BILATERAL RELATIONS AND ECONOMIC DEVELOPMENT: AN ASSESSMENT OF THE SINO-NIGERIA TRADE RELATIONS

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Abstract

This paper examines the bilateral trade relations between Nigeria and China, focusing on how these interactions influence Nigeria's economic development. It explores the historical evolution of trade ties, analyzing key agreements, trade volumes, and the structure of traded goods. The objectives is to assess the impact of Chinese investments in Nigerian infrastructure, manufacturing, and other sectors, understanding how these economic exchanges contribute to or hinder Nigeria’s development goals. It also considers the challenges and opportunities presented by this bilateral relationship. The paper adopts a qualitative method of analysis with reliance on secondary sources of data as well as the theory of mercantilism as the theoretical framework of analysis. The study concludes that the Nigeria-China trade relations has changed the direction of Nigeria’s trade from its traditional trading partners like the United States (US) and Western Europe (WE) toward China. The paper, however, suggests that Nigerian policymakers must navigate the complexities of the Sino-Nigeria carefully to ensure that the partnership yields sustainable benefits for the country’s development trajectory without exacerbating existing dependency challenges.

Keywords: Bilateral Relations, Bilateral Trade, Foreign Direct Investment, Economic Development, Diplomacy

Introduction

Bilateral trade relations refer to exchanging goods, services, and capital between countries, influenced by trade policies, economic conditions, and political relationships. In the context of developing nations, such trade relations can significantly impact economic development, industrial growth, and overall economic stability. Nigeria, as one of Africa's largest economies, has increasingly turned to China for trade, investment, and development assistance. Since the establishment of diplomatic ties in 1971, the relationship between the two countries has evolved, with China becoming one of Nigeria's most important trade partners. China's demand for raw materials and Nigeria's need for affordable consumer goods and infrastructure investment create a complementary economic relationship (Alao, 2011).

According to Olugboyega, et al. (2010), over the past few decades, China's influence in Nigeria has grown through various avenues such as Foreign Direct Investment (FDI), infrastructure development projects, and trade agreements. The Belt and Road Initiative (BRI), launched by China, has further intensified these interactions, aiming to enhance connectivity and cooperation between China and participating countries, including Nigeria.

The volume of trade between Nigeria and China has seen substantial growth. In 2018, for instance, bilateral trade reached over $15 billion, making China Nigeria's largest trading partner: Nigeria exports crude oil and other raw materials to China while importing a wide range of manufactured goods, machinery, and electronics. This trade dynamic has significant implications for Nigeria's industrialization efforts, job creation, and overall economic development. However, the relationship is not without challenges. Critics argue that the trade imbalance, with Nigeria primarily exporting raw materials and importing finished goods, may hinder Nigeria's industrialization and economic diversification. Additionally, concerns about debt sustainability arise with the influx of Chinese loans and investments in large-scale infrastructure projects (Ibrahim & Iorember, 2018).

China's role in Nigeria's infrastructure development has been particularly prominent. The country's companies have been involved in constructing roads, railways, airports, and power plants across Nigeria. These projects, often financed through Chinese loans, are intended to address Nigeria's infrastructure deficit and support economic growth. However, the reliance on Chinese financing has sparked debates over the long-term economic implications, particularly regarding debt repayment and the potential for economic dependency. The social and political dimensions of Nigeria-China trade relations also warrant attention. The presence of Chinese businesses in Nigeria has led to cultural exchanges and increased interactions between the peoples of both nations. However, it has also led to tensions, particularly concerning labor practices, environmental impacts, and competition with local businesses. These issues highlight the complex and multifaceted nature of bilateral trade relations and their broader impacts on society.

The burgeoning trade relationship between Nigeria and China has brought significant economic benefits and developmental opportunities. However, it has also highlighted several critical issues that need to be addressed to ensure that this bilateral relationship fosters sustainable development in Nigeria. Firstly, there is a pronounced trade imbalance between the two countries. Nigeria primarily exports raw materials, particularly crude oil, while importing a wide range of finished goods from China, including machinery, electronics, and textiles. This pattern of trade raises concerns about Nigeria's industrialization and economic diversification. The continued export of raw materials without sufficient value addition means that Nigeria might not fully benefit from its natural resources, potentially leading to a dependency on China for manufactured goods and technology (Taylor, 2014).

Additionally, the influx of Chinese investments, particularly in infrastructure, has sparked debates over debt sustainability. Chinese loans have financed numerous large-scale infrastructure projects in Nigeria, such as roads, railways, and power plants. While these projects are crucial for Nigeria's development, the terms of the loans and the growing debt burden pose risks. There are fears that Nigeria could face challenges in repaying these loans, which could lead to economic instability and increased dependency on China (Alden & Alves, 2009).

Moreover, the social and economic impacts of Chinese businesses operating in Nigeria have raised significant concerns. Issues related to labor practices, environmental standards, and competition with local companies have been reported. Local businesses often struggle to compete with cheaper Chinese imports, which can stifle domestic entrepreneurship and job creation (Umejei, 2013). Also, labor practices in Chinese-owned enterprises have sometimes been criticized for not adhering to local labor laws and standards, leading to tensions and conflicts. Furthermore, the political implications of Nigeria-China trade relations cannot be overlooked. The increasing Chinese influence in Nigeria's economy has sparked debates about sovereignty and national interest. There is a concern that China's growing economic footprint could translate into political leverage, potentially compromising Nigeria's ability to make independent policy decisions in the long term (Brautigam, 2009).

It is against this backdrop that this paper analyzes the trade imbalance between Nigeria and China and its impact on Nigeria's industrialization and economic diversification, the implications of Chinese investments in infrastructure on Nigeria's debt sustainability and economic stability, as well as examine the impact of the increasing Chinese influence on Nigeria's political sovereignty and policy-making autonomy.

Conceptualizing Bilateral Relations

Bilateral relations refer to the formal diplomatic interactions between two sovereign nations, which encompass a wide range of aspects, including cultural, economic, and political connections. These relationships are not static; they are often influenced by the historical, political, and cultural contexts of both countries, which play a significant role in shaping the scope and depth of cooperation between them. Bilateral relations are fundamentally aimed at fostering collaboration across various sectors, enhancing mutual benefits, and promoting international stability. A key feature of strong bilateral relations is the active participation of various stakeholders within both countries, including government officials, private sector entities, academic institutions, and civil society. This multi-level cooperation ensures that bilateral ties are not limited to high-level political engagements but are also strengthened through economic partnerships, cultural exchange, educational programs, and collaborative research initiatives. Bilateral relations, therefore, extend beyond formal government interactions and have a direct impact on people-to-people connections, public awareness, and mutual understanding of cultures, policies, and values (Norway Grants, 2014).

One of the most important aspects of bilateral relations is economic cooperation, particularly through trade and investment partnerships. These relationships are essential for boosting economic growth and development in both countries. By facilitating the exchange of goods, services, technology, and expertise, bilateral agreements provide a framework for enhancing trade, promoting investment, and advancing industries that benefit both parties. For example, countries involved in bilateral relations often negotiate trade deals that reduce tariffs, streamline customs processes, and provide market access, thus fostering more robust economic ties. Alexander (2013) defines bilateral relations as the conduct of economic, political, and cultural interactions between two sovereign states. In this sense, bilateralism serves as a mechanism for promoting cooperation in key areas such as economic development, political diplomacy, and cultural engagement. The benefits of bilateralism are mutual, as both countries work together to address issues of shared interest, negotiate agreements, and enhance their international standing.

One of the most visible expressions of bilateral relations is the exchange of ambassadors or high commissioners between nations. These officials act as formal representatives of their home countries, serving as key facilitators of diplomatic communication and as guardians of their nations' interests abroad. For example, Nigeria and China maintain embassies in each other's capitals, where Nigerian ambassadors in China and Chinese ambassadors in Nigeria play vital roles in managing diplomatic relations, overseeing trade agreements, and fostering bilateral cooperation.

Similarly, Nigeria's ambassador to the United States is based in Washington, D.C., while the US maintains an embassy in Abuja to represent its interests in Nigeria. These diplomatic missions are essential for facilitating dialogue, negotiating treaties, and implementing joint initiatives, ensuring that the bilateral relationship continues to thrive.

Bilateral relations are fundamentally grounded in mutual respect for sovereignty and equality between nations. Both countries come together to engage on issues of mutual interest while respecting each other's independence and internal affairs. This respect for sovereignty allows bilateral relations to flourish across multiple domains, such as economic collaboration, political partnerships, cultural exchanges, and academic cooperation. The diversity of these interactions ensures that the relationship is multifaceted and resilient, allowing both countries to reap long-term benefits. In essence, the goal of bilateral relations is to create a platform for cooperation that serves the mutual interests of both nations. This cooperation can take various forms, including trade agreements, joint infrastructure projects, cultural programs, and scientific collaborations.

Through bilateral relations, countries can address global challenges, share knowledge, and contribute to international peace and security. Ultimately, bilateral diplomacy fosters a sense of shared purpose, ensuring that both nations benefit from their interaction and contribute to a more interconnected and stable global community.

The Concept of Bilateral Trade

Bilateral trade refers to the exchange of goods, services, and investments between two nations to promote mutual economic growth. Kagan (2019) defines bilateral trade as a trade agreement between two countries that facilitates trade and investment by reducing or eliminating tariffs and other trade barriers. These agreements are typically simpler to negotiate multilateral trade deals, as they only involve two parties. The focus is on fostering economic cooperation and increasing market access for both countries involved. One of the primary advantages of bilateral trade agreements is their relative ease of negotiation. Since only two countries are involved, negotiations tend to be more straightforward and faster compared to multilateral agreements that require consensus among multiple nations. In a bilateral trade agreement, both countries agree to specific terms such as reducing tariffs, eliminating quotas, or easing customs procedures, to boost trade between them. As a result, these agreements help open new markets and promote economic integration between the two nations.

Kagan (2019:1) provides an example of the United States' bilateral trade agreement with Peru. In March 2016, the US and Peru reached an agreement to remove trade barriers that had restricted US beef exports to Peru since 2003. This agreement opened one of the fastest-growing markets in Latin America for US beef producers, illustrating how bilateral trade agreements can help expand market access and stimulate economic growth in both countries. By eliminating barriers to trade, such agreements encourage the flow of goods, services, and investment between the participating countries, enhancing their economic ties.

Bilateral trade agreements are instrumental in removing obstacles that hinder the free flow of trade. By eliminating tariffs, quotas, and other trade restrictions, these agreements create a more conducive environment for businesses in both countries to trade freely and competitively. This not only benefits exporters by allowing them to sell their products in foreign markets but also benefits consumers by giving them access to a wider variety of goods at competitive prices. According to Economics Help (2019), bilateral trade involves an agreement where two countries strive for equal trade exchanges, meaning that if one country experiences a trade deficit, efforts are made to balance the trade levels to ensure fair and mutually beneficial commerce. This approach ensures that both countries benefit from the trade agreement and that any imbalances are addressed to maintain economic stability.

Economics Help (2019) provides several examples of bilateral trade agreements that have had a significant impact on global trade:

1. ASEAN-China Free Trade Area (ACFTA): This agreement, which came into effect in January 2010, aimed to strengthen trade ties between the Association of Southeast Asian Nations (ASEAN) and China by eliminating tariffs on goods traded between these two regions. The ACFTA has facilitated economic growth and integration in Asia by creating one of the world's largest free trade areas.
2. EU-Japan Economic Partnership Agreement (2018): This bilateral agreement between the European Union and Japan aimed to remove tariffs and trade barriers, creating new opportunities for businesses on both sides. The agreement covers a wide range of sectors, including automobiles, agriculture, and services, and has significantly boosted trade between the two economic powerhouses.
3. US-EU Transatlantic Trade and Investment Partnership (TTIP): Although still under negotiation, the TTIP is a proposed trade agreement between the United States and the European Union. If successful, it would create the world's largest free trade area, enhancing trade and investment between the two regions by reducing regulatory barriers and streamlining trade procedures.

Bilateral trade agreements are essential tools for fostering economic growth and strengthening international relations between two countries. By removing trade barriers and promoting equal trade exchanges, these agreements create opportunities for businesses, enhance consumer choice, and contribute to overall economic development. They offer a more focused and adaptable approach to trade compared to multilateral agreements, allowing nations to negotiate mutually beneficial terms tailored to their specific economic needs and goals.

The Concept of Diplomacy

In the view of Redslob, diplomacy is a fundamental aspect of human civilization, as old as the concept of nations themselves. Similarly, R. Maulde la Claviere categorically asserts that diplomacy has existed since the beginning of time and will continue until the world ceases to exist.

This suggests that the art of representation and negotiation is as ancient as social relations, developing as soon as families, clans, tribes, and people came into contact with one another. These early forms of diplomacy emerged to regulate issues such as marriage customs, trade, navigation, hunting, communications, disagreements, and even wars. Diplomacy remains essential, particularly when managing relationships between two countries with divergent interests and systems, such as Nigeria and China. It is through diplomatic approaches that nations can negotiate and reconcile their differences for mutual benefit. According to John Hugh Adam Watson, a prominent figure in international relations, diplomacy involves the negotiation between political entities that recognize each other's sovereignty and independence.

Watson (1982) identifies four key tasks of contemporary diplomacy: information gathering abroad, the analysis of this information by foreign ministries, the formulation of policy based on the analysis, and communication of that policy.

This view highlights the comprehensive role of diplomacy as a conduit for information and policy in international affairs. Igwe (2007) defines diplomacy as "the peaceful conduct of relations between mainly states, "stressing its importance as the primary instrument of foreign policy. Similarly, the Oxford English Dictionary defines diplomacy as "the management of international relations by negotiation." Diplomacy is "the application of intelligence and tact to the conduct of official relations between governments of independent states," Eze (2011) echoes these sentiments, emphasizing that diplomacy involves creativity and intuitive power in the interaction between governments through accredited representatives. Diplomacy, therefore, is not merely about negotiation but also about crafting solutions to complex problems in government-to-government relations.

As Berridge and James (2001) describe, diplomacy is a crucial instrument for the formulation,

Implementation, and monitoring of foreign policy. It plays a pivotal role in the peaceful resolution of disputes, conflicts, and differences, employing techniques such as lobbying, negotiation, mediation, conciliation, arbitration, and treaty-making. Through these methods, diplomacy promotes peaceful settlements and mitigates conflicts, allowing nations to build and rebuild relationships, as summarized by Okogwu and Aja (cited in Eze, 2011). They argue that diplomacy aims to promote mutual interests, heal and not harm relations, and maintain positive international connections. In today's globalized world, diplomacy is the cornerstone of international relations. Without diplomacy, the current world order, which lacks a world government, would likely devolve into chaos, resembling the anarchic state described by Hobbes (1851) where life is "solitary, poor, nasty, brutish, and short." Diplomacy, thus, is essential for managing not just peace but also war, making it a vital tool in navigating both conflict and cooperation.

Diplomacy can also be seen as a strategic art. It allows sovereign states to pursue their foreign policy objectives through peaceful means, such as negotiation. More broadly, it involves managing relations between states and other international actors through official agents, always intending to maintain peace. The ultimate goal of diplomacy is to ensure peaceful coexistence among nations, building a framework for mutual understanding and cooperation. One of the central tasks of diplomacy is to cultivate a favorable international image for a nation-state, communicating its ideals, institutions, culture, and policies to foreign publics. Through this process, countries can foster economic partnerships, attract investment, and enhance their global standing. For instance, Nigeria, like other African nations, has benefited from diplomacy in its relations with China. Since the establishment of diplomatic ties in the early 1970s, the relationship between the two nations has grown considerably, particularly in economic and diplomatic terms.

In the 1970s, China sought diplomatic recognition from Nigeria and other African nations to bolster support for its One China principle and to isolate Taiwan from international recognition.

This effort also contributed to China's successful bid for a permanent seat on the United Nations Security Council (Tull, 2006). Over time, the economic and diplomatic ties between Nigeria and China have expanded beyond political recognition to include significant investments and trade, demonstrating the lasting importance of diplomacy in facilitating international relations.

In sum, diplomacy is a sophisticated instrument used to maintain peace, manage conflict, and promote mutual interests between nations. Whether through information gathering, negotiation, or peaceful conflict resolution, diplomacy is a vital process that underpins the structure of international relations, ensuring that states can coexist and thrive in an interconnected world.

Historicizing Nigeria-China Bilateral Relations

Bilateral ties between Nigeria and China initially faced significant challenges due to Nigeria's post-independence pro-Western orientation, which influenced its foreign policy toward China. As a result, Nigeria rejected China's proposal for diplomatic relations in 1964, distinguishing itself from other African nations that had begun forging ties with China. Nigeria's reluctance to engage with China meant missing out on early opportunities for infrastructural and economic benefits that many of its African counterparts were beginning to experience (Utomi, 2008; Bukarambe, 2005). This tension was further exacerbated during the Nigerian Civil War, when China supported the Biafran secessionists, leading to the termination of diplomatic relations between the two countries.

However, this tense phase did not last long. Following the defeat of Biafra in 1970, China altered its stance and began supporting Nigeria, which led to the restoration of diplomatic ties between the two nations in l971 (Porter, 1986). This marked a significant turning point in the relationship, emphasizing the fluid nature of international relations. The rekindled ties were driven by mutual interests, with Nigeria recognizing China's growing global influence and China seeing Nigeria as a strategic partner in Africa. Since then, the relationship has rapidly evolved, with Nigeria becoming one of China's key commercial partners on the continent. According to Ibrahim and Sari (2019), the two countries' collaboration expanded from early engagements in science and technology to include a broader range of sectors such as telecommunications, agriculture, and manufacturing. China's investments in Nigeria have been pivotal, particularly in infrastructure, but also in areas that have driven Nigeria's economic development, such as oil, which is a major export to China. These ties have further deepened through diplomatic visits and cooperation in global forums, cementing the relationship (Ibrahim & Sari, 2019). China's involvement in Nigeria is not only limited to trade but also extends to significant Investments in infrastructure, telecommunications, and manufacturing. Nigeria, in turn, has benefited from Chinese technological expertise, and the two nations have mutually reinforced their positions in international politics, with Nigeria's involvement in the BRICS framework serving as a testament to this growing partnership (Abiodun, 2011). Through its engagement with BRICS, Nigeria has found new avenues for economic growth, particularly with the influx of Chinese investment, which has contributed to large-scale infrastructure projects that have bolstered Nigeria's economy. While this partnership has been largely beneficial, some political analysts warn of the potential pitfalls. Scholars like Thompson and Olusegun (2014) argue that China's deepening economic engagement in Nigeria could mirror the exploitative relationships of Western countries in the past.

However, the dynamics of the China-Nigeria relationship are distinct. While there are concerns over inequality, the partnership is perceived to be more balanced compared to Western engagements, with China offering more favorable terms to African nations, albeit still unequal in certain respects. Nigeria's shift toward China, and away from its traditional Western partners, is indicative of a broader realignment of its foreign policy, which now increasingly involves China and other BRICS nations in Asia and Latin America. This shift has not come without debate. Some scholars question the long-term viability and benefits of Nigeria's deepening relationship with China, highlighting the stark economic disparities between the two nations. Despite being giants in their respective regions-Nigeria is Africa's most populous country and China is the world's most populous country, but China's economic power dwarfs that of Nigeria. In 2019, while Nigeria's GDP stood at S448.12 billion, China's was a staggering $14.343 trillion (World Bank Group, 2020), demonstrating the vast economic gap between the two countries. Despite these disparities, the relationship continues to grow, with both nations finding common ground in their quest for mutual economic growth and development.

Theoretical Framework

This paper adopts the theory of mercantilism as its primary analytical framework. Mercantilism theory is a theory that believes that the prosperity of a country is only determined by the amount of capital or assets stored in the country and the amount of international trade carried out by the country. Mercantilism also includes national economic policies aimed at accumulating foreign exchange reserves through a positive trade balance, especially in manufactured goods. The term was first introduced by Victor de Riqueti and Marquis de Mirabeau in 1763 and popularized by Adam Smith in 1776 (Gauci, 2011). A nation may grow its riches and influence by exporting more commodities than it imported, according to mercantilists.

In trade literature, mercantilism has been one of the trade theories that is predominantly used even today because of its great emphasis on accumulating "specie" (surplus of gold and silver) through global trade. The most prominent founder of mercantilist thought in that era was Thomas Mun (1571

– 1641), who is a merchant from London England. The main views of mercantilists represent the interest of trader (merchants), businesses and have flourished during the sixteenth, seventeenth, and the eighteenth centuries. The whole idea of mercantilism rest on the belief that surplus realized through foreign trade is the main source of the country's wealth, and this is accumulated mainly in the form of gold and silver. Mercantilists saw the importance of bullion accumulation for the continued existence of countries and emphasized on the role of foreign trade to acquire riches and national wealth rather than through conquest. Mercantilists argued that the government should form trade policies that would lead to a trade surplus rather than a deficit. They believed that surplus if realized through trade could result in more wealth and increase the flow of "specie" into the country than going out. During the 1600s and 1700s, Western Nations have considered mercantilists views as a prescription for national progress. The adoption of mercantilists' policies by countries such as England, France and Spain have become the basis for the creation of trade restriction policies such as quota and import duties to prohibit and discourage the import of certain goods.

The major drawback of mercantilists' theory is that the theory has a narrow view of trade as zero-sum game i.e. a game of winners and losers, ignoring the fact that international exchange is a business transaction from which both countries involved could benefit. This theory despite its flaws which has been recorded in history is still considered relevant by many countries even today. This is because most countries nowadays were favouring exports and prohibiting imports in certain circumstances. Nigeria and China were no exception in this regard. In the case of Nigeria and its perpetual unfavourable trade balance, the modern-mercantilism approach could help in reducing its trade deficit with China. Since 2015 Nigeria has sought to decrease imports and devalue currency which is part of its modern mercantilism policy to increase exports to China and the rest of the world. This policy has only recorded very limited success in reducing its trade deficit with China in the years 2016 and 2017. China in the whole world has been at the forefront of modern mercantilism because of its industrial policy through subsidy and currency devaluation to increase exports. Chinese mercantilism policy has also contributed to widening the long period trade deficit on the part of Nigeria. Through its modern mercantilism policy, China has succeeded in making its exports more competitive in the whole world. In which case, Nigeria despite its policy toward modern mercantilism will find it difficult to bridge its trade deficit by increasing exports to China. This is because, for several decades, the growth in Nigeria's foreign markets and product exported to those markets have not been so impressive coupled with limited export potentials and mono-cultural nature of its economy (Ibrahim & Yusuf, 2017). Modern mercantilism policy could help Nigeria to diversify its export to China and improve on its trade balance in as much as, there are market opportunities in China and export potentials on the part of Nigeria. In the context of Nigeria-China trade relations, mercantilist trade theory is important is explaining the scenario of their trade. This is because the theory saw the success of trade among these countries by the size of their trade balance and that Nigeria and China were striving toward this success.

Methodology

This paper adopts the ex-post facto research design based on content analysis. The paper is descriptive and relies on secondary sources of data. The method used for collecting the secondary materials included e-books, journals, institutional publication, and online articles. The study analyzed these data descriptively and interpretively. The justification for this research design is based on the fact that it allows the "investigator to start with the observation of dependent variables, and then, studies the independent variables in retrospect, for their possible relationship to have any effect on the dependent variables" (Chukwuemeka, 2006:19).

Data and Discussions

The Nature of Nigeria-China Relations

Relations between Nigeria and China, officially established in 1971, have been largely bilateral, evolving over the decades into a complex and multifaceted partnership. While the relationship has remained cordial, it is not without its challenges and skepticism, largely due to historical, economic, and geopolitical concerns. One significant source of skepticism is Nigeria's colonial experience, which has left a lingering wariness in its dealings with major global powers. Nigeria's history of exploitation under colonialism naturally influences its perception of foreign investments and partnerships. In this light, China's growing involvement in Nigeria, particularly in critical sectors like infrastructure and oil, is viewed with a mixture of opportunity and caution. The primary concern is whether China, like other global powers before it, might be driven by exploitative interests, a fear fueled by Nigeria's past interactions with colonial and neo-colonial actors.

The balance of trade between Nigeria and China is another critical area of concern. While China's exports to Nigeria have steadily increased, resulting in a substantial trade imbalance, Nigeria's exports to China remain disproportionately lower. This has raised questions about the long-term sustainability of the economic partnership. Many Nigerians feel that the bilateral trade relationship heavily favors China, as Nigeria primarily exports raw materials, particularly crude oil while importing finished products and manufactured goods from China.

This dynamic perpetuates Nigeria's dependency on external markets for goods, which limits its industrialization and economic diversification efforts. Additionally, the increasing reliance on Chinese loans for Nigeria's infrastructural development has triggered debates about debt sustainability and sovereignty. China has extended significant financial support to Nigeria in the form of concessional loans to finance infrastructure projects such as railways, power plants, and other critical infrastructure. While these loans are seen as essential for addressing Nigeria's infrastructure deficit, there is growing concern over the stringent conditions attached to them and the potential for Nigeria to fall into a debt trap. These concerns have been amplified by China’s Belt and Road Initiative (BRI), which Nigeria signed onto, as the initiative aims to increase China's influence in strategic regions through infrastructure investments. Critics argue that the initiative might serve China's long-term strategic interests at the expense of Nigeria's economic independence.

Geopolitically, Nigeria's relationship with China has also raised concerns, particularly from Western powers like the United States and the United Kingdom, who have been historically influential in Nigeria's foreign and economic policies. China's growing dominance in Nigeria, especially in key sectors like oil and infrastructure, has prompted reactions from the US and its allies, who are keen to counter China's influence in Africa. The US has, in response, proposed the Build Back Better World (B3W) framework, which aims to rival China's BRI by addressing the infrastructure needs of developing countries. This rivalry has placed Nigeria in a delicate position, as it must navigate its relations with China while managing its historical ties with Western powers. One key aspect of Sino-Nigerian relations that has drawn significant attention is the Oil-for-Infrastructure (OFI) deal. The OFI deal allows Nigeria to leverage its oil resources to finance major infrastructure projects with China. This agreement has been viewed as a potential solution to Nigeria’s longstanding issues of corruption and inefficiency in the oil sector, as it links oil revenues directly to infrastructural development.

However, critics argue that this deal primarily benefits China, as it secures long-term access to Nigeria's oil resources while positioning Chinese companies as key players in Nigeria's infrastructure development. Despite these challenges, China's growing presence in Nigeria continues to expand beyond oil and infrastructure. Chinese businesses are increasingly visible in sectors such as telecommunications, construction, and hospitality, where their influence is steadily growing. China's ability to offer relatively quick and cost-effective solutions to Nigeria's development challenges has made it an attractive partner for Nigeria's business community, even as skepticism remains about the long-term implications of this relationship. The growing competition between China and the US, particularly in strategic regions like Africa, has placed Nigeria in a unique position. Both powers recognize Nigeria's importance as a regional leader and economic powerhouse, and both seek to deepen their influence in the country. This dynamic has led to a more competitive environment, with China offering extensive loans, infrastructure projects, and trade agreements, while the US and its allies push for stronger governance and transparency measures to counterbalance China's influence.

The nature of Nigeria-China relations reflects broader global dynamics between emerging and established powers. While both countries stand to gain from the partnership, the benefits appear to be unevenly distributed, with China seemingly reaping more economic advantages. Nonetheless, Nigeria's continued engagement with China highlights the importance of strategic partnerships in addressing its development needs, even as it seeks to balance these relations with other global powers like the US and the UK Thus, the complexities of Sino-Nigerian relations underscore the broader challenges facing developing nations in their interactions with major global actors, particularly when historical, economic, and geopolitical factors are taken into consideration.

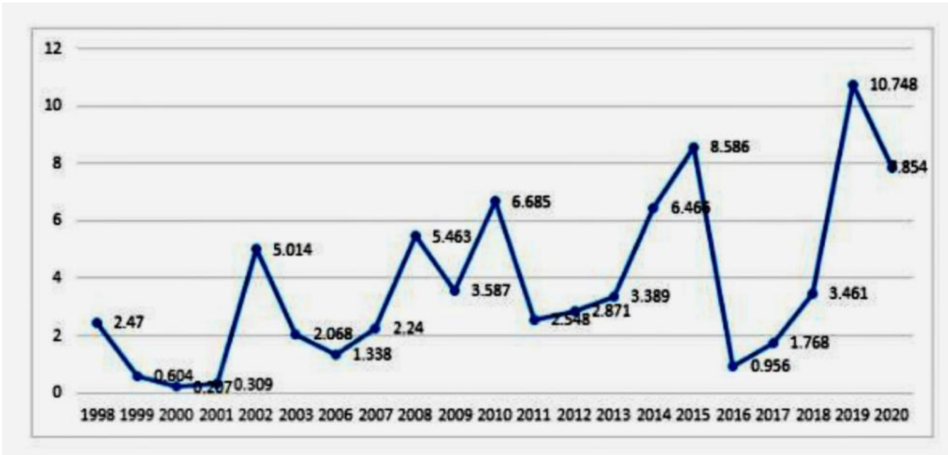

Fig 1: China-Nigeria Export Similarity Index

Adapted from Nigerian Economic Summit Group, 2023.

According to the data above, distance (trade cost) has a negative and significant long-run relationship with Nigeria's exports to China. This implies that as trade cost increase between Nigeria and China, Nigeria's exports to China decreases and vice versa. Furthermore, Nigeria and China's GDP do not significantly influence Nigeria's exports to China in the long run. Moreover, China's export to Nigeria has a negative and significant relationship with distance (trade cost), implying that as the trade cost between Nigeria and China increases, China's exports to Nigeria decreases and vice versa. Further, the GDP of Nigeria positively and significantly influences China's exports to Nigeria, while the GDP of China does not significantly influence China's exports to Nigeria. This implies that the road and belt agreement facilitate trade complementarity between Nigeria and China. The initiative also does not encourage competition between Nigeria and China. This implies that Nigeria and China can benefit from trade if they cooperate rather than compete. This clearly shows the benefits of the road and belt initiative to both Nigeria and China.

In terms of Imports (CIF), the top five trading partners to Nigeria were Singapore with goods valued at ₦ 5,092.36 billion or 36.09%, China with ₦2,060.59 billion or 14.61%, Belgium with ₦1,140.97 billion or 8.09%, India with ₦908.59 billion or 6.44% and The United States of America with goods valued at ₦512.99 billion or 3.64%. The values of imports from the top five countries amounted to ₦9,715.50 (NBS, 2024).

Nigeria-China Trade Relations: The Achievements

China's role in Nigeria's oil and gas sector stands out as one of the most significant achievements of the bilateral relationship between the two nations. The China National Offshore Oil Corporation (CNOOC) and other Chinese firms have made substantial investments in Nigeria's oil industry, marking a transformative period in the country's energy landscape. This partnership has not only enhanced Nigeria's oil production capacity, positioning it as one of Africa's leading oil producers but has also facilitated China's access to Nigeria's rich hydrocarbon resources, vital for sustaining its energy demands. The growing collaboration in the oil and gas sector is instrumental in strengthening energy security for both countries. For China, securing energy resources from Nigeria helps diversify its energy supply, reducing reliance on a limited number of oil-producing nations. For Nigeria, increased investment from Chinese firms contributes to the development of its energy infrastructure, boosts local capacity, and promotes technology transfer.

In addition to oil and gas, China's contributions to agricultural development in Nigeria have been noteworthy. Through various initiatives, China has supported Nigeria in modernizing its agricultural sector by introducing improved farming techniques, advanced agricultural machinery, and hybrid seeds. This transfer of knowledge and technology has led to increased productivity in Nigeria's agricultural sector, which is critical for ensuring food security and diversifying the economy away from an overreliance on oil. By helping to improve agricultural practices, China has played a vital role in addressing the challenges of food insecurity and poverty that have long plagued Nigeria.

Another key achievement of the Nigeria-China partnership is the increasing inflow of Chinese Foreign Direct Investment (FDI) into Nigeria. Chinese investments span the inflow of various of the Nigerian economy, including manufacturing, telecommunications, real estate, and infrastructure. This influx of FDI has generated significant employment opportunities, enhanced local production capabilities, and helped reduce the country's reliance on imports, contributing to Nigeria's economic growth. High-profile projects, such as the Dangote Refinery and the Lekki Deep Seaport, exemplify the scale and potential impact of Chinese investment in Nigeria. These projects not only aim to boost Nigeria's industrial capacity but also promise long-term positive effects on the country's economy by creating jobs, increasing local content, and promoting trade.

The Nigeria-China currency swap agreement, initiated in 2018, represents a pivotal achievement in facilitating trade between the two countries. This agreement enables transactions to be conducted in Nigerian naira and Chinese yuan, which reduces dependency on the US dollar and mitigates foreign exchange risks. By streamlining trade transactions and reducing costs associated with currency conversion, this initiative has improved the ease of doing business between Nigeria and China. The currency swap arrangement fosters a more stable economic environment for trade, encouraging further investments and partnerships. China's involvement in Nigeria's telecommunications industry has also been transformative, significantly impacting the country's digital landscape. Chinese tech giants like Huawei and ZTE have played a key role in expanding Nigeria's telecom infrastructure, improving connectivity across the country. Their contributions have led to the rapid growth of mobile phone penetration and internet access, which are crucial for fostering Nigeria's burgeoning digital economy. Enhanced connectivity has opened new avenues for businesses, facilitated communication, and promoted e-commerce, thus becoming a catalyst for broader economic development.

The achievements of Nigeria-China trade relations encompass a broad range of sectors, including infrastructure, finance, oil and gas, agriculture, foreign direct investment, and telecommunications. This multifaceted partnership has acted as a catalyst for Nigeria's industrialization and economic diversification, offering numerous benefits such as enhanced productivity, job creation, and technology transfer. The ongoing collaboration between the two nations continues to shape Nigeria's economic landscape, positioning the country for sustainable growth and development in the future (Akinola, 2021; Obasi, 2020; Yusuf, 2019).

Furthermore, the strategic alliance between Nigeria and China is evident in various joint ventures and cooperative agreements that aim to boost economic growth and development. The establishment of the Nigeria-China Economic and Trade Cooperation Zone is one such initiative that seeks to create an enabling environment for Chinese businesses to invest and operate in Nigeria. This cooperation zone not only provides Chinese companies with a platform to expand their operations but also facilitates technology transfer and skills development for Nigerian workers.

Moreover, educational exchanges and training programs have been initiated to further strengthen the ties between Nigeria and China. Scholarships and training opportunities offered to Nigerian students and professionals in China are helping to build human capital in Nigeria, equipping its workforce with essential skills and knowledge needed for economic advancement. This aspect of the relationship highlights the importance of educational collaboration as a means to foster mutual understanding and create a more knowledgeable workforce capable of driving economic growth. China's involvement in Nigeria's oil and gas sector, agricultural development, telecommunications, and infrastructure has significantly impacted the country's economy. The multifaceted nature of the Nigeria-China partnership continues to yield benefits that promote sustainable economic growth and diversification, helping Nigeria navigate the challenges it faces in a rapidly changing global economy. As the two nations continue to strengthen their ties, the potential for further cooperation and development remains promising, positioning Nigeria for a more prosperous future.

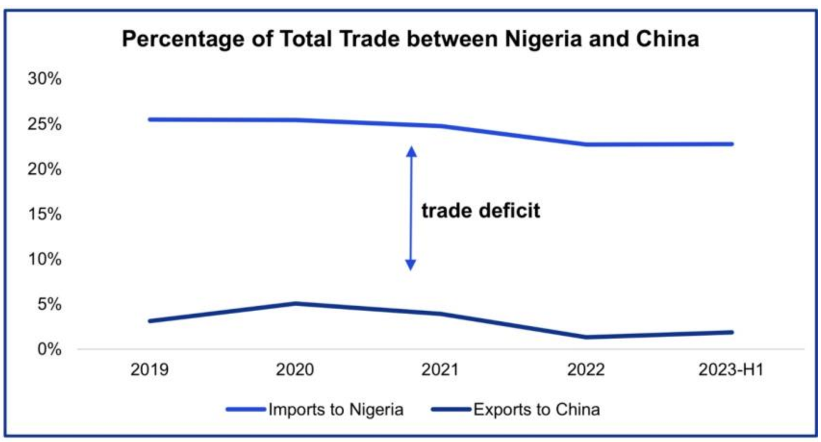

Fig 2: Nigeria-China Bilateral Trade Relations

Adapted from: KPMG, 2023.

Fig 2 above shows that in 2019, Nigeria imported goods worth ₦4.32 trillion from China. However, in 2020, this value decreased to ₦3.23 trillion due to various factors, including the COVID 19 pandemic. By 2021, imports surged to ₦5.16 trillion and to ₦5.81 trillion in 2022. As of the first half of 2023, Nigeria’s imports from China stood at ₦2.57 trillion. Between 2019 and 2022, imports from China averaged 25% of total imports into the country whereas exports to China averaged 3.3%, which is very low compared to the imports. Total exports to China stood at ₦0.5 trillion in 2019 and increased to ₦0.73 trillion in 2021 before declining significantly to ₦0.35 trillion in 2022. As at half year 2023, Nigerian exports to China stood at ₦0.25 trillion.

Accordingly, while China is Nigeria's largest import origin, it is not among the top 10 countries to which Nigeria exports goods. The trade relationship between Nigeria and China is therefore substantially skewed negatively against Nigeria. Although, Chinese imports into Nigeria has always outpaced Nigeria's exports to China, the sharp surge since 2019 may be connected to the infrastructure loans and support Nigeria has been receiving from China especially since 2019 which mandates the use of Chinese equipment and products for construction.

Conclusion and Recommendations

This paper focuses on Nigeria-China trade relations, examining how these interactions have shaped Nigeria's economic landscape. The Nigeria-China trade relations has changed the direction of Nigeria's trade from its traditional trading partners like the United States (US) and Western Europe (WE) toward China. Recently trade between Nigeria and China has become more pronounced and has remained a channel of boosting economic cooperation between the two countries. China is top Nigeria's import origin and this has resulted in a growing trade deficit on the part of Nigeria. Despite Nigeria's effort to diversify its export to China and reduce its trade deficit, over the last decades Nigeria among its major trading partners has incurred the largest trade deficit with China. This represents a serious threat to Nigeria's efforts aimed at diversifying its export to reduce its perpetual unfavourable trade balance. Nigeria, as one of Africa's largest economies, has increasingly turned to China for trade, investment, and development assistance. China has emerged as one of Nigeria's largest creditors, extending financial support in the form of concessional loans and credit facilities targeted at key infrastructure projects. For instance, China has provided over $5 billion in loans for several significant projects, including the Lagos-Ibadan railway, the Zungeru hydroelectric power plant, and the National ICT Infrastructure Backbone project. These loans, often offered at low interest rates, have enabled Nigeria to address critical infrastructure deficits and spur economic growth. While these investments may initially appear beneficial, they risk creating a scenario where Nigeria becomes further entrenched in a cycle of dependency on China. The lopsided nature of the relationship raises concerns about Nigeria's sovereignty and its ability to make independent economic decisions without undue influence from Chinese interests. Recommendably, as the relationship evolves, it will be crucial for Nigerian policymakers to navigate these complexities carefully to ensure that the partnership yields sustainable benefits for the country's development trajectory without exacerbating existing dependency challenges.

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