Nigeria’s Bilateral Trade Relations with China: An Assessment (1999 – 2016)

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Abstract
This study assessed the bilateral relations between Nigeria and China from 1999 – 2016. The relationship has of recent been a source of concern as this has to do with China’s seemingly interest or quest to dominate the Nigeria economy and market by flooding Nigeria’s market with what some scholars described as sub-standard products. The objective of this study was to assess the bilateral relations of Nigeria-China with emphasis on their diplomatic and trade ties. Dependency theory was applied as the theoretical framework. To achieve the above objectives, historical descriptive method was adopted and data were collected using secondary sources. Content analysis was used to evaluate the three research questions posited in this work. The major findings of the study revealed among others, that the relationship Nigeria had with the Chinese counterpart had developed a wide range of trade imbalance between the two countries. Between 2013 and 2016, Nigeria’s trade deficit with China was 16.9 U.S dollars. Chinese investment and industrialization in Nigeria was far beyond the expectations of Nigerians compared to what they are gaining from Nigeria, and the deepening unemployment rate in Nigeria as a result of low or folding up of companies or lack of investment and industrialization. Based on the above findings, it was recommended among others that, one effective approach to address the trade imbalance is to evolve a cooperative mechanism that would enable Nigeria increase its export of manufactured goods to China. Also, it was recommended that Nigeria should learn from the socio-economic transformation. As Nigeria rallies to industrialize its economy, it will not be out of place if she emulates the Chinese model that is relevant to our local environment. Finally, Nigeria must deal with the issue of corruption severely and punish anyone found guilty without fear or favour.

Keywords: Diplomacy, Imbalance of trade, Foreign Direct Investment.

Introduction
Every State is, in terms of law an absolutely independent unit. It is subordinate to none and its sovereignty is unlimited over all persons and associations within its territorial limits. Nevertheless, no State can have an independent and secluded existence. All States are banded together in a variety of ways. Mutual coexistence between them is primarily due to certain natural causes. Nature has not willed man to be self-sufficient, he is dependent. What is true of man is also true of States, for it is the people who make the State and the State exists for the people. If mutual coexistence between States is not recognized and established, society is bound to stagnate. Modern economic, scientific, social and cultural developments have further cemented the ties of mutual interests and common affinity (Kapur, 2009:306). Thus, once a colony has been granted full status of statehood by the colonial masters or imperial authorities, it has automatically acquired full legal capacity to administer itself and conduct its relations with other States in the international system. This is however, based on considerations of a nation’s vital national interests (Dickson, 2013).
The concept of national interest is so interwoven with that of foreign policy that the renowned international relations scholar, Hans Morgenthau once stated “no nation can have true guide as to what it must do and what it needs to do in foreign policy without accepting national interest as that guide”. National interest is broadly conceived as a guide to the formulation of foreign policy. According to Frankel (cited in Ghosh, 2009:62), national interest “refers to some ideal set of goals, which a state would like to realize, if possible, in its relations with other states in the international system”. From the standpoint of Omede (2003), “the pursuit of national interest over the years presupposes that a nation preoccupies itself with the provision of security (military and economic) for its citizenry”. In a similar argument, Adeleke (2010) opined that as important as economy is in the relations among states, so also is culture and politics. The cultural and political relations could bring about greater understanding among nations. The views above imply that external relations among states cover the myriad or countless of issues - economic, political, diplomatic, social and cultural, security among others.

Globalization has been defined as the process through which goods and services, capital, people, information and ideas flow across borders and lead to greater integration of economies and societies (Agenor, 2004). In its quest to be part of globalization, China and Nigeria established diplomatic relations on February 10th, 1971. That same year, Nigeria and other developing countries from Asia, Africa and Latin America helped, despite American opposition, to tip the scales in favor of Beijing’s 21-year campaign to win world recognition as the one true government of China. On 25th November 1971, the People’s Republic of China officially replaced the Republic of China (Taiwan) in the United Nations and 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. But the internal crises faced by both countries reduced the pace of economic integration. In Nigeria, the trade policy since 1960 witnessed extreme swings from high protectionism from the West in the first few decades after independence and also placed high restrictions on the importation of capital goods that could have enhanced local industries like machineries to boost agricultural production and other sectors of the economy. As the Nobel Laureate and former World Bank Chief Economist, Joseph Stiglitz (2002:6-7) has argued:

The critics of globalization accuse Western Countries of hypocrisy and the critics are right. The Western Countries have pushed poor Countries to eliminate trade barriers, preventing developing countries from exporting their agricultural products and so depriving them of desperately needed export income….But even when not guilty of hypocrisy, the West has driven the globalization agenda ensuring that it garners a disproportionate share of the benefits, at the expense of the developing world.

The relationship between the two countries had grown closer as a result of international isolation and condemnation of Nigeria's military regimes 1970-1998. While on the other hand, the Chinese open door policy embarked by the communist party in 1978 led by Deng Xiaoping which gives equal commercial and industrial rights to all the nationals also precipitated or hastened the economic relations between the two countries. These cooperative relations which seem to be enjoying a rapid progress are based on the principles of equality, respect and mutual benefit, with the friendship and exchanges of visits between the two countries consolidated with the time. Under the framework of the Forum on China-Africa Cooperation, known as FOCAC which started in 2000, more importantly, with the follow-up actions of the distinction
Beijing summit of the FOCAC in 2006, the bilateral relations between China-Nigeria got further boosts and enjoyed rapid development. Ogunkola, Bankole and Adewuyi (2008:3) took a concise view of Nigeria-China relations and stated that:

Nigeria’s relation with China has blossomed in recent years. This relation governed by agreements, protocols and treaties spanned a spectrum of areas including political, trade, investment, aid, technical, scientific, cultural, education, health and military. The implementation of these agreements appeared to be lopsided as China seems to be on the fast-track while Nigeria appears to be lagging behind.

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 in office (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.

Statement of the Problem

Nigeria-China relationship was officially established on 10th February 1971. 2016 marked the 45th anniversary of the establishment of diplomatic ties between the two countries. In recent years, bilateral relations among nations have witnessed drive of rapid development with frequent exchanges at all levels and mutual political trust and bilateral economic benefits at hundreds of billions of dollars. Nigeria’s relations with China have grown in the last decades from the limited and recurrent contact that marked the immediate post-independence era to an increasingly complex and expansive engagement. While, like most other African countries in the 1960s and 70s, Nigeria viewed China as a nonaligned developing country, it did little to foster business or even special diplomatic relations with the Asian giant. Nigeria’s traditional development partners were mainly from Europe and the America (U.S. A. and Canada). These groups have dominated the flow of trade, investment (in terms of foreign direct investment- FDI), grants and financial as well as technical aid to the country.

Imbalance in trade relations between the two countries exists, according to the Nigeria Bureau of Statistics (NBS, 2017), indicates that Nigeria has a deficit of more than N6 trillion with China between 2013 and 2016. The statistics also shown that out of Nigeria’s total import bill of N29 trillion between 2013 and 2016, China alone accounted for N6.41 trillion. It indicates a huge gap when compared with N714.97 billion worth of goods Nigeria exported to China within the same period. President Muhammad Buhari, recently expressed concerned about the imbalance in Nigeria-China trade at the opening of Nigeria-China Business/Investment Forum in Beijing in 2016, Buhari observed that trade relations between Nigeria and China rose from 2.8 billion dollars in 2005 to 14.9 billion dollars in 2015. Nigeria import alone from China accounted for 21.43 percent for the period of last four years while Nigeria export to China accounted for only 1.48 percent of Nigeria’s total export during the period (Yemi, 2017). The efforts of the Federal Government to promote, expand and diversify Nigeria’s export base by making the non-oil exports contribute significantly to the nation’s Gross Domestic Product (GDP) should be aided or assisted under the current bilateral
agreements of both countries for a mutually beneficial, sustainable economic development and balance of trade.

Corruption is another dreadful phenomenon which destroys the fabric of all governmental structures in a nation. It is a canker-worm, an anathema and a gall and worm wood entity which should be abhorred by any nation that want progress and development. Wraith and Simpkins (1963) has shown that corruption has been with societies throughout history. But in Nigeria, the insatiable appetite for corruption has become an endemic disease which has brought concomitant sufferings, untold dilapidation, unrest, poverty and lack of infrastructural facilities and underdevelopment to the people so much that the dividends of democracy are not earned and the country’s economic objectives have become an illusion. Omotola (2006) traced corruption in Nigeria to colonialism, arguing that colonialism in Nigeria was built on corruption. The corruption has weakened all democratic processes in local, state and federal levels of government in Nigeria. It has dampened morality, weakened meritocracy and produced an avalanche of misrule, selfishness, ineffectiveness, colossal misappropriations of funds and unwillingness of those who were elected into governmental power to quit their offices as at when due.

There is no consensus among scholars as to whether China’s engagement adds to or detracts from Nigeria’s economic growth and diplomatic relations. Also, there is no concrete evidence to address the implications of political economy of Nigeria-China relations and the impact of such relations on their diplomatic and economic ties. Thus, 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 manufacturers could possibly become more competitive in the future.

**Literature Review**

**Diplomacy**

In Redslob’s opinion, “diplomacy is as old as nations themselves”. R Maulde la Claviere was equally categorical when he wrote that diplomacy is as old as the earth and will only disappear when the world comes to an end. It is safe to say that “the art of representation and negotiation is as old as social relations and, in fact, as soon as family, clans, tribes and peoples came into contact with one another and sought to regulate marriage customs and contracts, hunting, trade, navigation, communications, disagreements and wars”. Diplomacy is very crucial and it cannot be done away with when it comes to relationship between two different country like Nigeria and China because they all have their differences and it will takes a diplomatic approach to harness and intimate these differences for mutual benefits.

John Hugh Adam Watson, a pre-eminent figure in the study of international relations, in his book Diplomacy: The Dialogue between States (1982), defined diplomacy as a “negotiation of political entities which acknowledge each other’s independence”. He argued that contemporary diplomacy had four primary tasks, these are: information-gathering abroad, the analysis of such information by foreign ministries at home, developing policy based on that information, and communicating such a policy. Igwe (2007:119) sees diplomacy as “the peaceful conduct of relations between mainly states, and the most important instrument of foreign policy”. The Oxford English Dictionary defines it as, “the management of international relations by negotiation”. And Sir Ernest Satow in his work, “Guide to Diplomatic Practice” it is the application of intelligence and tact to the conduct of official relations between the
governments of independent state. For Eze (2011:135) diplomacy means the display of creative and intuitive power capabilities in government-to-government relations, through accredited national representatives”. Diplomacy is a key instrument employed for conveying and giving effect to the spirit of foreign policy (Berridge and James, 2001:135). Diplomacy is an instrument of conflict and conflict resolution. As an instrument for the formulation, implementation and monitoring of foreign policy, it promotes pacific settlement of disputes, differences or conflicts through lobbying, negotiation, mediation, conciliation, arbitration; treaty making; information gathering and reporting. Okogwu & Aja (2004:2 cited in Eze, 2011) summarized the whole task of diplomacy as that of: Building and rebuilding relationship; defining and redefining relationship Healing and not hurting feelings in relations (as much as possible); and promoting and not undermining mutual interest.

Today, diplomatic relation is the hallmark of international relations. Without the value of diplomacy in world politics, the present world system (Without World Government) would have been too chaotic, jungle-like and anarchical for the survival of human civilization, just like what Thomas Hobbes described in his book the “Leviathan” that in the state of nature, the life of a man is famously, “solitary, poor, nasty, brutish, and short”. Every issue begs for diplomacy, and every relation invites diplomacy. The making of either war or peace relies on diplomacy (Eze, 2011:136). Diplomacy is about tact and strategy in the handling of international relations. It is a means of achieving foreign policy goals of a sovereign state by peaceful means through negotiation. It can also be seen as the conduct of relations between states and other entities with standing in world politics, by official agents and by peaceful means. Diplomacy ensures that peace reigns among the sovereign states.

Cultivating and managing a favourable world opinion toward a nation-state is the mandate of diplomacy. Diplomacy generally refers to a government’s process of communicating with foreign publics in an attempt to bring about understanding for its nation’s ideas and ideals, its institutions and culture, as well as its national goals and current policies. By this accord, nation-states partake in the most pluralistic organizing institution in the international system. One state can confidently enter into diplomatic relations with another under a shared understanding. With sovereignty mutually recognized, nation-states can use diplomacy as the means to achieving political ends.

The central goal of diplomacy is the attainment of peaceful co-existence in the world. Diplomacy can be described as an art of communication. Through diplomacy, the gathering and passing of information from one country to other countries has been enhanced. And this helps to create awareness of the economic potentials of one's country thereby attracting investors to her. Like other African nations, the economic and diplomatic relations between Nigeria and China have grown in leaps and bounds in recent times. In the early 70’s when China established diplomatic relations with Nigeria along with other independent African nations the focus had largely been international support for China’s One China principle to sidetrack Taiwan’s ascendancy, and its gaining of permanent seat at UNO Security Council (Tull, 2006).

**Theoretical Framework**

The development of dependency theory was influenced by the Marxist theory of imperialism in the 1950s and 1960s. Dependency theory largely originated from Latin American countries. The initial formulation came from people who worked with the United Nations Economic Commission for Latin America who sought a middle way between socialism and semi colonial status for the region.
Although the theory of dependency has many strands and variants, they all point to analyze and explain the deliberate attempt by a few powerful and dominant states on global stage to strangulate, stifle and pocket the economies as well as dominate the dependent states economically, politically and militarily. Dependency can be defined as an explanation of the economic development of a state in term of the external influence (political, economic and cultural) on natural policies (Sunkel 1969). Theotonio Dos Santos emphasizes the historical dimension of the dependency relationship in his definition when he wrote: Dependency is an historical condition which shapes a certain structure of the economy such that it favour some countries to the detriment of others and limits the development possibilities of the subordinate economies…a situation in which the economy of a certain group of countries is conditioned by the development and expansion of another economy, to which their own is subjected (Dos Santos, 1970). There are three common features to these definitions which most dependency theorists share: First, dependency characterized the international system as comprised of two set of states, variously described as dominant/dependent. The dominant states are the advanced industrial nations in the Organization of Economic Cooperation and Development (OECD).

Specifically, dependency theory as espoused by Theotonio Dos Santos is adopted for this study. A comprehensive explanation of dependency, which emphasizes the historical dimension of the dependency relationship given by Santos (cited in Ferraro, 2008) is that: Dependency is a situation in which the economy of a certain country is conditioned by the development and expansion of another economy to which the former is subjected. The relations of interdependence between two or more economies, and between these and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and can be self-starting, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development.

Dependency theorists (Frank 1976; Sunkel 1979; Furtado 1964; Dos Santos 1970; Emmanuel 1972; Ake 1981; Onimode 1982), argue that the dependence of the South on the North is the main cause of the underdevelopment of the former. They hold that the present economic and socio-political conditions prevailing in the periphery are the result of a historical international process. This development emerged as a global historical phenomenon consequent on the formation, expansion, and consolidation of capitalist system, known as dependent capitalism. At the first level, many countries in the periphery have been incorporated into the world economy since the early days of capitalism. At the second level, many countries have become capitalist economies through incorporation into the world economy. At the third level, the world economy has led to metropolis-satellite chain in which the surplus generated at each level in the periphery is successively drawn off the centre as a result, the periphery is impoverished and the centre is enriched (Jhingan 1966:330).

Baran (1957) argues that the advanced capitalist countries of today had managed accumulation of capital by exploiting the colonial territories. Similarly (Frank 1967), maintains that national capitalism and national bourgeoisie, unlike their counterparts in the advanced capitalist countries cannot promote development in Latin America. In Western countries, capitalism played a different role because it was rooted in imperialism. Frank advances a Centre periphery model to enunciate the role of imperialism. He likens metropolis to centre and satellite to periphery. They are linked in such a way that the development of the centre leads to corresponding underdevelopment in the periphery. This relationship continued even when the satellites had gained political independence. Frank suggests that the way to stop underdevelopment of the new nations is to delink them ‘from the capitalist economies’.
Nkrumah (1971) argues that states that rely heavily on foreign countries is in theory independent and has all the outward trappings of international sovereignty. In reality its economic system and political policies are directed from outside. According to Mac-Ogonor (1999), flag independence in the developing countries could not break the yoke of economic dependence on colonial countries. The result of this heavy reliance on colonial institutions is that foreign capital is used for exploitation rather than development of the developing countries.

According to Packenham (1992), dependency theory, one variation of neo-Marxism, argues that even after the colonized areas became independent, the center continued to exploit the periphery through neo-imperialism – not outright occupation of the areas but indirect domination through military interventions, control of international organizations, military assistance and aid, biased trading practices and collusion with corrupted elites who governed the periphery. Thus, the central focus of the general model called the dependency theory is the problem of foreign penetration and domination of the political, economics, security as well as military sector of Third World countries and regions.

For practical foreign relations or foreign policy analysis, dependency is characterized by the extent of concentration of economic tie with one or a few advanced countries, whether in terms of aid, private direct investment, foreign (technical) personnel or trade. What this suggests is that it is not enough to deduce the foreign policy orientation of an underdeveloped country like Nigeria merely from the fact of its general dependency on the international economy to make the paradigm operational empirically for foreign policy analysis, it must be reduced to the level of either multilateral relationship with some advanced capitalist powers or bilateral relationship with one such power, depending on one’s objective (Ate, 1986). However, Servaes (1990: 100) differed considerably from the above viewpoint and counseled that under the dependency paradigm, development should be analyzed at the following macro levels – regional, central, and peripheral. He identified foreign aid and deprivation of surplus at the periphery as external factors responsible for the underdevelopment of the Third World.

From the neo-Marxists’ viewpoint, and as Kaarbo and Ray (2011: 402) relates, foreign aid (or overseas development assistance) serves nothing but the interests of the donor states. This is because aid often supports elites in dependent countries whose interests are tied more closely to the elites of the richer capitalist countries than their own countries. The capitalist states often use that aid to suppress the dependent states who would like to achieve a degree of national autonomy. Thus, foreign aid which is usually “tied” builds up debts that dependent countries have a great deal of difficulty in repaying. Therefore, aid and other forms of assistance is a form of neo-colonial political control only slightly more subtle than old-fashioned colonialism. In general, as Hayter (1985) states, it is in short, a form of imperialism. Thus, political and internal forces are more significant than economic and external forces in determining forms of dependency.

**Imbalance of Trade**

According to Moghalu (2013:276) World trade can accurately be described as the foundation of the global economy. It therefore has a primal role in the architecture of global economic governance, and the position of individual countries and regions in the ranking of global trading nations reflects their place in the world. World trade has remains the chief channel of phenomenon of globalization. Developed countries pay great attention to trade as do rising economic power such as China. But, the question that comes to mind is, does Nigeria trade with China enhanced balance of trade between the two countries?
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 heavy 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 Africa 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 neighboring states, which have long, porous borders with Nigeria. (Gregory 2009).

Data obtained from the National Bureau of Statistics (NBS) showed that Nigeria had a trade deficit of N6 trillion with China between 2013 and 2016. Analysis showed that out of Nigeria’s total import bill of N29.91 trillion between 2013 and 2016, China accounted for N6.41 trillion. This is huge gap or trade imbalance when compared with N714.97 billion worth of goods Nigeria exported to China within the same period. A subtraction of Nigeria’s exports from China will show a trade deficit of N5.70 trillion in favour of China. This simply implies that Nigeria is heavily importing goods from China, a country that, until 1980 was grouped among the world’s poorest countries.

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports (billion in naira)</th>
<th>Imports (billion in naira)</th>
<th>Trade of balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>10,671,356,489</td>
<td>39,890,423,259</td>
<td>-29,219,066,770</td>
</tr>
<tr>
<td>2000</td>
<td>11,413,354,432</td>
<td>46,367,894,115</td>
<td>-34,954,539,680</td>
</tr>
<tr>
<td>2001</td>
<td>14,127,160,262</td>
<td>58,595,546,570</td>
<td>-44,468,386,308</td>
</tr>
<tr>
<td>2002</td>
<td>8,812,197,309</td>
<td>89,138,079,432</td>
<td>-80,325,882,123</td>
</tr>
<tr>
<td>2003</td>
<td>15,954,209,434</td>
<td>137,917,168,694</td>
<td>-121,962,959,260</td>
</tr>
<tr>
<td>2004</td>
<td>70,531,578,270</td>
<td>147,913,615,216</td>
<td>-77,382,036,946</td>
</tr>
<tr>
<td>2005</td>
<td>46,742,407,524</td>
<td>244,653,672,626</td>
<td>-197,911,265,102</td>
</tr>
<tr>
<td>2006</td>
<td>527,401,740</td>
<td>403,319,768,287</td>
<td>-402,792,366,547</td>
</tr>
<tr>
<td>2007</td>
<td>111,365,515,522</td>
<td>626,687,597,642</td>
<td>-515,322,082,120</td>
</tr>
</tbody>
</table>


The table above shows the unfavorable balance of trade against Nigeria and in favor of China. In 1999, the trade transactions between the two countries shows a trade disparity of 29,219,066,770 where Nigeria only exported goods worth 10,671,356,489 to China and that
same period, Nigeria imported goods from China worth 39,890,423,259. In 2008, the trade imbalance also shows 470,948,778,909 in favor of China. Nigeria is only seen as finished products destination for China. Nigeria is seen as a good market for Chinese goods.

Ogunsanwo (2007) pointed out that Nigeria has remained a good market for Chinese goods. However, he emphasized on the accusations leveled against the Chinese companies for dumping cheap and substandard goods produced by cheap labour in China on the Nigeria market, thus helping to kill nascent industries in the country. This really pictures on the negative influence of Nigeria-China relations on Nigeria’s economy.

In the same vein, Musa (2007) highlighted that trade between China and Nigeria has expanded in the last six years, reaching $106 billion in 2006. According to him, China’s invasion into Nigeria is for various reasons which are linked not only to its quest to buy oil fields for its fast growing industries but also because of the population of Nigeria which makes it a veritable market for China’s products. In his scholarly attempts, Musa failed to articulate on the impacts of Nigeria-China trade relations on Nigeria’s economy.

Kwanashie (2007) unequivocally stated that the economic growth of China has made it also look for markets abroad. In his words, Nigeria has in last few years experienced greater trade with China. The volume of non-oil imports from China has grown. In 2005 China accounted for N251,111.78 million worth of Nigeria imports. China has been a source of cheaper consumer goods attracting an increasing flow of Nigeria merchants seeking cheap sources for imports. Kwansahie, expended his mental energy on the rationale for and/or the motive force for China’s trade relations with Nigeria without deeming it necessary to capture on the impact of this trade relations on the economy of both countries.

<table>
<thead>
<tr>
<th>Nigeria’s Largest Import Partners &amp; Nigeria’s Largest Export Destination</th>
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<tbody>
<tr>
<td><strong>Country</strong></td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td>China</td>
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<tr>
<td>Belgium</td>
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<tr>
<td>Netherlands</td>
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<tr>
<td>USA</td>
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<tr>
<td>Italy</td>
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</tbody>
</table>

**Source:** National Bureau of Statistics, September, 2017

The table above shows unfavorable balance of trade against Nigeria in favor of China. In 1999, the trade transactions between the two countries showed a trade disparity of 29,219,066,770 where Nigeria only exported goods worth 10,671,356,489 to China and that same period, Nigeria imported goods from China worth 39,890,423,259. In 2008, the trade imbalance also shows 470,948,778,909 in favor of China. Nigeria is only seen as finished products destination for China. She sees Nigeria as a good market for her goods.

**Foreign Direct Investment**

Foreign Direct Investment (FDI) is the net inflow of investment made to acquire a lasting management interest in a business enterprise operating in a country other than that of the investor. Such investments may take the form of either “greenfield” investment – the acquisition and consolidation of an existing interest rather than new investment Moghalu (2013:167).
Foreign Direct Investment and Economic Growth

There are controversies regarding the contribution of FDI to economic growth and development. Critics argue that FDI lowers domestic saving and investment rates by shifting competition through exclusive production agreements, failing to reinvest much of their profit and inhibiting the expansion of firms that might supply them with intermediate goods (Griffin and Enons, 1970; Weisskof, 1972). In addition, the management and entrepreneurial skills provided by foreign firms may have little impact on developing local sources of the scarce skills and resources and may inhibit their development by stifling the growth of endogenous entrepreneurship. Furthermore, the contributions of fiscal revenue is usually less than what it should be due to liberal tax concessions, transfer pricing and tariff protection by host governments.

On the other hand, there are arguments in favor of FDI’s contribution to economic growth and development. So, it is argued that FDI significantly contributes to growth and development due to its direct impact on increasing capital formation, by rising level of employment and government revenue, and through its spill-over effects in the area of technology transfer, human capital and export (Dunning, 1988; Kumar, 1999). Though the link between FDI and economic development is very controversial, it can be concluded that FDI has both positive and negative impacts on the economy of a host country.

Determinants of Foreign Direct Investment

Inflow of FDI to any country is subject to number of influencing factors. The major determinants of FDI include:

i. **Size of the Local Market.** Market size, both in terms of population number and consumption capacity, is one of the major determinants of FDI inflow. As result, those countries with larger and expanding domestic markets and greater purchasing power usually host larger FDI (Demirhan and Masca, 2008:357).

ii. **Openness.** Another determinant factor of FDI inflow is the degree of openness of a country for international trade and other economic relations. Though, it is dependent on type of investment, trade protection and restrictions have negative impact on FDI whereas open economies attract more FDI (Seim, 2009).

iii. **Labor Cost and Productivity.** Labor cost, if higher, discourages FDI particularly in labor intensive and export–oriented investments (Demirhan and Masca, 2008:360). But, if the investments are not labor intensive and the number of labor, as result the cost, is insignificant, what matters most is the skill or productivity of the labour.

iv. **Infrastructure.** Infrastructure, which includes roads, ports, railways, telecommunications services and institutional facilities (like legal services), affects FDI inflow as their availability means higher productivity potential of investment in that particular country (Khadaroo and Seetanah, 2005:3).

v. **Economic Growth.** Generally, there is positive correlation between economic growth and FDI inflow as rapidly growing economy provides relatively better opportunities for making profits than the ones growing slowly or nor growing at all (Demirhan and Masca, 2008:361).

vi. **Political Stability and Institutional Quality.** Political risk and administrative efficiency were among the factors which implicate on FDI inflow. Thus, political instability and institutional inefficiency, best characterized by lack of good governance, adversely affect inflow of FDI (Walsh and Yu, 2010).

vii. **Macroeconomic Factors.** Macroeconomic factors which affect FDI inflow include inflation, indebtedness and exchange rate stability. Generally, stable and sustainable
macroeconomic environment boosts the confidence of foreign investors and hence affect inflow of FDI positively, while macroeconomic instability affect FDI negatively.

viii. **Availability of Natural Resources.** Existence of natural resources and raw materials is one of the most important determinants of FDI. Particularly, it is general fact that the resource seeking investors more engage in resource rich countries, even disregarding other factors like the size of local market.

**Chinese Foreign Direct Investment in Nigeria**

Nigeria, an emerging African economy with over 194 million populations, is another major investment destination of overall FDI second top destination, only after South Africa, of Chinese investment in the continent in between 2003 and 2009. Chinese total FDI in Nigeria was USD 1.03 billion in the period; while it was USD 9.3 billion for the continent (Egbula and Zheng, 2011:9). To speak of the general trend of Chinese investment in Nigeria, it is showing significant increase from time to time. For instance, total Chinese FDI in the country showed a tenfold increase between 1999 and 2006, from USD 0.55 million to USD 5.5 million (Salter, 2009:5). Though, Chinese FDI in Nigeria showed such an upsurge, it was only 0.13% of the total inflow of FDI to the country in 2006. Thus, despite the fact that it is rapidly raising, Chinese FDI in Nigeria is very low as compared to that of the European and North American countries investment in the country. Chinese investment in Nigeria cover multitude of sectors but largely concentrated in the oil industry, construction and telecoms (Egbula and Zheng, 2011:9). The share of oil and gas sector was about 75% of the total Chinese FDI in Nigeria in 2005 (Salter, 2009:4). In addition to the oil sector, Nigeria is increasingly becoming one of the China’s most important telecom markets hosting the two giant players in the sector, Zhong.

Telecommunications Equipment’s (ZTE) and Huawei. These two Chinese companies managed to dominate Nigerian telecom market providing low cost service at about 5% to 40% lower than that of European telecom companies like Nokia and Ericsson (Egbula and Zheng, 2011:12). Chinese are also highly involved in Nigeria’s infrastructure sector. The Chinese run projects include construction of railways, hydropower plants, roads and airports across the country. The best example is China Civil Engineering Construction Corporation (CCECC), which has over 50 projects, with investment amounting 10 billion USD, in the country including USD 850 million railway project linking Abuja, the capital, with the northern city of Kaduna.

Chinese investment in Nigeria involves both state and private investors. Solely-state owned or joint venture companies focus in the natural resources and infrastructure; whereas Chinese private investors focus on.

**Conclusion**

The trade between Nigeria and China has largely followed a classical pattern of trade disequilibrium between the developing and the developed economies. The structure of trade between Nigeria and China reflects the difference in the level of development of the two partners as well as high degree of complementarities that exist between their economies. While Nigeria’s exports to China consist mainly of primary commodities, its imports from that country are made up of largely of industrial goods. Within this commodity groups, there have been some important changes in the structure of trade over the years. The study analysis from the trade data shows that despite the increase in trade volume between the two countries, the bilateral trade relations have been in favor of China, thus creating a feeling of the lopsided distribution of the benefit from the bilateral trade.
The imbalance in trade relations can be addressed to ensure that the relations lead to mutual beneficial outcomes for both countries. The structure of trade between Nigeria and China reflects the difference in the level of development of the two partners as well as high degree of complementarities that exists between their economies. Although trade remains the most important element in Nigeria’s trade relations with China, it has not been complemented significantly by the flows of investment and aid between the two countries. The consequence of intensive asymmetric bilateral interaction to the achievement of Nigeria’s broader national goal should be given serious thought by the Nigerian policy makers and the public alike as such relationship could be jeopardized if one-sided trade relations continue. A continuation of this pattern of lopsided relationship might have serious repercussions for Nigeria. The intensification of dependent relationship can provide an enormous advantage to China in continuation of its economic and industrial expansion.

The expansion of Nigeria’s bilateral trade interactions with China is constrained by a number of factors. These include the imbalance in the structure of level of their trade, the inadequacy of the industrial infrastructure for promotion of relations, the incidence of flooding of the Nigerian market with substandard goods from China and inability to implement various bilateral agreements between the two countries among other problems. However, despite this trade imbalance and other challenges, the bilateral relationship should be symbiotic and mutually beneficial to both countries.

Therefore, it must be emphasized that Nigeria’s bilateral policy towards China has undergone a number of shifts of emphasis and reappraisal of priorities. Nigeria-China relations should, however, go beyond rhetoric’s. The possibilities and potentials of a bilateral cooperation between the two countries have not been fully exploited. Nigeria and, indeed, Africa should move beyond the bounds of marginality and peripheral association where we are looked upon as marginal factors merely for tilting matters in favor of developed market economies. Nigeria abounds with immeasurable reservoir of opportunities for trade, investments, business, and cooperation. The indifferent response to invitations of Chinese investors to come and invest in the country has not been encouraging as one would have expected.

**Recommendations**

Nigeria is blessed both with human capital development and natural endowment and yet Nigeria is still wallowing under both national and foreign debt, unable to pay civil servants salary, striking of the labour force and vast majority of her citizens live under abject poverty in the midst of plenty. The following recommendations will helps the nation to rise above the various challenges especially the trade imbalance that has burdened Nigeria. The following recommendations are made from the research objectives:

1. One effective approach to address the trade imbalance is to evolve a cooperative mechanism that would enable Nigeria increase its export of manufactured goods to China. In addition, Chinese companies in Nigeria should diversify their economic activities. Rather than restricting themselves to merely importing finished goods from China for sale in Nigeria, they should invest in the productive sectors of the Nigerian economy and thereby gain from the export of such Nigerian-made goods.

2. It is true that Nigeria has created an enabling environment for investors, but beyond this, Nigeria government should into the development of technologies that will eventually leads to industrialization and more investments.

3. Nigeria’s interest in entering into bilateral relations in trade and economic with China in 1971 arose partly from the fact that such a relationship would be devoid
of the master-servant relationship which tainted historical and economic links with the developed market economy countries of the West. It is hoped that, unlike the unequal trade relationship that existed and continues to exist, trade relations with China in future will be built on a foundation of equity, mutual respect and equitable distribution of the fruits of international division of labor.

4. Also Nigeria government must deal with the issue of corruption and any found guilty of it should be punished decisively. Corruption is like menace that impedes political and economic growth of a country, so for Nigeria to move forward we must deal with corrupt practices.

References