

## **FOREIGN AID AND NIGERIA'S DEVELOPMENT: AN ASSESSMENT OF CHINA'S FOREIGN DIRECT INVESTMENT INFLOW INTO NIGERIA'S ECONOMY**

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### **Abstract**

The paper examines the impact of foreign aid and foreign direct investment of China into the Nigeria's economy. The aim of the paper is to assess the inflow of foreign direct investment into the Nigerian economy in the last decade. Developing countries such as Nigeria relies on foreign aid for national development instead of foreign direct investment in the various economic sectors. The paper employed qualitative descriptive research method to interrogate this economic development approach to national development. Data was generated through the secondary method and content and document was used for analysis. The study adopted dependency theory as theoretical framework of analysis. The findings of the study reveals that foreign and foreign direct investment promotes national development in many sectors of the national economy. The advantages include infrastructural development, technology transfer, cultural exchange while the disadvantages include trade imbalance, competition with local industries, debt and financial concerns on the economy. The paper concludes in her relations with China there is need for Nigeria to clearly defined clearly areas of mutual interests and national interest priorities. It recommends the diversification of the economy, prioritizing infrastructural development, and promotion of local contents

**Keywords: Foreign aid, foreign direct investment, Nigeria's development**

### **Introduction**

The international system consists of different nations which pursue their national interests within the global arena having put into consideration the benefits they stand to gain from such relationships (Ampiah & Sanusha, 2015). The explosive growth of China's economic interests in Africa is an important trend in the continent's foreign relations arena. China's rapidly expanding ties with Africa has superseded the United States' since 2010 as Africa's top trading partner because of its massive investments in the continent, which is largely aided by China Investible Export loan assistance of \$150 billion to its multinational corporations (Brautigam, 2009).

The concept of aid takes root in the Charter of the United Nations adopted during the conference of San Francisco in June 26<sup>th</sup> 1945. Members were committed to "promote social progress and better standards of life, and to employ international machinery for the promotion of the economic and social advancement of all peoples" (Sulaiman, 2016). In spite of her abundant natural and human resources, Nigeria has been identified as one of the poorest nations in the world (Global Finance Magazine, 2024). This follows the successive United Nations Development Programme (UNDP) report on human development (HDR) (UNDP, 2025).

Nigeria is one of the beneficiaries of foreign aid from the developed countries. Basically, economists have defined foreign aid as all forms of grants and loans at concessional financial terms that are aimed at transferring resources from developed to developing countries on development, poverty and income distribution grounds (Todaro & Smith, 2011). Bakare (2011) argues that foreign aid is a means of increasing the capital available for investment and the

economic growth needed to reduce poverty and raise living standards in sub-Saharan Africa. It can provide resources for industrialization, enhance efficiency of resource use, increase product diversity and generate employment. Bakare (2011), however, observed that in the absence of regulations governing natural resource extraction, or when they are weak or poorly enforced, increased openness to foreign aid can accelerate unsustainable resource use patterns. The ability of developing countries to attract foreign aid, maximize the associated benefits and minimize the risks which is a function of the conditionality of the foreign aid.

China started its formal trade with African countries in the late 1950s. Major partners were those countries in North Africa, especially Egypt. Now most African countries became apt to export primary products to, and import consumer and capital goods from China. Although there had been differences by country and time, this pattern didn't change until recently. Nigeria, for example, exported cocoa beans, rubber, cashew nuts, hide and skin, and some other agricultural products and oil. China tends to export large amounts of low-cost manufactures meeting with Nigeria local demands that reflected declining economy. This also resulted in serious trade imbalances between both sides. Trade imbalance with china has been a structural problem common to most African countries. For compensation, china utilized her economic assistance programs (Economic Commission for Africa, 2009).

In recent years there has been a significant increase in aid flows to Nigeria. This is sequel to the total net aid flows from all donors that Nigeria received which amounted to US\$ 152 million in 1999. In 2000, aid flows increased slightly to \$185 million and by 2004, it reached \$573 million (Ayodele, Cudjoe, Nolutshungu & Sunwabe, 2005). Aid flows thereafter rose to US1.29 billion and has been above that till 2011 with US1.78 billion as aid flow to Nigeria. By 2024, it was reported that aid flows into the country stood at \$4.545 billion (Trading Economics, 2025).

In spite of the functional relationship between Nigeria and China, the benefits from the socio-economic interaction between the two countries have been subjected to diverse opinions by scholars and analysts, in which Chinese investments in Nigeria attracted resentment and criticisms. Concerns have been raised specifically over the impact of Chinese investments in Nigeria's economic growth, which is substantially affected by the dumping of inferior Chinese industrial products into the country, lack of technology transfer from China to Nigeria, fewer opportunities for the survival of Nigeria's investments in China, visa and employment restrictions to Nigerians to explore business opportunities in the country (Ogunsanwo, 2018).

According to Euka (2010) FDI from China has heightened Nigeria's dependence on the Chinese economy, thus undermining its own economic security and growth. Nigeria has received foreign aid from a wide array of agencies and countries between 1960 and today. The main role of foreign aid in stimulating economic growth is to supplement domestic sources of finance such as savings, thus increasing the amount of investment and capital stock.

### **Objectives of the Study**

The major objective of this study is to analyze the effect of foreign aid on Nigeria's development, with specific focus on China's foreign direct investment inflow into Nigeria's economy. The specific objectives are:

- i. To assess the level of foreign aid inflows from China to Nigeria
- ii. To examine how China's FDI has impacted on Nigeria's economic growth
- iii. To identify Challenges associated with accessing FDI and Nigeria's economic growth

### **Research Questions**

The following served as the research questions of this study:

- i. What is the level of foreign direct investment from China to Nigeria?
- ii. How has FDI from China impacted on Nigeria's economic growth?
- iii. What are the challenges associated with accessing FDI from China and Nigeria's economic growth?

### **Conceptual Review**

#### **Concept of Foreign Aid**

Foreign aid is the donation of money, goods, or services from one nation to another. Such donations can be made for a humanitarian, altruistic purpose, or to advance the national interests of the giving nation. Aid can be between two (bilateral) or many (multilateral) countries/institutions. Bilateral aid is usually tied aid (conditional aid) when recipients must purchase products/ services from the donor country. Multilateral aid is usually untied aid that can be spent in any sector of the recipient country (Ukpong, 2017). Easterly (2006) defines foreign aid as a voluntary transfer of resources from one country to another with the objective of benefiting the recipient country. Riddell (2007) also defined foreign aid as comprising all kinds of resources ranging from physical merchandise, skills and technical know-how, financial grants including gifts and loan which are given to recipients by donors at concessional rates.

The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) (2022) also defines aid as Official Development Assistance (ODA) which qualifies on three criteria. It is to be undertaken by official agencies; it is to have the main objectives of promoting economic development and welfare and it has to have a grant element of twenty-five percent or more. Freeing aid in its broadest sense has been defined as consisting of all resources- physical goods, skills and technical know-how, financial grants (gifts), or loans (at concessional rates) and support in international negotiations transferred by donors to recipients. Lancaster (1999) also defines foreign aid as a transfer of concessional resources, usually from a foreign government or international institution, to a governmental or non- governmental organization in a recipient country. It may be provided for a variety of reasons, including diplomatic, commercial, cultural and development.

In all cases, it is noted that the definition of aid (whether foreign or development) is largely donor-driven and based on the intentions of those giving the aid rather than those using it, the recipients. This uncontested, donor-driven approach has remained the norm and also manifests in the fact that it has always been the donor who decide how much aid to give and the form in

which it is to be given (Riddell, 2007). Foreign aid can also be in the form of economic assistance like: investment in the economy of the needy country, loan and infrastructural development. Foreign Aid can also come in form of military assistance such as:

- a. Supply of military hardware at subsidized rates,
- b. Military agreements, bilateral or multi-lateral, loose or solid or in defence pact,
- c. Supply of military technical assistance such as military presence to a country in conflict or war with another,
- d. Military subversions, coup, assassinations, etc (Riddell, 2007).

The conceptualizations of aid above clearly depict that aid is not the same thing as loan. While aid is more comprehensive and encompassing, loan is embedded in aid. Loan is money or other valuable item that an organization, individual or a country lends out usually with interest. Foreign aid is succinctly divided into three broad categories namely: Bilateral aid, multilateral aid, and private aid (Todaro, 2003).

### **Concept of Development**

Development is an ever-changing step towards achieving some goal and the optimum realization of the well-being of people in their communities. It is not an absolute but a relative term because it is difficult to measure, especially as a particular activity may be considered development or a step forward in a particular society, but it may not be so considered in another society. Development is very much related with aspirations and expectations of the people. It is interaction of the people with the natural resources available to them. Quite often, development is viewed as some dynamic change of society from one stage to another without assuming that it is the final stage. Besides, development is a continuous process of generating and more efficiently allocating resources for achieving greater socially satisfying ends (Aboyade 1973). Marsh (1996) conceived the concept as huge changes in the lives of people and societies and a progression from one condition to another; that is, from underdevelopment to development. In the same vein, the United Nations Development Programme (UNDP) maintained that the people must be at the centre of all development (UNDP, 2008). The World Bank (2008) also asserted that investing in people, if done rightly, would provide the finest foundation for lasting development. It further noted that all people have the same basic needs in form of clean water, fresh air, comfortable housing, etc., which must be met if development is to take place. Development is, by implication, made up of two basic and fundamental interrelated parts: increasing the availability of resources and improving the utilization of available resources. While the first component encompasses the natural, human and financial, the second component is a complex function of social organization, level of technology, efficiency of management and the content of public policy.

### **Nature of Foreign Aid in Nigeria**

There are many foreign countries that support Nigeria with aids. Some of these countries are United States of America, United Kingdom, Japan, China and Spain. However, America has always been an advanced country that has interest in supporting Nigeria's democratic struggle as to ensure the achievement of a stable political environment that will pave way for

development to strive. In this regard, the USA has shown interest in what Nigerian government is doing by giving aid to enable Nigeria government finance most of their programmes and implementation of some of their policies too. This aid assistance is most often meant to help strengthen democratic institutions; constraint corrupt activities, promote to very large extent good governance, and improve security. These in turn go to ameliorate the rate of crisis, conflict or any act of terrorism and improve the standard of living of Nigerians.

In addition, American aid to Nigeria was to help improve productivity both in agriculture and industrial sector, their capacity to provide healthcare facilities, food production and education, among others. Moreover, the United States of America is known to be the most generous donor in terms of foreign aid to Nigeria and many other underdeveloped and developing nations which have strengthened the bilateral trade relationship between America and Nigeria alongside other countries in the Sub-Saharan Africa. To show that US was the single donor country to hugely and greatly supported other needy countries in Africa through foreign aid and foreign direct investment.

In January 2016, US government donated 24 Mine- Resistant and Armor-Protected (MRAP) vehicles valued \$11 million, a new warship tagged NNS Okpabana 80-foot flight deck. The US government through USAID provided over \$526.7 million humanitarian help starting from 2017 making it the single largest bilateral humanitarian donor to Nigeria (USAID, 2018).

The US Mission Nigeria in 2014 noted that as a follow up, America Defense Departments were involved in a fund raising to the tune of \$40 million global security contingency fund for countries like; Cameroon, Chad, Niger and Nigeria to use in countering terrorist groups. Equally, it is on record that the Us Agency for International Development (USAID) supported the survived family members of the abducted Chibok girls through a \$4.5 million, five-year (2010 – 2015) programme. The USAID introduced all kinds of training for the teams in Nigeria. Those social workers were trained on psycho-social aspect of life as to be able to sensitize the community members (US Mission Nigeria, 2014).

In addition to all these, the USAID introduced and started educational programme for the children both boys and girls in the Northern part of Nigeria through the foreign aid with \$30 million particularly for the internally displaced people (IDP) and other affected groups. This was together with a five-year \$120 million programme equally to strengthen educational system in the Northern Nigeria to create access to educational and encourage the reading culture among the primary pupils (US Mission Nigeria, 2014).

Foreign Aid has been contracted for development projects' support, supplementing national budget, debt relief, aid to attain the set Millennium Development Goals which were supposed to lead those countries to middle income status etc. Loans and grants given to accelerate poverty reduction programs have shown little aptitude to reduce poverty. Aid is shrouded with hidden agenda from donors who set unbearable conditionality, hard to meet to yield desired results. At one hand, the inefficacy of foreign aid to eradicate poverty was seen as inherent to its nature and at the other hand, as results of its management and cycling by recipients (Sulaiman, 2016).

US Foreign Aid - 2010-2015 Nigeria received \$3 billion grant from US Govt. - Military Assistance, Anti-Terrorism, Defence and Security, Global HIV/AIDS Initiative, Global Health and Child Survival and Development Assistance.

- January, 2016 US donated 24 Mine
- Resistant and Armor
- Protected (MRAP) vehicles valued at \$11m.
- May, 2014 has donated a new warship by name NNS OKPABANA 80-foot flight deck that is capable of handling helicopters.
- In a bid to free the 270 Chibok girls abducted by Boko Haram United States government has offered technical assistance and expanded intelligence sharing assistance (Saidu, 2016).

### **Chinese Foreign Aids to Nigeria**

- Agricultural capacity building: FAO-Nigeria-China
- Phase 1 2003-2007, 500 agricultural specialists/technicians to teach farmers new agricultural techniques and technology with 3,736 field visits, more than 500 demonstrations and carry out more than 200 micro projects in areas like forestry, aquaculture, horticulture, animal husbandry and crop intensification, water management and poultry technology.
- Phase 2 a total of 190 experts and technicians teach farmers, processors, farm managers and extension workers (Saidu, 2016).
- According to FAO impact assessments: Farmer testimonies have shown that hundreds of thousands of family farmers across Nigeria have benefited from hand-on training, and have been adopting and adapting technologies and know-how from Chinese experts.
- Poultry farming 60% increase in egg production, lower mortality rate and increased growth rate of the poultry in Northeast, Nigeria.
- Many farmers adopted cage fish culture technology in Nigeria.
- Trained 5, 000 young people on how to plant rice, control pests and diseases, and apply fertilizers. Before the training three tonnes per hectare but after training six tonnes per hector (Saidu, 2016).

### **Empirical Review**

Study conducted by Oluwabiyi, David, Duruji, and Moses (2012) on the implication of Nigeria-China relations on the actualization of sustainable food security in Nigeria. The study investigates and establish the relationship, if any, between Nigeria-China bilateralism and sustainable food security in Nigeria. In order to achieve this, the research adopts qualitative and descriptive methods. Also, data is sourced from secondary outlets. The study stated that the recognized and actual bilateral relations between both countries, established since 1971, have been among the largest in Africa with both parties providing a humongous market structure for each other. However, the nature of their bilateral relationship has been largely unequal, with

China enjoying the largest share of profits. Despite the interest accorded to this configuration in International Studies, the implication of the same on Nigeria's quest for food security and its sustainability has not been given much attention. This study finds that although there exists an unequal bilateral relationship between Nigeria and China, this relationship is relatively balanced compared to the relationship with the west. Ultimately, the paper recommends that Nigeria should improve its competitiveness through the diversification of its oil dependent economy.

Samuel, (2013) conducted a study on Nigeria-China economic relations under the South-South cooperation. This study, using dependency approach, demonstrates that these disparities actually account for the sharp differences in the outcomes of the bilateral trade and the level of development in the two countries. The defining characteristic of the South-South solidarity is cooperation among the member countries of the South. The original vision was for member countries to promote trade as well as to demonstrate, through practical examples, how commercially viable projects can be implemented using the technology, experience and capital from the South. Regrettably, these dreams still remain unfulfilled. The study found that the experience gained by the developing countries after several years of bilateral interaction with the North underscores the idea that South-South trade should be symmetrical. However, the most discernible pattern in the South-South relationship is still asymmetrical. A case in point is the Nigeria-China relations which appear to be in great disequilibrium and to China's advantage. The study recommends that since bilateral relations have progressed from cultural linkages to intense economic penetration of the Nigerian economy, observers of Nigeria's international relations should be highly conscious of the reciprocal need to transform this intensive relationship into a mutually constructive one that is towards the promotion of a more symmetrical relationship.

Bukarambe (2005), in his work: *Nigeria-China Relations: the Unacknowledged Sino Dynamics* extensively focused on the key areas of Nigeria-China relations, such as multilateral organization etc, as factors driving the relationship between China and Nigeria beginning from 1999. This work is useful to this study because it touches on important areas that bring the two countries together. However, Bukarambe's work failed to address the areas of non-state actors that shape to a large extent, the relations between Nigeria and China.

Ogunsanwo (2008), in his work, *A Tale of Two Giants: Nigeria and China*, traced the relationship between Nigeria and China in the 1960's and examined how the Civil War 1967 - 1970 impacted negatively on the bilateral relations between the two countries. More attention was given to comparison of the policies adopted by the two countries towards each other especially during the military rule in Nigeria. He also made attempt to discuss the modern nature of Nigeria-China relations with emphasis on Nigeria Oil and China's aid to Nigeria.

A study conducted by Tajudeen, (2013) on *Nigeria-China trade relations: implication on the Nigerian domestic economy*. The study assesses the increased trade relations between Nigeria and China with a view to providing information on its implication on the Nigerian domestic economy through the assessment of the perceptions of local manufacturers and entrepreneurs and current trade statistics between the two countries. Data were collected from both primary

and secondary sources. Primary data were sourced through the administration of questionnaire on 400 randomly selected respondents. The results showed a trade imbalance in favour of China; however, Nigeria stands to gain from the China's model of growth and manufacturing expertise. The study concluded that the Nigerian government should encourage massive direct investment and the location of production facilities in Nigeria by the Chinese firms rather than trade relations to correct the imbalance and provide more jobs for Nigerians.

### **Theoretical Framework**

Dependence theory was considered appropriate for this study. Dependence theory was championed by Frank (1976), Santos (1970), Amin and Furtado (1964), Sunkel (1979), Emmanuel (1972) Ake (1981), Onimode (1982). Dependence theory states that the poverty of the countries in the periphery is not because they are not integrated or fully integrated into the world system as is often contended by free market economists, but because of how they are integrated into the system. Dependent theorists like Frank, Santos, Amin and Furtado hold that the present economic and socio-political conditions prevailing in the periphery are that of historical international process. The global system is such that the development of the centre occurs at the expenses of the periphery. At first, many countries in the periphery have been incorporated into the world economy since the early days of colonialism. At the second level, such peripheral countries have become capitalist economies through incorporation into the world economic system.

At the third level, the incorporation of peripheral countries into the world economy has led to metropolis-satellite chain in which the surplus generated at each level in the periphery is successively drawn to the centre. As a result, the periphery is impoverished and the centre is enriched. Countries of the world are sharply separated along the line of economic prosperity. Countries that are economically buoyant and politically stable are termed Developed Countries and on the other hand, countries that are economically backward are referred to as Developing Countries or commonly tagged as Third World Countries. The former are in the centre (Western Europe, Britain and United States) and the latter are in the periphery (backward countries of Asia, Africa and Latin America).

Dependency theory seeks to pinpoint and specifically explain the factors responsible for this sharp difference in the level of development between the developed countries and the developing countries. According to Jhingan (2010), there are unequal centre-periphery relationships whereby the developing countries are dependent on the developed/advanced countries in trade, investment, technology, etc. The dependence results in the underdevelopment of the periphery because the centre is dominated by powerful capitalist countries that exploit the latter for their benefits and advantage. This theory assumes that it is the flow of resources from a periphery of poor countries and underdeveloped countries to the core of rich and wealthy, enriching the latter at the expenses of the former. The theoretical premises of dependency theory are that:

1. Poor countries provide natural resources, cheap labour, and a destination for obsolete technology and market the wealthy nations, without which the latter could not have the standard of living they are enjoying today.
2. Wealthy nations actively perpetuate a state of dependence by various means. The development of the centre causes the underdevelopment of the periphery and its

dependence on the centre. These influences include; economics, media control, politics, banking and finance, education, culture, sports, and all other spheres of human development.

3. Wealthy nations vehemently counter the attempts and efforts by dependent countries to resist their influences by means of economic sanctions and the use of military force. Dependency theorists argue that the dependence of the South on the North is the main cause of the underdevelopment of the former. They hold that the present economic and socio-political conditions prevailing in the periphery are the result of a historical international process.

The theory is relevant bearing in mind that Nigeria is a developing country and finds itself in alliance with the developed countries such as United States of America particularly. Nigeria is described as a developing and for this reason does not have all it takes to advance to become a developed one, hence the need for partnership and engagement in bilateral relations with the countries of the advance societies, not excluding the United States of America indeed, the tie between Nigeria and US is a strong one that Nigeria depends on US for aid to achieve its development goals. Over the years, Nigeria depends on the United States for foreign aid to either strengthen military capacity, improvement in the electoral system, reduction in poverty rate and development in general. It is against this backdrop of unequal relationship that this research adopts the dependency theory as its theoretical framework to investigate the impact of foreign aids from the United States of America on Nigeria.

### **Methodology**

The documents utilized in this study were secondary data. Secondary data as a set of data gathered and authored by other persons, and which is serving a purpose other than the primary reason upon which it was generated. As such, data for the study were extracted from textbooks, journal articles, newspapers and magazines, official documentaries, as well as other relevant internet materials. By so doing, this study compiled, analyzed, and interpreted relevant information through content analysis in order to address the research objectives.

### **Data Presentation/Analysis**

#### **US Foreign Aid to Nigeria 2015-2024**

<b>S/N</b>	<b>Year</b>	<b>Amount</b>
1	2015	\$446 million
2	2016	\$543 million
3	2017	\$643 million
4	2018	\$877 million
5	2019	\$761 million
6	2020	\$880 million
7	2021	\$922 million
8	2022	\$974 million
9	2023	\$1 billion
10	2024	\$783 million

Source: adapted from Oyedokun (2025).

#### **Nigeria-China Trade Relations and Foreign Aid Inflows**

**Infrastructure Development:** China's involvement in Nigeria's infrastructure development has been the most notable aspect of the relationship. China has been heavily involved in financing

and constructing infrastructure projects in Nigeria. This includes roads, railways, airports, and power plants, often through loans and agreements with Chinese companies. It has created a significant improvement in critical infrastructure such as the Lagos-Kano railway and the Abuja-Kaduna railway. With financing and construction support, China has helped to improve transportation networks, such as railways, as well as energy projects like power plants. This has had a direct impact on Nigeria's economic development by improving connectivity, reducing costs, and increasing industrial capacity. However, concerns about debt sustainability and reliance on Chinese loans have emerged (Nigerian Economic Summit Group, 2023).

**Economic Growth and Trade:** Trade between Nigeria and China has grown significantly, with China becoming Nigeria's largest trading partner. China's trade with Nigeria has increased dramatically in recent years. Nigeria exports oil to China while importing manufactured goods. While this has helped provide Nigerians with access to affordable goods, the trade imbalance could hinder Nigeria's long-term industrial development. Nigeria's dependency on China for consumer goods and manufactured products may prevent local industries from growing and becoming competitive. However, the imbalance in trade raises concerns over long-term sustainability and industrialization (Nigerian Economic Summit Group, 2023).

**Debt Dependency:** China is one of Nigeria's largest creditors, and many of Nigeria's infrastructure projects are funded by Chinese loans, often through institutions like the China Exim Bank. One of the most significant challenges in Nigeria-China relations is the issue of debt. While Chinese loans have financed large-scale projects, Nigeria's increasing debt burden could result in financial instability if not managed prudently. The nature of Chinese lending, often with less favourable terms compared to Western creditors, raises concerns about Nigeria's ability to repay these loans without sacrificing future development opportunities (Nigerian Economic Summit Group, 2023).

**Political and Diplomatic Ties:** Strong political alignment, with China supporting Nigeria's stance on various international issues, such as the United Nations reforms and economic development initiatives. This has strengthened diplomatic ties, providing Nigeria with greater access to international platforms. The relationship between the two countries has generally been cordial, with China supporting Nigeria's positions on global issues. However, Nigeria's need to balance its engagement with China while maintaining relationships with Western powers and addressing domestic issues like corruption, governance, and human rights remains a diplomatic challenge. Nigeria's position on critical issues like human rights in China and global governance remains a point of contention (Nigerian Economic Summit Group, 2023).

**Technology Transfer and Education:** China has been involved in transferring technologies, particularly in sectors like telecommunications and infrastructure. Nigeria benefits from improved technology and expertise in infrastructure development, which supports national economic growth. However, while Chinese investment has brought technological advancement, it has not always translated into substantial skill development for Nigerians. The educational exchanges have allowed Nigerians to study in China, but the overall scope of these initiatives

remains limited in terms of broader national development goals. There are gaps in skill development for local workers in some sectors (Nigerian Economic Summit Group, 2023).

**Cultural and Educational Exchange:** Both countries have encouraged cultural exchanges and educational programs, including scholarships for Nigerian students to study in China. This ensures a broader cultural understanding and the growth of human capital. Chinese language programs and education partnerships have grown, though limited in reach compared to other international educational exchanges.

### **Impact of Nigeria-China Trade Relations on Nigeria's Economic Growth**

**Trade Volume and Imbalance:** In 2015, Nigeria's total trade with China was valued at approximately \$10.8 billion, of which \$3.2 billion was exports (mainly crude oil) and \$7.6 billion was imports. By 2021, the trade volume had more than doubled to \$21.1 billion, with Nigeria's exports to China only growing marginally to \$3.5 billion, while imports surged to \$17.6 billion. This growing trade imbalance, with Nigeria's imports vastly exceeding exports, has contributed to the country's trade deficit and poses challenges to sustainable economic growth (Trading Economics, 2023).

**Imports from China:** In 2021, Nigeria's imports from China were valued at \$17.6 billion, which primarily consisted of machinery, electronics, and consumer goods. The dependence on Chinese imports has kept local industries underdeveloped and discouraged industrialization in Nigeria. This over-reliance on imports hampers efforts to diversify Nigeria's economy away from oil (Trading Economics, 2023).

**Exports to China:** Nigeria's exports to China in 2021 were valued at \$3.5 billion, primarily from crude oil. While this has helped Nigeria's oil-dependent economy, it highlights the lack of diversification in Nigeria's exports and the limited value-added exports to China. A focus on raw materials rather than processed goods restricts Nigeria's ability to move up the value chain (Trading Economics, 2023).

**Foreign Direct Investment (FDI):** China's FDI in Nigeria has been substantial, particularly in sectors like infrastructure. In 2015-2021, China invested an average of \$1.5 billion per year in Nigeria. This investment has been critical for the development of large-scale infrastructure projects like railways and power plants. However, much of the labor force involved in these projects has been Chinese, limiting the full benefits of technology transfer to Nigerian workers (Trading Economics, 2023).

**Debt and Loan Agreements:** The loans from China have played a crucial role in financing infrastructure, but they come with significant debt repayment obligations. By 2021, Nigeria owed over \$3 billion to China for projects like railways and energy infrastructure. While these loans have helped address infrastructural deficits, the debt burden raises concerns about Nigeria's ability to manage these obligations without compromising other areas of national development (Trading Economics, 2023).

**Job Creation and Technology Transfer:** Chinese investments have led to the creation of over 50,000 jobs between 2015 and 2021, particularly in the construction and energy sectors. Additionally, Chinese technology has helped improve Nigeria's telecommunications and

infrastructure. However, the influx of Chinese workers for large-scale projects has meant that the transfer of skills to Nigerian workers has been limited (Trading Economics, 2023).

**Impact on Local Industries:** Nigerian industries, especially textiles and electronics, have struggled to compete with the influx of cheaper Chinese imports. For example, the local textile industry faced a 30% decline due to competition from Chinese products. This highlights the challenge of fostering a robust manufacturing sector while relying heavily on imports from China (Trading Economics, 2023).

### **The Challenges that Nigeria-China faced in their Trade Relations**

This study indicated that Nigeria and China face several challenges in their trade relations, despite the significant economic cooperation between the two countries. Some of these challenges include:

1. **Trade Imbalance:** One of the primary challenges is the trade imbalance between Nigeria and China. Nigeria tends to import more manufactured goods from China than it exports, leading to a significant trade deficit. This trade imbalance can undermine Nigeria's domestic industries and hinder efforts to promote economic diversification.
2. **Competition for Local Industries:** Nigerian industries often struggle to compete with cheap Chinese imports, particularly in sectors such as textiles, footwear, and electronics. The influx of Chinese goods can stifle the growth of domestic industries, leading to job losses and reduced competitiveness.
3. **Quality and Safety Standards:** There have been concerns about the quality and safety standards of some Chinese products imported into Nigeria. Substandard goods, including counterfeit products, pose risks to consumers and can damage Nigeria's reputation as a reliable trading partner. Strengthening regulatory oversight and enforcing quality standards is essential to address this challenge.
4. **Intellectual Property Rights (IPR) Issues:** Intellectual property rights infringement is another challenge in Nigeria-China trade relations. Chinese companies have been accused of producing counterfeit goods and violating intellectual property rights of Nigerian and foreign companies. Strengthening IPR protection and enforcement mechanisms is necessary to address this challenge and promote fair trade practices.
5. **Infrastructure Deficiencies:** Inadequate infrastructure, including transportation, energy, and logistics, poses challenges to trade between Nigeria and China. Poor infrastructure can increase the cost and time of doing business, hampering trade flows and investment. Addressing infrastructure deficiencies through investment and reforms is critical to enhancing trade relations.
6. **Debt and Financing Concerns:** Some infrastructure projects financed by China in Nigeria have raised concerns about debt sustainability and the terms of financing. There are worries that Nigeria could fall into a debt trap or face difficulties in repaying Chinese loans, especially if projects fail to generate sufficient returns. Ensuring transparent and sustainable debt management practices is essential to mitigate these risks.

7. Geopolitical Considerations: Nigeria's trade relations with China are influenced by geopolitical factors, including global power dynamics and regional politics. Nigeria's alignment with China in international forums such as the United Nations and the Forum on China-Africa Cooperation (FOCAC) may have implications for its relations with other countries, including traditional allies.

## **Discussion of Findings**

### **The Level of Foreign Aid Inflows between Nigeria and China**

This study found that the relationship between Nigeria and China is multifaceted, spanning various sectors including trade, investment, infrastructure development, and diplomacy. In the context of national development in Nigeria, the relationship with China has been significant and has evolved over the years. China has become one of Nigeria's major trading partners. Nigeria exports crude oil and other raw materials to China, while importing manufactured goods and machinery. Chinese investment in Nigeria has grown substantially, particularly in sectors such as telecommunications, construction, manufacturing, and agriculture. These investments have contributed to job creation and economic growth in Nigeria.

Recently, Chinese Foreign Minister Wang Yi as parts of China's tradition for decades, has visited Nigeria. Critical minerals and oils, coupled a renewed focus on the Atlantic coast, and the West's loss of influence in the Sahel are some of the reason analyst believed, for the visit. However, analyst believed that during Wang's visit, trade was a major item for discussion, Nigeria being Africa's most populous country and one of its biggest economies. China has been actively involved in financing and constructing infrastructure projects in Nigeria. This includes roads, railways, ports, airports, and power plants. One notable example is the Chinese-funded Abuja-Kaduna railway, which has improved transportation and connectivity between the Nigerian capital and its hinterlands. These infrastructure projects are essential for economic development and improving the standard of living for Nigerians. While Chinese financing has enabled Nigeria to undertake much-needed infrastructure projects, there are concerns about the level of debt accrued from these projects. Some critics argue that Nigeria risks falling into a debt trap with China due to the terms of some loans, which may include high interest rates and collateral agreements. Managing debt and ensuring that borrowed funds are used efficiently and transparently are crucial challenges for Nigeria in its relationship with China. Chinese investments often involve technology transfer and skills development initiatives. Through partnerships and collaborations, Nigerian workers have the opportunity to gain knowledge and expertise in various fields, which can contribute to the country's long-term development.

Nigeria and China have maintained a generally cordial diplomatic relationship. Both countries collaborate on various regional and international issues through platforms like the United Nations and the Forum on China-Africa Cooperation (FOCAC). Nigeria often supports China's positions on issues such as territorial integrity and non-interference in internal affairs, while China provides diplomatic support for Nigeria in international forums.

Therefore, the relationship between Nigeria and China plays a significant role in Nigeria's national development efforts. However, it is essential for Nigeria to carefully manage its

relationship with China to ensure that it maximizes the benefits of Chinese investment while mitigating potential risks such as debt accumulation and dependency. Balancing economic cooperation with strategic interests and ensuring mutual benefit is key for the sustainable development of both countries. These findings aligns with previous studies by Bukarambe (2005), Oluwabayi, David, Duruji & Moses (2012), Utomi (2017), Kabiru & Dyah (2018) and Emehelu & Oboreh (2022).

### **The Impact of Nigeria-China Trade Relations on Nigeria's Economic Growth**

This study indicated that Nigeria-China trade relations have had a significant impact on national development in Nigeria, affecting various aspects of the economy, infrastructure, and social development. Trade between Nigeria and China has contributed to economic growth in Nigeria. China is one of Nigeria's largest trading partners, with bilateral trade volumes increasing over the years. Nigeria primarily exports crude oil and other natural resources to China while importing manufactured goods and machinery. This trade relationship has stimulated economic activity and provided revenue streams for the Nigerian government. Chinese investments in Nigeria have played a crucial role in infrastructure development. China has financed and constructed various infrastructure projects in Nigeria, including roads, railways, ports, airports, and power plants. These projects are essential for improving transportation networks, enhancing connectivity, and supporting economic activities across the country. For example, the Chinese-funded Abuja-Kaduna railway has facilitated the movement of people and goods, contributing to regional development (Oyedokun, 2025).

Chinese investments in Nigeria have created employment opportunities for Nigerians. Infrastructure projects, manufacturing ventures, and other investments supported by China have generated jobs in construction, manufacturing, transportation, and other sectors. This has helped alleviate unemployment and provided livelihoods for many Nigerians, contributing to poverty reduction and social development. Chinese investments often involve technology transfer and skills development initiatives. Through partnerships and collaborations with Chinese companies, Nigerian workers have the opportunity to gain knowledge and expertise in various fields, including manufacturing, engineering, and construction. This transfer of technology and skills is essential for building local capacity and promoting industrialization in Nigeria.

Nigeria's economy has historically been heavily reliant on oil exports. However, trade relations with China have helped diversify the Nigerian economy by promoting trade in non-oil sectors. Chinese investments in manufacturing, agriculture, telecommunications, and other industries have supported efforts to reduce dependence on oil revenue and create a more balanced and resilient economy. Despite the benefits, Nigeria-China trade relations also pose challenges and risks. These include concerns about the trade imbalance, with Nigeria importing more manufactured goods than it exports to China. There are also concerns about the terms of some Chinese loans, which may involve high interest rates and collateral agreements, potentially leading to debt accumulation and dependency. In conclusion, Nigeria-China trade relations have had a multifaceted impact on national development in Nigeria, contributing to economic

growth, infrastructure development, job creation, technology transfer, and diversification of the economy. However, it is essential for Nigeria to address challenges and risks associated with this relationship to ensure that it maximizes the benefits while mitigating potential negative consequences. These findings corroborate previous studies by Adeyeye (2013), Samuel (2013), Tajudeen (2013), Kabiru & Dyah (2018), and Osinmeh & Micah (2022).

### **The Areas of Comparative Advantage that Nigeria needs to Leverage to Benefit from Her Trade Relations with China**

This study revealed that to benefit from its trade relations with China, Nigeria needs to leverage its areas of comparative advantage. These are sectors where Nigeria has strengths or resources that give it a competitive edge over other countries, including China. Nigeria is rich in natural resources, including oil, natural gas, solid minerals, and agricultural products. Leveraging its abundant resources, Nigeria can export commodities such as crude oil, natural gas, cocoa, rubber, and solid minerals to China. Strengthening the value chains in these sectors, improving productivity, and ensuring sustainable resource management can enhance Nigeria's competitiveness in global markets.

Nigeria has vast arable land and favorable climatic conditions suitable for agriculture. The country can capitalize on its agricultural potential by increasing investment in modern farming techniques, agribusiness, and value-added processing. Nigeria can export agricultural products such as cocoa, cashew nuts, sesame seeds, and palm oil to meet the growing demand in China for food and agricultural commodities. While Nigeria's manufacturing sector is still developing, it has the potential to become more competitive, particularly in light manufacturing industries. Nigeria can focus on sectors such as textiles and garments, food processing, leather goods, and light machinery. By improving infrastructure, access to finance, and the business environment, Nigeria can attract investment and boost its manufacturing capacity to meet domestic and export demand. Nigeria's services sector, including telecommunications, banking, and entertainment, presents opportunities for trade with China. Nigeria can export services such as financial services, ICT solutions, entertainment content, and tourism experiences to China. Strengthening the regulatory framework, investing in digital infrastructure, and promoting skills development can enhance Nigeria's competitiveness in the services sector.

Nigeria's large and youthful population represents a significant asset. Investing in education, skills development, and entrepreneurship can empower the workforce to contribute effectively to economic growth and innovation. Nigeria can leverage its human capital by promoting research and development, technology adoption, and innovation in collaboration with Chinese partners. Nigeria's infrastructure deficit presents opportunities for collaboration with China in infrastructure development projects. Nigeria can leverage its strategic location, natural resources, and growing market to attract Chinese investment in critical infrastructure such as transportation, energy, telecommunications, and water resources. Enhancing infrastructure connectivity can facilitate trade and economic integration between Nigeria and China. By leveraging its areas of comparative advantage, Nigeria can enhance its trade relations with China and maximize the benefits for economic growth, job creation, and sustainable

development. However, it is essential for Nigeria to address challenges such as infrastructure deficiencies, policy constraints, and institutional weaknesses to unlock the full potential of its trade relationship with China. These findings aligns with studies conducted by Fabanya (2012), Aluko & Arowolo (2014), Kabiru & Dyah (2018), and Chiedozie, Aloh & Okechukwu (2024).

### **The Challenges that Nigeria-China faced in Their Trade Relations**

This study indicated that Nigeria and China face several challenges in their trade relations, despite the significant economic cooperation between the two countries. Some of these challenges include:

**Trade Imbalance:** One of the primary challenges is the trade imbalance between Nigeria and China. Nigeria tends to import more manufactured goods from China than it exports, leading to a significant trade deficit. This trade imbalance can undermine Nigeria's domestic industries and hinder efforts to promote economic diversification.

**Competition for Local Industries:** Nigerian industries often struggle to compete with cheap Chinese imports, particularly in sectors such as textiles, footwear, and electronics. The influx of Chinese goods can stifle the growth of domestic industries, leading to job losses and reduced competitiveness.

**Quality and Safety Standards:** There have been concerns about the quality and safety standards of some Chinese products imported into Nigeria. Substandard goods, including counterfeit products, pose risks to consumers and can damage Nigeria's reputation as a reliable trading partner. Strengthening regulatory oversight and enforcing quality standards is essential to address this challenge.

**Intellectual Property Rights (IPR) Issues:** Intellectual property rights infringement is another challenge in Nigeria-China trade relations. Chinese companies have been accused of producing counterfeit goods and violating intellectual property rights of Nigerian and foreign companies. Strengthening IPR protection and enforcement mechanisms is necessary to address this challenge and promote fair trade practices.

**Infrastructure Deficiencies:** Inadequate infrastructure, including transportation, energy, and logistics, poses challenges to trade between Nigeria and China. Poor infrastructure can increase the cost and time of doing business, hampering trade flows and investment. Addressing infrastructure deficiencies through investment and reforms is critical to enhancing trade relations.

**Debt and Financing Concerns:** Some infrastructure projects financed by China in Nigeria have raised concerns about debt sustainability and the terms of financing. There are worries that Nigeria could fall into a debt trap or face difficulties in repaying Chinese loans, especially if projects fail to generate sufficient returns. Ensuring transparent and sustainable debt management practices is essential to mitigate these risks.

**Geopolitical Considerations:** Nigeria's trade relations with China are influenced by geopolitical factors, including global power dynamics and regional politics. Nigeria's alignment with China in international forums such as the United Nations and the Forum on China-Africa Cooperation (FOCAC) may have implications for its relations with other countries, including traditional

allies. These findings aligns with previous studies by Bukarambe (2005), Oluwabayi, David, Duruji & Moses (2012), Utomi (2017), Kabiru & Dyah (2018) and Emehelu & Oboreh (2022).

### **Conclusion**

This study noted the importance of foreign aid to the development of Nigeria. It however, observed that the misuse of foreign loans has grievous effects on the economy of the country. Foreign aid is not and must not be seen as a mere demonstration of benevolence between two countries, rather, it should be considered a business affair in its intent and content. Its nature, dealings and manner must be business-like. Nigeria must design and structure a mechanism for coping with the conditional ties attached to aid rather than complaining of its aftermath which they were of course, aware of before taking such loans.

More so, foreign aid is not a free gift of nature. As the saying goes “there is no free food anywhere even in free town, or like late Thomas Sakara puts it, “he who feed you controls you”. But as expected, it is interest-yielding, with a lot of ideological underpinnings intended to impose one country’s ideology on the other in order to have dominion and external control on the recipient country. Obviously observable, is the absence of the culture of financial transparency and accountability in developing countries. Corruption has become a national virtue among government officials to the extent that public funds are diverted to private uses. In Nigeria, government officials transfer public funds to their private bank accounts. Corruption and official leakages are the major limitations to economic development in the developing world, a condition that retard national growth and economic development. The challenges require proactive measures and cooperation between Nigeria and China. Both countries need to engage in dialogue, strengthen institutional frameworks, and implement policies to promote balanced and mutually beneficial trade relations. Additionally, enhancing transparency, adherence to regulations, and compliance with international standards can help build trust and foster a more sustainable trade relationship between Nigeria and China.

### **Recommendations**

The Nigeria-China trade relations have been a crucial aspect of the country's foreign policy and economic development. However, the relationship has also been faced with several challenges that hinder its full potential in contributing to Nigeria's national development. Some of the solutions to these challenges include:

1. **Diversification of Trade Relations:** Nigeria should diversify its trade relations with China to reduce over-reliance on a single partner. This can be achieved by exploring other areas of cooperation, such as education, healthcare, and technology.
2. **Infrastructure Development:** The Nigerian government should invest in infrastructure development, such as roads, rail, and seaports, to facilitate the smooth movement of goods and services between Nigeria and China.
3. **Capacity Building through Promotion of Local Content:** Nigeria should focus on building the capacity of its businesses, particularly in the areas of manufacturing and technology, to enable them to compete effectively with Chinese companies. The Nigerian government should promote local content by encouraging the use of local materials and

labor in Chinese projects in Nigeria. This can help to stimulate economic growth and reduce dependence on foreign goods.

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