNPC) and the Department of Petroleum Resources (DPR), the bidding rounds were classified as non-transparent. In this deal China would be granted oil blocks for building the Kaduna refinery, the double track, standard-gauge Lagos- Kano railway, and the hydroelectric complex at Mambilia (Vines et al., 2009, p.14). For some reason, none of these deals were consolidated, because China misunderstood the process thinking it had secured the oil blocks and failed to bid.
Table 3: Summary of strategic deals with Chinese oil companies

<table>
<thead>
<tr>
<th>Country</th>
<th>Strategic Deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Core investor in the Kaduna refinery</td>
</tr>
<tr>
<td></td>
<td>Construction of the double-track, standard-gauge Lagos-Kano railway</td>
</tr>
<tr>
<td></td>
<td>Construction of a hydroelectric complex at Mambilia (3 Gorges Project)</td>
</tr>
</tbody>
</table>


C. The 2006 mini-round

The 2006 mini round was mostly for countries such as China who failed to secure oil blocks in the previous rounds. This round was a success for Chinese oil companies. The deals that were discussed and agreed upon at the last bidding round were available to China. China’s National Petroleum Corporation (CNPC) was offered four blocks; two in the Niger Delta and two in the frontier Chad Basin (Vines et al., 2009, p. 16) (see table 4). These bids were the ones China had failed to secure at the last round. “In return, CNPC committed to investing some $2 billion in the ailing Kaduna refinery” (ibid, p. 16).

D. The 2007 licensing round

This round resulted to later biddings, because it was held two weeks before the change of regime in Nigeria. In this round, a total of 24 blocks were offered with 24 pre-assigned on the RFR terms. China National Offshore Oil Corporation (CNOOC) had four blocks pre-assigned in return for a $2.5 billion loan from China’s Exim Bank for the Lagos/Kano railway upgrade and for the construction of a hydroelectric power project at Mambilla (Vines et al., 2009, p. 18) (see table 4). Despite the offers, China did not bid in the licensing round due to concerns of the upcoming elections and the new government that might come into power.

Table 4: Blocks offered to China on RFR terms, 2005-07
2. From oil for infrastructure to oil for cash

Obasanjo was the initiator of the “oil for infrastructure” policy in Nigeria. With the different licensing rounds organized to secure investments, these deals were portrayed as a win-win situation for both countries at the time. Getting infrastructure by giving oil, while increasing the production of oil at the same time. The oil for infrastructure policy was also the primary reason why Chinese firms gained contracts and relocated to Nigeria. By this time, China had an advantage to increase its presence in Nigeria’s oil sector, and increase Chinese MNCs’ Nigerian market share. “Chinese MNCs won significant new contracts in Nigeria during this period, particularly in construction, telecommunications, power and transport” (Mthembu-Salter, 2009, p. 7). This policy helped Chinese MNCs to integrate Nigerian markets faster rather than relying on the “tied aid” that will later be beneficial when the “oil for infrastructure” policy changed. Some of the deals acquired debuted while some remained static as the new president had opposing ideas for Nigeria’s investments.

Despite Obasanjo’s efforts to secure investments for infrastructure, some of its ambitions were never achieved. After the change of regime in Nigeria, the new president Umaru Ya’Ardua cancelled most of the “oil for infrastructure” projects. After president Ya’Ardua took office, he launched reviews of all the “oil for infrastructure” projects’ signed between the Nigerian government and Asian oil companies (Mthembu-Salter,
2009, p. 7). Most of the projects were either suspended or under cancellation. He called for an investigation of the 2007 round that had negative results, and prompted investigations for the 2005 and 2006 rounds as well. Due to the investigation, the rehabilitation of the Lagos- Kano railway and the construction of Mambilla power station were placed on hold (Mthembu- Salter, 2009, p. 13). The Kaduna refinery project was also uncertain, because the Chinese agreed to manage the project as pre-condition to winning oil blocks. This project was also under review due to disinterest from the Chinese firm (Ian Taylor, 2007, p. 637). Out of all the deals that were signed during the bidding round, only CNOOC’s purchase of 45% stake in Oil Mining lease (OML) survived (Mthembu- Salter, 2009, p. 15).

Other projects that survived were projects where Chinese companies bought assets, through the strategic deals and licensing rounds’ period (see table 5), along with power projects in which Chinese companies had stake. One is the 335 MW Olorunsogo, Papalanto gas- turbine power station in Ogun state, where the Electric Power Construction Corporation began construction in late 2005 with a cost of $220.7 million, of which 35% is coming from the government and the balance from a credit facility provided by the Exim Bank (ibid, p. 15). The other power project is the 335 MW Omotosho gas- turbine power station in Ondo State, completed by the China National Machinery and Equipment Import and Export Corporation in 2007 financed by the Exim Bank (Mthembu- Salter, 2009, p. 15).

<table>
<thead>
<tr>
<th>Company</th>
<th>Date</th>
<th>Blocks</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sinopec</td>
<td>5-May</td>
<td>JDZ Block 2</td>
<td>28%; operator wef Mar 06</td>
</tr>
<tr>
<td>CNOOC</td>
<td>6-Jan</td>
<td>OML 130</td>
<td>Bought contractor rights for US$2.3bn</td>
</tr>
</tbody>
</table>
Another reason for changing the “oil for infrastructure” policy, was Ya’ Ardua’s lack of belief in the establishment of projects promised by Chinese companies. The result of the cancellation of many of these projects was disagreeable to some of the Chinese companies, because some of them had invested in them. But, Ya’ Ardua opened new opportunities for many of these companies to secure oil supplies in Nigeria’s oil.

President Ya’ Ardua changed the policy to “oil for cash”. The new policy proved to be more interesting to Chinese MNCs than the previous policy. Through this policy, Chinese oil companies were able to buy assets, and secure more reserves in Nigeria’s oil. In 2006, CNOOC paid $2.3 billion to buy contractor rights, through a private sale in a lucrative block, OML in the Akpo Field, with 600-1,000 million barrels reserves (see table 6).

That same year, CNOOC also paid $60 million for a 35% working interest in Oil prospecting License (OPL), where it tends to pump $1.5 billion into the development of the field (Mthembu-Salter, 2009, p. 15). Petro China signed an agreement with the NNPC for the daily supply of 30,000 barrels of oil to China for five years that same year (Cyril Obi, 2008, p. 422). The acquisition of oil reserves heightened overtime. “Sinopec, which agreed in June 2009 to pay $7.2 billion for Canada’s Addax, thereby gaining control of substantial Nigerian oil reserves, has the Chinese government as its majority shareholder “ (Mthembu Salter, 2009, p. 27). See table 6 for a summary of the different investments and blocks owned by Chinese oil companies in Nigeria.

Table 6: The presence of Chinese companies in Nigeria’s oil sector

<table>
<thead>
<tr>
<th>CNOOC</th>
<th>CNPC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mars-06</td>
<td>2006 Round</td>
</tr>
<tr>
<td>OPL 229</td>
<td>OPLs 471, 298, 732, 721</td>
</tr>
<tr>
<td>Bought 35%</td>
<td>Strategic deal</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Companies</th>
<th>Year</th>
<th>Project/Block</th>
<th>Project coat (USD) million</th>
<th>Investment commitment (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sinopec</td>
<td>2006</td>
<td>Blocks OML 64, 66 and exploitation of Stubb Creek</td>
<td>-</td>
<td>220.7</td>
</tr>
<tr>
<td>Sinopec</td>
<td>2006</td>
<td>29% stake and operating rights to block 2, Nigeria- Sao Tome Joint Development Zone</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>CNPC</td>
<td>2006</td>
<td>Licenses for OPL 471, 721, 732, 298</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>CNPC</td>
<td>2006</td>
<td>Stake in Kaduna refinery and rehabilitation</td>
<td>2000</td>
<td>Failed</td>
</tr>
<tr>
<td>CNOOC</td>
<td>2006</td>
<td>45% interest in offshore exploitation license, OML 130</td>
<td>2268</td>
<td>2692</td>
</tr>
<tr>
<td>CNOOC</td>
<td>2006</td>
<td>35% working interest in OPL 229</td>
<td>-</td>
<td>60</td>
</tr>
<tr>
<td>Sinopec</td>
<td>2006</td>
<td>Provide seismic exploration service</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Zhonghao Overseas Construction Engineering Company</td>
<td>2007</td>
<td>Exploration of solid minerals in Zamfara and oil in Sokoto basin</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>Sinopec</td>
<td>2009</td>
<td>Purchase of Addax</td>
<td>7200</td>
<td>7200</td>
</tr>
<tr>
<td>CSEC</td>
<td>2010</td>
<td>Construction of refinery in Lekki Free trade zone in Lagos state</td>
<td>8000</td>
<td>6400</td>
</tr>
</tbody>
</table>

Source: Gregory Mthembu-Salter (2009)
China has also contributed a significant amount of money to FTZs in Nigeria’s oil and gas exploration. The FTZs that are operational and non-operational include the Calabar Free Trade Zone which specializes in non-oil, oil & gas export, the Snake Island and Lekki Free Zone which specializes in oil & gas equipment fabrication, Olokonla Free Trade Zone in Ondo state specializes in Oil & Gas, Badagry free zone specializing in deep sea oil exploration, and the Onne Free Zone, in Port Harcourt, Rivers State, specialized in Oil and Gas (Onayemi Bamidele, 2012, p. 1). China has formed different FTZ in the oil sector, aside from owning assets in the oil industry, which also proves its long-term interest and strategy in that sector of the economy. As a result of the diverse purchases in the oil sector, increased criticisms of China’s intentions have grown. China has emphasized its interest to be purely non-exploitive in Nigeria, but Chinese actions and investments in its acquisition of oil blocks, assets and settlement of FTZs is increasingly proven otherwise.

The dynamics and tensions of China’s presence in the Delta region

Resistance and rebellion in the Niger-Delta

There are other problems in the Sino-Nigerian relations around the oil industry that undermines China’s efforts to make this a ‘win-win’ situation. The security problem in the Niger Delta is increasingly problematic (Taylor, 2007, p. 637). Following President Hu Jintao’s 2006 visit to Nigeria and the agreement of a $4 billion infrastructure investment, the Movement for the Emancipation of the Niger Delta (MEND) warned Chinese companies to stay clear of the Niger Delta or risk attacks (Taylor, 2007, p. 637). “MEND also claimed responsibility for a car bomb attack near the port town of Warri, stating that the blast was a warning against Chinese expansion in the
region, adding that the Chinese government by investing in stolen crude places its citizens in line of fire” (ibid, p. 638). In early 2007, MEND attacked oil installations and kidnapped five Chinese oil workers for fourteen days. Fourteen Chinese workers were also kidnapped in the first two months of 2007 alone (Taylor, 2007, p. 638). Few days later, it attacked another oil flow station killing fourteen soldiers and two civilians (Obi, 2008, p. 423). As a result, several IOCs had to shut their operations reducing the number of barrels that were produced daily in oil fields. This was later followed by several attacks on some other oil fields and the abduction of workers, with their photographs in the media (Obi, 2008, p. 423).

The Niger Delta region has always been unstable, mostly as a result of people’s growing dissatisfaction; and MEND is one of the many organizations that have been formed to advocate for the injustice in that region. The Delta region is the main center of oil producing activity in Nigeria and serves as the center of Nigeria’s economy. It produces 90% of Nigeria’s oil, and over 75% of the country export earnings, but this has hardly been felt in the region (Nseabasi Akpan and Emmanuel Akpabio, 2009, p. 12). The habitants of this region are dependent on their environment for daily living such as farming and fishing, and increasing oil exploration has had more negative environmental, social, and economic consequences in this community than imagined (Akpan & Akpabio, 2009, p. 12). The activities of oil companies have had an impact in the region, and this has worsened. Revenue generated from exploration of oil fields has not been used to finance the amelioration of the region, and has left the inhabitants of the area in a depraved state. The continuous extraction and exploration of oil fields have resulted to environmental degradation, pervasive poverty in a sense of relative deprivation, and a
perception of alienation by host communities (Akpan & Akpabio, 2009, p. 12). “The adverse effects of the oil and gas industry on the fragile eco-system of the Niger Delta are huge” (Elias Courson, 2001, p. 25). The different effects include impact on local sources land, water and air coupled with poverty, unemployment and dispossession (Courson, 2001, p. 25). This has been further complicated by the repression of oil community protests against the oil industry, which has worsened the relations between the communities and oil companies. In 2010, it was reported that the region was witnessing turbulent times with factors like gas flaring and deteriorating conditions in the region that is affecting sustainable growth of that sector of the economy (Economy Watch, 2010, p. 1). This is caused by increase competition for oil wealth. “IOCs are using Nigeria as their exploring base” (ibid, p. 1).

Increasing complaints have not changed the situation in this state. The government chose to ignore most of these complaints for a long time until it got worse and resulted to attacks by different groups. MEND believes that by attacking Transnational Companies (TNCs) operating in the Delta region, it can seize resource control and power over the oil region. Its purpose is to counter the hegemony of transnational oil alliance in the Delta region (Obi, 2008, p. 424). The Delta region hosts an increasing number of TNCs operating in different oil fields. Attacks in the region are not new to the public, as MEND and other militant organizations use this as an opportunity to show their dissatisfactions to the world. The Delta region with some of the most prolific oil and gas fields in Africa is important to transnational oil accumulation as a site of extraction and production (Obi, 2008, p. 424). In the past, the government has partnered with TNCs to counter the attacks by increasing military and security in the
region, but it also aggravated the situation. The government went as far as to arrest several key leaders of these organizations and therefore enraged people. This has been a continuous battle among the Niger Delta region habitants, the government and the Multinational Oil Companies (MNOCs), and this time Nigeria went to China for help in stabilizing the situation. China offered Nigeria a dozen patrol boats for their security issues in the Delta region. In addition to that, Nigeria tried to buy naval patrol boats from China to help protect the Delta region from rebel attacks (Taylor, 2007, p. 639), which questions the role of China in the Delta state.

However, the kidnapping of China’s workers did not stop China from increasing its operations in the Delta region. China has invested a considerable amount of money in Nigeria’s oil, and continues to invest by buying assets and securing more rights to Nigeria’s oil. In spite of the fact that security plays an important factor that can affect China’s activities in the delta region, China has chosen to ignore it like other MNOCs, because China needs Nigeria’s oil. Despite the diversification of China’s investments and engagements, oil still plays an important role in China’s relations with Nigeria. Nigeria being among China’s largest oil producers, its oil production is set to double within the next decade (Denis Tull, 2006, p. 464). China’s interests and investments in Nigerian oil sector are increasingly problematic. Oil accounts for 90% of Nigeria’s revenues, and 75% of its exports. The commodity boom will create an over reliance and a lack of ability to diversify its economy. “The type of increased commodity exports and rising investment inflows into Africa stimulated by China’s commodity demands have a tendency to fuel currency overvaluation, which undermines the competitive edge of export-oriented
manufacturing sectors” (Ian Taylor, 2006, p. 951). Its interests in Nigeria’s oil sector are not sustainable for the economy, because it enhances lack of diversification.

**Implications of China’s energy and resources extraction in Nigeria**

Sinopec’s purchase of Canada’s Addax Petroleum was its largest overseas deal, which gave Sinopec oil operations in Gabon, as well as operation rights across the Gulf of Guinea (Margaret Egbula and Qi Zheng, 2011, p. 12). “Within a year, Sinopec announced the discovery of a high-yield oil and gas reserve in the UDELE-3 well in Nigeria, which is expected to yield 3,365 barrels of oil and 28 300 cubic meters of gas per day” (ibid, p. 12).

Besides buying assets from Addax, China looked to expand its control of the Nigeria’s oil sector. In 2008, CNOOC was negotiating to buy interests in two Nigerian offshore blocks from Shell Petroleum Development Corporation, worth up to $900 million each (Ndubisi Obiorah et al., 2008, p. 278). China’s investments in natural resources in Africa have always been criticized due to China’s vast contribution to the oil sector. It has always been viewed, as a strategy to secure oil needs for China while creating dependency in African countries that will rely on such investments. This is actually, the situation that is rising in Nigerian’s oil sector. The upsurge in Chinese oil diplomacy may be linked to the priorities of China’s strategist interest priority long-term goal to be in charge of oil resources while manipulating future prices, which threatens Africa’s dependency on oil (Taylor, 2006, p. 943).

The apprehension gets more complicated considering that Nigeria may suffer from the Dutch Disease. For a country such as Nigeria not to be affected by the Dutch Disease or resources curse, there needs to be several policies implemented such as
enhancing investments in the non-tradable sector, increasing human capital, and contain inflationary tendencies that result from commodity booms (Ali Zafar, 2007, p. 114). Without strict management, and appropriate policies from governments, oil rich countries will be affected by prices and become dependent on China (Zafar, 2007, p. 114). Seeing that Nigeria has been more concerned with developing its infrastructure and getting cash for its oil, some of these policies have been neglected. The “oil for infrastructure” diplomacy allowed Nigeria to fund its increasing demand for infrastructure, which was to be paid through oil blocks, because it was viewed as the easiest solution to get the projects paid. Obasanjo viewed the ability to gain investments by giving out its oil. Fortunately this policy was changed, the new policy is not much better.

“Oil for cash” did not only help China gain assets and gain power into Nigeria’s oil sector, but it continues Nigeria’s’ continuous dependency on the oil sector for its revenues. In the absence of right policies or monitoring the cycle that has been planted by past MNOCs, things will only worsen between China in Nigeria, considering that China’s investments in the country are stupendous. If Nigeria has had ability to manage its resources extraction, as well as its revenues, the problem wouldn’t have been as disturbing as it is. Most of its revenue from oil has disappeared in the past, making the situation ambiguous. Past concerns and apprehensions over China’s actions has not been meaningless, because till recently China’s actions are still controversial and detrimental to that sector. In 2012, a report was published on Nigeria’s illegal deals with IOCs to secure oil. It was discovered that Nigeria has lost out tens of billions of dollars in oil and gas revenues from cut price deals between MNCs and government officials (Clara Nwachukwu, 2012, p. 1). In these deals, “Addax now owned by Sinopec owns Nigeria
$1.5 billion in unpaid royalties, part of $3 billion black hole of unpaid bonuses and royalties” (ibid, p. 1). China is continuously partaking in fraud deals in the oil and gas sector to gain benefits at the expense of worsening the resource curse in Nigeria.

China was able to gain entry into Nigerian’s oil sector through its “aid” policy, which was encouraged by president Obasanjo interest for infrastructure. China’s interests in securing oil blocks during the licensing rounds led it to participate in some irregularities, that makes its role in Nigeria’s oil sector questionable, because like other MNOCs that have oil operations in the region, irregularities are the daily characteristics of their oil operations. Its subjection to such activities is also problematic, because it is increasing corruption in the weak state. Aside from these different actions, China’s entry into the oil sector is not welcomed in Nigeria, and it can exacerbate the environmental conditions, because China’s vast investments in the exploration of oil and gas will only increase and deepen some of the issues in that region, if a solution is not provided. More so because China has proven not to be the best in following environmental and standard laws, and its inability to do that in its country and in Nigeria since the beginning of its involvement is problematic to a weak state like Nigeria. Nigeria has no effective institution in place to monitor such actions.

Increasing oil and gas explorations and extractions means increasing commodity export for Nigeria. China’s oil policy interests are to extract resources for its energy security. While this solution increases growth and aligns with Nigeria’s interests of increasing production and exploring gas fields, there is little opportunity to diversify its reliance on its resource sector and increase its exports from other sectors of the economy. Nigeria’s over reliance on its resources is dubious for its economy, and its future
activities. Not only does it pose a problem to the revenue and environment sector, but it also affects local citizens and the economy over all. China’s involvement in the oil sector in Nigeria has created a perplexed result like in its trade relations.

**Debt Overhang**

This section explores China’s aid and debt policy in African countries as a comparison to traditional donors aid programs, and the rising effects of China’s loans to Nigeria, as a result of this policy.

**Rethinking aid and debt**

China has not only positioned itself as a good trading partner, but also as a good lender to African countries that now prefer borrowing from China. Its aid program is glued to its economic engagement, and it features characteristics that differs from the west and appeals to African countries as well as Nigeria.

1. **Beijing versus the West**

China’s first and foremost advantage in its aid package as compared to the West is the infrastructure funding (Deborah Brautigam, 2009, p. 133). “For a host of reasons, Western aid for infrastructure fell far behind funding for the social sectors” (ibid, p. 133). Because, China agrees to give loans and grants for building infrastructure in African countries, its aid is welcomed and accepted without hesitation. Its second advantage is the implementation of aid approach. The west has emphasized host country “ownership” and the alignment of aid with partner country’s agenda (Brautigam, 2009, p. 134). China’s ability to eliminate conditionality in its aid package has presented challenges to the global aid regime because African countries are more attracted to China’s aid program. The “no
strings attached” policy, whereby most of its aid is distributed if countries recognize the “one china policy” has been welcomed. The recognition of this policy is the only conditionality for China’s aid.

Considering that most African countries have been subjected to many conditions from the West, the World Bank, and the International Monetary fund (IMF) for development projects in their countries, the ability to have this embargo lifted is a relief for African leaders (Brautigam, 2009, p. 133). These two components to its aid program give China an immeasurable advantage in Africa. Other features of China’s approach include, the increase of investments despite debt, the refusal to slow debt-financed infrastructure, and the ease of the debt cancellation process (Brautigam, 2009, p. 148). Loans from China and the West are incomparable.

“The World Bank’s loans in most African countries are zero- interest, with repayment over thirty-five to forty years ‘this is called IDA terms’, while most of Chinese Exim bank loans, and the growing number of China Development Bank loans and supplier’s credits growing number of Chinese companies are at market rates, and usually need to be repaid in ten to twenty years” (ibid, p. 179).

2. Nigeria’s loans and debt from the west

Loans and debts from the west have always been obstacles to increase investments in Nigeria. In early 2004, Nigeria increased its efforts in persuading its creditors to agree on a debt package. It was able to repay a significant amount of its debt to the west, and it also secured debt relief.

“In 2005, Nigeria secured significant debt relief from the Paris Club amounting to $18.0 billion debt relief. With the payment of the balance of $12.4 billion to its creditors, Nigeria exited the Paris Club debt in March 2006. Nigeria also exited the London Club debt on 4 April 2007 after paying off outstanding Par Bonds and Promissory Notes” (Helmut Reisen and Sokhn Ndoye, 2008, p. 20).
Considering these endeavors from the Nigerian government, Nigeria is now below debt-distress threshold for both the Net Present Value (NPV) debt/Gross Domestic Product (GDP) (Reisen & Ndoye, 2008, p. 20). See table 7 and 8 for summary of Nigeria’s current lending from the west.

**Table 7: Number of Loans/Credits/Grants**

<table>
<thead>
<tr>
<th>Status</th>
<th>IDA Credits</th>
<th>CPL</th>
<th>CPLCONV</th>
<th>NPL</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disbursing</td>
<td>23</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>23</td>
</tr>
<tr>
<td>Repaying</td>
<td>22</td>
<td>1</td>
<td>4</td>
<td>0</td>
<td>27</td>
</tr>
<tr>
<td>Fully Repaid</td>
<td>1</td>
<td>24</td>
<td>14</td>
<td>0</td>
<td>41</td>
</tr>
<tr>
<td>Other</td>
<td>28</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>30</td>
</tr>
</tbody>
</table>

**Source:** The World Bank Website

**Table 8: Loans/Credits/Grants Summary in USD Equivalent**

<table>
<thead>
<tr>
<th>Status</th>
<th>IBRD</th>
<th>IDA Credits</th>
<th>IDA Grants</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Principal Cancellations</td>
<td>6,248,200,000.00</td>
<td>9,054,215,968.81</td>
<td>0</td>
<td>15,302,415,968.81</td>
</tr>
<tr>
<td>Disbursed</td>
<td>933,747,660.68</td>
<td>357,909,808.66</td>
<td>0</td>
<td>1,291,657,469.34</td>
</tr>
<tr>
<td>Undisbursed</td>
<td>5,314,452,339.32</td>
<td>4,855,040,875.80</td>
<td>0</td>
<td>10,169,493,215.12</td>
</tr>
<tr>
<td>Repaid</td>
<td>0</td>
<td>4,037,333,553.80</td>
<td>0</td>
<td>4,037,333,553.80</td>
</tr>
<tr>
<td>Repaid third party Due</td>
<td>5,297,609,873.09</td>
<td>363,718,514.44</td>
<td>0</td>
<td>5,661,328,387.53</td>
</tr>
<tr>
<td>Repaid third party Due</td>
<td>16,826,750.56</td>
<td>0</td>
<td>0</td>
<td>16,826,750.56</td>
</tr>
<tr>
<td>Exchange Adjustment</td>
<td>15,715.67</td>
<td>4,579,536,995.36</td>
<td>0</td>
<td>4,579,552,711.03</td>
</tr>
<tr>
<td>Exchange Adjustment</td>
<td>2,890.59</td>
<td>0</td>
<td>0</td>
<td>2,890.59</td>
</tr>
<tr>
<td>Borrower Obligation</td>
<td>18,606.26</td>
<td>4,579,536,995.36</td>
<td>0</td>
<td>4,579,555,601.62</td>
</tr>
</tbody>
</table>

**Source:** The World Bank Website

**China’s aid and loans to Nigeria**

Unfortunately, China has not been transparent in its loans and grants to Nigeria, and a current summary of loans granted to Nigeria by China is not accessible. On the
other hand, China’s role on debt and its effect on Nigeria’s economic growth can be analyzed through its method of operations.

1. Aid and business

China has been categorized as an imprudent lender to African countries, which in turn impacts the debt sustainability of a country. There is a strong relationship between external debt and economic growth, which impacts the accumulation of a stock of debt so large as to threaten the country’s ability to repay its loans (Reisen & Ndoye, 2008, p. 11). Considering that China does not lend according to the financial terms and conditions set by the Organisation of Economic Co-Operations and Development (OECD) since some of its loans are neither export credits nor sufficiently concessional, there is a growing concern that such loans will endanger debt sustainability in countries like Nigeria (Reisen & Ndoye, 2008, p. 33).

Nigeria is among the most important beneficiary of the largest flow of China’s financial assistance (Reisen & Ndoye, 2008, p. 37). It is also among the beneficiaries of new lending mostly through export credit from China. The country does not report its official reserves to the IMF, but its official foreign exchange reserves were estimated at $42 billion in 2006 (Reisen & Ndoye, 2008, p. 27). Nigeria received a comparatively modest amount of export credit from OECD sources: $455.8 million between 2003 and 2006. In 2006, the Export-Import Bank of China signed globally $4.24 billion export buyer credits, and actually disbursed $2.27 billion with Nigeria as its major client. Between 2004 and 2006, $8.8 billion committed by China for natural resource (oil) related infrastructure in Nigeria. Sometimes, FDI flows may be the counterpart of the provision of loans, which was observed in Nigeria (Reisen & Ndoye, 2008, p. 37). China
impacts on debt ratios through stimulating exports and growths. “To be sure, debt vulnerability is still a concern for African raw material exporters, in view of their low governance scores, and their exposure to real external shocks, such as major drop in oil prices” (ibid, p. 37). Due to big investments and loans from China, there is a debt sustainability issue for the country. China impacts debt sustainability through different methods.

China’s aid program needs to be acknowledged for understanding its function and method of increasing debt and soft power in Nigeria. Debt accumulation is structured in a trapped cycle of aid from China. China’s method of sustaining and increasing debt in African countries is related to its method of operations, which is aid. Chinese aid is distinct from aid from traditional donors. The way China disburses its aid is important to understand. China structures its aid package in such a way that it gives many advantages and promotes countries’ thrive to increase aid from China, while increasing their debts. Chinese method is specifically designed to give China business opportunities while increasing other countries’ debt. Basically, China combines aid with business. Its aid is hard to separate from its loans and grants.

2. Concessional loans

There are two types of loans given by China: concessional loans and non-concessional loans. Concessional loans are given by China Exim Bank. About 60% of the Exim Bank’s portfolio consists of exports seller’s credits that are large preferential loans for Chinese companies operating abroad, while a growing share of the bank’s portfolio goes to export buyer’s credits, issued to importers of Chinese goods and services to pay the bank over time (Brautigam, 2009, p. 113). See figure 4 for China Exim bank
concessional loan cycle. When a country applies for a loan, the bank does a preliminary appraisal report signs a framework agreement and both countries sign a project loan agreement (step 1-4). The contracts are then given to Chinese agencies or contractors that submits documents to the foreign agency or contractor (step 5). The documents are later submitted to the borrowing government, which asks the Exim Bank to disburse payment to the Chinese executing agency, and accepts responsibility for repaying the loan (step 6-9). The non-concessional loans come from China’s Development Bank (CDB) that does not give official development aid, but rather development finance. It provides loans to other levels of the Chinese government to finance investments in domestic infrastructure (Brautigam, 2009, p. 115). One last important feature of China’s aid is its “tied aid” that requires recipients to use goods and services from the donor country, which is exactly what China does (Brautigam, 2009, p. 152).

**Figure 4: Structure of Concessional Loans by China Exim Bank**
A Tale of Two Superpowers: Nigeria and China Relations

Through China’s loan, aid and debt relief program, a cycle of constant lending has been created that prohibits and poses a problem to debt sustainability. By using debt relief to assist the country, turning it into loans and grants, China has been able to provide the loan, and later relieve the debt, which increases popular support and enhances its stronghold on governments (Joshua Einsenman and Joshua kurlantzick, 2006, p. 221). Because, China supports development before debt repayment, it is dangerous for Nigeria’s economy. A significant amount of infrastructure projects in Nigeria has been funded by China, which does not generate any direct benefit to the country’s economy, because Chinese companies complete most of the projects. Infrastructure projects requested from China are linked to the tied aid where china requires that the projects will be completed by Chinese companies that bring their own workers, equipment,

Source: Deborah Brautigam (2009)
technology, goods and other related things for the completion of the contract. Therefore, China benefits from the contracts, while charging Nigeria for the project, and equipment used to complete the project. The pattern of providing infrastructure in Nigeria through China’s financial resources creates an issue of debt accumulation. “The issue of debt accumulation and servicing is important because Chinese financing or loans may not be as generous as we might thought and induce to contract. Therefore there is the need to always employ technical experts that will conduct cost analysis so that contracts are awarded at minimum cost” (Olugboyega Oyeranti et al., 2011, p. 198).

**Challenges of Chinese loans and investments in Nigeria**

In September 2012, it was reported that China gave Nigeria a loan of $1.1 billion for the construction of its light rail, airport terminals, and a galaxy backbone (Mathias Okwe, 2012, p. 1). The increasing lending of China to Nigeria will further plunge the country into another debt trap, that Nigeria will have trouble detaching itself from, considering that a considerable amount of revenues has been vanishing from the government’s account. Debt accumulation through loans for infrastructure is not the only challenge for Nigeria. Nigeria’s policy of “oil for cash” is equally problematic. China has invested an extensive amount of money in the energy sector of the economy. Through the acquisition of oil assets and oil blocks in Nigeria, China has contributed a big amount in the energy sector that will be hard to trace due to fraud for the procurement of the several assets now owned by Chinese IOCs.

China’s method of operation of non-interference also promotes corruption, which affects debt in Nigeria. Nigeria is a weak country where most revenues come from the oil sector, and this revenue has had a tendency to disappear. “Nigeria’s politics have long
been an open scramble for power in which elites, often utilizing the ethnic card and playing up tribalism and religious differences, compete for control of the state in order to capture the mega benefits associated with the country’s enormous oil revenues” (Ian Taylor, 2007, p. 642). Given that China has been involved in irregularities in the past and is still partaking in such acts in order to secure oil blocks, China is already in the patronage system of the Nigerian oil industry.

The oil industry has undermined democracy, heightened corruption, patronage, and lack of accountability in Nigeria. It is the motto of making business in the Delta region. In November 2012, a report by the government- commissioned task force indicates that US$100 billion from Nigeria’s oil and gas industry since 2002 is missing (Africa Confidential, 2012, p. 3). In this same report, Addax, now owned by China, owns the government millions of signature bonuses (Clara Nwachukwu, 2012, p. 1). By benefiting from oil receipts, there has been no urgency to generate revenues for the economy. Seeing that Chinese IOCs have been subject to such actions in Nigeria, it can be concluded that China’s policy is promoting corruption, with a lack of accountability to the government. Rents from benefits have failed to promote economic growth and development, because wealth generation depends on the manipulation of the market for personal reasons of power and profit (Ian Taylor, 2006, p. 957).

China’s presence in Nigeria lowers export diversification and also has a negative impact on debt sustainability because it reduces product diversification (Reisen & Ndoye, 2008, p. 39). This in turn lowers standards, undermines democratic institutions and increases corruption, because Nigeria is an oil rich nation that depends on it. By increasing raw material demand and stimulating exports of raw material, China deepens
Nigeria’s overreliance on its commodity, which has been the major source of fraud and debt accumulation over the years. “This is certainly the case with Nigeria, and Abuja’s leaders have rarely if ever sought to promote broad-based development. Instead, they have concentrated on the control of enclave economies in rather limited geographic spaces and on maintaining coy relationships with the multinationals “ (Taylor, 2007, p. 642). This has meant that there has been a lack of energy in trying to diversify key export commodities, which has resulted to price collapses and fluctuations.

Loans and grants have helped Nigeria develop some of its infrastructure, while increasing its debt through the attribution of enormous contracts to China at the cost of excluding local markets that do not benefit from any of the contracts. The loan cycle has significantly helped China benefit from Nigeria than Nigeria has. Corruption and lack of transparency are among the main concerns of the Sino-Nigerian relations. China is non-transparent in its investments, and the distribution of oil money is increasing corruption in Nigeria. The reliance on a single product that favors China also increases patronage in the Delta region. Its stand on the “non-interference” policy undermines democratic institution that affects accountability, resource control, and debt sustainability. Its foreign policy like in the trade, oil and debt has a big impact on Nigeria. It benefits its companies and economy, while handicapping local companies. By doing business and giving aid, China secures more benefits and affects Nigeria’s revenues. China’s investment is following a path that will be dubious to Nigeria on the long run.
Chapter V: Conclusions & Recommendations

Conclusion: A zero sum game?

Evidence and analysis throughout this paper indicates how problematic NEEDS will be hard to implement in Nigeria, and how there is no understanding of what Nigeria wants to what China is doing. The Nigerian government does not have the ability to achieve the NEEDS’ goals, due to a weak institution and other factors that surround the state. China’s investment in Nigeria’s trade and debt has developed a mixture of positive and negative results in Nigeria’s economy. In regards to NEEDS, China’s engagements in these sectors have no alignment with the state’s objectives and have only worsened what was trying to be improved by the Nigerian government. The Nigerian government believed that by opening its markets to foreign investors like China, it could achieve its development aspirations. Although its partnership has been of help for increasing investments, developing oil and gas fields’ exploration, and increasing oil production for economic growth, China’s foreign policy has been obstructive to NEEDS in many ways.

China’s investments in the trade sector does not increase Nigeria’s opportunity to develop its manufacturing industries, promote local and small medium enterprises, increase employment, reduce the importation of cheap goods, reduce goods smuggling, and develop Nigerian local markets. It has been contradictory to NEEDS goal of increasing local manufacturing of goods to promote industries, while improving Nigeria’s export orientation intentions. Moreover, its investments in the oil sector are only worsening the reliance over Nigeria’s natural resources, while degrading the environment and violating laws. Reducing corruption and lack of transparency, which was another ambition, is only deepening with China partaking in corrupted methods to secure oil
blocks and assets. Decreasing debt and government expenditures featured in the numerous goals of NEEDS can hardly be achieved with China’s aid packages and loan concessions. Investors like China have deviated from everything Nigeria hopes to achieve for its development, making it harder for the policy package to be implemented in the country. Ultimately, pursuing and following China’s policies and interests in Nigeria in hope to increase economic growth has been an obstacle to achieve Nigeria’s development aspirations.

Overall, there is no doubt that China is a good economic partner that can promote investments and help increase economic growth in Nigeria, but China’s aid and partnership comes at an expense. The local markets and businesses, as well as employment will suffer from this partnership if right policies are not implemented. Nigeria’s industry, natural resources and corruption are a real challenge to any development in the state. China’s partnership has been relieving some urgent needs, but these needs cannot eradicate poverty and underdevelopment in Nigeria. Its investments are not sustainable to Nigeria’s economy that is becoming increasingly dependent on China. As this study has hopefully relayed, China’s partnership with Nigeria is based on concrete national interests that will only depend in optimal outcomes if Nigeria puts in place the policies and institutions to maximize the complementary effects and minimize the competing effects of this relation.
Recommendations: The way forward

1. Nigerian government needs to institute policies aimed at maximizing the direct and indirect benefits as well as minimizing the possible negative impacts (Oyeranti, et al, 2010, p. 4)

2. The government needs to ensure implementation of laws and regulations in Nigeria as well as ensure compliance by the Chinese investors (Oyeranti et al, 2011, p. 196).

3. The Nigerian government must be conscious of the high level of unemployment prevalent and thereby gives local contractors some considerations in the award of contracts with a view to creating jobs for Nigerians. Local contractors can equally be encouraged to partner with Chinese firms (Oyeranti et al, 2010, p. 5).

4. The Nigerian government needs to examine the structure of tariff and non-tariff barriers facing Nigeria’s exports to China. Perhaps more importantly is an analysis of constraints facing producers and exporters in responding fully to market openings (Ogunkola, 2008, p. 12).

5. Nigeria needs to improve in negotiating tactics with Chinese MNCs, and learn from some of the negotiating positions that the chine government has itself adopted towards Western companies looking to grow their presence in China (Salter, 2009, p. 26).

6. Chinese MNCs should be obliged to build a capacity of Nigerian sub-contractors and to work towards the manufacture of a growing proportion of their materials in Nigeria (Salter, 2009, p. 26).

7. Make full use of other policy instruments at both countries disposal and in this context seek in a systematic way the highest possible degree of coherence between trade, economic and development policies and other policies of both countries with an impact
8. Adopt an integrated bilateral trade, economic and development framework and apply common sectoral economic and development policy guidelines based on identified priority fields (Amadasun, 2008, p. 27).

9. The Nigerian government should take the lead and point out the disjuncture between Chinese activities and the norms expected and promoted if China does not abide by broad governance standards (Taylor, 2006, p. 957).

10. The Nigerian government should use oil revenue to improve the state of infrastructure and social amenities, and should invest export receipts in activities with high employment potential such as agriculture and manufacturing (Adewuyi, 2010, p. 95).

11. Nigeria should increase export to China by encouraging manufacturers and exporters, and the government should not enter into a Free Trade Agreement (FTA) with China (Adewuyi, 2010, p. 95).

12. Ensure better coordinations of both countries development programs and to the greatest extent possible use the procedures that are most beneficial (Amadasun, 2008: 28).
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