

## **IMPACT OF FOREIGN DIRECT INVESTMENT ON CHINA'S BELT AND ROAD INITIATIVE OF GOING GLOBAL IN NIGERIA**

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### **Abstract**

This paper examines the impact of foreign direct investment of China's Belt and Road Initiative in Nigeria. The objective of the paper is to investigate the sectors that Chinese investments have been more impactful and the challenges encountered. The study used qualitative descriptive method and relies on secondary sources of data. The data was analyzed using content analysis and documentary sources. The paper adopted the interdependence theory as theoretical framework of analysis. The findings of the study reveal that Chinese FDI have been used in manufacturing, trade, and oil and gas sector. The findings have shown that Belt and Road Initiative (BRI) has helped the Nigerian Railway reconstruction with Chinese capital and technology. While the challenges have been the inconsistencies in foreign policies of Nigeria, disproportionate investments in oil and gas, increasing level debt, and shortage of technical skills among others. The paper concludes that Chinese FDI and BRI have boosted economic and diplomatic relations in Chinese favour and quest for resources from Nigeria. It is recommended that Nigeria diversify its economy and redefine bilateral relations for mutual gains with China.

**Keywords:** Foreign Direct Investment, Road and Belt Initiative, Interdependence theory

### **Introduction**

China's Belt and Road Initiative (BRI) has emerged as a cornerstone of China's foreign policy, aiming to foster economic connectivity and infrastructure development across Asia, Africa, and Europe (Yu, 2019). The BRI embodies China's ambition to play a leading role in global economic governance while advancing its strategic interests. With investments surpassing \$440 billion in various infrastructure projects worldwide, the initiative has garnered significant attention for its potential to reshape global trade patterns and geopolitical dynamics (The World Bank, 2021).

In Africa, the BRI has been instrumental in deepening China's engagement with the continent, leveraging its economic potentials to secure access to resources, markets, and strategic footholds. Nigeria, as one of Africa's largest economies and a key regional player, has attracted substantial Chinese investment under the BRI, particularly in its transport and manufacturing sector. This investment influx has the potential to catalyze Nigeria's industrialization efforts and enhance its global competitiveness (Ajakaiye, 2018).

However, the impact of China's FDI on BRI in Nigeria's manufacturing sectors is multifaceted, presenting both opportunities and challenges. On one hand, Chinese investment has facilitated the development of critical infrastructure, such as ports, railways, and industrial parks, which are essential for the growth of Nigeria's manufacturing base (Ayegeba & Onwe, 2020). Additionally, Chinese companies bring technological expertise and capital that can help modernize Nigeria's manufacturing processes and improve productivity (Ajakaiye, 2018). On the other hand, concerns have been raised about the implications of China's growing influence on Nigeria's economy and industrial landscape. Critics argue that Chinese investments may

undermine local industries, as Chinese firms often prioritize their own interests and import Chinese labor and materials, limiting the potential for technology transfer and local job creation (Alemika, 2019). Moreover, there are fears of debt dependence and unfavorable terms associated with Chinese loans, which could potentially compromise Nigeria's sovereignty and financial stability (ECA, 2020).

In light of these complexities, a comprehensive assessment of China's FDI on BRI in Nigeria's manufacturing sectors is imperative to understand the opportunities and challenges it presents. By examining the dynamics of Chinese investment in Nigeria's manufacturing landscape, policymakers can formulate strategies to maximize the benefits of BRI while mitigating its potential risks, ensuring sustainable and inclusive development (Oxford Business Group, 2020).

### **Statement of the Problem**

China's involvement in Nigeria's manufacturing sector through the Belt and Road Initiative (BRI) presents a complex landscape of opportunities and challenges. On one hand, Chinese investments offer the potential for economic growth and industrial development in Nigeria. However, there are concerns regarding the extent of China's influence on Nigeria's economy, the implications for local industries, and the long-term sustainability of such investments.

China's engagement in Nigeria's manufacturing sector has been substantial, with projects ranging from infrastructure development to industrial parks and partnerships with local firms. According to Ukpabi, Adeniran, and Nwankwo (2019), Chinese investments in Nigeria's manufacturing sector have been driven by strategic objectives such as securing access to natural resources, expanding export markets, and fostering diplomatic ties.

However, this influx of Chinese investment raises questions about its impact on local industries. A study by Amu, Lekan, and Ajagbe (2020) highlights concerns about the potential displacement of local businesses and the transfer of technology and skills to Nigerian workers. There are also fears that Chinese companies may prioritize their own interests over those of local communities, leading to social and environmental challenges (Ezeoha, 2018).

While China's involvement in Nigeria's manufacturing sector through the BRI offers opportunities for growth, there are concerns about its implications for local industries and the overall sustainability of such investments.

### **Objectives of the Study**

The objective of the study is to assess China's on FDI BRI initiative of (going global) policy in Nigeria. The specific objectives are:

- (i) To examine the impact of Chinese investments on Nigeria's manufacturing, oil and gas, telecommunications sectors.
- (ii) To evaluate the impact of the increasing inflow of Foreign Direct Investment (FDI) from China, on BRI (going global) on Nigeria's sectoral development.
- (iii) To analyze the challenges faced in the implementation of China's policy of BRI (going global) in the growth and development of Nigeria's manufacturing sector.

### **Research Questions**

- i. What is the impact of Chinese investments on Nigeria's manufacturing, oil and gas as well as telecommunications sectors?
- ii. How has the inflow of Foreign Direct Investment (FDI) from China, on BRI (going global) impacted Nigeria's economic growth and development.
- iii. What are the challenges faced in the implementation of China's policy of BRI (going global) in the growth and development of Nigeria's manufacturing sector.

### **Methodology**

The methodology used for this research work is which includes secondary sources of data collection. The secondary source requires consulting written records on the subject matter from published books, journals among others. Furthermore, it is important to state here that the researcher will use internet sources with themes related to this research topic. The nature of this subject matter necessitates an interdisciplinary approach. However, it is important to note that, all the sources outlined above have their limitations and will be used with utmost caution.

### **Literature Review**

#### **Belt and Road Initiative (BRI)**

The Belt and Road Initiative (BRI), launched by China in 2013, is a massive infrastructure and economic development aimed at revitalizing the ancient Silk Road trading routes (Baldwin & Yan, 2019). The initiative encompasses over 70 countries and aims to promote connectivity, trade, and investment across Asia, Europe, and Africa (Zhang, 2020). It consists of the Silk Road Economic Belt, which focuses on land-based infrastructure projects, and the 21st Century Maritime Silk Road, which emphasizes maritime routes and port developments (Eichengreen, Park, & Shin, 2020).

The primary objectives of the BRI are to enhance regional connectivity, foster economic cooperation, and promote sustainable development (Cheung & Leung, 2021). By investing in infrastructure, energy, and transportation projects, China aims to reduce trade barriers, improve logistics, and stimulate economic growth in participating countries (Kynge, 2020). The scope of the initiative extends beyond physical infrastructure to include policy coordination, financial integration, and people-to-people exchanges (Luo, 2020).

It is pertinent to know that China implements the BRI through a combination of bilateral agreements, multilateral institutions, and public-private partnerships (Kuo, 2018). The initiative relies heavily on Chinese financing, including loans from policy banks such as the China Development Bank and the Export-Import Bank of China (Lin, 2019). Infrastructure projects, including railways, highways, ports, and energy pipelines, are typically funded and constructed by Chinese state-owned enterprises (Jiang & Lin, 2020).

The BRI has significant geopolitical implications, reshaping global trade patterns and power dynamics (Swaine, 2018). Critics argue that the initiative may exacerbate debt dependency in participating countries, fuel regional tensions, and undermine existing international institutions (Bradsher, 2019). However, proponents view the BRI as a means of promoting economic

development, fostering cooperation, and expanding China's influence on the global stage (Grimm, 2021).

It is important to know that the Belt and Road Initiative represents a multifaceted approach to infrastructure development and economic cooperation with far-reaching implications for global trade and geopolitics. While it offers opportunities for growth and connectivity, it also raises concerns about debt sustainability, governance standards, and geopolitical competition in the 21st century.

### **China-Nigeria Economic Relations**

Scholars have extensively explored the economic ties between China and Nigeria, with a particular focus on trade patterns, investment flows, and diplomatic relations, often within the context of China's Belt and Road Initiative (BRI). Li and Ojo (2019) conducted a detailed analysis of the trade dynamics between China and Nigeria, highlighting the substantial growth in bilateral trade. This growth is often seen through the lens of the BRI, which aims to enhance connectivity and promote economic cooperation between China and countries along its routes. China's exports to Nigeria, especially in machinery, electronics, and textiles, are frequently linked to its BRI-related infrastructure projects and investment initiatives (Adeniran, 2018).

Similarly, Chinese investment in Nigeria, as studied by Ogunleye and Adejumo (2020), is viewed within the framework of the BRI's broader objectives. Chinese-funded infrastructure projects in Nigeria, such as roads, railways, and ports, are often considered part of the BRI's efforts to improve connectivity and facilitate trade between China and African nations. However, concerns have been raised about the transparency and environmental sustainability of some of these projects, underscoring the need for careful scrutiny and evaluation (Adeniran & Ijeoma, 2021).

The diplomatic dimension of China-Nigeria economic relations is also analyzed within the context of the BRI. China's engagement with Nigeria is often perceived as part of its broader diplomatic strategy to expand its influence and promote its geopolitical interests, particularly in resource-rich regions like Africa (Okafor, 2017). The BRI serves as a platform for China to strengthen diplomatic ties with African countries, including Nigeria, through infrastructure investment and economic cooperation (Umejesi & Nwachukwu, 2019).

Furthermore, Nigeria's diplomatic posture towards China is shaped by considerations of the BRI's implications for its own economic development and strategic interests. Some scholars argue that Nigeria's participation in the BRI reflects its efforts to diversify its international partnerships and leverage Chinese investment for infrastructure development (Onuoha, 2018). However, others caution against the risks of overreliance on Chinese financing and advocate for a balanced approach to foreign relations (Ikegwuonu, 2020).

The China-Nigeria economic relations provides valuable insights into the complex interplay between trade, investment, and diplomacy, often within the framework of the Belt and Road Initiative. While the BRI offers opportunities for infrastructure development and economic cooperation, Foreign Direct Investment and manufacturing sector in Nigeria also raises

important questions about transparency, sustainability, and geopolitical implications that warrant further examination.

### **FDI and Manufacturing Sector in Nigeria**

The manufacturing sector in Nigeria has attracted significant research attention due to its potential for driving economic growth through industrialization. This review explores literature on FDI trends in Nigeria's manufacturing sector, focusing on factors influencing FDI inflows, the regulatory environment, and the sector's contribution to the Nigerian economy.

Various studies have investigated the determinants of FDI inflows into Nigeria's manufacturing sector. According to Agosin and Mayer (2000), factors such as market size, labor costs, infrastructure development, political stability, and macroeconomic stability significantly shape FDI decisions within the sector. Similarly, Ajayi (2006) highlights the importance of government policies, exchange rate stability, and trade openness in attracting FDI into manufacturing. These studies underscore the complex nature of factors influencing FDI flows into Nigeria's manufacturing industry.

The regulatory framework plays a crucial role in shaping FDI trends in Nigeria's manufacturing sector. Oyejide et al. (2006) argue that regulatory reforms aimed at improving the ease of doing business, reducing bureaucratic hurdles, and bolstering investor protection can stimulate FDI inflows into manufacturing. However, Adenikinju and Adejumo (2012) point out challenges related to policy inconsistency, regulatory ambiguity, and corruption as barriers to FDI in Nigeria's manufacturing sector. Thus, while efforts to enhance the regulatory environment are crucial, addressing these hurdles is vital to attract sustainable FDI into the sector.

Despite challenges such as infrastructural deficiencies and policy constraints, the manufacturing sector remains a key contributor to Nigeria's economy. Adediran and Oyebisi (2019) note significant contributions to employment generation, value addition, and export diversification from the sector. Additionally, Aigheyisi and Olokoyo (2016) emphasize its potential to drive technology transfer, skill development, and backward linkages with other economic sectors. Nevertheless, the sector's contribution to Nigeria's GDP has stagnated, highlighting the necessity for targeted policies to enhance its competitiveness and productivity (Oyebisi et al., 2020).

According to Zhou and Umar (2020), China's investment under the BRI framework has contributed significantly to FDI inflows in Nigeria, particularly in infrastructure and energy sectors. Infrastructure such as transportation networks and power supply are essential for facilitating manufacturing activities and attracting FDI. BRI funding has also facilitated the establishment of industrial parks and special economic zones in Nigeria, attracting FDI in manufacturing-related activities (Adewumi, 2021). These zones provide investors with favourable conditions such as tax incentives and streamlined regulatory processes.

FDI driven by BRI initiatives often involves technology transfer and skills development, which can benefit Nigeria's manufacturing sector (Oyebisi & Aremu, 2019). Access to advanced technology and trained workforce enhances productivity and competitiveness in manufacturing.

BRI-related FDI has contributed to the diversification of Nigeria's manufacturing base by attracting investments in new sectors and industries (Adegbite & Mordi, 2020). This diversification reduces dependence on traditional industries and promotes sustainable industrial growth.

The influx of Chinese investment in Nigeria's manufacturing sector presents both challenges and opportunities for local manufacturers. One major challenge is increased competition from Chinese firms, which may have access to cheaper capital and advanced technology (Luo & Zhang, 2020). Nigerian manufacturers may struggle to compete on price and quality, especially if they lack access to similar resources and technology (Johnston, 2019). However, Chinese investments also bring opportunities for technology transfer and skills development. Through partnerships with Chinese companies, Nigerian manufacturers can gain access to new technologies and knowledge, enhancing their competitiveness in the global market (Obiora, 2018). Additionally, Chinese investments in infrastructure development can benefit Nigerian manufacturers by improving logistics and reducing operating costs (Yin & Yang, 2017).

Furthermore, the growth of Nigeria's manufacturing sector under the BRI presents opportunities for local industry growth and innovation. As Chinese investments stimulate demand for locally produced goods and services, Nigerian manufacturers have the chance to expand their market share and diversify their product offerings (Johnston, 2019). Moreover, collaboration with Chinese partners can facilitate knowledge exchange and promote innovation within the Nigerian manufacturing industry (Luo & Zhang, 2020).

### **Theoretical Framework**

In this study, the theoretical framework employed is interdependence theory. Interdependence theory was developed by Thibaut and Kelley in (1959). The theory is most comprehensive theoretical framework for understanding interdependence and social interaction. This theory emphasizes the importance of various forms of interdependence among states, such as economic, political, social, and cultural interdependencies.

Interdependence theory assumed that states are not the only actors in international politics and those actors such as trans-national corporations, non-governmental organizations, individuals, etc. are also actors in the international system. Joseph Nye raises an interesting theory of modern international relations through his concept of complex interdependence. Nye (1979) describes interdependence in an analytical sense, as "situations in which actors or events in different parts of a system affect each other." Nye (1979) continues his definition of interdependence by stating that the results are often varied and although the potential for benefits exist, the potential for tragedy exists as well. Despite this potential for varying results Nye also notes that it is very difficult and very costly for a country to try and cut itself off from the world, such as Myanmar or Albania did. According to Nye interdependence can be divided into four separate dimensions, which are its sources, benefits, costs, and symmetry. These dimensions can originate in both the physical and social aspects of society. In the case of Nigeria-China relations as described in the provided text, interdependence theory can be applied to explain the dynamics of their relationship in the following ways:

**Economic Interdependence:** Nigeria and China have developed significant economic interdependence over the years. China's need for natural resources, particularly oil, has led to substantial investment in Nigeria's extractive industries. In return, Nigeria benefits from Chinese investment in infrastructure and other sectors. This economic interdependence has created mutual interests and incentives for cooperation between the two countries.

**Political Interdependence:** The text highlights Nigeria's diplomatic support for China, including voting in favor of China's seat in the United Nations Security Council. This political interdependence is based on mutual recognition of each other's sovereignty and shared interests in global governance. Nigeria's willingness to align with China's interests demonstrates a form of political interdependence between the two nations.

**Security Interdependence:** Nigeria-China relations also involve elements of security interdependence. China's investments in Nigeria's infrastructure, such as ports and railways, contribute to Nigeria's security by improving transportation and logistics capabilities. Additionally, China may have security interests in Nigeria's stability to safeguard its investments and ensure a conducive environment for economic activities.

**Cultural and Social Interdependence:** There are commonalities between China and Nigeria, such as their multi-ethnic populations and historical experiences of colonialism. These cultural and social similarities can foster a sense of solidarity and cooperation between the two countries, contributing to deeper ties beyond purely economic or political interests.

Proponents of interdependence theory argue that in a highly interconnected world, states are more likely to cooperate and pursue peaceful resolutions to conflicts due to the mutual benefits derived from maintaining positive relationships. This theory challenges traditional realist notions of power politics and zero-sum thinking by emphasizing the complexity of international interactions and the potential for win-win outcomes through cooperation.

In the context of Nigeria-China relations, interdependence theory suggests that the two countries are motivated to cooperate and maintain positive relations because of the numerous interconnected interests they share. This includes economic cooperation, political alignment on certain issues, and cultural affinities. By recognizing and building upon these interdependencies, Nigeria and China can continue to strengthen their relationship and pursue mutual development objective.

## **Discussion**

### **Chinese Investments in Nigeria's Oil and Gas Sectors**

According to Akpan (2020) Chinese investments are concentrated in the oil industry, manufacturing, construction and telecommunications. A report from the African Economic Research Consortium revealed that China has established more than 30 solely-owned or joint-venture companies in the construction, oil and gas, technology, services and education sectors of the Nigerian economy. The report also found that FDI from Chinese private investors is mainly in the agro-allied industries, manufacturing and communications. By contrast, Chinese public FDI targets transport.

China distinguished itself from other emerging countries, such as Nigeria, via its fast economic and technical progress. Nigeria and China have bilateral commercial connections because China is interested in Nigeria's oil resources, while Nigeria is interested in Chinese investment, both technological and non-technological. Nigeria and China committed to five principles when they initially established diplomatic ties in 1971, which bore some resemblance to China's change in foreign policy toward Africa. In a press release dated April 26, 1971, Nigeria's Federal Ministry of Information listed five guiding principles: mutual non-aggression, non-interference in one another's internal affairs, respect for one another's sovereignty and territorial integrity, sovereign equality, and harmonious coexistence (Osimen et al., 2022). These principles laid the foundation for the strong relationship between Nigeria and China, paving the way for increased Chinese investment in various sectors in Nigeria. As China continues to expand its global influence, Nigeria remains an attractive destination for Chinese investment due to its strategic location and abundant natural resources.

Without a doubt, China's political inventiveness has contributed to the achievement of her economic ambitions. China sells completed products to Nigeria as part of this commercial partnership. Gu Xiaojie, China's ambassador to Nigeria, boasted at a recent conference that Nigeria was China's top engineering market, second biggest export market, third-largest trade partner, and key African investment destination (Akinterinwa, 2016). In recent evidence, the Chinese Ambassador to Nigeria, Ambassador Cui Jianchun, indicated that despite the coronavirus outbreak, commerce between his nation and Nigeria still exceeded \$20 billion in 2020. Nigeria buys more from China than from the US, India, and other countries combined. Only raw agricultural items like cotton and lumber, as well as minerals like crude oil, are imported into China from Nigeria. With over 200 Chinese businesses working in Nigeria, China has increased its export portfolio to encompass mechanical and human knowledge, as well as investment money (Nwokolobia & Ikenga, 2023). This strong economic relationship between China and Nigeria is expected to continue growing, with both countries benefiting from the exchange of goods and services. The presence of Chinese businesses in Nigeria also contributes to job creation and technology transfer, further solidifying the partnership between the two nations.

The China Civil Engineering Construction Corporation is primarily responsible for the repair of Nigeria's railway infrastructure. China National Petroleum Company (CNPC) and China National Petroleum and Chemicals Corporation (CNPCC) are winning rich contracts and constructing enviable access routes to Nigeria's deep sea oil resources. China National Overseas Oil Company (CNOOC) purchased a 45% share in OPL 246 at Nigeria's Akpo oil field. According to the terms of the arrangement, CNOOC would get 70% of the earnings, with Nigeria's NNPC receiving the remaining 30%. Chinese National Petroleum Corporation (CNPC) was awarded licenses for four oil blocks, OPL 471, 721, 732, and 298, in consideration of CNPC's contribution to the anticipated \$2 billion Kaduna refinery renovation project. China's interest in Nigeria's new liquefied gas is also obvious in the contracts struck by Petro China and other Chinese companies to acquire part of Nigeria's crude oil. China's key objective

in these attempts is to sustain its domestic economic growth by extending its market and getting access to raw materials (Osimen et al., 2022).

Despite China's investments in Nigeria, the two nations have an imbalanced and lopsided relationship. As billions of US dollars flow through Nigeria's tin-tanks, causing issues with commerce, balances of payments, and national debt, among other things, China gains more in the long run than Nigeria. Nigeria exported commodities of \$1.77 billion to China in 2020, according to the United Nations' COMTRADE database (Nwokolobia & Ikenga, 2023). However, Nigeria has also benefited from the BRI projects, which include the Abuja/Kaduna Standard Gauge Rail Line connecting the nation's capital Abuja to Kaduna, a trade center and transportation hub in north-western Nigeria; the Lagos/Ibadan Standard Gauge Rail Line connecting Lagos, Nigeria's economic capital, to Ibadan, the former administrative capital of south-western Nigeria; and the ambitious Lagos/Kano Rail line connecting the two most populous cities. Others include new international airport terminals in Abuja, Port Harcourt in the oil-rich Niger Delta, and Kano, Nigeria's medieval capital. Furthermore, the railway line between Lagos and Ibadan began operations in December 2020, the most recent of China's extensive industrial investments in Nigeria. It will cost around \$1.5 billion US and cover 156 kilometers. China has also assisted Nigeria in its fight against the "Boko Haram" insurgency by financing and giving military support. According to the Debt Management Office, Nigeria's total debt to China as of March 31, 2010 was \$3.402 billion. Since 2010, the funds have been utilized to cover 11 loan facilities from China Exim Bank (Osimen et al., 2022).

China remains the biggest investor in Nigeria's infrastructure, particularly in transportation and energy. The investments are largely financed through loans from the Export-Import Bank of China (EXIM Bank) under the Belt and Road Initiative (BRI).

- **Lagos-Calabar Coastal Highway Project:** China Civil Engineering Construction Corporation (CCECC) is involved in this \$11 billion project aimed at boosting trade along Nigeria's coastal states (CBN, 2024).
- **Lagos-Ibadan Railway Extension:** The railway, initially completed in 2021, is undergoing further expansion to connect industrial hubs with Lagos ports (NBS, 2024).
- **Zungeru Hydroelectric Power Plant:** Commissioned in 2023, this \$1.3 billion hydro project, built by Sinohydro Corporation, is now fully operational and provides 700MW of electricity (NEITI, 2024).
- **Lekki Deep Seaport Expansion:** The China Harbour Engineering Company (CHEC) is expanding the \$1.5 billion Lekki Deep Seaport to improve Nigeria's shipping capacity (NNPA, 2024).

### **Oil and Gas Sector**

China remains deeply involved in Nigeria's petroleum industry, primarily through the China National Offshore Oil Corporation (CNOOC) and Sinopec.

- **China's Stake in Nigeria's Offshore Oil Fields:** CNOOC increased its investment in deep-water oil blocks to strengthen energy security for China and Nigeria (NNPC, 2024).

- **China's Role in Dangote Refinery Operations:** The **Dangote Refinery**, Africa's largest, has received financial and technical support from China for its refining operations (Adamu, 2024).

Chinese technology firms continue to dominate Nigeria's ICT sector, expanding 5G networks and digital infrastructure.

- **Huawei's 5G Expansion with MTN and Airtel:** Huawei is collaborating with **MTN and Airtel Nigeria** to accelerate 5G deployment across major cities (NITDA, 2024).
- **ZTE Fiber Optic Network Development:** ZTE is currently working on expanding fiber optic broadband to improve internet connectivity, particularly in rural areas (Okonkwo, 2024).

With growing global demand for lithium and other minerals used in electric vehicles, Chinese firms have increased mining operations in Nigeria.

- **Lithium and Rare Earth Mining in Nasarawa and Plateau States:** Chinese firms have secured agreements to mine lithium, crucial for electric vehicle batteries (Eze, 2024).
  - Concerns over illegal mining and environmental damage have led to stricter regulations on Chinese miners (Adeniyi, 2024).

China has established several Special Economic Zones (SEZs) to promote local industrialization.

- **Lekki Free Trade Zone (LFTZ):** Chinese companies are expanding manufacturing in the LFTZ, producing goods for export and domestic consumption (Adewale, 2024).
- **Textile and Automotive Assembly Plants:** Chinese investors are involved in Nigeria's growing textile industry and assembling electric vehicles in Lagos and Ogun states (Olaniyan, 2024).

### **The Surge in Chinese FDI and Impact on Nigeria's Economy**

The surge in Chinese Foreign Direct Investment (FDI) into Nigeria has been marked by a notable upward trend, particularly in the last two decades. From the early 2000s, Chinese FDI inflow into Nigeria began to rise steadily, reflecting China's deepening economic ties with Nigeria. According to available data, Chinese FDI to Nigeria, while fluctuating, has maintained a significant presence in key sectors, especially infrastructure and manufacturing.

Between 2015 and 2023, Chinese FDI to Nigeria exhibited both growth and some downturns. In 2015, Nigeria attracted \$50.58 million in Chinese FDI, a figure that more than doubled to \$108.50 million by 2016, reaching a peak of \$194.7 million in 2018. This period saw an influx of Chinese investment into large-scale infrastructure projects, driven by Nigeria's demand for better roads, railways, and energy capacity, which are central to China's Belt and Road Initiative. However, after this peak, the investment flows showed some volatility, dropping to \$123.3 million in 2019 and stabilizing at \$126.55 million in 2020. The fluctuations reflect Nigeria's economic challenges during these years, including a recession and global disruptions caused by the COVID-19 pandemic. By 2023, Chinese FDI inflows decreased to \$77.54 million, indicating a cooling of investment, possibly due to economic uncertainties and

geopolitical shifts. Nonetheless, the sustained interest from China underscores the importance of Nigeria in China’s broader economic and geopolitical strategy in Africa.

The table below illustrate the volume of China’s inflow in Nigeria.

**Table 1.1 Chinese FDI distribution to Nigeria from 2015-2023, Million US dollar**

2015	50.58
2016	108.50
2017	137.95
2018	194.7
2019	123.3
2020	126.55
2021	172.35
2022	95.10
2023	77.54

**Source: The Statistical Bulletin of China’s Outward Foreign Direct Investment published by China’s MOFCOM (2024).**

The data from 2015-2023 provides further evidence of China’s rising importance as a source of Foreign Direct Investment (FDI) in Nigeria, building on the trends noted in earlier years. By 2006, China had already shown a remarkable increase in its FDI inflows to Nigeria, growing tenfold, despite still ranking behind other Asia-Pacific countries such as India, Singapore, Hong Kong, and Japan in terms of total FDI contribution (Adeniyi, 2024).

However, the data from 2015-2023 illustrates that China has increasingly closed this gap, possibly overtaking many of these countries in terms of its influence on Nigeria’s economy. Chinese FDI to Nigeria surged to \$50.58 million in 2015, far surpassing the \$5.5 million recorded in 2006. By 2018, this figure peaked at \$194.7 million, further solidifying China’s dominant position in Nigeria’s FDI landscape. This dramatic rise supports the assertion that China is poised to outpace traditional regional leaders in FDI, reflecting its strategic focus on expanding economic influence through large infrastructure projects, manufacturing, and energy investments in Nigeria (Adamu 2024).

The downturn in Chinese FDI flows post-2018, where it dipped to \$77.54 million by 2023, might reflect broader economic fluctuations, but the overall trend showcases China’s deepening economic ties with Nigeria over the past decade. In comparison to South America and even other Asia-Pacific countries, China’s trajectory is remarkable, reinforcing its leading role in the continued economic transformation of Nigeria (Adewale, 2024).

This shift aligns with earlier projections that China would overtake its regional competitors, driven by its consistent focus on strategic sectors in Nigeria, making it a key player in the country’s economic development.

### **The Impact of Chinese Foreign Direct Investment on Nigeria’s Economic Growth and Sectoral Development:**

Chinese Foreign Direct Investment (FDI) in Nigeria has expanded significantly over the past two decades, particularly under the Belt and Road Initiative (BRI). Nigeria, as Africa’s largest economy and most populous nation, has attracted major Chinese investments in infrastructure, energy, telecommunications, manufacturing, mining, and agriculture.

The economic relationship between China and Nigeria, two of the largest economies in their respective continents (McGann, 2019; Bruton et al., 2021), is characterized by a symbiotic exchange of resources and investments. Nigeria, with its rapidly growing population, faces significant infrastructural and technological deficits crucial for sustaining its economy and supporting social welfare (Adewole & Ogunrinu, 2018). Conversely, being one of the most mineral-endowed countries globally, Nigeria possesses vast energy and oil resources needed to fuel China's rapidly expanding industrial economy. In turn, China provides advanced expertise and investments in infrastructure to Nigeria while sourcing its oil and energy needs from the country, forming the basis for their continued partnership.

However, despite the enduring bilateral relations between the two nations, Nigeria has realized relatively modest benefits from this association, primarily due to various challenges. These include inconsistencies in foreign trade policies (Uwa & Micah, 2022; Kalu & Aniche, 2020), a disproportionate concentration of FDI in the oil and gas sector (Elueni, 2020), infrastructural deficiencies, skills shortages, low social trust, and political and exchange rate instability (Chen, 2021). Similarly, China's involvement in Nigeria's FDI utilization has been criticized for lack of transparency, a narrow focus on mineral and energy interests, and the proliferation of Chinese goods, undermining the competitiveness of Nigeria's manufacturing sector. Additionally, concerns persist regarding the escalating Chinese debts incurred by Nigeria (Okeke, 2021; Sanusi, 2020). Despite these challenges, several studies argue that Chinese FDI, albeit limited, has contributed positively to Nigeria's economic growth, constrained by various factors relating to human capital limitations, political and economic risks, and policy decisions (Adeyeye, 2016).

Recent trends indicate a decline in Nigeria's status as a preferred investment destination, losing ground to other African regions and even Asian markets. Additionally, the International Country Risk Guide in 2022 ranks Nigeria among several other African countries as highly politically risky for China's major outgoing foreign direct investment (OFDI) (GaoYan, 2020). Geopolitical risks associated with Nigeria, including ethnic crises, the Boko Haram insurgency, rampant banditry, the ENDSARS protests, kidnappings, and regional secessionist movements, have contributed to this shift (Salisu et al., 2023). Moreover, harsh economic financial conditions characterized by volatile exchange rates, high inflation rates, inconsistent gross domestic product (GDP) performance, and underdeveloped infrastructure have led to Nigeria receiving unfavorable ratings from the international market in terms of foreign investment (Owuamanam & Agbaenyi, 2021).

Given that China's FDI flows in recent years have focused on low- and moderate-risk countries (GaoYan, 2020), it is imperative to investigate how the risk profile of Nigeria has influenced its access to Chinese FDI and to identify measures needed to improve the situation. Therefore, the central question is: "How does the economic and political risk of Nigeria influence Chinese FDI flows to the country?" This question underscores the necessity for an investigation into the impact of Nigeria's risk profile on attracting foreign investment from China. The study's novelty lies in its comprehensive use of recently created Nigerian-specific political and

economic indices to assess the strength and direction of the influence of these risk elements on Chinese FDI. Previous studies employed indices from the International Country Risk Guide which uses a relative measure of risk and does not measure Nigeria's risk profile in absolute or details (Mshelia & Anchor, 2019; Osabutey & Okoro, 2015).

China's escalating Foreign Direct Investment (FDI) inflow into Sub-Saharan Africa has garnered considerable scholarly attention, reflecting the country's concerted efforts to strengthen its economic relations with the continent. The surge in FDI is underpinned by a complex array of motives and strategic imperatives. Notably, China's engagement with Sub-Saharan Africa, characterized by amplified FDI, is driven by the pursuit of resource security, access to new markets, and acquisition of energy sources (Allou et al., 2020; Shen and Li, 2017). This symbiotic relationship has evolved beyond mere resource extraction to encompass broader aspects such as infrastructure development, trade, and technology transfer (Brautigam, 2011; Moyo, 2016). Furthermore, geopolitical considerations are pivotal, as China endeavors to cultivate strategic alliances and counterbalance the influence of other global powers within the region (Ojajorotu & Dan-Woniowei, 2019; Martuscelli, 2020). The implementation of the Belt and Road Initiative (BRI) has particularly accelerated China's involvement in infrastructure projects across Africa, aligning with the developmental aspirations of recipient nations (Wang et al., 2020). Moreover, China's FDI in Sub-Saharan Africa aims to diversify its investment portfolio and capitalize on emerging markets. The pragmatic approach of Chinese investors and entrepreneurs, coupled with their long-term perspective, distinguishes China's FDI strategy from traditional Western models.

While there is a consensus on China's economic interests, scholars also underscore the importance of understanding the agency and expectations of African nations, including Nigeria, in negotiating FDI agreements with China (Alden, 2018). The local context, governance structures, and regulatory frameworks significantly influence the outcomes of China's investments in Sub-Saharan Africa (Brautigam et al., 2018; Santangelo, 2018). China has emerged as the preferred partner for many African nations due to its deep pockets, the principle of "non-interference," and rhetoric of benign intentions. However, questions arise regarding the equitable distribution of benefits from these partnerships and their real-world manifestation. Critics argue that assessing the outcome of Chinese-African economic relations requires considerations beyond mere economic evidence of development, as policy claims must be contextualized within specific social, political, and economic frameworks (Miao et al., 2020). Thus, while some contend that China has primarily benefited more from its trade relations with Africa, others argue that African nations have failed to create conducive environments for efficiently leveraging these relations. Factors such as corruption, political instability, mismanagement of resources, and industrial concentration are cited to support these arguments (Uwa & Micah, 2022).

### **The Volume of Chinese Foreign Direct Investment in Nigeria's Economy**

China's foreign direct investment (FDI) in Nigeria has seen remarkable growth over the past decade, underscoring the strengthening economic ties between the two nations. According to Shinn (2019), Nigeria has become a focal point for various Chinese projects, including the Abuja-Kaduna Railway, the Lagos-Ibadan Railway, new airport terminals in Abuja, Port Harcourt, and Kano, the Zungeru 700-Megawatt Hydro-power plant, and the Ogun-Guangdong Free Trade Zone. These projects reflect China's commitment to enhancing Nigeria's infrastructure and economic development.

Chinese FDI in Nigeria has steadily increased, positioning China among the top sources of foreign investment in the country, alongside the United States, the United Kingdom, and South Africa. From 2005 to 2020, China invested approximately \$44 billion in Nigeria, a figure that highlights the depth of this partnership. Notably, 70% of Nigerians maintain a favorable view of China, indicating strong public support for Chinese investment (Feigenbaum & Goulard, Li, 2021).

### **Key Sectors of Investment**

Chinese investments in Nigeria's infrastructure have been particularly significant. Key areas include:

1. **Transportation:** The Abuja-Kaduna and Lagos-Ibadan railways are prime examples of Chinese involvement in improving Nigeria's transportation network. Nigeria's railway sector has undergone significant modernization in recent years, largely due to Chinese investments. Two key projects the Abuja-Kaduna Standard Gauge Railway and the Lagos-Ibadan Standard Gauge Railway stand out as prime examples of China's role in enhancing Nigeria's transportation infrastructure. Both projects were financed by Chinese loans, constructed by Chinese firms, and are part of the Belt and Road Initiative (BRI), which aims to improve connectivity across Africa. These railways have had a transformational impact on Nigeria's economy, easing transportation challenges, improving trade and commerce, and reducing travel times for commuters. However, they also raise concerns about debt sustainability and long-term maintenance.
2. **Energy:** Investments in oil and gas exploration, as well as renewable energy projects, are critical for Nigeria's energy sector. The Zungeru Hydro-power plant exemplifies China's commitment to supporting Nigeria's energy needs. Nigeria's energy sector is critical to its economic development, given its status as Africa's largest oil producer and a major natural gas exporter. However, the country faces chronic electricity shortages, underdeveloped refining capacity, and energy infrastructure challenges.
3. China has played a key role in addressing these issues by investing in both oil and gas exploration and renewable energy projects. A prime example of China's commitment is the Zungeru Hydropower Plant, which represents a shift towards cleaner energy while addressing Nigeria's power deficit.
4. **Manufacturing:** The manufacturing sector has also benefited from Chinese investment, with significant contributions to: **Textiles:** Chinese firms have established textile manufacturing

facilities in Nigeria, helping to revitalize the local industry and create jobs. Investments in consumer goods production have increased local capacity and reduced reliance on imports.

5. Agriculture: Agricultural Science and Technology Demonstration Parks, Abuja: These initiatives aim to enhance agricultural productivity through technology transfer and improved farming practices. Investments in irrigation and storage facilities support food security and agricultural development.

The sectors benefiting most from Chinese FDI, particularly through the Belt and Road Initiative (BRI) and China's "Going Global" policy, are infrastructure and energy. These investments are crucial for Nigeria's development goals, facilitating economic growth and job creation. The BRI enhances connectivity and trade opportunities, while China's "Going Global" policy encourages Chinese companies to explore overseas markets, fostering economic ties and mutual benefits.

Chinese foreign direct investment (FDI) in Nigeria has grown significantly in recent years, particularly in infrastructure, oil and gas, manufacturing, and telecommunications. While this investment has contributed to economic development, concerns have emerged regarding its long-term implications. One of the major fears surrounding Chinese FDI is the risk of debt dependency. Many Chinese investments in Nigeria are structured as loans rather than direct equity investments, leading to concerns over Nigeria's increasing debt burden. Scholars argue that China's "debt-trap diplomacy" could potentially lead to loss of sovereignty over strategic assets if Nigeria fails to meet its repayment obligations (Okafor, 2021). For instance, concerns have been raised over the possibility of Nigeria ceding control of key infrastructure such as ports and railways, similar to what happened in Sri Lanka with the Hambantota Port.

While Chinese companies bring significant capital investment, there are fears that they do not contribute enough to local job creation. Many Chinese firms operating in Nigeria prefer to bring in their own labor force rather than hiring local workers, which limits employment opportunities for Nigerians (Adewuyi & Oyejide, 2020). Furthermore, concerns have been raised about the lack of technology transfer, as Chinese firms often use Chinese equipment and expertise without adequately training Nigerian workers. Another concern is that Chinese investments may lead to the dominance of Chinese firms in key sectors of the Nigerian economy, pushing out local businesses. The influx of cheap Chinese goods has led to the decline of Nigeria's local manufacturing industries, particularly in textiles and consumer goods (Ogunyemi, 2019). Nigerian manufacturers argue that Chinese firms engage in unfair competition by flooding the market with low-cost products, which local industries cannot compete with due to high production costs. There have also been growing concerns about the environmental and social impacts of Chinese investments. Many Chinese-led projects in Nigeria have been accused of not adhering to strict environmental and labor standards. For example, in the mining and oil sectors, there have been reports of environmental degradation, water pollution, and displacement of local communities without adequate compensation (Eke, 2022). This raises ethical concerns about whether Chinese FDI is benefiting Nigeria in a sustainable manner.

## Conclusion

Chinese investments have brought critical infrastructure and economic benefits to Nigeria, the relationship remains heavily skewed in favor of China's quest for natural resources, particularly oil and gas. Moreover, the social and labor concerns in manufacturing highlight the complexities of these foreign investments in Nigeria. As Nigerian companies venture into China, this economic relationship is gradually evolving, though still largely unequal.

Despite these challenges, Chinese foreign direct investment (FDI) has undoubtedly contributed to Nigeria's economic growth, helping to bridge infrastructure gaps and fostering industrial development. However, the country still lags behind in attracting higher levels of efficiency-seeking investments from China, which is vital for sustainable development. Based on the foregoing findings from the study, the following recommendations are made to correct the impression that Nigeria-China political and economic engagement is a "win-win" strategic engagement.

- i. Diversifying Investment Beyond Oil: The Nigerian government should encourage more Chinese investments in non-oil sectors like agriculture, manufacturing, and technology. This diversification is critical to reducing the over-reliance on oil, which has proven volatile due to political unrest and fluctuating global prices.
- ii. Encouraging Efficiency-Seeking FDI: Nigeria should create an enabling environment that attracts more efficiency-seeking FDI from China. This can be achieved through policy reforms that ensure macroeconomic stability, reduce bureaucratic red tape, and offer investment incentives to Chinese firms willing to invest in high-value sectors such as technology and education.
- iii. Improving Bilateral Relations for Mutual Gains: While China continues to invest heavily in Nigeria, it is crucial that both countries pursue more balanced trade and investment relations. Nigerian companies should be incentivized to explore investment opportunities in China, ensuring a reciprocal flow of trade and economic relations.

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