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CHINA AND NIGERIA: A POWERFUL SOUTH-SOUTH ALLIANCE

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CHINA AND NIGERIA: A POWERFUL SOUTH-SOUTH ALLIANCE

China's growing involvement in the African continent has drawn intense scrutiny from traditional partners and raises the question of whether or not collaboration is beneficial for African countries and their development goals. No bilateral China-Africa relationship is evolving faster, or impacts more people, than the one between China and Nigeria. The Asian giant going global meets the African giant who aims to become one of the world's top 20 economies.[1]

From less than USD 2 billion in 2000, trade between China and Nigeria reached nearly USD 18 billion just ten years later. Between 2003 and 2009, Nigeria was a top destination for Chinese Foreign Direct Investment on the continent, second only to South Africa. Its attractions are clear: vast energy reserves and a large domestic market of 150 million inhabitants with growing disposable incomes.[2] For Nigeria, incentives lie in China's own successful economic transformation, its capacity to deliver large-scale infrastructure projects and, more importantly, its ability to finance them.

While initially driven by its vast demand for energy resources, China's involvement in Nigeria has since expanded far beyond oil. China's public and private companies are making forays into Nigeria's manufacturing and information and communication technologies sectors. They are developing two special economic zones within Nigeria and are building new roads, railways and airports across the country. China is also known for its policy of offering unconditional aid – what it calls "co-operation" – to help in reaching development goals. In an effort to boost Nigeria's agricultural output, hundreds of Chinese specialists are bringing new techniques and technology to bear.

Both countries stand to gain significantly from their economic engagement, but a few stumbling blocks could impede progress. Nigerians have expressed dissatisfaction with the labour practices of Chinese companies, the quality of cheap imported goods and the impact of those imports on domestic producers. Though Chinese investors are less risk averse than others, Nigeria's political unpredictability could eventually dissuade them from continued investment. Despite disputes on the attribution of responsibility for counterfeit and smuggled goods, the two countries continue to assert their mutual friendship and good will. Ultimately these complex problems will have to be addressed if this powerful South-South alliance is to help both countries achieve their economic goals.

1 http://npc.gov.ng/vault/vision%202020%20document/Nigeria_Vision_2020.docx
2 www.ft.com/intl/cms/s/0/2a876320-ca97-11df-a860-00144feab49a.html#axzz1cJinOQH4

1 FORTY YEARS OF DIPLOMATIC RELATIONS

The People's Republic of China (PRC) and the Federal Republic of Nigeria formally established diplomatic relations in February 1971. That same year, Nigeria and other developing countries from Asia, Africa and Latin America helped, despite American opposition, to tip the scales in favour of Beijing's 21-year campaign to win world recognition as the one true government of China. On 25 November 1971, the PRC officially replaced the Republic of China (Taiwan) in the United Nations and on the UN Security Council.

In the 30 years that followed, diplomatic relations between the demographic giants of Asia and Africa produced little of economic consequence. While China was transforming into an economic power, for Nigeria the 1980s and 1990s were marked by a series of military coups. It should be noted, however, that General Sani Abacha (in power from 1993 to 1998) initiated contact with the Chinese government early in his rule. The Nigerian-Chinese Chamber of Commerce was founded in 1994.

It was not until the return of democratic rule in Nigeria that economic relations began to develop in earnest. Olusegun Obasanjo's election in 1999 coincided with the start of a new Chinese orientation toward Africa in 2000. During Obasanjo's second term (2003-2007), both China's President Hu Jintao and Prime Minister Wen Jiabao visited Nigeria, and Obasanjo made two official visits to Beijing. Various other ministerial-level visits conducted during this time allowed the two countries to develop and intensify mutual friendship and familiarity. In 2001, the two countries signed agreements on the establishment of a Nigeria Trade Office in China and a China Investment Development and Trade Promotion Centre in Nigeria. The intergovernmental Nigeria-China Investment Forum was then founded in 2006.

During the Chinese foreign minister's visit to Nigeria in 2006, the two governments signed a memorandum of understanding (MOU) on the establishment of a strategic partnership. Nigerian officials specified that the petroleum, power, telecommunications and manufacturing sectors would be the main targets for investment. Given China's keen interest in securing a steady supply of fuel for its rapidly expanding economy, the petrol sector was at the centre of its investment strategy. The Nigerian agency responsible for the privatisation of state-owned enterprises also appealed for Chinese investment in its privatisation programme.

Beijing laid out a clear strategy based firmly on its economic interests. The Ministry of Commerce[1] identified the main aims of the government's policy towards Nigeria as: 1) to increase Chinese multinational companies'

1 MOFCOM 06/04/2004, http://ng.mofcom.gov.cn/aarticle/slfw/200404/20040400205089.html

Table 1 – **Major agreements between China and Nigeria**

Type of agreements	Year
Agreement on Trade, Investment Promotion and Protection[1]	2001
Agreement for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Tax on Income	2002
Agreement on Consular Affairs	2002
Agreement on Co-operation on Strengthening Management of Narcotic Drugs, Psychotropic Substances and Diversion of Precursor Chemical	2002
Agreement on Tourism Co-operation	2002
Agreement of South-South Co-operation among China, Nigeria and FAO[2]	2003
Memorandum of Understanding on a Strategic Partnership	2006
Agreement against fake products exported to Nigeria from China	2009
Memorandum of Understanding on promotion bicameral economic co-operation and partnership between Ogun State of Nigeria and Zhejiang Province of China[3]	2009
Memorandum of Understanding on peace co-operation[4]	2010

1 – Chinadaily, 17/04/2006, www.chinadaily.com.cn/china/2006-04/17/content_569613.htm
2 – www.fao.org/english/newsroom/news/2003/15085-en.html
3 – Ogun signs pact with China, www.vanguardngr.com/2009/07/ogun-signs-pact-with-china/
4 – Allafrica, 10/01/2010, http://allafrica.com/stories/201001110775.html

Box 1

CHINA'S "ONE" CONDITION FOR DIPLOMATIC RELATIONS

China is well-known for its practice of offering aid with no political conditions – except one. Adherence to the "One China" policy is Beijing's central requirement in its diplomatic relations with African countries, and for Abuja, this position has never been problematic.. In 1971, Nigeria supported Beijing's successful bid to represent all of China in the United Nations. When China's top legislative body passed the Anti-Secession Law in 2005, Nigerian President Olusegun Obasanjo expressed his support for the measure. Evoking the suffering caused by the Nigerian civil war in the late 60s, the President said that Nigerians appreciate the importance of maintaining national unity. "I believe China's Anti-Secession Law will certainly help curb Taiwan independence force on the island," he said.[1]

1 China Daily http://english.peopledaily.com.cn/200503/21/eng20050321_177591.html

Nigerian market share; 2) to expand the Nigerian market for Chinese manufactured goods; 3) to increase China's presence in Nigeria's oil and gas sector; and 4) to leverage its investment in Nigeria as a gateway for entering the ECOWAS market.

Obasanjo's approach to China, branded "oil-for-infrastructure," consisted of awarding oil contracts on favourable terms in exchange for China's commitment to deliver key infrastructure improvement projects. According to Gregory Mthembu-Salter[2], of the South African Institute of International Affairs, Obasanjo's decision reflected Nigeria's dire need for improved infrastructure and a growing frustration with the conditionalities associated with Western aid. Obasanjo was also certainly impressed by the infrastructure he saw during his visits to China.

President Umaru Yar'Adua came to power following elections held in April 2007. Citing concerns about a lack of transparency, the new administration cancelled or suspended most of the oil-for-infrastructure contracts signed during the Obasanjo years.

Little progress was achieved during the next three years. After Yar'Adua's death in May 2010, Vice President Goodluck Jonathan assumed the presidency and the relationship began to rebound. At the end of 2010 China declared its new plan for a strategic partnership[3] with Nigeria, featuring political equality, mutual trust, economic win-win co-operation and cultural exchange.

The key objectives of the new plan were to:

→ Enhance political mutual trust to promote strategic co-operation;

→ Expand co-operation in areas including agriculture, oil, electricity, infrastructure construction, telecommunications and satellite;

→ Expand cultural exchanges and cooperation in combating various diseases including malaria and bird flu;

→ Strengthen co-operation in international affairs to promote world peace, enhance co-ordination and human rights, anti-terrorism and peacekeeping efforts and promote South-South and South-North dialogues.

When Jonathan stood for election in April 2011, the Lagos newspaper *The Punch* reported that 119 tons of electoral materials, including ballot papers, were made in China.[4] The Chinese President sent Special Envoy and Minister of Railways Sheng Guangzu to attend Jonathan's inauguration in May, during which they reaffirmed the friendship between the two countries and vowed to increase the involvement of Chinese enterprises in railway and other infrastructural improvements as well as in Nigeria's overall economic development.[5] Bilateral relations are likely to continue to make positive advances under the new Jonathan government (section 7).

Presidents Hu Jintao and Olusegun Obasanjo

2 Gregory Mthembu-Salter (2009), Elephants, Ants and Superpowers: Nigeria's Relations with China.
3 Tribune, China plans new strategic partnership with Nigeria, 21/06/2010, www.tribune.com.ng/index.php/tribune-business/7056-china-plans-new-strategic-partnership-with-nigeria-others-as-bilateral-trade-hits-637bn
4 Nigeria Presidential Election: 119 tonnes of ballot papers arrive from China, 14 April 2011. www.punchontheweb.com/Articl.aspx?theartic=Art2011041429114
5 Nigerian President Jonathan meets with Chinese President's special envoy, 31 May 2011. www.fmprc.gov.cn/eng/zxxx/t827023.htm

2 TRADE IMBALANCE

Bilateral trade has grown exponentially since China and Nigeria signed an agreement on trade and investment promotion and protection in 2001. The value of trade reached USD 17.7 billion in 2010, almost 10 times its level just ten years before. While Nigerian exports to China more than doubled, they have not kept pace with the growth of Chinese exports to Nigeria. Thus a hefty trade imbalance has not only persisted but also intensified. Chinese exports represented 66.7 % of the bilateral trade total in 2000 and 87.3 % of the total in 2010.

By 2010, Nigeria had become China's fourth biggest African trading partner, and the second largest Chinese export destination on the continent. Trade between the two countries accounted for nearly one third of the trade between China and the whole of West Africa, indicating the importance of Nigeria to China's entry into the regional market. Despite recent expansion, China still only accounts for a small fraction of Nigeria's global trade, lagging far behind the country's top partner(the United States) and also notably facing competition from Brazil and India, as well as more traditional partners such as France.

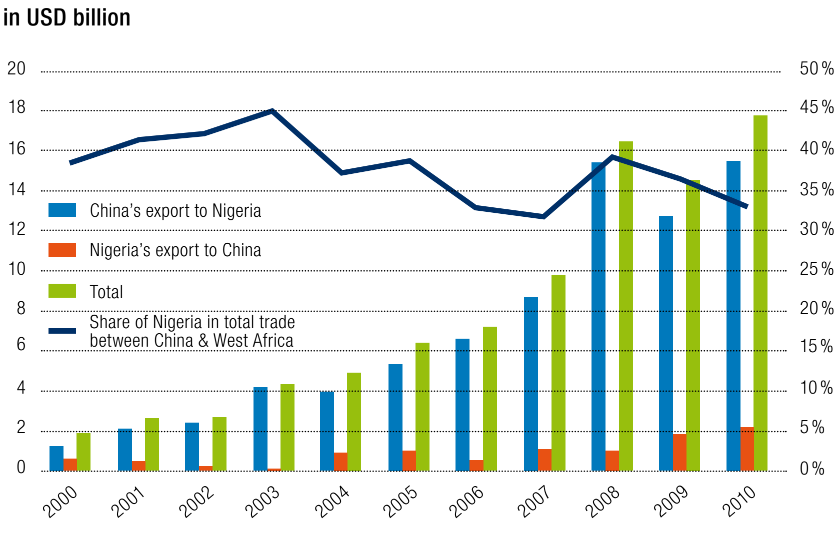
Around 87% of Nigeria's exports to China are oil and gas products. China, by contrast, exports a diversified range of goods to Nigeria, most notably machinery, equipment and manufactured commodities.

While the official numbers are impressive, they fail to capture the complete picture of trade between China and Nigeria. In addition to the recorded trade, there is a significant amount of unrecorded trade, particularly in Chinese goods. Most of the smuggled imports are said to arrive via neighbouring states, which have long, porous borders with Nigeria.[1]

1 Gregory Mthembu-Salter (2009), Elephants, Ants and Superpowers : Nigeria's Relations with China. South Africa Institute of International Affairs.

Trade between China and Nigeria accounted in 2010 for nearly one third of the trade between China and West Africa, indicating the importance of Nigeria to China's entry into the regional market.

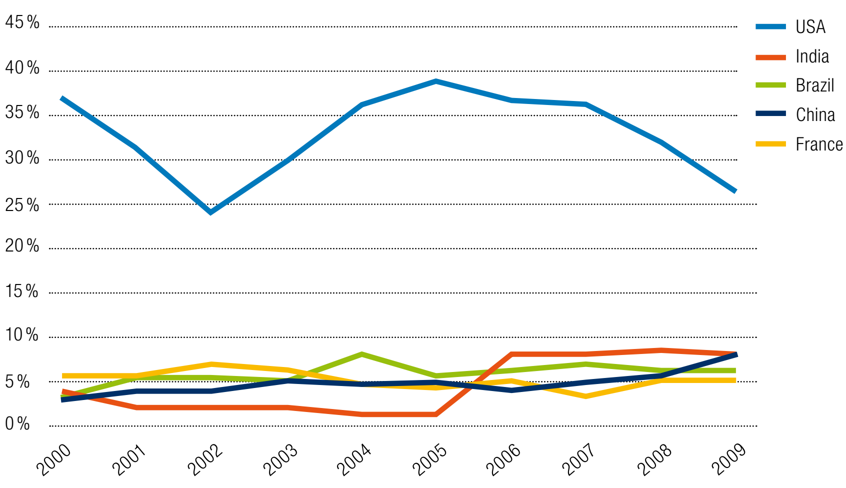
Figure 1 – **Trade between China and Nigeria, 2000–2010**



West Africa here includes ECOWAS countries plus Chad and Mauritania.

Source: UN Comtrade, http://comtrade.un.org

Figure 2 – **Nigeria's major trading partners, 2000–2009**



Source: UN Comtrade, http://comtrade.un.org

SHIPPING LINES

For many years, trade between China and Africa was dominated by South Africa, ensuring a prominent role for the Cape of Good Hope transit route. Now the burgeoning China – West Africa trade is redrawing the maps at sea, boosting the significance of Mediterranean shipping lanes.

Table 2 – **China's top African trading partners, 2010**

Import	%	Export	%	Total trade	%
Angola	30.5	South Africa	18.3	South Africa	22.3
South Africa	25.6	**Nigeria**	**11.3**	Angola	17.5
Sudan	9.0	Egypt	10.7	Sudan	6.2
Libya	6.0	Algeria	6.7	**Nigeria**	**6.2**
Zambia	5.2	Liberia	6.5	Egypt	5.8
DRC	5.0	Benin	4.4	Libya	4.8
Congo, Rep.	4.1	Morocco	4.3	Algeria	4.0
Mauritania	1.9	Libya	3.5	Liberia	3.1
Algeria	1.6	Ghana	3.3	DRC	3.0
Nigeria	**1.5**	Sudan	3.2	Zambia	2.9

Source: UN Comtrade, http://comtrade.un.org

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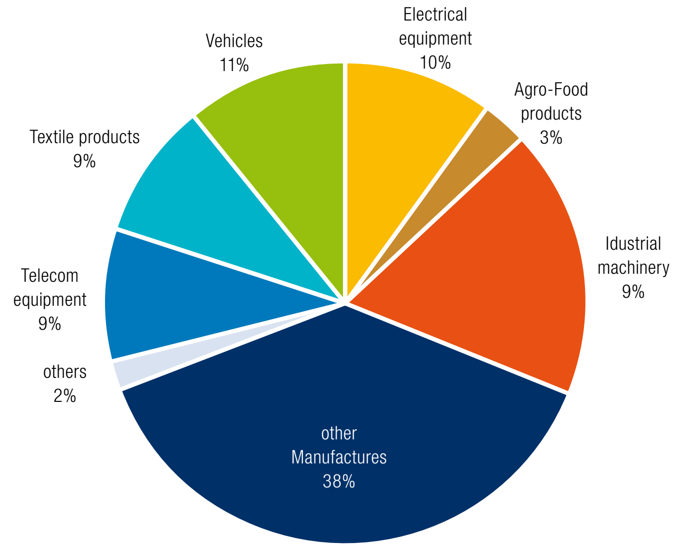
CHINA ESTABLISHES WEST AFRICA TRADE HUB IN LAGOS

China Ocean Shipping Group Company (COSCO), the largest shipping company in China, has established its West Africa hub in Nigeria's economic capital, Lagos. In November 2010, a Chinese joint venture between China Merchants and the China-Africa Development Fund paid USD 154 million for a 47.5 % stake in the Tin-Can Container Terminal at Lagos Port. Nigeria's second largest container terminal, Tin-Can has three berths, with a capacity to handle 360 000 standard 20-foot containers per year.[1]

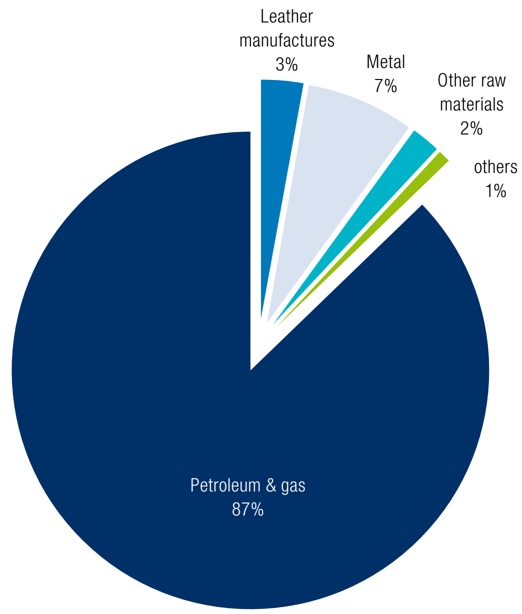
1 Globes, 07/11/2010, Zim sells holding in Nigerian port. www.globes.co.il/serveen/globes/docview.asp?did=1000599290&fid=1725

Figure 3 – **China's exports to Nigeria by product, 2010**



Source: UN Comtrade, http://comtrade.un.org

Figure 4 – **China's imports from Nigeria by product, 2010**



Source: UN Comtrade, http://comtrade.un.org

3 NIGERIAN INCENTIVES AND CHINESE INVESTMENT

Nigeria's investment incentives, along with its massive reserves of oil and gas, appear to have succeeded in attracting the attention of Chinese investors. According to China's Bulletin of Overseas Investment, Nigeria occupied the second position (after South Africa) among the ranks of African host counties for Chinese Foreign Direct Investment (FDI) between 2003 and 2009. Chinese FDI stocks in Nigeria totalled USD 1.03 billion in the period, while FDI stocks for the continent were USD 9.3 billion.

Chinese investments are concentrated in the oil industry, manufacturing, construction and telecoms. A study from the African Economic Research Consortium[1] reports 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 natural resources and infrastructure, particularly in power and transport.

The Standard Bank Group Ltd[2] has predicted that Chinese investments in Africa will reach USD 50 billion by 2015. China's head of mining and metals, George Fang, says Chinese investments in infrastructure are laying the groundwork for economic advancement on the continent. The move "will make investment viable while leaving a future economic legacy" for African countries, Fang said.[3]

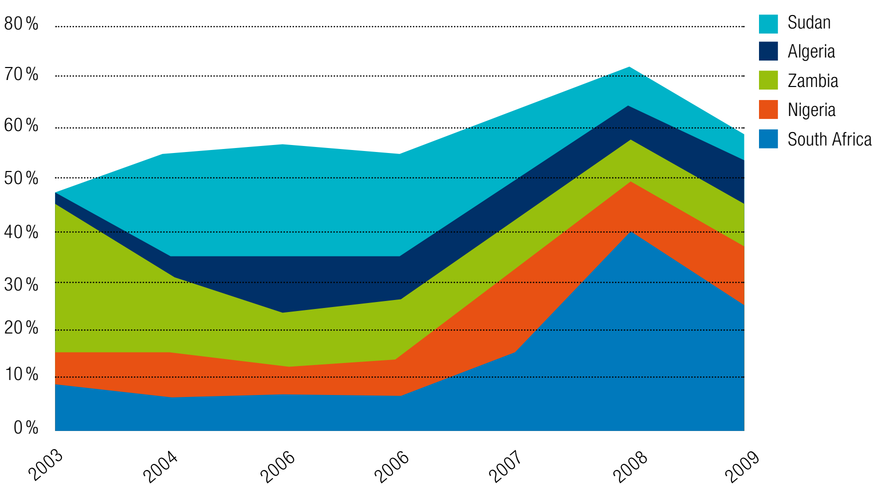
While Chinese private investors primarily invest in the agro-allied industries, manufacturing and communications, Chinese public FDI targets natural resources and infrastructure, power and transport in particular.

1 Olugboyega A.Oyerantin et al (2010). The impact of China-Africa Investment Relations: the case of Nigeria. www.aercafrica.org/documents/china-africa-policybriefs/NigeriaPB8.pdf

2 The South African Standard Bank has a Nigerian operation, Stanbic Bank, which was merged with those of IBTC Chartered Bank and Standard Bank acquired shares. In December 2007, the Industrial and Commercial Bank of China (ICBC) invested USD 5.5 billion in Standard Bank for a 20% shareholding.

3 http://english.peopledaily.com.cn/90001/90776/90883/7298215.html

Figure 5 – **Top destinations of China's FDI in Africa (stock), 2003–2009**



Source: UN Comtrade, http://comtrade.un.org

COMPETITIVE BIDDING PROCESSES

With the oil-for-infrastructure deals on hold, Chinese engineering and construction companies wishing to enter the Nigerian market must do so through competitive bidding processes. Chinese companies bid for contracts either on their own or jointly with international partners. Their success in the bidding process has been largely attributed to pricing. Chinese companies are fabled to produce roads, dams and hospitals well below the costs sought by western firms. The success of Chinese firms' bids for contracts can also be explained by their easy access to credit. China's state-owned banks have committed billions to finance and insure the activities of Chinese multinational corporations in Africa, making bids from Chinese firms more secure and thus more attractive to Nigerian decision makers. Another way that Chinese firms enter the Nigerian market is by buying into existing businesses. An example of this is Sinopec's purchase of the Canadian company Addax Petroleum. Analysts see such buy-ins as especially attractive in the oil sector, where Chinese firms were stung by the suspension of the oil-for-infrastructure arrangements.[1]

1 "Elephants, Ants and Superpowers: Nigeria's Relations with China"

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Box 2

NIGERIA'S EFFORTS TO CREATE AN INVESTMENT-FRIENDLY ENVIRONMENT

While doing business in Nigeria poses many challenges (section 7), the Nigerian government has put in place attractive investment incentives in order to secure foreign direct investment from both Chinese and other international businesses. Under the 1995 Nigerian Investment Promotion Commission Act, 100 % foreign ownership is permitted in all sectors with the exception of oil and gas, where investment is limited to joint ventures and production-sharing agreements.

The corporate tax rate for non-petroleum businesses is 30 %. Incentives available to potential investors include generous tax holidays and capital allowances for buildings, plants, automotive equipment, furniture and fittings. Such allowances can reduce annual taxes by up to two-thirds in most industries, and even more in agriculture and manufacturing. Businesses not able to access electricity through the national grid can deduct 20 % of the costs of providing their own power supply.

Nigerian legal codes allow foreign businesses to repatriate 100 % of profits and dividends. To encourage reinvestment of these funds, the government offers allowances for manufacturers to expand production and upgrade facilities. Businesses can also deduct up to 120 % of the costs for their research and development activities, with further incentives for the use and development of local materials.

Beyond these financial incentives, the government has moved to streamline processes and reduce the administrative red tape associated with doing business in Nigeria. The Nigerian Investment Promotion Commission (NIPC) is a federal agency whose mission is to "encourage, promote, and coordinate investments in Nigeria." The commission operates as a "one-stop-shop" catering to investor concerns and needs from licensing and permits to investment opportunities and incentives. The NIPC also regularly hosts investment forums abroad in order to encourage additional business to settle in Nigeria. In 2011, forums were held not only in the Chinese capital but also in provinces throughout the country.[1]

1 Nigerian Investment Promotion Commission, www.nipc.gov.ng

Table 3 – **Major Chinese companies in Nigeria**

Companies	Sector of activities	Assets (USD billion)	Employees	Investments in Nigeria
Sinopec	Oil and gas	152.80	373 375	Blocks OML 64,66, 29% stake and operating rights to block 2, Nigeria- São Tomé Joint Development Zone
CNPC	Oil and gas	470.80	1.67 million (80 000 foreigners)	Licenses for OPL 471, 721, 732, 298
SEPCO	Electric power construction	38.60	19 756	Papalanto Power Plant
CCECC	Construction	2.17	70 000	Rehabilitation of Palalanto-Lagos expressway, Athletes's village, Ikot Akpaden-Okoroette road, Lekki Free Trade Zone
CSCEC	Construction, real estate	58.90	121 500	Refinary
CNOON	Offshore oil and gas	13.8	21 000	45% interest in offshore exploitation licence, OML 130
Sinoma	Cement Engineering construction	2.9	9 000	in collaboration with Nigeria Dangot Group for cement production line EPC project in 2008
CGC	Construction	0.30	–	Kebbi Airport, Water supply project in Gombe, Sakke Dam
Huawei	Telecom	25.00	51 000	Network, handsets
ZTE	Telecom	13.00	85 232	CDMA, handsets

Source: prepared by authors

Box 3

TWO-WAY TRAFFIC

China-Nigeria investment is not a one-way street, but as with trade, the traffic in the opposite direction is much leaner. So although on a smaller scale, Nigerian companies and investors are making forays into the Chinese market. Direct investment by African countries totalled nearly USD 10 billion by the end of 2009, and Beijing lists Nigeria among the top five African countries investing in China.[1] In 2010 First Bank of Nigeria Plc opened a representative office in Beijing, becoming the first Nigerian bank to penetrate the Chinese market.[2] The bank offers an array of services to its customers in Asia, including Chinese companies seeking to enter the Nigerian market. Among First Bank's other clients, undoubtedly, are some of the Nigerian diaspora, many of whom are engaged in exporting Chinese products to Nigeria.

1 Chinese government web portal.
2 Nigeria: First Bank Eyes Equity Stake in Chinese Bank, www.focac.org/eng/zfgx/t711699.htm

4 LOOKING BEYOND OIL

African countries accounted for nearly one third of China's total oil imports over the last decade. Although Nigeria is its sixth largest supplier of crude oil in Africa, it accounted for only 2 % of imports from the continent. Similarly, exports to China constituted only 1.6 % of Nigeria's total oil exports in 2010, far behind the United States (58.7 %), Brazil (11 %) and other traditional trade partners.[1]

China has been seeking to diversify its sources of oil to reduce its dependence on the Middle East. However, its entry into the Nigerian oil market has not been without complications.[2] Former President Olusegun Obasanjo launched an initiative to entice China and other Asian countries to acquire oil blocks. He offered the right of first refusal (RFR) on oil blocks at discounted rates in exchanged for their commitment to invest in downstream and infrastructure projects. The first bidding round for oil licenses was organised in 2005, with 77 blocks on offer. Chinese companies, however, missed the auction, reportedly[3] because they misunderstood the process and thought that they had already secured blocks during their earlier negotiations with the Nigerian government. After failing to complete the oil-for-infrastructure deals in 2005, the Nigerian government held a "mini-round" in 2006 designed specifically for "serious downstream investors only". Oil companies from India, China and Taiwan were given RFR on pre-assigned blocks, and the outcome was as expected. China's CNPC was awarded four blocks, in return for a commitment to invest USD 2 billion to rehabilitate the aging Kaduna oil refinery.[4] Apart from bidding rounds, Chinese actors acquired a few additional assets during Obasanjo's tenure.

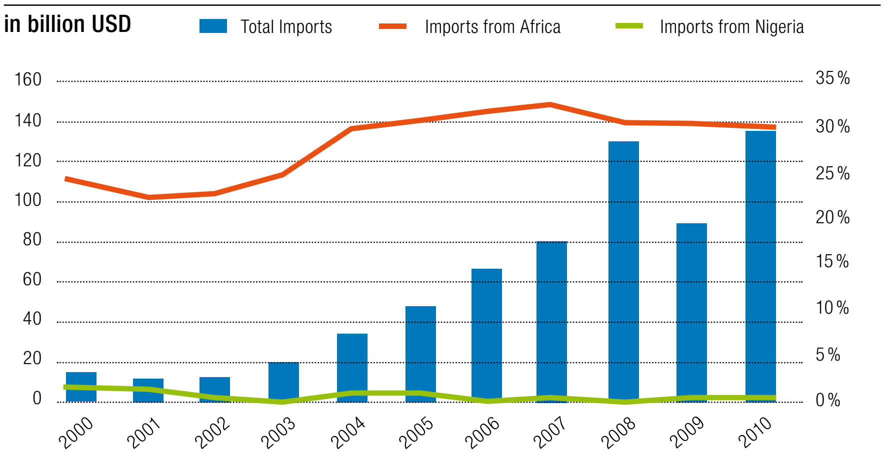
President Yar'Adua's inquiry into the oil block auctions in 2007 was strongly critical of the oil-for-infrastructure approach. The investigative committee's report questioned the conduct of the bidding rounds and the awarding of blocks to bidders who were well-connected but appeared to have little industry experience. Secondly, the committee said the system had been abused, with the Asian multinational oil companies gaining access to high-potential oil assets but failing to deliver on the promised infrastructure projects. With contracts cancelled or suspended, much of the headway Chinese oil companies had made into the Nigerian oil market was swiftly overturned.

According to a Chatham House report, Nigeria lost up to USD 10 billion in failed oil deals with Asian countries.[5] As no follow-up mechanisms to enforce the deals were put in place, many infrastructure projects were not or only partially implemented. In addition, financial arrangements for the oil-for-infrastructure deals were not favourable to Nigeria as the Asian oil companies only offered to partly fund the projects through government-to-government loans. Ultimately, the cancellation of existing contracts resulted in a deep set-back for Chinese economic ambitions in Nigeria.

Apparently adjusting its strategy to the new political reality, Sinopec purchased Canada's Addax Petroleum

1 Calculated based on Comtrade
2 Lillian WONG et al (2009), Thirst for Africa oil- Asian National oil companies in Nigeria and Angola. A Chatham House Report.
3 ibid
4 ibid
5 Alex Vines et al, (2009), Thirst for African Oil Asian National Oil Companies in Nigeria and Angola, Chatham House Report.
http://tribune.com.ng/sun/front-page-articles/4856-oil-for-infrastructure-how-nigeria-lost-over-10bn-in-oil-dealsthe-yaradua-obasanjo-connection-oil-sector-law-to-the-rescue

Figure 6 – **China's petroleum imports, 2000–2010**



Source: prepared by authors based on Comtrade data

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in August 2009. The USD 7.2 billion deal was China's largest overseas acquisition to date and gave Sinopec ownership not only of Addax's one onshore and two offshore oil operations in Nigeria, but also of its two operations in Gabon. It also granted China exploration rights across the Gulf of Guinea and in Iraq. Within a year, Sinopec announced the discovery of a high-yield oil and gas reserve in the UDELE-3 well in Nigeria, which is expected to yield 3365 barrels of oil and 28300 cubic meters of gas per day.[6]

Land and Agriculture

Large-scale land acquisitions from foreign investors have recently raised concern both for the rights of traditional landowners and for the ability of local farmers to compete ("land grab"). However, these fears may be overstated in the case of Nigeria. Chinese investors are making forays into Nigeria's agriculture sector and acquiring land, but generally on a relatively small scale and often together with Nigerian partners. The large-scale purchases of farmland of the kind seen elsewhere in Africa have not been reported in Nigeria.

6 Globe Times, 09/07/2010, http://business.globaltimes.cn/industries/2010-07/550193.html

Chinese investment has also contributed to local job creation and to bolstering the agricultural sector, which suffers from a chronic lack of funding. China's Chongqing Seed Corp. employs local farmers to cultivate Chinese hybrid rice seeds on a 300-hectare farm, marketing half of the harvest locally and exporting the rest to China. The government of Kogi recently announced it had earmarked 100 hectares and USD 23 million for a farm equipment factory to be built by a Chinese firm.[7] Additionally, the governor of Osun has appealed for Chinese investment in the state's agriculture.[8]

In Nigeria and other African countries, land is rarely sold outright, so Chinese firms most often gain access to land indirectly through, for example, infrastructure deals and other construction projects. The development of the Lekki and Ogun Free Trade Zones gave Chinese investors control of 165 square kilometres of prime, waterfront real estate in Lagos State and 100 square kilometres in Ogun. The free trade zone plots were transferred under a 99-year leasehold arrangement. Despite receiving compensation, villagers displaced by zones have complained bitterly, and some Nigerians have condemned the projects as a "land grab" by foreigners.[9]

7 Daily Trust, http://allafrica.com/stories/201108050854.html
8 People's Daily http://english.peopledaily.com.cn/90001/90777/90855/7427442.html

Telecommunications

In recent years, Nigeria has become one of China's most important telecoms market. The two largest players in the country are the state-owned Zhong Xing Telecommunication Equipment Company (ZTE) and Huawei. The key advantage of the Chinese companies is their competitive pricing; Huawei officials say its prices are 5 to 15 % lower than those of its chief international competitors, Nokia and Ericsson. ZTE's prices are said to be 30 to 40 % lower than European telecom companies.[10]

Established in 1985 as an electronics factory affiliated with the Chinese Aerospace Ministry, ZTE is now China's largest listed telecommunications equipment maker and its second-biggest telecom gear vendor after Huawei. ZTE entered the Nigerian market in 1999 and has a handset

9 Sahara Reports, http://saharareporters.com/report/nigeria-beijing-gazumps-new-delhi-africa-asia-confidential
10 New Securigy Learning, 14/02/2011, China mighty Telecom footprint in Africa. www.newsecuritylearning.com/index.php/feature/75-chinas-mighty-telecom-footprint-in-africa

Table 5 – **The presence of Chinese companies in Nigeria's oil sector**

Companies	Year	Project / Block	Project coat (USD million)	Investment commitment (USD million)
Sinopec	2006	Blocks OML 64,66 and exploitation of Stubb Creek	-	220.7[1]
Sinopec	2006	29% stake and operating rights to block 2, Nigeria- São Tomé Joint Development Zone	-	-
CNPC	2006	Licenses for OPL 471, 721, 732,298	16	16
CNPC	2006	Stake in Kaduna refinery and rehabilitation	2 000	Failed
CNOON	2006	45% interest in offshore exploitation licence, OML 130	2 268	2 692
CNOON	2006	35% working interest in OPL 229	-	60
Sinopec	2006	Provide seismic exploration service	-	10
Zhonghao Overseas Construction Engineering Company	2007	Exploration of solid minerals in Zamfara and oil in Sokoto basin	300	300
Sinopec	2009	Purchase of Addax	7 200	7 200
CSCEC	2010	Construction of refinery in Lekki Free trade zone in Lagos state	8 000	6 400

1 – www.pkulaw.cn/fulltext_form.aspx?db=chl&gid=92937

Source: Gregory Mthembu-Salter (2009) and authors edit based on media information factory in Abuja and offices in seven different cities (Lagos, Ibadan, Port Harcourt, Kaduna, Bauchi, Jos and Maiduguri).[11]

In 2005, ZTE won a contract with Nigeria's main telecommunications operator, Nitel, to expand the country's CDMA wireless communications network across seven north-eastern states. It also signed a contract to provide 13000 CDMA terminals and handsets to Nitel.[12] In December 2010, the Nigerian government awarded ZTE a USD 400 million contract to build a national security communications system, with financing provided by China's Exim bank.

ZTE's main rival in China and Nigeria is Huawei Technologies. In 2004, it secured an USD 80 million contract to provide GSM network equipment to Nigeria's V-mobile. In 2010 the company partnered with MTN Nigeria in a USD 40 million project to bring telephonic services to hundreds of rural communities. Huawei's Technology Support Centre in Abuja fields calls from customers seeking directions or assistance using Huawei equipment. A separate Training Centre for Western Africa provides instruction to engineers using Huawei systems throughout the sub-region. The company says it has invested USD 10 million in the two centres, proof of its commitment to developing local expertise for the telecommunications industry.[13]

One of the most prominent communications collaborations between China and Nigeria is the NIGCOMSAT-1 satellite. In 2005, state-owned China Great Wall Industry Corporation outbid 21 international competitors to win the contract to develop and launch sub-Saharan Africa's first communications satellite. Funding for the project included USD 51 million from the Nigerian government and a USD 200 million load from China Exim Bank. The NIGCOMSAT-1 blasted into space in May 2007. With a life expectancy of 15 years, the satellite was expected to expand service and lower costs on everything from telephone calls to internet connection and GPS navigation. It was also an important milestone for China, the first time

11 Allafrica, 27/07/2006, http://allafrica.com/stories/200607270162.html
12 ZTE, www.zte.com.cn/endata/magazine/ztecommunications/2005year/no4/articles/200512/t20051221_162366.html

13 New Securigy learning, 14/02/2011.China mighty Telecom footprint in Africa. www.newsecuritylearning.com/index.php/feature/75-chinas-mighty-telecom-footprint-in-africa
Huawei statement www.huawei.com/en/about-huawei/newsroom/press-release/hw-088836-news.htm

Table 4 – **China's top suppliers of oil in Africa**

Countries	2000	2010
Angola	51.0 %	56.3 %
Sudan	20.2 %	16.2 %
Libya	0.7 %	11.0 %
Congo, Rep.	7.9 %	6.9 %
Algeria	0.0 %	2.8 %
Nigeria	**7.4 %**	**2.0 %**
Chad	0 %	1.2 %
Equatorial Guinea	7.1 %	1.2 %
Egypt, Arab Rep.	0.6 %	1.0 %
Gabon	2.5 %	0.6 %

Source: UN Comtrade, http://comtrade.un.org

PUBLIC-PRIVATE PARTNERSHIPS

Nigeria has also explored the use of public-private partnerships to build refineries with participation from Chinese investors. In May 2010, Nigeria's state-run oil firm NNPC and the China State Construction Engineering Corporation (CSCEC) signed a USD 23 billion Memorandum of Understanding for the construction of three refineries and a fuel complex, financed by Sinosure and China Exim Bank.[1] Under the terms of the first refinery deal, worth USD 8 billion, CSCEC agreed to cover 80 % of the costs, with NNPC putting up the remaining 20 % and the Lagos State government providing land and infrastructure. The Chinese company would build and run the refinery as a majority owner, repaying the loan with the proceeds from the construction contract as well as the revenue from the refinery. The oil refinery was set to be located in the Lekki Free Trade Zone in Lagos State and is expected to produce 300000 barrels of oil a day and 500000 metric tonnes of liquefied petroleum gas each year. Officials say the refinery will generate thousands of jobs and help reduce Nigeria's dependence on imported refined petroleum products.[2]

1 Reuters, 13/05/2010, Nigeria, China agree to fund 3 refineries. http://af.reuters.com/article/topNews/idAFJOE64C0T320100513
2 IPS news, 18/07/2010. New refinery planned for Lagos free trade zone. http://ipsnews.net/news.asp?idnews=52190

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it had designed, built and launched a satellite for another country.[14] The satellite's failure, one year later, was attributed to a problem with its solar power system.[15] China has vowed to launch a replacement satellite, NIGCOMSAT-1R, in December 2011.[16]

Infrastructure

Nigeria's underdeveloped infrastructure is often cited as one of the major impediments to economic development, and successive governments have vowed to rectify the situation. China first became heavily involved in infrastructure improvements through the previously mentioned oil-for-infrastructure deals during the Obasanjo era (see section 1 and 4). Although many of these projects have been cancelled or placed under review, Chinese companies are currently at work on construction ventures across Nigeria. While Chinese companies failed to follow through in one of the most high-profile projects, a railway connecting Lagos and Kano, they are busy building roads, railways and airports elsewhere. They have built or are in the process of building power plants in Ogun, Ondo, Kogi and Eunugu States.

China Civil Engineering Construction Corporation (CCECC), the biggest Chinese construction company in Nigeria, currently has more than 50 projects underway and has invested more than USD 10 billion in the country.[17] One of the biggest is an USD 850 million railway linking the capital Abuja with the northern city of Kaduna. The project is partly funded by a USD 500 million loan from China's Exim Bank.

Another prominent player in the construction market, China Geo-Engineering Corporation (CGC), started out digging boreholes in the 1980s and quickly moved on to larger projects. Its contracts include an airport in Kebbi, a water supply system in Gombe, a dam in Sabke and the road from Kano to Maiduguri. CGC's Nigerian branch is the company's largest in Africa, employing more than 200 Chinese staff.

A number of smaller Chinese construction companies also thrive off state and federal government contracts. In July 2011, the Power Holding Company of Nigeria (PHCN) contracted Chinese companies Sinohydro Corporation and Harbin Electricity Corporation to rehabilitate the Kainji hydropower station in Rivers State. The project, funded by a loan from the World Bank, will cost USD 82 million and is expected to add 340 megawatts to Nigeria's electricity generating capacity.[18]

Manufacturing and Industry

Despite government efforts to diversify the economy the manufacturing sector remains relatively weak. As in many oil-rich countries facing the challenge of averting the "resource curse", the manufacturing industry in Nigeria has declined as the country shifted attention to oil production. A central axe of the government's development programme is to reverse this trend and use manufacturing as a tool for job creation and poverty reduction.

Hong Kong and Taiwanese investors started manufacturing auto parts and textiles in Nigeria in the late 1960s and early 1970s. The industries subsequently collapsed due to decreased cotton production, inadequate infrastructure and increased competition from imported products, particularly

14 Xinhua http://news.xinhuanet.com/english/2007-05/14/content_6096957.htm
15 Mthembu-Salter, "Elephants, Ants and Superpowers"
16 Business World, 03/01/2011, China to replace Nigeria's lost satellite. http://businessworldng.com/web/articles/1727/1/China-to-Replace-Nigerias-Lost-Satellite/Page1.html
17 Corporate Nigeria Investment Guide
18 ESI-Africa www.esi-africa.com/node/13089

Box 4

THE LEKKI FREE TRADE ZONE

The Lekki Free Trade Zone (LFTZ) occupies a total of 165 square kilometres (16 500 hectares) on the Lekki peninsula, which is about 60 kilometres southeast of Nigeria's economic centre (central Lagos). The zone is administered through a joint venture between the Lagos State government; Lekki Worldwide Investments, a private company established by the Lagos State government; and China-Africa Lekki Investment Ltd., a consortium of four Chinese enterprises that includes the China-Africa Development Fund. The Chinese consortium assumes 60% ownership, and the Lagos State government and LWI each hold 20% equity. Initially, the Chinese investors were to provide USD 200 million in funding, while LWI was to inject an additional USD 67 million. The Lagos State government was responsible for providing land and infrastructure as well as relocating and compensating villagers displaced by the project.

Construction is underway at the LFTZ, with the 30-square-kilometre (3 000 hectares), USD 5 billion Phase I project scheduled for completion in 2014. Developers intend for the zone to specialise in transportation equipment, home appliances, telecommunications, textiles and other light industries. The site will also include real estate operations, media centres, hotels and recreational facilities. By late 2009, the Lekki zone developers concluded Memorandums of Understanding with at least 20 interested companies, 20-30% of which were Chinese. China's CSCEC has been contracted to build an oil refinery on the premises, and there are plans for a deep-water seaport within the zone and a new international airport nearby.

Besides being the largest in West Africa, the Lekki Free Trade Zone is remarkable in the amount of local involvement in the management of the zone. Most African partner governments own only a small share in the co-operation zones and play little or no role in operating them. With a 40% stake, the Nigerian investors have taken a more active role in the Lekki project, and Nigerians hold some of the key management positions.[1]

1 Deborah Brautigam and Tang Xiaoyang (2009), African Shenzhen: China's special economic zones in Africa.

from China. Lee Enterprises is one Hong Kong manufacturer that has managed to survive and even expand. The company produces plastics, steel, ceramic tiles and leather hides at its expansive complex of factories near Kano. Lee Enterprises employs a large Chinese and Nigerian workforce, and some have estimated it as being a multi-billion-dollar operation. Another well-known Hong Kong manufacturer, Wepco, produces roofing sheets and furniture.

Chinese companies operating in the telecoms sector have set up production operations for headsets and other equipment. One of the largest companies, ZTE, runs a factory in Abuja, but has been criticised for importing components manufactured in China and only employing Nigerian labour in assembly line work. Hundreds of smaller Chinese manufacturers operating in the country produce food and beverages, plastics, pharmaceuticals, cement and steel. The Manufacturers Association of Nigeria reports that the majority of foreign entrants into the manufacturing sector over the last fifteen years have been Chinese.[19]

The Nigerian manufacturing sector also faces hard competition from the mass imports of cheap Chinese products that flood the Nigerian market via neighbouring countries, mostly through informal sector channels. As long as these untaxed products dominate the Nigerian parallel market, it will be hard for local entrepreneurs to develop competitive and sustainable businesses.

Finance

The Nigerian government budget provides for only a small fraction of funding necessary for all its planned infrastructure projects. Large financial resources come from China, and more specifically from Chinese state-owned banks. China is becoming increasingly important for the financing of infrastructure projects in Africa, and Nigeria is one of major beneficiaries of their finance deals. The main lender, the Export-Import Bank of China, or Exim Bank, was set up expressly to finance the projects of Chinese multinational corporations expanding overseas. In the past ten years, China's export credit agency Sinosure has offered more than USD 113 billion in credit insurance for Chinese exports and investments.[20]

The significant role Chinese investment played in Nigeria became clear when in January 2011 the Central Bank of Nigeria introduced the Chinese Yuan as a trading currency in the domestic foreign exchange market. Nigerian banks can now offer accounts in Yuan to customers doing business with China. The Nigerian media report that the move has encouraged Nigerian banks to seek new partnerships with Chinese financial institutions.[21] China holds a 20 % stake in South Africa's Standard Bank, which also has a presence in Nigeria. There is widespread speculation that Beijing is looking to gain greater footing in the sector, either by opening a branch of a Chinese financial institution or by acquiring shares in a Nigerian bank.

Special economic zones

Since it began experimenting with the model in 1979, China has accumulated a wealth of experience, and success, using Special Economic Zones (SEZ) to drive industrialisation and attract foreign investment (West African Challenges note 4). China currently operates at least 100 SEZs on its own shores, some of which are specialised in areas such as technology or trade.[22] In 2006, Beijing announced it was "going global" and had plans to build up to 50 economic co-operation zones in countries around the world. During the Beijing summit of the Forum on China-Africa Co-operation (FOCAC), China pledged to build three to five of these zones in Africa.

Deborah Brautigam and Tang Xiayang, authors of "African Shenzhen: China's Special Economic Zones in Africa," explain that the zones are a means for China to showcase the effectiveness

19 Mthembu-Salter

20 Mthembu-Salter
21 This Day
http://allafrica.com/stories/201101271028.html
22 Deborah Brautigam and Tang Xiaoyang (2009) African Shenzhen: China's special economic zones in Africa.

Box 5

OGUN GUANGDONG FREE TRADE ZONE

Ogun Guangdong Free Trade Zone (OGFTZ) covers an area of 100 square kilometres (10 000 hectares) in Ogun, a south-western Nigerian state bordering Lagos State. The OGFTZ site is just 30 km from both the Apapa seaport and Murtala Mohammed International Airport, both in Lagos. The publicly-owned China-Africa Investment Co., a unit of Guangdong Xinguang International Group, holds a controlling 82 % equity, with the remaining 18 % held by the Ogun state government.[1]

Construction on the zone is underway with Guangdong Xinguang funding the USD 500 million first phase, and the First Bank of Nigeria collaborating in the areas of investment banking, project finance and business advisory services.[2] The OGFTZ has a special focus on construction materials and ceramics, ironware, furniture, timber processing, pharmaceuticals, computers and lighting. By late 2010, twelve companies had registered their establishment in the zone and two had begun operations.[3]

1 www.zjits.com/index.php/en/jwtz_c_detail/74.html
2 First Bank, www.firstbanknigeria.com/PressRoom/PressRelease/ChineseFirmPartnersFirstBankinOgunFreeTrade/tabid/259/Default.aspx
3 China Zhejiang Investment & Trade Symposium, www.zjits.com/index.php/en/jwtz_c_detail/74.html

▷ p. 16

of its development model and to share its experience with friendly nations. Incidentally, China also immensely benefits from moving "mature" industries offshore. Relocating labour intensive, low-tech businesses such as textiles and building materials overseas opens up space back home for China's own economic transformation. The African zones also allow Chinese manufacturers to benefit from the more favourable terms offered to local businesses, and they put Chinese producers closer both to the raw materials they require and to their target markets, not just on the continent but also in the West.[23]

Several African countries showed an interest in hosting special economic zones, and by late 2010, six zones were under development in five countries across the continent: Egypt, Ethiopia, Mauritius, Nigeria and Zambia. Nigeria hosts two zones in Lagos and Ogun States.[24]

The Ogun and Lekki free trade zones offer promising opportunities for Chinese and other investors eager to be closer to raw material sources and to important markets in Africa, America and Europe. Champions of the FTZs argue that they could become an engine for job creation and for the transfer of skills and technology. Critics say the zones mainly serve Chinese interests, and without greater engagement with local industry, they will contribute little to the achievement of Nigeria's development objectives. Land is another primary area of concern. In Lekki, villagers were reluctant to agree to the construction of the zone and then protested the terms of their resettlement. The Lagos state government assigned a small equity stake to local communities, and Chinese companies hired residents as security guards.[25]

23 Africa, 18/10/2010 "为何要建中非经贸合作区", www.focac.org/chn/dsjbzjhy/t761851.htm

24 Deborah Brautigam and Tang Xiaoyang (2009) African Shenzhen: China's special economic zones in Africa.

25 ibid

5 SOUTH-SOUTH CO-OPERATION: UNCONDITIONAL AID?

China's relationship with Africa has been described as part of the new "South-South Co-operation" through which developing countries help each other rather than depend on wealthy Northern states. In April 2011, Beijing published a white paper on foreign aid, outlining for the first time its development assistance policy. Responding to the general belief that its aid programme is little more than a ploy to gain further access to Africa's natural resources, the white paper laid out an aid policy founded on solidarity among developing countries.

Chinese aid takes on many different forms: emergency humanitarian assistance, goods and materials, technical co-operation, human resource training, medical and other volunteers and completed construction and infrastructure products financed by grants and low or no-interest loans. China was also ahead of the curve on debt relief, and Nigeria was a beneficiary in one of the three rounds of debt cancellation China has held since 2000.

While China as a rule does not release detailed information on which countries receive which forms of aid, one definite area of co-operation between China and Nigeria is agriculture. Experts from China are training Nigerian farmers on technologies and techniques to boost production. A South-South Co-operation initiative between China, Nigeria and the Food and Agricultural Organization (FAO) aims to send 500 Chinese experts to Nigeria to help improve food production and water management. More than 400 experts have already travelled to Nigeria to work on the construction of small earth dams.[1]

In July 2011, Nigeria and China signed an agreement to boost agricultural co-operation in order to enhance food security in both countries. More Chinese technology and expertise will be deployed with the primary aim of boosting the production of cash crops, such as cocoa, soybeans and palm oil, all of which are in high demand in China.[2]

China has also provided aid for 300 "friendship schools"[3] in rural Nigeria and scholarships for hundreds of Nigerians to study in China. Some Chinese businesses operating in in the country have developed their own informal assistance programs. For instance, the China Geo-Engineering Corporation (CGC) now digs boreholes for free in poor rural communities.

While it is difficult to gauge the value of expert training and in-kind gifts, Sino-African relations specialist Deborah Brautigam estimates that the total value of China's official aid to Nigeria has been relatively modest, less than USD 220 million between 2000 and 2008. China says its aid programme is a "win-win" scenario between developing nations, but the line between aid and trade can become blurred at times. That loans can only be spent on Chinese products or services begs the question of whether Chinese aid is truly unconditional.

1 African Economic Outlook, www.africaneconomicoulook.org

2 People's Daily www.peoplesdaily-online.com/news/agriculture/15914-how-nigeria-and-china-move-to-strengthen-ties-through-agriculture

3 Chinese go http://english.mofcom.gov.cn/aarticle/subject/minister/lanmua/201102/20110207420919.html

6 SOCIAL AND CULTURAL CONNECTIONS

The economic engagement between China and Nigeria has given rise to multifaceted social networks and expatriate communities in each country. Although official statistics are not available, an estimated 50000 Chinese people were living in Nigeria in 2010.[1] The Chinese community in Nigeria is evolving in line with the recent trends in economic relations.

Hong Kong and Taiwanese Chinese came to Nigeria in the late 1960s and early 1970s, setting up manufacturing operations, particularly in textiles, in Kaduna. With increasing competition from cheap imports, many of these operations were forced to shut down. Their owners began to leave Nigeria, to be replaced by a new generation of mainland Chinese investors. However, there is so far relatively little contact between Chinese workers and the local population. There have been several incidents of kidnapping and other attacks against Chinese workers, raising concerns in Beijing.[2]

Chinese migrants can be found in the wholesale and retail markets in all Nigeria's major cities and are now also increasingly present in smaller towns. One of the most significant Chinese retail ventures is the Chinatown in Lagos built in 2004, which consists of about 120 shops selling a range of manufactured goods, particularly clothes, shoes, and fashion accessories. Almost all of the merchandise is imported from China or produced by Chinese manufacturers in Nigeria.[3]

The China Lagos Industrial and Commercial Federation was established in 2003 to help Chinese businesses navigate legal, social and security matters and to encourage a climate favorable for further expansion. The organisation also publishes the "West Africa United Business Weekly," the first Chinese-language newspaper to circulate in the region.

Chinatown in Lagos

Most Nigerians in China, meanwhile, are businessmen who stay for only a short period of time and are concentrated in large industrial centres. A Nigerian Embassy official estimated in 2006 that there were between 2000 and 3000 Nigerians in Guangdong Province alone. Many are traders sourcing products to sell in the Nigerian market, while others work with Chinese companies importing raw materials from Nigeria. Nigerians also travel to China to study and to teach English.[4] In addition, there are an estimated 700 Nigerians in Chinese prisons, most charged with immigration offenses, fraud or drug trafficking,[5] a situation that creates distrust and even hostility towards some Chinese immigrants.

Whether legal or illegal, there are near constant complaints about the reception Nigerians receive in China. Nigerian businessmen complain that while Nigeria rolls out the red carpet for Chinese investors, Nigerians do not have the same opportunities in China. They say China issues only a limited number of visas to Nigerians, and those already in the country are singled out for scrutiny by police.[6] Recent allegations that Nigerians were being mistreated in Chinese jails prompted Nigerian politicians to demand a crackdown on Chinese immigration offenders in Nigeria.[7]

Despite the difficulties of immigration, travel between the two countries has grown in pace with economic activity. In response to the growing demand, China Southern Airlines started regular service between the two countries in 2007. The flight, which takes a total of 16 hours, is offered three times a week.[8]

To foster cultural exchanges and Chinese language learning, China has opened two Confucius Institutes in Nigeria. The first was established at the Nnamdi Azikiwe University in 2008 in partnership with China's Xiamen University.[9] The second Institute opened a year later at the University of Lagos in co-operation with the Beijing Institute of Technology. The activities of the Confucius Institute include administering Chinese proficiency examinations, organising language and cultural exchanges, translation services and providing information for students wishing to study in China.[10] The Chinese Embassy in Nigeria has also set up a Chinese language centre in Abuja to teach Mandarin Chinese as a second language to students of all ages.[11]

1 FT, 14/06/2010, Business titans: Generation of industrialists makes way for a new wave. www.ft.com/intl/cms/s/0/82b18f4e-74ed-11df-aed7-00144feabdc0.html#axzz1T1mTQQLa
2 China Daily, 18/01/2007, www.chinadaily.com.cn/home/2007-01/18/content_786858.htm
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Reuters, 10/05/2008, www.reuters.com/article/2008/05/10/idUSL10493801
3 Gregory Mthembu-Salter (2009), Elephants, Ants and Super powers: Nigeria's Relations with China. South Africa Institute of International Affairs

4 Migration Policy Institute, www.migrationinformation.org/Feature/display.cfm?id=690
5 BBC, http://news.bbc.co.uk/2/hi/8274755.stm

6 EU times, www.eutimes.net/2011/06/china-welcomes-growing-african-trade-but-not-the-africans-who-facilitate-it/
7 BBC, http://news.bbc.co.uk/2/hi/africa/8274755.stm
8 China Daily, 30/12/2066, New China-Nigeria Air Route Opens, www.china.org.cn/english/travel/194450.htm
9 www.financialnigeria.com/NEWS/news_item_detail_archivep.aspx?item=1576
10 http://allafrica.com/stories/200911110992.html
11 www.whatsonxiamen.com/news6766.html

7 POSITIVE OR NEGATIVE IMPACT?

There is no consensus as to whether China's engagement adds to or detracts from Nigeria's economic growth. If measuring the economic outcome is difficult, assessing the social impact is even more so. Chinese manufacturing operations contribute to the country's GDP but offer tough competition for local producers. Exports to China might also boost the bottom line, as Nigerian suppliers find a new market for their goods, but here too the results are mixed. Imports from China far outstrip exports, creating a large trade deficit and flooding the market with low-tech manufactured goods that might otherwise be produced domestically.

Champions of trade argue that Nigeria's manufacturing sector is underperforming chiefly because of inadequate infrastructure, so the Chinese goods are fulfilling a demand that would otherwise go unmet. Perhaps the strongest argument in favour of China's presence is a forward-looking one. If Chinese construction companies can upgrade the countries roads, railways and power plants, Nigerian manufactures could possibly become more competitive in the future.

Unemployment is one of the most pressing problems in Nigeria. The National Bureau of Statistics puts the unemployment rate at 19.7 % but many believe this is a gross underestimation.[1] Whatever the actual figure, the need for jobs is a constant topic among officials and ordinary Nigerians who would like to see foreign investment lead to job creation.

According to the Chinese government, Chinese companies operating in Nigeria employ 30000 local workers. But this pales in comparison to the 350000 manufacturing jobs that labour unions say have been lost because of Chinese imports. Unable to cope with cheap imports and increased smuggling, the domestic textile industry has been hit hardest. In 2007 the head of the Nigerian Textile Manufacturers Association said the number of textile producers in the country had fallen from 200 to 28.[2] Ironically, many of the textile factories that have been forced to shut down were Chinese-owned plants that had been operating in Kaduna since the 1970s.

Labour unions also complain about working conditions in Chinese companies, where they say Nigerian workers are poorly paid and rarely rise to management level. Chinese companies have been accused of flouting labour laws and discouraging unions. Chinese companies vehemently deny discriminating against Nigerian workers, arguing that salaries for both Chinese and Nigerian employees are low, but in line with pay rates in Nigerian manufacturing companies.

Nigerians also question the overall quality of the Chinese goods flooding their markets. Chinese imports are widely regarded as inferior, and Nigerian businessmen accuse the Chinese of exploiting tariff concessions to dump cheap goods in the market and stifle competition. Nigerian and Chinese officials have argued over the problem of substandard and fake goods. While China acknowledges the problem, it says that Nigerian importers often pressure Chinese suppliers to produce lower quality products in order to reduce the prices to a level Nigerians can afford. In 2009, the two countries signed an agreement to stop the importation of fake and substandard goods into Nigeria.

With the history of degradation from oil extraction in the Niger Delta, Nigerians are sensitive to the environmental implications of China's growing involvement. China's appetite for energy resources and its poor environmental track record at home have raised concern among conservation groups in Africa. Civil society groups fear that Beijing's political unconditionality will extend to the environmental realm and maximising profits will be prioritised ahead of environmental concerns.

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

1 234Next, "Nigeria's unemployment figures remain same for years". http://234next.com/csp/cms/sites/Next/Home/5732037-146/story.csp

2 Nigerian Textile Industry in Shambles. www.tradeinvestnigeria.com/news/799380.htm

8 KEY CHALLENGES AND OUTLOOK

Like many other African countries, Nigeria has embraced China as an economic partner. In their regular meetings and exchanges at the head-of-state and ministerial level, both countries have affirmed their commitment to broadening economic co-operation. This does not, however, mean that the Sino-Nigerian alliance does not also face significant challenges that must be resolved if both are to realise their economic ambitions.

Nigeria's newly elected President Goodluck Jonathan has laid out a pro-active industrialisation programme and has solicited Chinese help in its implementation. Recent surveys show his enthusiasm is to some extent shared by the Nigerian public. A Pew Research Centre survey from January 2011 found that 76 % of Nigerians held a generally positive view of China, a percentage which has remained essentially constant over the past several years (85 % in 2009 and 79 % in 2008). Africans in general seem to share their politicians' appreciation for China's politically neutral approach. There is, however, a vocal minority that disagrees. Senegalese journalist and author Adama Gaye argues that China's political neutrality could backfire if more Africans begin to see China as indifferent, or even damaging, to their democratic aspirations. "By overemphasizing sovereignty and non-interference, the Chinese are running the risk of losing the support of the African population," Gaye writes.

76% of Nigerians hold a generally positive view of China.

Due to some high-profile mishaps, the "Made in China" label has suffered considerable damage around the world, and Nigeria is no exception. The 2009 agreement against counterfeit goods has not quieted complaints about the quality of Chinese goods on the Nigerian market. Analysts say stronger action is needed to strengthen institutional capacity to effectively track fake goods in both countries.

Another major hurdle is Nigeria's political unpredictability. Chinese investors are considered to be more comfortable with risk than their Western counterparts, yet if signed contracts are routinely reviewed and suspended when power changes hands, their appetite for risk is likely to fade. Even with the perils of changeable government contracts, Chinese investors prefer public sector over private sector partners, which are seen as even less reliable.[1] While its politics are exceedingly stable, China also faces criticism over a lack of transparency in its business dealings. And its companies have been accused of bribery and other forms of corruption, particularly during the boom years of the mid-2000s.[2]

Even with the perils of changeable government contracts, Chinese investors prefer public sector over private sector partners, which are seen as even less reliable.

Chinese officials frequently point out the "complementarity" between China and African countries. China needs energy to fuel its racing economy, and Nigeria has 37 billion barrels of proven oil reserves. Nigeria needs cash to fund its development agenda, while China holds approximately USD 3 trillion in foreign exchange reserves. Both nations, Beijing says, are developing countries with an opportunity to achieve strong growth despite the troubles that have beset Northern economies during and following the 2008 financial/economic crisis.

An assessment on the Chinese government website predicts that "As economic globalisation progresses, the economic and trade co-operation between China and Africa will definitely gain momentum to reach a larger scale, broader scope and higher level with their joint endeavours, which can give new energy and vitality to overall China-Africa co-operation and make more contributions to building a world with long-lasting peace, common prosperity and harmony." The message that China is sending through its diplomatic exchanges, its white paper on aid policy and its establishment of the Forum on China-Africa Co-operation is that its interest in Africa is mutually beneficial, and it is for the long-term.

1 Mthembu-Salter, "Elephants, Ants and Superpowers"
2 Council on Foreign Relations, www.townkrier.com/news/8-whos-in-charge-china-or-nigeria.html

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Useful Links

- Forum on China-Africa Co-operation (FOCAC): **www.focac.org/eng**
- Chinese Embassy in Nigeria: **http://ng.china-embassy.org/eng**
- Nigeria Embassy in China: **www.nigeriaembassy.cn/?lang=en&&page=visa**
- Nigerian Investment Promotion Commission: **www.nipc.gov.ng**
- Economic and Commercial Office, Consultate General of the People's Republic of China, in Lagos: **http://ng.mofcom.gov.cn**

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