‘Chinese Investments in Nigeria’

**A Dissertation submitted by**

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**in partial completion of the award of**

Master in International Relations

**‘I hereby declare that the Dissertation submitted is wholly the work of**

*Hirvanshi Malhotra*.

**Any other contributors or sources have either been referenced in the prescribed manner or are listed in the acknowledgements together with the nature and scope of their contribution.’**

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“Knowledge is power. Information is liberating. Education is the premise of progress, in every society, in every family.”

Kofi Annan

ABSTRACT

The research aims to analyze the investment pattern of the Sino-Nigerian bilateral relations. This study provides a detailed view of China's investment pattern in Nigeria and the diverse challenges faced by the oil-rich country. The development of the Nigerian economy has been evident since the increase in investments by Chinese state-owned enterprises and private companies. China's partnership with Nigeria is in a utopian world would be for economic growth but practically, malicious towards Nigeria's development goals as China is solely pursuing its interest. When diplomatic relations were established in 1971 between Nigeria and China, it marked the beginning of a profitable partnership. However, an alliance between the two countries was possible through bilateral agreements, high-level visits between the two countries.

China has been a driving force for the economic growth and development in Nigeria. Since 2011, Nigeria has been facing political instability, primarily due to Boko Haram. Before that Africa has faced numerous security problems; however, that has never been a concern for Chinese investors. Ever since the establishment of Sino-Nigerian relations, there has been an increase in Chinese presence in Nigeria. This paper aims to determine the reasons for China's interests in Nigeria, highlight China's pattern of investment in Nigeria, China's FDI in Nigeria. Lastly, about concerning enhancing economic relations, the study concluded by recommending methods between the two countries for further development and prospects.

**Keywords**: Nigeria, China, Investment, Relations, and Development.

***Word Count:*** 19,142

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**ABBREVIATIONS**

AERC-African Economic Research Consortium

AGOA-African Growth and Opportunity Act

APSCO-Asia-Pacific Space Cooperation Organization

BITs-Bilateral Investment Treaties

CCECC-Chinese Civil Engineering Construction Corporation

CNOOC-Chinese National Offshore Oil Corporation

CNPC-Chinese National Petroleum Corporation

ECOWAS-Economic Community of West African States

EU-European Union

FAO-Food and Agriculture Organization

FAWs-First Automotive Works

FCT-Federal Capital Technology

FDI-Foreign Direct Investment

GDP-Gross Domestic Product

ICT-Information and Communication Technology

IMF-International Monetary Fund

IT-Information Technology

MDG-Millennium Development Goals

NACCIMA-Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture

NOC-National Oil Corporation

NIPC-Nigerian Investment Promotion Commission

OGFTZ-Ogun Guangdong Free Trade Zone

PKTC-Peace Keeping Training Centre

PSOs-Peace Support Operations

SOEs-State-owned Enterprises

SMEs-Small and Medium Size Enterprises

UNCTAD-United Nations Conference on Trade and Development

UNEP-United Nations Environment Programme

WBG-World Bank Group

ZTE-Zhong Xing Telecommunication Equipment Company

**CHAPTER 1: PROLOGUE**

**1.1 : Introduction**

The world has witnessed numerous revolutions, which have changed the pattern of partnerships among countries in a global environment. The First World War brought about peaceful relations among countries internationally because at the time there was a need for them to come together and resolve various issues that led to another war among them. The concept of peaceful existence led to the formation of the League of Nations, and the War was regarded to be War to end all Wars. The League of Nations could not prevent the arrival of the Second World War and after that the cold war within the global environment, which ended the friendly relations among countries. Security issues became a primary concern for these countries. The means for economic interdependence whereby a multinational, national company could expand its branch beyond its sovereign state.

Nigeria is a geographically diverse fragmented country with one of the most significant populations in West Africa. It is one of the wealthiest countries on the content endowed with natural resources: oil and gas. It is the 12th largest producer of oil in their world although Nigeria is rich in natural resources there is still a majority of the population that lives on less than a dollar a day. Nigeria has been endeavouring a new stand of power with China, the second biggest economy in the world. These two countries possess geopolitical and demographics significance in their respective regions. China has been expanding its spheres of diplomatic and economic ties in an ever-changing economic and political world. In the 21st Century, China concentrated on economic and commercial matters rather than a military agenda. Both countries seek to explore and discover how to strengthen not only diplomatic ties but also expand and deepen their economic and technical fields of

cooperation. Both countries seek to explore and create mutually beneficial deals by narrowing their differences to go beyond the usual diplomatic relations.

Comparatively, Nigeria is still a struggling economy while China is a fast-growing economy and the second largest economy in the world. Nigeria is a potential market in the world strategically.

Nigeria's relationship with China has not been smooth sailing because of the structural economic dependency factor against Nigeria, which is still there, This relationship has not been a win-win situation. China's economy is diverse with a capacity building to export varieties of produce. Nigeria is dependent on oil as the commanding height of its economy.

Nigeria has been heavily dependent on foreign direct investment (FDI). Over the years it has become evident that foreign direct investment is a positive contribution to economic growth and development in developing countries (Alade Ajayi and Babaloa, 2011). The importance of this has made economists and policymakers reformulate some of the reforms implemented to attract the flow of FDI into a country. Nigeria and the People's Republic of China have benefitted from their relationship as China is in need of crude oil in order to expand its ever-growing domestic economy and Nigeria is in need of foreign direct investment. (Egbula and Zheng, 2011).

Foreign Direct Investment was a means for countries to establish a beneficial partnership, however, for developing countries, this has been seen as a fear of domination as well as the belief that national security could not allow foreign investors to penetrate beyond their political boundaries. FDI enhances the economic growth of a country through technology diffusion, human capital development, export promotion, and employment generation. There has been a shift of attention to the locational aspect of FDI that can associate with the realization that countries compete to attract a significant share of FDI inflow, which leads to changes in domestic policies. Location variables play a significant role in influencing FDI. It explains the role of macroeconomic policies in a host

country on FDI inflows (Vasconcellos and Kish, 1998). The macroeconomic policy reform implemented in developing countries not only with the aim to enhance domestic investment but also to foster increased foreign direct investment. Nigeria introduced a comprehensive adjustment reform during the 1980s to promote foreign direct investment and economic growth.

Most African countries including Nigeria have made efforts towards attracting the potential investors though there has not been a full achievement yet. The Nigerian government has been making attempts to assure that the country possesses the essential facilities for foreign investment. The main issue was tackling the establishment of infrastructural facilities by the Nigerian government. This paper will be analyzing the essential aspects of Chinese investments in Nigeria, determining the pattern of investment in Nigeria, the primary motives behind Chinese investments in Nigeria, the geopolitical strategy and the Chinese FDI in China.

**1.2 : Theoretical Framework**

In 2015, China announced a plan to invest in development projects across the African continent. The goal was to reduce poverty, improve public health, infrastructure and industrialization. This research topic is about China's investments in Nigeria. This research aims to examine the effects of Chinese Foreign Direct Investments in Nigeria, the impact of their bilateral trade expansion on the Nigerian economy, the implications these investments have on China and the drawbacks faced by both countries. The primary aim of this paper will be to evaluate the current investment statistics for both countries.

China's emergence in Nigeria has raised questions regarding its influence on Nigerian policies and gaining support for initiatives issued by China. The research methodology

would be descriptive qualitative research, which would examine the framework and influence of China in Nigeria, and quantitative data, which would examine the economic indicators like the GDP growth rate based on the investments, trade balances, development goals identified by Nigeria. The data collected will be used will be from different research sites. Data sources are national statistics, scholarly publications, IMF, the World Bank.

The Chinese Strategy for investing in Nigeria is a strategy; that is a conscious way for development and not as a trail and error haphazard method. Johan Galtung views that the Chinese are following a middle path between the western liberal model and the Marxist model. The western model favored growth first and then distribution, whereas the Marxist, distribution first and then growth. This paper will determine which theory fits perfectly with this research, along with how investment theory applies.

This topic will elaborate the primary purpose of China's Foreign Direct Investment and the impact it has and will be having on the Nigeria economy. This research paper will be emphasizing the how Chinese investments are being perceived by scholars, the benefits to the Nigerian economy. Furthermore, it will be identifying the pros and cons of China investing in Nigeria. Most investments by the Chinese are in the areas of infrastructure, health care and also, boost local economies. Technology companies have helped developed local skills. The cons of China investments may bring up specific issues. The low-cost goods are available worldwide, which might cause a problem in Nigeria. This paper will analyze how China benefits from investing in Nigeria and what are the challenges they have faced and will be facing in the future. This research will be beneficial for students, professors in analyzing China's pursuit in Nigeria.

**1.3 : Research Questions**

Primary question-How has Sino-Nigerian economic relationship changed over time?

Secondary question-What is Nigeria seeking to gain from increased FDI from China?

**1.4 : Methodology**

The research methodology would be descriptive qualitative research, which would examine the framework and influence of China in Nigeria, and quantitative data, which would examine the economic indicators like the GDP growth rate based on the investments, trade balances, development goals identified by Nigeria. Quantitative Data sources are national statistics, scholarly publications, IMF, the World Bank.

**1.5 : Literature Review**

The presence of China in Nigeria has sparked speculation about whether this partnership is beneficial for Nigeria. There has been no other bilateral relationship that has evolved at this speed. AERC analyses how Nigeria is becoming of strategic importance to China, and how does this benefit the Nigerian economy. The formal trade between China and Nigeria became in the 1950s (Ogunkola and Bankole, African Economic Research Consortium, 2008). Now, China has emerged as Nigeria's significant development, trade and investment partner having to take the place of Europe and North America in Nigeria's development agenda.

Public Policy Analysis IPPA discusses the initially China's involvement was limited to only six countries, and now it has expanded to nearly twenty countries (Ayodele and Sotola, Public Policy Analysis, 2014). China's emergence in Nigeria began with the agricultural sector. After Nigeria's independence, there was a struggle in their agricultural sector; China had much to offer Nigeria regarding lessons learned from its success in agricultural growth, alleviating poverty, and achieving the Millennium Development Goal (MDG) in its eradication of extreme poverty and hunger. The bilateral relations between these countries expanded to different areas like trade, investment, development assistance, technology transfer, and training. These areas witnessed increased activities and investments from both Chinese private and state-owned enterprises. With the increase in investment, this marked the advancement of development assistance to Nigeria.

Nigeria looked at China not only as an economic partner but also as an alternative development model. China proved to be an alternative institution like the International Monetary Fund and the World Bank. China's aid and investment support three core priorities. The first one is strategic diplomacy; at the diplomacy level, China gets support from Nigeria and the other African countries for their initiatives like their One China Policy, One Belt One Road Initiative. The second one is ideological values; China sees its foreign investment as a means to promote Chinese economic interests as well as Nigeria's development (Egbula and Zheng, 2011). The third one is a commercial benefit; China's public and private companies have been making developments in Nigeria's manufacturing, information, and communication technology sectors (Nan, 2017). Both countries gain significantly from their economic engagement. China's other motives include investments in Nigeria for the demand for minerals and other extractives (Daniel and Maiwada, 2015). This demand gives Nigeria the much-needed revenue and

economic boost. In 2017, President Buhari has approved of private investments in refineries, which was earlier opposed. This approval has proven to become strategic for Chinese companies.

Nigeria's gains from China's investment does bring some drawbacks to the treatment of labors in Nigeria by Chinese employers. There have been differences in the way Chinese companies conduct their business and the treatment of their employees. China's investments in Nigeria does not distinguish by conditionalities on good governance, fiscal discipline and other conditions attached to western investments. The economic conditions of Nigeria have advanced over the last few years as a result of rapid industrialization. Nigeria has always been a potential market for Chinese products. Chinese companies are willing to invest in areas where the west is not, areas like infrastructure, industry, and agriculture. These are areas that are crucial for Nigeria's development. Chinese companies have built bridges, upgraded railroads, telecommunication networks, and other indispensable infrastructure. Chinese investments provide an additional source of investment capital to address unemployment, poverty alleviation and generate a significant multiplier effect through the local economy. However, these investments also influence the oil refineries in Nigeria.

In January 2016, China and Nigeria announced a Memorandum of Understanding worth over $80 billion in oil and gas infrastructure, pipelines, refineries, power refurbishments.

The Chinese Strategy for investing in Nigeria is a strategy; that is a conscious way for development and not as a trail and error haphazard method. Johan Galtung views that the Chinese are following a middle path between the western liberal model and the Marxist

model. The western model favored growth first and then distribution, whereas the Marxist, distribution first and then growth. This research paper will determine which theories are adaptable to this research, along with how investment theory applies.

This topic will elaborate the primary purpose of China's Foreign Direct Investment and the impact it has and will be having on the Nigeria economy. This paper will examine and emphasize the view of both countries. Moreover, the research will identify the pros and cons of China investing in Nigeria. The Chinese investment will not only be investing in infrastructure and funding health care but also, boost local economies. Technology companies have helped developed local skills. The cons of China investments may bring up specific issues. The low-cost goods are available worldwide, which might cause a problem in Nigeria.

**CHAPTER 2 : HISTORICAL OVERVIEW**

**2.1 : Overview of Sino-Nigerian Economic Relationship**

The colonization of Nigeria by the British marked the establishment of relations between her and the western world. They gained their independence in 1960 but became a Republic in 1963. It was apparent that the misconception of political, cultural and social nature of the region left by the colonial masters did cause problems (Jorre, 1972). The system left by the British was not prepared to cope with the different ethnic groups. The Westminster style of government was entirely different from the way the various tribes had previously governed themselves. The division of tribal lines and the western style system collided which eventually led to the first Nigerian Civil was in 1967 after, which Nigeria has been on a quest for development.

As a resource-rich country, Nigeria is regarded as the second largest economy in Africa behind South Africa and also the largest exporter of Petroleum Oil in Africa. The oil and gas sector has driven Nigeria's economic performance, and however, with the discovery of oil, there was a decline in the agricultural and the manufacturing industries. The Nigerian economy is heavily dependent on the oil sector, which accounts for nearly 80% of the government revenues, 90-95% of export revenues, and over 90% of foreign exchange earnings. (Ite, 2005). This dependency has given then government the chance to concentrate on oil exploration while neglecting other areas of socio-economic and infrastructural development.

In the last 40 years, China's growth rate has turned them into a major trade hub in the world. The formal trade between China and African countries began in the late 1950s. It is necessary to note that the Bandung conference in 1955 was the cornerstone of the relationship between China and Africa. The conference brought together Asian and African states. It aimed to promote Afro-Asian economic and cultural cooperation and the opposition of colonialism and neo-colonialism. Since then the bilateral and multilateral relationships between the two continents have blossomed.

China is now they are the third most significant trading partners for most African Countries. The most important trade partner for China in the African continent is Nigeria. The Sino-Nigeria relations have developed at a slower pace compared to the development of Sino-American or American-Nigerian.

Nigeria and China commenced diplomatic relations in 1971, and by the following year, a delegation led by Nigeria's top government representatives visited Beijing, where both countries signed an open-ended agreement on economic and technical co-operation and trade (Ogunsanwo, 2008:192). Since the advent of democracy in Nigeria in 1999, every democratically elected president has visited China. The friendly relations between the two countries reaffirmed at the 70th General Assembly of the United Nations in New York, where the leaders of both countries pledged to sustain bi-lateral ties and a strategic partnership (Fmprc, 2015). Under the leadership of Deng Xiaoping, China's relationship with Africa shifted from a period of indirect political and ideological support to direct support for various national liberation movements.

Nigeria's exports to China are food, crude materials, oils, chemical products and manufactured products (Zenith Quarterly 2010:72). In 2000, the primary export

commodity was mineral fuel and lubricants which represented US$ 273.7 million followed by crude minerals which totaled US$ 33.3 million, others such as vegetable oil, wax came up to US$ 0.1 million, while food amounted to US$ 0.2 million. While Nigeria's exports to China increased from US$ 307.3 million in 2000 to US$ 526.9 million in 2005, China's share in Nigeria's total exports fell from 1.5% to 1.2 in 2005 (Zenith Quarterly 2010:73)

Nigeria's total imports from China have increased from US$ 5.3 billion in 2000 to US$ 17.7 billion in 2005. In 2005, imports of machinery and transport equipment totaled US$ 1229.7 million ranked first followed by manufactured goods which totaled up to US$ 566.0 million, miscellaneous manufactured goods which sum up to US$ 290.1 million (Zenith Quarterly 2010: 73). The implications the Sino-Nigerian trade has increased since both countries started their relationship with the export of primary products to China and import of finished products to Nigeria.

China has undertaken to reduce the average tariff on agricultural imports from 22% to 15% and eliminate export subsidies and non-tariff barriers to the import of several critical agrarian goods. However, the Nigerian government did not take this initiative seriously. (Kwanashie 2007:7). China has set up over 30 solely owned companies or joint venture in Nigeria which have involved in the construction, oil, gas, technology, education, and other sectors of the economy.

According to UNTACD report (2008), Nigeria accounted for 80% of about 7$ billion inflow to West Africa and dominated by Nigeria's oil industry, and these inflows mostly originated from China. In 2007, the China National Offshore Oil Company (CNOOC)

limited made payments for a 45% stake in the Akpo oil field (UNCTAD, 2009), with an expected production of 225,000 barrels of oil per day. The entire deal offered to CNOOC was worth US$ 2.7 billion (Abbah 2006: 55). Later, Chinese National Petroleum Corporation (CNPC) received the license for four oil blocks in return for a commitment to invest US$ 2 billion in rehabilitating the Kaduna oil refinery.

In the information and communication technology (ICT) sector, the development of the national infrastructure occupies an eminent place. Nigeria's first communication satellite NigComSat-1 received financing from China Exim Bank. It was launched in May 2007 at the cost $26m, out of which China Export-Import Bank gave a loan of $200m and offered to manage it for two years. However, due to solar power assembly problems, the satellite was de-orbited on November 2008.

The modernization of Nigeria's one-track rail line to standard gauge rail project was a contribution by the Chinese Civil Engineering Construction Corporation (CCECC). The contract for this project was awarded to them (Siaka 2009:5). The Nigerian government has signed a US$ 2.5 billion loan facility with China, a substantial part of which has been used to finance the refurbishment of the railway system. This agreement was signed in 2006, and the first phrase covered 1,215 kilometers of double track standard gauge line from Lagos to Kano with a branch in Minna and Abuja. The project was completed and was able to run 36 trains per day from Lagos to Kano. (Tamen 2009: 161).

The China Exim Bank has been partly funding the thermal power stations in Nigeria, and towards the end of 2006, China was providing US$ 3.5 billion towards the contraction of

six major hydro-power projects amounting to some 6,000 megawatts (MW) (Thursday, August 27, 2010,9).

In the manufacturing sector, the Chinese investment has been in textile sector which has manifested to significant investment in industrial processing zones in a number of states in Nigeria like Ogun and Lagos states, which consists of 100 firms engaged in the light to medium manufacturing including footwear, and rubber production , ceramic processing, furniture production and household appliances. These activities have generated employment in Nigeria (Ogunkola 2008: 105).

In 2006, Chinese ships assisted the Nigerian Navy in the Niger-Delta, the government announced the purchase of a dozen FT-7NI combat aircraft from China at the cost of $251 million (Monitor, 2006).

Nigeria has become a natural market for China's exports and for imports in its quest for raw materials to sustain its growth due to the healthy population and endowment of natural resources, especially in crude oil. China and Nigeria have signed many agreements on trade, economic and technical cooperation, scientific and technological cooperation as well as agreement on investment protection (Trade Policy Research and Training Programme Report, 2008). This bilateral relationship has grown in the last decade from a limited to an intermittent contract that marked the immediate post-independence era, to an increasingly complex and expansive engagement. China is a highly productive country that needs Nigeria and other African nations' market for its exportation of cheap products as well as oil demand. Nigeria, on the other hand, needs China's industrial technology and cheap credit loans for infrastructural development.

According to the African Economic Research Consortium (AERC), the concept of the oil for infrastructure deal introduced by the former Head of State, President Olusegun Obasanjo. The initiative to induce National Oil Companies (NOCs) from China, Taiwan, India and South Korea to acquire oil blocks for the first time in Nigeria. In return for their commitment, they would invest in downstream and infrastructural projects.

Nigeria's stands at an essential position in the global oil market, and China's thirst for oil and other business interests has made way for an exponential rise in trade and foreign direct investment in the last decade.

**CHAPTER 3 : ECONOMIC VIEW OF NIGERIA**

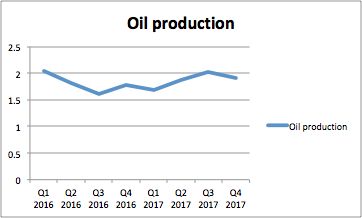
**3.1 : OVERVIEW OF THE ECONOMY**

Nigeria is a regional player in West Africa and has one of the largest population of youth in the world. This A federation that consists of thirty-six independent states, a multi-ethnic and culturally diverse society. The federated structure gives significant autonomy to states. It is Africa's biggest oil exporter and has the largest natural gas reserves on the continent. There current economic growth depends on the non-oil sector, particularly construction, telecommunications, wholesale/retail trade, hotel and restaurant services, manufacturing and agriculture.

The current administration under President Muhammadu Buhari has been aiming towards corruption, increasing security, tackling unemployment, diversifying the economy and boosting the standard of living of Nigerians as their primary policy policies.

From 2006 to 2016, Nigeria's GDP grew at an average rate of 5.7% as oil prices drove the growth. The inconsistent growth of Nigeria imposes substantial welfare costs on Nigerian households. The oil price shock in 2014 confronted the government with the challenge of building an institutional framework that can manage the unpredictability of the oil sector and supporting the sustained growth of non- oil sectors though the country has been trying to reduce its dependency on the oil sector and addressing insufficient infrastructure, public financial management systems, and human development indicators. The graph below indicates the oil production in Nigeria from the first quarter of 2016 to the fourth quarter of 2017.

The economy has grown in the second quarter of 2017 which has renewed focus on economic diversification, promoting growth in the private sector. The economy has been recovering in oil production, and there has been modest growth in the agriculture sector. According to the World Bank data the economic growth is expected from the Nigerian economy and would be driven by the recovery of oil production, sustained growth in agriculture, the positive impact of investments by different companies, and private sector actives from an improved availability of foreign exchange to support imports (World Bank in Nigeria Overview, December 2017).



3.1.1 : OIL PRODUCTION GRAPH IN NIGERIA

Source: World Bank

The economy has grown in the second quarter of 2017 which has renewed focus on economic diversification, promoting growth in the private sector. The economy has been recovering in oil production, and there has been modest growth in the agriculture sector. According to the World Bank data the economic growth is expected from the Nigerian economy and would be driven by the recovery of oil production, sustained growth in agriculture, the positive impact of investments by

different companies, and private sector actives from an improved availability of foreign exchange to support imports (World Bank in Nigeria Overview, December 2017).

There has been an increase in the growth of opportunities, which has been attempting to reduce the poverty reduction though there is still inequality regarding income. There are significant portions of the population still living in poverty, without access to necessities and they need development policies that uplift them.

The government has started to implement structural reforms outlined in the Economic Recovery and Growth Plan 2017-2020. The economic growth is expected to grow 2.8% by 2019. The World Bank Group (WBG) has been collaborating with Nigeria since the country has adopted a democratic rule. There have been helping Nigeria through a few policy initiatives. They are through promoting diversified growth and job creation. The increasing work opportunities for women, youth and the poor in a few areas. They have been trying to strengthen governance and public sector management with gender equity. There has been an enhancement engagement in the conflict-affected Northeast Nigeria. They have also set up advisory commissions aimed at agricultural productivity.

The United States is the largest foreign investor in Nigeria, with U.S. foreign direct investment concentrated mainly in the petroleum and wholesale trade sector. The principal exports from the US to Nigeria include wheat, vehicles, machinery, and refined petroleum products. Nigeria has been eligible for preferential trade benefits under the African Growth and Opportunity Act (AGOA). The chief imports to the US from Nigeria include cocoa, rubber, and antiques.

The headquarters of the Economic Community of West African States (ECOWAS) is located in Abuja. Nigeria represents nearly 70% of the 15 country ECOWAS GDP, and they are primarily responsible for the decades of developing a common external tariff for the protection and flexibility of the tariff system. (Export Government, November 2017). Nigeria has been a profitable market for companies that can afford and learn to steer a complex and involving business environment. The government has been promoting the country as a target for Foreign Direct Investment (FDI). The foreign capital flows into all significant sectors of the economy by the United States, Canada, France and China being the primary sources. China has been an active contributor to infrastructure and capital projects in the country.

Nigeria is still facing significant challenges, including foreign exchange shortages, disruptions in the fuel supply, power shortages. President Buhari has proposed a 16% increase in spending this year to 8.6 trillion Naira, which was 7.4 in 2017. This strenuous spending is focused on the construction of roads, ports, and power supply (Nigerian Budget Office). Policy makers have adopted a system of multiple exchange rates, including a trading window for foreign investors known as Nafex which has attracted more investment into the country and narrowed the gap between Naira's official and the black market rate.

There has been an increase in the availability of foreign currency that has helped the Nigerian inflation rate fall from the record level it reached in 2016. This availability has created scope for the central bank to start lowering its key rate.

**3.2 : DESCRIPTION OF NIGERIA’S RECESSION PERIOD**

Every country is affected by the business cycle which refers to nationwide fluctuations in production, trade and economic activities in general. Nigeria's economy has gradually shifted from economic buoyancy to economic recession due to the totality of individual factors, and there is a chance that if stern measures are not taken then the shift from economic recession to economic meltdown will take place. Nigeria is the hub of West Africa's economy and has remained stagnant following the declaration of the global financial crisis. The global financial crisis was a significant concern for political leaders, economists and financial institutions across the globe. In Nigeria, things turned austere in 2016 when the extended period of recession surfaced. Unemployment had drastically increased, the price of goods and services increased, and there was a decline in purchasing power. Some multinational companies relocated to neighboring countries.

Before the global financial there was an economic boom between 2003 to 2007 during which the world economy was growing at an average 5% per annum. The financial crisis resulted in the collapse of the housing market in the United States, the financial regulatory conditions, the lack of implementation of strict corporate governance conditions in the United States and other developed economies (Krugman, 2008). Nigeria faced an oil boom cycle from the late 1970s to the beginning of this century, however, in the last decade the economy has faced prolonged stagnation which became prominent in 2015. The global financial crisis accompanied this deterioration.

The massive increase in oil revenue is the aftermath of the Middle-East war of 1973, which created unprecedented and unexpected wealth for Nigeria. In order to make a conducive business environment, the government invested in infrastructure across the country, especially in urban areas. This investment gave rise to the service sector, which grew. The national currency of Nigeria, Naira strengthened as foreign exchange inflows outweighed outflows and foreign reserves were built up. Till 1985, the Naira was stronger than the US dollar, which encouraged import-orientation consumption. Over time this turned Nigeria into a net importer and became a significant problem when oil earnings decreased with lower international oil prices. (Oladapo and Fabayo, 2012).

For the economic diversification of the country in different areas like agriculture, manufacturing, education, an innovation, and other areas. This would improve the conditions of the economy. The agriculture sector in Nigeria is a declining sector. The value added is falling compared to the manufacturing and services, based on the falling employment rate. The encouragement by the government to engage the youth in the agriculture sector would improve the condition of this sector since the youth occupies a large percentage of today's population.

As the world progresses from the Third Industrial Revolution to the Fourth Industrial Revolution, Nigeria falls behind. According to the National Bureau of Statistics, 2016 was a tough year for the manufacturing sector in Nigeria. There has been a decreased in foreign reserves which dropped from $30bn during the fourth quarter of 2015 to about $29bn in the first quarter of 2016. The decline in foreign reserves accompanied the decline in the price of crude oil which is Nigeria's primary foreign exchange earner

In the Nigerian manufacturing sector there are thirteen activities, which includes: oil refining, cement, for, beverages, tobacco, textile, apparel, footwear, wood and wood products, pulp paper and paper products, chemical and pharmaceutical products, nonmetallic products, plastic and rubber products, electrical and electronic, primary metal and iron and steel and motor vehicles and assembly. Manufacturers have been struggling between balancing the mounting output cost pressure and the inflationary pressure contained on consumers by the rising price of products.

There are a few economic policy approaches that would help the economy to recover from this recession. The Central Bank of Nigeria should create a new department responsible for financial stability. The government should collaborate with foreign technical experts to earn from experiences and insights which would help develop policy frameworks for possible financial contingencies. This policy framework can be in the form of a capital deficient bank, which would encourage the restructure and raise additional capital from private investors and not from the government.

The Nigerian Association of Chambers of Commerce, Industry, Mines, and Agriculture (NACCIMA) has assured the nation's manufacturers that the National Assembly is trying to ensure maximum patronage for their goods and services by government agencies and customers. In other sectors like education, research and innovation, which are essential pillars for vibrant economies, therefore, for Nigeria to compete with the rest of the world, then there must be a drastic change in these sectors through greater incentives. The government should invest in education and skill training. The leading factor of production in the new world economy is technology, knowledge, creativity, and innovation. The quality of human capital now determines the wealth and progress of a nation.

The way forward from this recession would many drastic changes made by the government. One of the significant ways the government can start off is by reducing tax rates on individuals, small businesses, and corporations. The reduction would encourage foreign investors by increasing the inflow of dollar in the Nigerian Economy and solving the high exchange rate problem. Another way is through strategic spending by the government on the agriculture and manufacturing sector would increase the aggregate demand. Investment in the IT sector would enhance the skills of the people. This sector is a neglected part of most African countries. The biggest challenge in Nigeria is the unemployment. If the government collaborates with private organizations, this can help to organize entrepreneurship and skill acquisition programme. It would make Nigeria one of the fastest growing economies in Africa. The other ways to get out this recession period would be increase manufacturing produce and export, improving the health sector, and education.

This paper will try to highlight the changes the Nigerian economy has faced since the emergence of Chinese companies in the economy. The economy is in the recovery stage from the devastating recession period, and there have been significant efforts by President Buhari to bring Nigeria out of this.

**Chapter 4: Presence of China**

**4.1: CHINA’S EVOLVING GROWTH MODEL**

This model is based on the China investment share regarding their GDP. During the 1970s China shifted from a planned economic model known as a gauge kai-fang, which means the system, open the door towards a gradually opened up sectors of the economy, including manufacturing, international trade, and foreign direct investment. China’s rapid growth was initially based on its domestic market, specifically in the increasing consumption by households and government. There was room for a domestic private sector to grow alongside the foreign-invested companies. The privatization of some state enterprises took place, but the important sectors such as finance, telecommunications, media, and transportation were still under the public sector. With the help of foreign firms, China connected with global markets and was responsible for much of its exports. The Chinese growth model is in some ways based on the earlier experiences of Japan, South Korea, and Taiwan. Manufacturing exports served as an engine of growth for the economy.

These economies grew at about 10% per year with investment rates that lingered at about 35% of GDP. From the 2000 China’s investment rate was around 35% gradually the investment rate increased to 40%, and the 2010 investment rate went unto 50% of GDP. However, after 2010, there has been a drop in the investment rate. In 2012 it dropped to 46.7%, in 2014 42.3%, in 2016 43.5% and by 2018 44.9%. The table below illustrates the percentage of China share in investment regarding GDP.

Source: Various sources (Zenith Bank, IMF Report, World Bank data)

Some factors explain China’s investment growth model. Their exports increased after China joined the World Trade Organisation in 2000, which increased the investment in manufacturing plants and equipment. This investment model generates demand for energy and natural resources. The construction part of the investment has considerable amounts in iron, copper and copper metals. China’s rate of investment needed to be sustained, there was an increase in the import of large quantities of petroleum, iron, copper, zinc, and other metals.

In 2011, China’s investment slowdown since the problem with investing at such a high rate was that excess capacity inevitably develops, pushing down the return on further investment. The government invests in specific infrastructure projects but tries to prevent an increase in government debt relative to GDP. China has faced a slow down in real estate and infrastructure construction, which has led to the low capacity manufacturing outputs. This shortfall is seen in the steel and cement sectors. Since 2011 to 2015 their investment has been stable. In 2016, there is a 3% increase in their investment. Exports are the key driver of the economic growth in 2017.

**4.2 : PATTERN OF INVESTMENT**

Many researchers have viewed that the Chinese have a baffling way of investing in developing countries. This chapter is the most important chapter of this thesis because it highlights the main topic, analysis the pattern of investment in Nigeria, the reason for investing in Nigeria, the different sectors, support from the Chinese government, and the impact of these investments on the Nigerian economy. The last part is brief since the primary emphasis is to highlight the main aspects of Chinese investments and conduct in-depth analytical research.

The Chinese's interest in the African continent is peculiar. When Western countries started investing in the African continent, their perception was that every country on the African continent had a similar economic market whereas the Chinese blended into the different economic markets of each country. The growing presence of China's business sector in Nigeria has created a combination of optimism, concern, and puzzles. Optimism derives from the increased investment, which is critical for accelerating the economic growth in Nigeria. Concern arises from the general perception regarding the Chinese involvement in Africa (both state and private sector).

Chinese state-owned enterprises (SOEs) and private investment are well established in the Nigerian economy. While conducting this research, it was interesting to know that the Chinese state-owned enterprises are competing with other state-owned enterprises in Nigeria and the same goes for the private investment in Nigeria. The competition among the Chinese is fierce, and their biggest rivals are themselves and not the Western counterparts.

There are three main reasons why Chinese arms have gone to Nigeria. First, to start development projects. Firms that can enter the Nigerian markets early through development assistance projects gained an advantage to learn about local markets and use their familiarity to make subsequent investments. Second, appeal manufacturers established processing factories in Nigeria to increase their sales and for some of these, the idea was to circumvent the United States and the European Union (EU) protectionist trade restrictions on products from China by changing the country of origin of their goods and gaining access to these developed markets under their preferential trade agreements with Nigeria. Third, investments involved in oil, gas and other resources to export to China.

Investments made by China's private firms overseas in large markets have provided them with relief and relatively less intense market competition from local firms. Since 2005 there has been an acceleration of private companies in various sectors and continued expansion of SOEs. These companies act autonomously from the Chinese government's policy frameworks and existing bilateral agreements.

The majority of the Chinese private firms in Africa are Small and Medium Size Enterprises (SMEs). These enterprises are highly flexible and adapt to the local conditions. A strong entrepreneurial spirit characterizes these SMEs. They engage themselves in risk-taking ventures with a powerful work ethic. Chinese entrepreneurs are willing to into areas where the profit margins are shallow, to begin with, and supply chains are weak. The outcome in the long term is that it becomes strategically useful to expand into leading positions. Most firms from research conducted have indicated the following:

First, to put emphasizes on the need for flexibility and adaptability to make changes in the market. Second, the need to seize the opportunity. They have changed the concept of risk. For instance, when Western firms see ‘risk,' the Chinese entrepreneurs see ‘opportunity.' In other words, the real opportunities are the same, but the Chinese think in the long-term, with hard conditions of work and lower profit margins in the short run. Their main aim is to consolidate their position in existing markets and expand into new markets. It is a long-term strategy for entrepreneurs creating opportunities. Most of these private firms are highly concentrated in origin, as the majority comes from several Chinese provinces and coastal regions: primarily Zhejiang, Guangdong, Fujian, Jiangsu, and Shandong.

**4.2.1 : THREE - JUMP PATTERN**

This section gives a clearer picture of their investment pattern. Many top Chinese firms have been following this pattern with their investment in the African continent, but this research will be focusing on Nigeria. There is no doubt that Chinese firms blend with ease into the economic markets of the African countries but there is a pattern they follow with their investments. This pattern may have marginal variations, but this pattern is the basis for their investment. In the first stage, most firms began with trading in Nigeria, which would lead to their decision to invest. Where local supply infrastructures are weak, these firms have to source most of their parts and equipment from China and other countries. This leads to the second stage, which leads to the elements of trying and investing which continues to be interactive because of the weakness of local infrastructure. After the initial stages of trading and investment, the investment matures into the establishment of industrial parks, which is the third stage. The experience of the Chinese baggage manufacturing company is a suitable example. The firm began trading with Nigeria in 2000. After three years it established its factory in Nigeria.

The Nigerian Government has implemented specific regulations for the prohibition of imported manufactured products. This regulation was a critical factor in the company's decision to move from a trade relationship to set up its local factory until a well established local supply chain can be developed, partly in conjunction with the company through a few parts had to be imported in order to complete the production process. The company's primary market is the Nigerian domestic market, and it brings export revenues for Nigeria by exporting its locally manufactured goods to there in African countries such as Ghana, Abidjan, etc.

Industrial parks have become a pattern for Chinese private firms to invest in Africa. In an interview with the CEO of the Yuemei Group, which is a well-known textile enterprise in China, his company followed this pattern to enter the Nigerian market. The first jump is to establish a trading post; the second is to invest in the country to build a local manufacturing factory, and the third is to create an industrial park. The company has invested over $50 million to contract a Yuemei Nigeria Textile Industry Park. This industrial park was the first textile industry park set up outside China. China has followed this pattern not only in Nigeria but also in other developing countries in Africa and Asia.

**4.2.2 : LABOR SOURCE**

Private investments in Nigeria have provided opportunities for the local labor. In general, Chinese companies employ local workers for production, whereas the Chinese nationals are in managerial positions. The percentage of the local labor force is high. For instance, the Haitian Suitcase and Baggage Company in Nigeria, some 93% of the workforce are the locals. It is also because of the African law restrict the import of labor. The role of the Nigerian government or rather the African government is significant because most companies prefer their managerial staff from China, but they cannot get work permits for them because of the Nigerian regulations.

**4.2.3 : COMPETITION**

Chinese firms tend to compete fiercely among themselves rather than with other foreign or local firms, which they can outwit easily regarding the cost of their products. There are weak linkages between Chinese firms and local African firms, which influences the extent to which technological transfers and a significant knowledge on conducting business, which can prove to be successful. In the last few years, Chinese companies have set up Mandarin schools to train the locals to speak their language. They have also provided opportunities like scholarship programs for Nigerians. The numbers of Mandarin schools have increased in the last five years. This has given Chinese companies an opportunity to understand the culture and working ethic of the Nigerians. Chinese investors are always one step ahead of their Western counterparts. They always prepared for the challenges and the problems they might face.

**4.2.4 : WHY NIGERIA?**

According to many surveys conducted the increase of Chinese private and state investment in Nigeria is a result of domestic as well as global factors. For the private investment, there are five main motives, which have are as follows:

1- access to local markets; 2- intense competition in domestic markets; 3- transfer abroad of excessive domestic production capability; 4- entry into new foreign markets through exports the host; 5-taking advantage of the African regional and international trade agreements. The founder of Goodwill Ceramics said in an interview that, Chinese labor is costly that is one of the main reasons they are moving to different parts of Africa for labor purposes. Chinese investments started in the African continent around the 1950s, but their investments in Nigeria began from 1980s after the Chinese government insisted on investing in Nigeria and when interviews asked Chinese entrepreneurs on why they picked Nigeria, they responded by saying that Nigeria is like China in the 1980s and is full of commercial opportunities. Others responded by saying that Nigeria is the second largest economy in the African region. Nigeria also serves as the way to achieve access to the West African-regional sun market.

Chinese investors do face some constraints with their investments, which become problematic factors. There are constraints on importing, poor infrastructure, weak macroeconomic management, and labor regulations following the lack of skills in the labor force. Unlike many Western investors, corruption, crime, and bureaucracy were not the most significant drawbacks.

What is interesting to understand is how did Chinese investors learn about the market opportunities in Nigeria? There are two possible sources on how they obtained this information, first is through networking, conducting research and understanding from other trading experiences. Second through the central government, Chinese embassy, local Chinese business community, and networks in China and other parts of Africa.

**4.2.5 : Support by the Chinese government**

The central level exhibits strong enthusiasm and emphasis on China- Nigeria relations. On a provincial and local level, the enthusiasm is less, but they are open to sharing their knowledge and making others understand their culture. Moreover, many local firms and enterprises do not have much knowledge of policies relating to investing in Nigeria. Most Chinese private investors have more opportunities than challenges in investing outside China. During a series of interviews conducted many entrepreneurs and private firms identified the "going global" strategy, industrial structural adjustment, transfer of production over-capacity and trade zones provision as a primary factor. These factors contribute to the growth and development of their business in Nigeria and other parts of Africa through this had been contradicted by a few Chinese Managers that have established themselves in Nigeria. This is because China's ‘Going Out Strategy,' which is investing abroad, was a major step in China's economic and diplomatic expansion, which was achieved with the accession of China to the WTO in 2001. This has encouraged and supported firms with a comparative advantage to invest overseas. The strategy has a significant meaning for China in strengthening the competitiveness of Chinese enterprises by facilitating the search for natural resources, encouragement of high efficiency through mergers and acquisitions, advanced technology, enhancing industrial research and development, and transcending trade barriers.

This strategy included a wide range of practical measures t promote overseas investment like financial support and information dissemination.

The Chinese government in the last decade has provided a range of state-sponsored promotion factors for Chinese private investment. This includes special, general tax incentives, credit and loans, and a favorable import and export regime. The central government promotes small and medium enterprises for exploring overseas markets through the ‘Small-Medium Enterprises International Market Development Fund.' Today, the SMEs are essential for the Chinese economy, and they make up about 97 percent of the total enterprises in China.

Chinese investors and enterprises have been facing the significant challenge in a perceived gap between policy formulation and policy implementation through the lack of knowledge and communication have reduced significantly in Nigeria through the presence of Chinese Schools in Nigeria and the scholarship programs given to Nigerian students. Investing firms see Nigeria and other parts of Africa as an opportunity to be risked rather than perching it as problematic investment ground. Chinese firms in Nigeria have expressed their views on how the Chinese government can support their operations in Nigeria and other parts of Africa. A few of the suggestions were:

1- The need for official organizations to provide active support for investments

2- Increase bilateral and multilateral free trade agreements

3- Simplify procedures and regulations for Chinese firms to invest overseas

4- Provide loans from the EXIM Bank, Development Bank and other banks' overseas.

The Chinese government took up most of these suggestions. China has increased its bilateral and multilateral free trade agreements in the last decade. Almost every country on the African continent has a free trade agreement with China. When it comes to the simplifying the procedure and regulations for Chinese firms that have been implemented by the government.

**4.2.6 : Industrial, Social and Environmental Development**

Chinese investment is providing an upgrade to the Nigerian role in global manufacturing value chain. From the research conducted it is evident that China is of the opinion that if they can move up the global manufacturing value chain then so can Nigeria, other African, and other developing countries. However, China has shown more interest in Nigeria than any other part of Africa. Many Chinese enterprises have relocated to Nigeria to provide opportunities for local enterprises to learn from the Chinese experience, grant them access to Chinese value chains to access the global value chains in the global economy.

Chinese private investment delivers potential befits which range from providing an essential source of additional investment capital at a time when Aid alone was unable to meet Nigeria's shortfall for employment opportunities, to contribute to poverty alleviation, generation of significant multiples effect through the local economy by utilizing the provision of local management expertise to engage in technology transfers and to inculcate production, management, distribution, and marketing skills and innovation knowledge.

Kragelund has pointed out four factors that could have an impact on development in the host economy, a- the investment motives of the investing firms; b- the time horizon of the investment; c- the extent of linkages to other firms in the economy; and d- the capacity of the local firms to absorb silvers and face competition (Kragelund, 2007). According to researchers, these four motives are even relevant today to every country that has investments in different countries. Regarding the first three factors, investment motivation, evidence from the interview survey of the CEOs of private Chinese firms investing indicates that Chinese firms in Nigeria are market-driven. Their investment motives reflect both in intense competition, which can is witnessed in the Chinese and Nigerian marketplace. The enterprises identify the growth potential.

There is a cause for concern where the provision of an inward investment regime is either weak or rejected as a development option by a host government, then the opportunities for technology and knowledge transfers are made more limited. There is a need for the Nigerian government to polish their investment regimes to a new situation presented by the Chinese investment. The absence or failure by the shortage of local business personnel with technical experience or knowledge would be disastrous. The perception of lack of skilled workforce is a typical feature of the African investment by everyone, not only the Chinese but also Western investors though the Nigerian government has taken the necessary measures to provide vocational and training in IT, engineering and other fields there is still a long way to go.

When it comes to Social and Environmental development, Chinese firms have been subjected to scrutiny and criticism regarding the lack of corporate social responsibility, which ranges from failure over labor rights to environmental neglect. Most of the Chinese companies have generated the same kind of environmental damage and community opposition that the Western companies have given rise to around the world. A part of the cause of the problem can be traced back to China with the issues of corporate social responsibility in a domestic situation. China's dramatic economic growth came with a high environmental cost with their corporate social responsibility, which was considered a lower priority for the government in the past and has not been given the importance it deserves. This has continued with Chinese firms established in Nigeria though there has been an emphasizes by the Chinese government on ‘scientific development of sustainable development' by nothing has been drafted or implemented yet.

Nigerians businessmen in China stay for a short period and are concentrated in large industrial centers. An official from the Nigerian Embassy estimated that there are around 3000 Nigerians in the Guangdong Province alone. Many are traders sourcing products to sell in the Nigerian market while others work with Chinese companies importing raw materials from Nigeria. Nigerians travel to China to teach English (Politzer, 2008). To foster cultural exchanges and Chinese language learning, China has opened two Confucius Institutes in Nigeria. The first was established at the Nnamdi Azikiwe University in 2008 in partnership with China's Xiamen University. The second Institute opened a year later at the University of Lagos in co-operation with the Beijing Institute of Technology. The activities of the Confucius Institute include administering Chinese proficiency examinations, organizing language and cultural exchanges, translation services and providing information for students wishing to study in China (Edukugho, 2009). The Chinese Embassy in Nigeria has also set up a Chinese language center in Abuja to teach Mandarin Chinese as a second language to students of all ages.

There have been thousands of Chinese firms who have failed to reach the new green standards, and most of them have just relocated to other countries mainly in the African continent where regulatory requirements are less stringent and less severely enforced. Some Chinese firms are the exception and have responded positively towards the consideration of social responsibility including environmental challenges in China, Nigeria and other African countries that they have established themselves. There is a history of degradation from oil extraction in the Niger Delta, Nigerians are sensitive to the environmental implications of China's growing involvement. China's appetite for energy resources and its poor environmental track record at home have raised concern among conservation groups in Africa. Civil society groups fear that Beijing's political unconditionally will extend to the environmental realm and maximizing profits will be prioritized ahead of environmental concerns.

In 2007 Exim Bank issued environmental guidelines for projects to receive funding. The bank stipulated that all projects must comply with the environmental laws of the host country, although it did not require them to meet international standards. China maintains that commitment to helping African countries face environmental challenges, and analysts have pointed out that China is a world leader in renewable energies that could be instrumental in powering rural Africa. China has also been providing training on environmental protection and has set up the UNEP China-Africa Environmental Centre to explore opportunities for co-operation on conservation.

China follows the eight principles of Economic Aid and Technical Assistance, namely, 1-a relationship built on equity and mutual benefit; 2- reverence for sovereignty, territorial integrity and non-interference in other countries' domestic affairs; 3- provision of interest-free loans or low-interest loan with flexible repayment; 4- increase in recipient's income and capital accumulation through completing projects with less investment and faster results; 5- economic development and self-reliance of recipient countries; 6-provision of guaranteed high-quality equipment and other affordable manufactured Chinese products to developing nations; 7- provision of technical assistance; 8- equal treatment for displaced Chinese construction experts and the recipient's experts. This has been significant in Nigeria, other parts of Africa and other countries that China aids.

**4.2.7 : Bilateral Investment Treaties**

Bilateral Investment Treaties (BITs) are necessary instruments for promoting and increasing the flow of foreign investment between countries. BITs have constituted a regulatory structure designed to stipulate terms of a relationship between host countries and foreign investors in conformity with specific international standard norms. The bilateral agreements between Nigeria and China began in May 1999 after Nigeria returned to a constitutional democracy; former President Olusegun Obasanjo visits China in 2001 and 2005. These visits yielded benefits to both nations. In 2001, Nigerian and Chinese leaders signed agreements on trade, investment promotion, this lead to sincere friendship, mutual trust, mutual economic benefit and joint development for both countries.

In 2002, the two governments signed the agreement for the avoidance of Double Taxation and the Prevention of Fiscal Evasion concerning Taxes on Income. In the same year, they signed the agreement on Consular Affairs, the agreement on cooperation on strengthening management of narcotic drugs and the agreement on tourism cooperation. Both nations also agreed to establish a strategic partnership, which features political trust, mutual economic benefit and mutual support in international affairs. In 2005, Nigeria and the Republic of China signed a contract for the construction of water schemes in 19 states and the Federal Capital Territory (FCT). The following year they signed for agreements and Memoranda of understanding (MOU) on a range of programme to enhance their economic ties, concessionary export grants to support the development of infrastructure by the China Export-Import Bank.

**4.2.8 : Investments in Nigeria**

The Nigerian-Chinese Chambers of Commerce founded in 1994 which paved the way for China Civil Engineering Construction Corporation (CCECC) who signed a $529 million contract to rehabilitate the Nigerian railway system in 1995 (Izuchukwu, 2014). Five years later the first ministerial conference of the Forum on China-Africa Co-operation was held in Beijing. The same year CCECC was awarded the tender to build 5,000 housing its for athletes participating for the eighteen annual All-African Games in Abuja. The following year in 2001, the two countries signed an agreement on the establishment of Nigeria Trade Office in China, China Investment Development and Trade Promotion Centre in Nigeria. The Nigerian Investment Promotion Commission (NIPC) has around 92 manufacturing projects registered in their database. Most Chinese firms often establish a new local subsidiary with a different name when they invest abroad.

From 2003 to 2007 the Sino-Nigerian Relations intensified further when the former President Hu Jintao and former Prime Minister Wen Jiabao of China visited Nigeria while President Obasanjo visited China twice. In 2006 the inter-governmental Nigeria- China Investment Forum was founded, and it increased the growing number of Chinese companies in Nigerian projects. In 2003 the China-Lagos Industrial and Commercial Federation were established to help Chinese business navigate legal, social and security matters and to encourage a climate favorable for further expansion. This organization published, "West Africa United Business Weekly,' the first Chinese Language newspaper to circulate in the region. In 2006, the former President Obasanjo secured an agreement with the Chinese government to built a massive 2600 MW hydroelectric power station at Mambilla, in Taraba State. The contract was given to the Gezhouba Group Corporation for $1.5 billion.

Many Chinese multinational companies won significant contacts in Nigeria, particularly in telecommunications, construction, transportation and power supply. By the end of 2008 the Chinese Ministry of Commerce, the total volume of Chinese investment in Nigeria which is about $6 billion. During the global economic crises of 2008-09, the significant expansion in China's engagement in Nigeria continued. While some foreign investors moved out of Africa, Chinese firms were encouraged by the Chinese government to expand their overseas operations. Chinese FDI continues to follow in Nigeria and other parts of the continent. According to UNCTAD, Nigeria is the nineteenth greatest recipient of FDI in the world (UNCTAD Report, 2009). In 2013, the Chinese government invested $1.1 billion in Nigeria's infrastructure in the form of low-interest loans. The loans were being used in the construction of four airport terminals in the country and a light-rail line in the capital city Abuja, with an additional $1.7 billion contract that Chinese companies won to contract road in the country.

There have investments in various sectors in Nigeria by Chinese state-owned enterprises and private investment. In recent years Nigeria has become one of China's essential telecoms market. The two most significant players in the country are state-owned enterprises which are Zhong Xing Telecommunication Equipment Company (ZTE) and Huawei. The principal advantage of the Chinese companies is their competitive pricing. ZTE entered the Nigerian market in 1999 and had a handset factory in Abuja and offices in seven different cities- Lagos, Ibadan, Port Harcourt, Kaduna, Bauchi, Jos and Maiduguri (Egbula, 2011).

Two essential trade zones in Nigeria highlight the significance of Chinese investments in Nigeria. The Lekki Free trade Zone is the first one which occupies 165 square kilometers on the Lekki peninsula, which is about 60 kilometers southeast of Nigeria's economic center (central Lagos). This is a joint venture between the Lekki Worldwide Investments, a private company established by the Lagos State government and China-Africa Lekki Investment Ltd., a consortium of four Chinese enterprises that includes the China-Africa Development Fund. The Chinese consortium assumes 60% ownership, and the Lagos State government, which hold 20% equity. The Chinese investors provided $200 million in funding, and the Lekki Worldwide Investments injected an additional $67 million. The Lagos State government was responsible for providing land and infrastructure as well as relocating and compensating villagers displaced by this project. Developers intend for the zone to specialize in transportation equipment, home appliances, telecommunications, textiles and other light industries. The site also includes real estate operations, media centers, hotels and recreational facilities. The Chinese State Construction Engineering Company has been contracted to build an oil refinery on the premises, and there are plans for a deep-water seaport within the zone along with a new international airport. However, the plans for the oil refinery are still underway, the plans for the deep-water seaport and the new international airport have not been passed yet. The Lekki Free Trade Zone is the largest West Africa and involves local involvement in the management of the zone.

The Ogun Guangdong Free Trade Zone (OGFTZ) is the second, which covers an area of 100 square kilometers in Ogun, a southwestern Nigerian state bordering Lagos state. This site is 30 kilometers from the Apapa seaport and Murtala Mohammed International Airport. The publicly owned China-Africa Investment Co, a unit of Guangdong Xinguang International Group holds 82% of equity with the remaining 18% held by the Ogun state government. This project has a particular focus on construction materials and ceramics, ironware, furniture, timber processing, pharmaceuticals, computers, and lighting. By late 2010, twelve companies had registered and began operations in this area (Egbula, 2011).

There is another free trade zone in Nigeria which is the Calabar Free Trade Zone situated in Cross Rivers State was established in 2001as the first and largest by volume and revenue-free trade zone in Nigeria at the time. Now the largest is the Lekki Free Trade Zone. The Calabar is home to a large number of manufacturing enterprises which comprised 27 of the 74 operating businesses on site as of 2014, out of these nine were Chinese. These included Bao Yao Group operating since 1999, which produces iron rods and billets. Other enterprises include textiles and electronics with some assembly firms producing appliances and automobiles such as the First Automotive Works (FAW's) in China, which are heavy-duty trucks. There is a little sign of sectoral clustering among the Chinese firms. Bao Yao Steel has no competition in the southeastern part of Nigeria, and the three other appliance and electronic firms operate as part of the same company, Skyrun International. Agriculture dominates the Cross River State, and the Free Trade Zone is part of the state strategy to expand into industry, manufacturing and primary processing.

Besides the Free Trade Zones the other sector that receives attention from Chinese investments. There have been experts from China training Nigerian farmers on technologies and techniques to boost production. This South-South Co-operation initiative between China, Nigeria and the Food and Agricultural Organization (FAO) aimed to send 500 Chinese experts to Nigeria to help improve food production and water management. China has already sent nearly 400 experts to work on the construction of small dams. Nigeria and China have also signed an agreement to boost agricultural co-operation. This agreement was signed in 2011 to enhance food security in both countries. China has promised Nigeria technology and expertise with the primary aim of boosting the production of cash crops, such as cocoa, soybeans and palm oil which are in high demand in China.

Chinese presence in Nigeria manufacturing sector is prominent. The three primarily Nigerian manufacturing hubs are concentrated in Nnewi and Onitsha (Anambra State). According to the New Chamber of Commerce, there are 11 manufacturing firms in the region with a Chinese partnership involved. There are a few investments by Chinese firms that have not been advertised by the media because the amount of information available is limited. The city of Onitsha has a river port and a large urban market with favorable climate conditions to attract investment. Most of the industries in this city are relatively small with partnerships with other Asian countries, including Singapore, Malaysia, and Korea. There is a higher presence of Indian and Lebanese firms in Onitsha. A few interviews were conducted by researchers to understand why the presences of Chinese investors are less in this region though there were no concrete answers to that question.

There are different sectors of where Chinese Investments are growing. The investments reflect typical entry-level industries:

1- Furniture- The furniture industry in Nigeria is highly granted with the largest firms holding a market share of around 5%. The two largest firms are Bedmate and Lifemate, which is Nigerian, and the other is Chinese. The two firms have overlapping ownership but run independently. The smaller Chinese firms such as Winghan in Ogun state produce sofas and more functional furniture.

2- Steel and construction materials- There are five Chinese steel manufacturers are registered with the Nigerian Investment Promotion Commission (NIPC) operating in Ogun, Edo and Lagos states.

There are Chinese steel manufacturers who are not registered with the NIPC; some of these industries are the Federated Steel Group in Ogun state and the Bao Yao Steel in Calabar Free Trade Zone. The Hong Kong-owned Lee Group and WEMPCO also own steel factories. A few Nigerian small firms have partnerships with Chinese suppliers, including Cutix, which specializes in telecoms cables and other electrical materials, Jocalis Aluminium and Peter Ventures Industries.

3- Food and beverage- this industry has been identified as a fast-growing area of Chinese manufacturing investment.

The Nigerian firms Kotec Group and Stine Industries, market competitors in Anambra for processed foods such as noodles, and bottled water have technical partnerships with Chinese machinery firms that provide training and support in the production process.

4-Automotive assembly- Two Chinese firms are involved in the assembly of heavy-duty trucks: FAW in Calabar and Jinan in Lekki. This is considered a promising area for future Chinese Investment given Nigeria's automotive policy, which applies a 70% tariff on imported vehicles creating strong incentives to move the automotive assembly to the domestic market. Technology linkages between Chinese and Nigerian girls are visible in this area.

In Nnewi, the Nigerian auto manufacturing has a reputation of being a trading hub with Chinese firms. The Innoson Vehicle Manufacturing and URU industries both have a technical partnership with Chinese firms. The Shaman Motors, which produce heavy-duty trucks, has partnered up with the Weichai Group from Shaanxi province to move toward manufacturing their vehicles domestically.

Textiles and Plastics have received a significant contribution by Chinese small and medium enterprises. Chinese and Nigerian traders have increased their trading fabric and clothing, which was once a declining field has now increased in the last two years. An exciting feature about the manufacturing ways of the Chinese is that they do not necessarily operate in the same sector that they operate at home in China; instead, they often manufacture an entirely new product. The decision to shift products is based on their analysis of market potential rather than their own experience.

There is one particular sector that still has not received the attention it deserves that is China's space cooperation. China has launched a Chinese-manufactured communications satellite into orbit on behalf of Nigeria. This marked the first time China has built a commercial satellite and put it into orbit on contract for another country. The launch took place from the Xichang space center in southwestern Sichuan province. This was viewed as a sign by China increasing prowess in space and its determination to be among the world's great powers seeking to utilize the reaches of outer space for benefits on Earth. This launch was a symbol of China's board network of economic relations with Africa (Cody, 2014).

The Nigerian Communication Satellite or NIGCOMSAT-1 was part of $311 million deal signed between China and Nigeria in 2004. This satellite was used to expand cell phone and Internet services in central Africa.

The Nigerian government budget provides a small fraction of funding necessary for all its planned infrastructure projects. Significant financial resources come from China and more specifically from Chinese state-owned banks. China has become an increasingly important factor in the financing of infrastructure projects in Nigeria. The primary lender is the Export-Import Bank of China Exim Bank who have been financing the projects of Chinese Multinational Corporations. The significant role Chinese investment played in Nigeria became evident when the Central Bank of Nigeria introduced the Chinese Yuan as a trading currency in the domestic, foreign exchange market. Nigerian banks offer accounts in Yuan to customers doing business with China. The Nigerian media report that the move has encouraged Nigerian banks to seek a new partnership with Chinese financial institutions. China holds a 20% stake in the South African's Standard Bank, which is, also has a presence in Nigeria. There is widespread speculation that Beijing is looking to gain greater footing in the sector, either by opening a branch of a Chinese financial institution or by acquiring shares in a Nigerian bank.

In 2017, the Nigerian National Petroleum Corporation (NNPC) announced the implementation of a new commercial model, which allows private investors to invest in restoring the operational efficiency of the country's refineries (Ventures Africa, 2017). Nigeria is an OPEC member and Africa's biggest oil producer. It relies on crude sales for 70% of national income, but its oil and gas infrastructure needs an upgrade. The country's four refineries have not reached full production because of poor infrastructure, poor maintenance which causes to rely on expensive imported fuel for 80% of the energy needs. The NNPC has signed many Memorandum of understandings (MoUs) with Chinese companies worth over $80 billion which will be spent on investments in oil and gas infrastructure, pipelines, refineries, and power facility refurbishments.

In 2017, China started investing around $40 billion in the Nigerian economy after a bilateral meeting conducted in Abuja. This investment was an added investment to the $23 billion projects that were still on-going (Nan, 2017). Each year the investment between China and Nigeria has been increasing. In 2017, a Chinese envoy started investing around $1.3 billion Lagos-Ibadan railway project, which exhibited China's company on Nigeria's development. Chinese companies also proposed $326 million on 30 rice mill projects in various parts of the country. The China EXIM Bank funded $984 Zungeru hydro-electricity project the same year.

In 2018, Chinese companies have invested over $16 billion in Nigeria's telecommunication industry. The Nigerian Institute of International Affairs (NIIA) has collaborated with the Chinese Embassy and Huawei Technologies. These investments have been considered as a foreign direct investment (FDI). In July 2018, the Abuja Light Rail Project was inaugurated with the investment of Chinese government.

The oil infrastructure agreements between Nigeria and China have given the Chinese the exposure to the Nigerian oil sector. The oil for concession agreement for infrastructure development to gain access to the Nigerian crude oil to purchase oil reserves invest in buying equity shares in oil blocks and rely on major international oil companies (IOCs) to partner up to carry out the production and relieve them from technological demands that come from offshore drilling.

**4.3 : Impact of Investments**

Measuring a country's economic outcome is difficult, and the social impact is even more so. Chinese manufacturing operations contribute to the country's GDP but of fierce competition for local producers. While exporting to China is a boost for the Nigerian suppliers since they have access to a new market for their goods. Imports from China are higher than the exports, which create a massive trade deficit and flooding the market with low-tech manufacturing goods that might otherwise reproduce domestically. Before China interference, Nigeria's manufacturing sector was underperforming because of the inadequate infrastructure. Chinese construction companies have upgraded the countries roads, railways and power plants. There is a high chance that Nigerian manufacturers would become competitive in the future.

Unemployment was increasing at an alarming rate, which has now been tamed because of the number of job opportunities investors have brought to the country. Chinese companies operating in Nigeria have employed 30,000 local workers but fails in comparison to the 350,000 manufacturing jobs that labor unions claim has been lost because of Chinese imports. The cheap imports and increasing smuggling has taken a blow to the domestic market. Most labor unions complain about the working conditions in Chinese companies. The Nigerian workers are paid poorly and rarely rise to a managerial position. Many Chinese companies have been accused of scorning labor laws and discouraging unions though they have denied these accusations.

Most Nigerians have also questioned the overall quality of Chinese products in their markets. Chinese imports are regarded as inferior to a typical Nigerian businessman. They have also accused the Chinese of exploiting tariff concessions to dump cheap goods in the market and stifle competition. While China acknowledges this problem, the Nigerian importer often pressures their Chinese suppliers to produce lower quality products in order to reduce the prices to a level Nigerians can afford. In 2009, the two countries signed an agreement to stop the importation of fake and substandard goods into Nigeria.

Chinese media recently have been obsessed with portraying China as Africa's savior. Many Africans have criticized the Chinese media for this move which is not appreciated by them. The Chinese media have a skit in which an African woman is a damsel in distress and has been rescued by a Chinese man. Many people have criticized this view the Chinese have over Africa. (Castillo, 2018). The next chapter would be about the geopolitical strategy behind the investments in Nigeria by Chinese state-owned enterprises as well as the private investments.

**Chapter 5 : Geopolitical Strategy**

**5.1 : Why is Nigeria of geopolitical importance to China?**

Nigeria is in Africa’s most populous country with an estimation of over 195.88 million as of 2018 (World Population Review, Nigeria, 2018). There are six regions in the country - north-east, north-central, north-west, south-east, south-west and south-south. The country has been facing inequalities of wealth and poverty due to the geographical issues in contrast the oil trade is concentrated in the south which provides international trade opportunities. Specifically, the north part of Nigeria frequently suffers from droughts and famines. In spite of the economic, geographical and population attribute of Nigeria make her destined to play a leadership role in the affairs of the African Continent since Nigeria is the trigger point of the African continent. If the map of Africa was tilted towards the left, it can be observed that Nigeria is the trigger point of the African continent.

When it comes to the affairs of the African continent Nigeria was the founding force for the Economic Community of West African States (ECOWAS) and supplies over one-third of the

organizations’ budget. The mission of this organization is to promote cooperation and integration to raise the standard of living and maintain economic stability, foster relations among the member states the contribute to the progress and development of the African Continent. Nigeria has received the title of Sub-Saharan Africa’s largest petroleum producer, which has attracted investments from global powers though the country is still internally divided.

When it comes to its neighborhood, Nigeria is surrounded on all sides by Francophone states. The relationship Nigeria has with her neighbors is mainly on the issue of avoiding border disputes which might escalate into full-fledge armed hostilities. There are four principles on which Nigeria’s foreign policy is formulated towards her neighbors. They are:

a)- The sovereign equality of all African states

b)- Respect for the independence, sovereignty and territorial integrity of every African state

c)- Non-interference in the internal affairs of other African countries

d)- Commitment to functional cooperation as a means of promoting African unity

By following these principles, Nigeria has been indifferent to the internal political power struggle in other states. Some former political leaders have expressed their concern or given their advice to other political leaders in the continent, however, there has not been any evident interference. There are two possible reasons for the non-interference attitude of Nigeria. The first being, Nigeria’s respect for the principle of sovereign equality of all states and respect for African states. The second reason being Nigeria’s apprehension of threatening the security of her weaker neighbors who might be frightened into the arms of some powerful African forces that could pose a threat to the survival and national security of Nigeria. Moreover, active interference in the neighboring countries could lead to an arms race which Nigeria would be unable to regain from contemplating. An arms race would entail the division of the nation’s financial and human resources from economic and social welfare needs to defense matters.

The government of Nigeria felt threatened during the creation of the Exclusive Communaute Economique D’Afrique Occidentale (CEAO). It was perceived as an attempt by France not only to perpetuate colonial divisions and privileges in Africa but also use the CEAO as a counterpoise the “big brother” status Nigeria has enjoyed ever since its independence in the sub-region. The bilateral military, political and economic agreements between France and her erstwhile colonial states are largely attributed to the frequency with which these countries infringe on the sovereignty of Nigeria.

Over the years Nigeria has adopted the policy of cooperative security and preventive diplomacy, which upholds their national interest. The establishment of diplomacy has initiated the process of the boundary initiated by Nigeria’s neighbors. In spite of there threats, historical analysis of Nigeria’s relationship with its neighbors suggests a high level of warmth, mutuality of interest and purpose between Nigeria and the majority of its immediate neighbors.

Many global powers have been interested in the country for the oil production however; China’s interest in Nigeria is prudent. They have collaborated on main projects, which have benefitted both countries. China and Nigeria share a number of similarities such as being classified as developing countries with a large population, similarly defines policy thrust ad regional relevance. This strategic partnership has established cordial relations, which have helped to further their bilateral interests and increase their economic activities.

Besides Chinese state-owned firms and private investment in Nigeria, which is helping the economy grow, China and Nigeria have also adopted similar defense policies, peace support operations, and naval diplomacy. In the domain of defense policies, both countries have a similar outlook. The goals and tasks of China’s national defense are to safeguard their national sovereignty, security and interests of national development, maintaining social harmony and stability, accelerating the modernization of national defines and the armed forces and maintaining world peace and stability (China’s National Defense, 2010). The defense policy goals for Nigeria are to protect, Nigeria’s sovereignty, citizens, values, culture, and territory against external threats, contribute to international peace and security, initiating bilateral and multilateral contacts and exchanges with countries and participating in Peace Support missions sponsored by the African Union (AU) and the United Nations (UN).

China conducts military exchanges with other countries following the Five Principles of Peaceful Coexistence, develops cooperative military relations that are non-aligned, non-confrontational and not directed against any third entity. China adheres to the concepts of openness, pragmatism and cooperation, expands it participation in international security cooperation, strengthens strategic coordination and consultation with major powers and neighboring countries, enhances military exchanges and cooperation with other developing countries, and takes part in UN peace-keeping operations, maritime escort, international counter-terrorism cooperation and disaster relief operations.

Nigeria’s security cooperation policy has elaborated their interest to enter mutually beneficial bi-lateral ad multi-lateral agreements with friendly nations. These agreements are executed through mutually agreed Memorandum of Understanding (MOU) which are include military education, assistance programme, personnel exchange programmes, training, exercises, equipment, and logistics supply or refurbishment programmes. Nigeria has also undertaken the establishment of security structures with other countries for international peace and stability.

The Sino-Nigerian security cooperation’s in the enhancement of naval diplomacy and joint exercises, military personnel exchanges, sharing of expertise in Peace Support Operations (PSO), the establishment of partnerships in aviation, ordinance, shipbuilding/maintenance industries and jointly establishing a satellite launching site in Nigeria. Most joint military exercises have become a prominent feature of peacetime preparedness as well as diplomacy. According to Chinese Diplomats in an interview conducted five years back, they stated that the interest in Nigeria was growing and hence it would be a strategic gain for them if they conducted joint military excises for promoting capacity building, global peace, and security cooperation through engagements and port visits. By conducting such joint maritime exercises are the first steps in developing inter-operability, harmonization of equipment, operational strategy, and tactics.

The economic interests of China in Nigeria is important for both countries, especially considering the possibilities of conducting joint military exercises in order to promote capacity building, global peace and security cooperation etc. These are the catalyst to strengthen and concretize military cooperation. Military education and training exchanges between China and Nigeria which are mainly shouldered by the Chinese side has not fully explored the afore-stated novel practice. It would be beneficial for both countries to agree on the modalities in order to facilitate better understating of inherent national cultural characteristics and methods of education employed by both countries, mutual trust and sharing is experiences o other beneficial issues.

Bilateral cooperation agreements between China and Nigeria enforce the creation of forums for experienced personnel to be exchanged in their various military institutions. A Peace Keeping Training Centre (PKTC) was established in Nigeria. This centre has been training members of the armed forces, diplomats and civil servants who are and might be involved Peace Support Operations. China and Nigeria are major troop contributors to the UN PSOs and have conducted exchange programs in this field for the enhancement of security cooperation for the benefit of both militarizes.

The field of Aviation and ordnance industries, which are a tactical area in the defense sect with wide-ranging and untapped opportunities especially in Africa. When it comes to aviation, China and Nigeria have established a Joint Venture for the maintenance and eventual assembly/manufacture of aircraft. Using Nigeria as a hub for other African countries did this.

The Nigerian Air Force has an elaborated hanger facility that was served for the production and maintenance of the locally manufactured Air Beetle training aircraft. Such a hanger can be easily upgraded to serve as a regional maintenance centre for the array of Chinese built aircraft, which has been acquired, by Nigeria and other African countries. The Sino-Nigerian military cooperation in this regard has mutually benefited and made a positive impact towards building Nigeria’s primary defense capabilities.

The Chinese and Nigerian authorities have also collaborated on Ship Maintenance and Building. The Nigerian Navy has a major dockyard as well as a shipyard that are currently used to maintain her fleet. These facilities have been involved in commercial operations to a limited scale. Just like the aviation and ordnance industry this has formed a good hub for entrenching Chinese maritime related to technology into the African continent for both countries mutual benefit.

China is a major player in space-technology exemplified through their various space missions have assisted Nigeria to acquire space-technological capability by the successful launch of the NIGCOMSAT-1R on 24th December 2011 in China. This was a major achievement emanating from the bilateral cooperation between both nations. Nigeria’s located north of the equator which offers technical advantages for geostationary satellite launches. A satellite launch from Nigeria would get into the equatorial orbit faster than from latitudes that are further away.

This provides a good attraction for designing a satellite launching station in different countries in Africa, Europe, and the Middle East. China intends to collaborate space through the One Belt One Road Initiative. China has collaborated with many countries to launch satellites into the orbit. They are inclined to push for the construction of the BRICS remote-sensing satellite constellation and the One Belt One Road Initiative Space Information Corridor. They have also collaborated with the Asia-Pacific Space Cooperation Organisation (APSCO) to adjust the distribution of meteorological satellites in orbit to better service the members of APSCO. The talks for building a remote-sensing information application platform with Thailand, Laos, Burma, and Cambodia. Chinese authorities have recently discussed with Russian authorities as well as the European State Agency on the international cooperation in the fields of lunar probe, deep space exploration and space science (Xinhua, 2018).

China and Nigeria are working towards their joint satellite-launching site in Nigeria, which would be beneficial for both countries. While Nigeria does not expect China to share their advanced and sensitive technologies though there are some aspects of medium to high-level military technology, which Nigeria could benefit from. China assisting Nigeria in the acquisition of technology and technical skills are the most substantial way by which the win-win concept could be assured to Nigeria. This would assist Nigeria’s development and soft power which is vital for the support of Chinese interests within Nigeria’s area of influence.

The establishment of military, social, and non-formal relations, fermium is a major way of reliving the experiences gained from studying in any institution. Fermium is a chemical element of atomic number 100, a radioactive metal. The Chinese government could use such a forum as a solid base for the establishing and maintaining links to “friends of China” in Nigeria. Members of this forum would acquire an understanding of Chinese cultures, which includes language, and other areas of interests. The consideration of the establishment of an alumni association for military officers that graduated from Chinese Military institutions in Nigeria.

The creation of a Joint Security Cooperation Committee is a strategy towards enhancing the mutual benefits in a military security cooperation is the creation of a Joint Cooperation Committee with the membership drawn from the Defense Section of the Chinese Embassy, Nigeria Defense Headquarters and the Directors of Training of the various services. This committee could be tasked to find out both countries’ priority areas for cooperation the roles they are expected to play towards the achievement of these priorities and what outcomes they are to anticipate at various stages of the cooperation process. It is necessary in order to minimize misunderstanding and possible arbitrariness by interested parties as well as to promote better understanding. Such a committee when established could be empowered to conduct workshops on emerging matters for consideration, approval, and endorsement by the revenant military higher authorities.

Enhancing solidarity and cooperation in Nigeria has been an important component of China’s independent foreign policy of peace. The Sino-Nigerian relation has evolved positively in recent time especially in the development of economic cooperation. However, It has been observed that the aspect of security cooperation is not developed and would require some deliberate efforts to actualize the dressed win-win relationship situation for both states. Despite some challenges to the existing security cooperation, the security cooperation between the two countries will have a bright future if they can take effective measures to enhance it.

The geopolitical strategy of China in Nigeria is the satellite launch sites with remote sensing in China. By establishing these satellites launch sites, China would be leading in the space race. Many scholars and researchers have observed that one of the major reasons for Chinese investments in Nigeria is for the purpose of natural resources however, there are only a handful of researchers who have not encouraged that assumption but are in the view that their investments are mainly for the purpose of establishing a satellite launch site. Researchers have also noticed that most investors have been withdrawn from investing in Nigeria because of Boko Haram, which has increased certain risk factors that did not exist earlier.

**Chapter 6 : Advantages for Nigeria**

**6.1 : FDI in Nigeria**

Foreign Direct Investment is defined as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy in an enterprise resident in an economy other than that of the foreign direct investor. FDI implies that their investor exerts a significant degree of influence on the management of an enterprise resident in the other economy or economies. It is important for a country to achieve economic development. Studies have shown that multinational corporations find the socio-political stability of the host country as one of the most important factors during the process of allocating funds to foreign projects. The absence of stability in a country can cause concern towards investors. The relationship between investment and political stability is a delicate one that can increase or decrease foreign direct investment. Most investors prefer a democratic system as good governance, reliable institutions, compared to political uncertainty which is branded by irregular government changes and autocratic system.

Once Nigeria’s economy was liberalized in 1995 it was a way to enhance the business environment in the country. In Africa, Nigeria has been one of the countries that have been open to foreign investors. They receive the largest amount of FDI compared to other African countries. Since Nigeria is considered to be Africa’s largest oil producer with oil reserves exceeding 9 billion tons, most of the country’s FDI comes from major oil consumers, like China. According to IMF, Nigeria receives over 95% of its export earnings and about 40% of government revenues from its oil sector, making the economy heavily dependent on it. Chinese FDI in Nigeria dropped by 21.3% in 2016 due to the recession period. However, Nigeria’s economic growth forecast is set to be 2.1% this year which would increase the country’s FDI inflow.

There is no uncertainty that FDI is concentrated on oil reserves however it is conjointly focused on agricultural products, raw materials, and natural resources. In order to understand the foreign direct investment in Nigeria, there are a few determinants identified by Ngowi (2001). This help in understanding the nature of businesses, which provides a suitable environment for their investments. These factors are important for domestic and as well as foreign investors.

According to Ngowi, the primary determinant is infrastructure as poor infrastructure is a main hindrance and obstacle of FDI inflow in any country. Infrastructural facilities ensures that investors have an interest in this country and cover several dimensions, ranging from roads, ports, railways, and telecommunications systems to institutional development. Asiedu (2002b) stated that good infrastructure increases the productivity of investment and can stimulate FDI inflows. With the use of cross-section data, Alfaro (2001) found that poorly developed financial infrastructure can adversely affect an economy’s ability to take advantage of the potential benefits of FDI. It is imperative for every nation to develop her infrastructure to improve domestic and foreign investors.

The second determinant is labor cost. The concept of investing in developing countries is considered advantageous due to the low labour cost and wages. Lower labor costs reduce the cost of production but the availability of cheap labor justifies the relocation of a part of the production process in most countries. When affordable labor and quality labor is reached by a high level of education attracts the interest of foreign investors.

The third determinant is resources. The availability of natural resources is of great interest to every nation. The African continent has been influenced by FDI because of the presence of natural resources in this region. About 60% of Africa’s FDI is allocated in old and natural resources UNCTAD (2016). Nigeria has abundant resources, which attract the interest of FDI in the country. The fourth determinant is the political factor. This applies to the ever-changing leaders, governmental policies and security concerns and regime kind. The stability of the political administration on a country is significant to the operation of a multinational company. Nigeria and Angola are the perfect examples of countries that have made significant improvements in attracting domestic investments and foreign investment though there is some challenges. The fifth determinant is privatization. There are some foreign investors that are attracted by privatization and this took place in some countries like Ghana in 1995 and Nigeria in 1992. This is because some governmental companies were taken over by a private individual which led to competition among private ownership of productions. The sixth determinant is openness. Open economies of developing countries are a successful gateway for FDI to penetrate compares with closed economy countries, which hardly gives room for external intervention.

There are numerous findings that suggested that open economy is a great determinant of FDI inflow. Ajayi (2006) study indicates that exports, particularly manufacturing exports is a significant determinant of FDI flows and tests show that there is strong evidence that exports precede FDI flows. China has been regarded in particular to attract foreign investment into the export sector. The last determinant is macroeconomic. The stability of macroeconomic variables such as; low level of inflation, little external debt, stable currency, better GDP rate will surely encourage the interest of the FDI inflow in any country.

The Nigerian government recently signed the 2.5 billion$ currency swap with China. This is aimed at easing the pressure on the external reserves, which is predominantly dollars. The agreement will also be helping the country improve the speed and the ease of transaction between the two countries. The lower trade barriers would increase the free flow of capital and thereby economic activities. This would stimulate growth, strengthening the investor confidence and boost investment.

China accounts for 19.8% of Nigeria’s total import and 4.5% of total export in 2016. Since Nigeria’s infrastructure and public sector has improved in the last five years, which has, given them an advantage towards increasing their foreign direct investment. Nigeria aims to develop their tourist sector, improve their transportation links, create housing, improve public sectors, create jobs and eradicate poverty. With the help of Chinese investments, the public sector in Nigeria has improved considerably which has attracted companies looking for a new market opportunity. The oil reserves in the country spared them from the global economic crisis as they raised the oil prices during that time.

Nigeria aims to become one of the world’s top twenty economic. The country offers cheap worker force compared to other countries, a variety of natural resources and the possibility towards an extensive domestic market in sub-Saharan Africa. The law towards domestic and foreign investor in Nigeria is identical. However, the Nigerian government has made necessary arrangements to ensure that the investors are protected in some areas. For this purpose the Nigerian Investment Promotion Commission Act in 1995, which states that there is a 100% foreign ownership, which is allowed in all industries except for oil and gas, where investment is constrained to existing joint ventures or new production-sharing agreements. Investments made by both Nigerian and foreign investors are prohibited in a few industries, which are crucial for the national security of the country like the production of ammunition, and military uniforms.

Nigeria also follows a ‘pioneer status’ policy which states that companies setting up their businesses in economically deprived areas receive special taxes for unto 5 to 7 years. Moreover, foreign companies take advantage of this policy if their investment is more than 40,000$ (Interview with Raju Malhotra). Over the years, the Nigerian government has adopted several policies to attract FDI. In particular, the government implemented the structural adjustment programme during the mid-1980. This programme entailed liberalization of the various sectors of the economy. The attraction of foreign investors in the manufacturing sector through tax incentives, the privatization of many government-owned enterprises, and liberalization of the interest and exchange rate. These

programmes were implemented to provide an environment for increased FDI inflow into the economy. A few scholars have emphasised that the market size and the trade policies are key factors for foreign private investment in Nigeria. While that is accurate the supply of capital, government policies, and assimilative capacity is a secondary factor that contributes towards foreign private investment.

The country has implemented almost every method according to scholarly articles and books on how countries can attract foreign direct investment yet there is one negative aspect that brings Nigeria down and that is the political stability of the country. With the threat of Boko Haram, there have been concerns about investing in the country even though according to recent news the areas of Boko Haram’s activities have reduced. The government is making efforts to assure that its foreign investors are unharmed and that would help to increase their foreign direct investment. An interesting element with regard to Chinese investors is that even though there are security concerns in Nigeria, they do not fear anything and that has not stopped their investment. On the contrary, Chinese investments in Nigeria have increased.

The threats in the country have never bothered Chinese investments, however, the major concern for the Chinese government is that their people are safe and that their national interests are protected.

Nigeria is the dominant recipient of FDI within the Economic Community of West African Countries (ECOWAS) group, accounting for than 70% of group inflows since 2001. Over the years Chinese FDI in Nigeria has increased and been stable. The below graph describes the FDI in US dollars from 2010-2011.

**6.2 : FDI Impact on the Economic Growth in Nigeria**

There has been positive similarity as negative criticism reading the impact of FDI in Nigeria. Foreign Direct Investment (FDI) is usually seen as an important catalyst for economic growth within developing countries as a result of the affect on economic growth by stimulating domestic investment, increase in capital formation facilitating technology transfer in the host countries. Aremu (2003) observes that foreign companies would raise the level of capital formation, promote exports and generate foreign exchange. The primary factors stimulate economic growth are investments that improve the quality of existing physical and human resources, that increase the quality of productive resources and raise the productivity of all specific reasons through intervention, innovation and technological process. Aremu (2005) has attempted to determine a better relationship between investment and growth in Nigeria. However, empirical studies of the impact of FDI on growth are connected with either the overall effect on growth or with specific aspects of the FDI impact on employment, technology, trade, entrepreneurship and different areas of the economy, like infrastructures, education and health. FDI stimulates product diversification through investments into new businesses, stimulates employment generation, increase wages and accelerate declining market sectors of the host economies.

According to Ariyo (1998) the impact of FDI on Nigeria’s economic growth and discovered that only domestic investment contributed to raiding GDP growth rates during the period 1970-1995. Adelegan (2000) explored a regression model to examine the impact of FDI on economic growth in Nigeria and discovered that FDI is pro-consumption and pro-import and negatively associated with gross domestic domestic investment. According to the findings there is no positive relationship between FDI and GDP in the country while some researchers have found it a meaningful relationship.

Some researchers have argued that foreign direct investment (FDI) is capable of accelerating the process of economic growth of developing countries including Nigeria. Asiedu (2002) contends that FDI induces the inflow of capital, technical know-how and managerial capacity which accelerate the pace of economic growth. He declared that foreign investment could be a counter productive if the linkages it spurs are neither required nor reasonable by the host country; and concluded that a positive impact of FDI on Nigeria’s economic growth effectively it fosters, innovates or modernises local enterprises.

Some scholars have emphasised on the effects and advantages of FDI to the host economy, noted that the result of FDI on the host economy are normally believed to increase in employment, augmenting the productivity, boost in exports and amplified pace of transfer of technology. the potential advantages of the FDI to the host economy are it facilities the utilisation and exploitation of local raw materials, introduces modern techniques of management and marketing, ease the access to new technologies, foreign inflows can be used for financing current account deficits, finance inflows form FDI do not generate repayment of principal or interests and increases the stock of human capital or job training.

The importance of FDI has informed the radical and pragmatic economic reforms introduced since the mid-1980s by the Nigerian government. The reforms were designed to increase the attractiveness of Nigeria’s investment opportunities and foster the growing confidence in the economy so as to encourage foreign investors to invest in the economy. The various effect of FDI in the country has always been topical issues to different researchers. The effect has been recognised of having a positive relationship with growth-enhancing factor in the developing countries according to some researchers.

There have been attempts by scholars to examine the relationship between Foreign Direct Investment and the Nigerian economy. The study was done in a general way by considering various theories of FDI, effects of FDI in the country, different determinants of FDI, criticisms of FDI, and contributions of FDI to the Nigerian society. Some researchers have also considered the importance of FDI and economic growth since without FDI the occurrence of stimulated economic growth would be stagnant. There are two classifications made between foreign direct investment and economic growth. Firstly, foreign direct investment has been explained to have a direct impact on trade through which growth process is assured. Secondly, foreign direct investment is assumed to augment domestic capital thereby stimulating the productivity of domestic investments.

There are different views on Foreign Direct Investment in Nigeria, some positive and some criticisms. One of the most important aspects to consider is the how investors and particularity Chinese investors are interested in the region even though is there is a political instability which is gradually changing and the threat of Boko Haram though, there have been investors who have pulled out their investments from the country due to the risk factors but Chinese investors have stayed grounded in the country. For Nigeria, this means that the nation enjoys the merits and advantages of multinational companies and the government would have to make efforts to eradicate the risk factors in order to bring back investors and highlight Nigeria on the African continent.

**CHAPTER 7 : Conclusion**

Like many African countries, Nigeria has embraced China as an economic partner, which has been made possible through the constant interaction, exchange of information by heads of states and that personnel in a ministerial position where both countries have affirmed their commitment to broadening their economic relations. Nigeria has witnessed some Chinese investments. It is evident that the Chinese have always aimed at developing Nigeria to extract natural resources, labor and the establishment of a satellite launch site which gives China better access to technical difficulties. Both countries are taking mutual advantage of this mutual interaction to improve on Nigeria's domestic economy than just being a mere producer of raw materials for China.

One of the significant problem that Nigeria has to improve is the political instability. Political instability has tormented Nigeria due to Boko Haram, a terrorist sect that wants to implement the Sharia law in the Nigerian society. Individuals, countries or companies prefer to invest in politically stable countries, which gives Nigeria a disadvantage. Many scholars, researchers, and experts have stated that political instability that proven to be an adverse effect on foreign direct investment. Nigeria's situation two years back was threatening Chinese national interests, as there were cases on the kidnappings of Chinese nationals for ransom.

It is evident that Chinese investments have helped the Nigerian economy. 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 local Nigerian markets all depends on the government of Nigeria.

There have been contradictory views regarding Chinese investments in Nigeria. While there are scholars, researchers, and politicians who have expressed their gratitude towards China's assistance in Nigeria, there are some who have criticized the Chinese on various grounds. In Nigeria, the investment in the oil sector has only been worsening the reliance on Nigeria's natural resources while degrading the environment and violating laws. There is no doubt that the Nigerian government wants to eradicate corruption from the country; however, there have been incidents that Chinese employees have been using corrupted methods to secure oil blocks and assets. There have also been incidents regarding Chinese employers and their behavior towards the employees. A Chinese fill the managerial position of Chinese companies, and the Nigerian employees do not reach that rank. One of the crucial problems faced in Nigeria is the discrimination of the Nigerians in their home country, done by the Chinese and Indians mainly. If the government of Nigeria takes a drastic step towards this, it would be beneficial for the country as that is one way the government is establishing a trustworthy relationship with the people of the country.

Overall, there is no doubt that China is an excellent economic partner that can promote investments and help increase the economic growth in Nigeria, but China's aid and partnership come at an expense. The local markets and businesses, as well as employees, will be taking a significant hit from this partnership if the right policies are not implemented. Nigeria's industry, natural resources, and corruption are a challenge to any development in the state. China's partnership has been relieving some urgent needs but cannot eradicate poverty, and underdevelopment in Nigeria. Its investments are not sustainable to the Nigerian economy that is dependent on China. One primary strategy that would be advantageous for both countries is if China invests in African peacebuilding and try to establish unity among the African countries. This cooperation would be beneficial for China since they plan to expand to other parts of Africa, for Nigeria this would be beneficial as this brings them closer to other African countries, which would affect trade in a positive manner.

This paper has analyzed the primary interests, motives behind China's interest in Nigeria from a geopolitical perspective as well as from a logical perspective.

There are a few recommendations that would help both countries as investments have been increasing in Nigeria. Firstly, China must improve the bilateral and multilateral cooperation by using its multilateral channels with Africa as well as the UN. At the same time, Nigeria must focus on regional cooperation to prevent the spill-over effect of Boko Haram. Secondly, China must help Nigeria and the African Union to reinstate a security framework of well-equipped and well-trained forces to protect lives. Lastly, China and Nigeria soul work side by side to establish a risk assessment tool. While working would help both countries, as they would be able to present it to figure Nigerian invests.

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