A HISTORICAL CONTEXTUALIZATION OF SINO-NIGERIAN ECONOMIC RELATIONS, 1971-2012

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Abstract:
The study examined the economic relations between Nigeria and China between 1971 and 2012. It investigated how Chinese firms contributed to the development of the Nigerian economy. This was done against the backdrop of the massive investments of China in the Nigerian economy. The study relied heavily on documentary data. The documentary data were however subjected to internal and external criticisms as well as textual and contextual analysis for authentication. The study found out that the Nigerian state, in its quest to buy goods and attract investments from Chinese investors, has ended up having a massive and unfavourable balance of trade deficit. The implications of these are increase in the nation’s unemployment level, dependence on the Chinese economy and lack of technological knowhow which are, partly, some of the key reasons for the nation’s stagnated economy.

Keywords: China, Nigeria, economic relations, trade, imbalance of trade, unemployment, developing economy

1. Introduction

Nigeria established formal diplomatic relations with China on 10 February, 1971 when the two countries signed the Joint Communiqué on the Establishment of Diplomatic Relations (Egbula and Zheng, 2011; Utomi, 2007). Though relations between the two countries remained passive, lukewarm and unenthusiastic between 1971 and 1981; it has since become well-developed, strategic and growing exponentially and may even

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be described as vibrant towards the tail end of the 20th century and the beginning of the 21st century (Akongbowa, 2008). There is no colonial link between Nigeria and China and the number of Nigerians that were trained in China before and immediately after Nigeria’s independence was insignificant. Hence, it may be suggested that a major primary explanation for the earlier lukewarm relationship could be ideological incompatibility, for whereas Nigeria was capitalist, China was socialist.

Nigeria’s leaders have never really concealed their anti-communist stance. For instance, Nigeria’s first, and perhaps only Prime Minister, Alhaji Abubakar Tafawa Balewa as late as 1958 boldly declared that he and the regional Premiers would “use every means” at their disposal “to prevent the infiltration of communism and communistic ideas in Nigeria.”1 Similarly, in 1971, Yakubu Gowon expressed his belief that “Africa must be free from ideological influences which have no cultural basis in the continent itself”.2 In a similar vein in 1980, Ogunbadejo, one of Nigeria’s pioneer staff of the Ministry of External Affairs had recourse to Gowon warning that Nigeria could only develop by “remaining in the system of Capitalism.”3 Olusegun Obasanjo on 12 September, 1977 opined that the slow, unsteady and rather tortuous so-called ideological path of transforming a nation into the theoretical and utopian society is clearly not the most expedient …to our expectations and aspirations, implying that socialism was incompatible with Nigeria’s chosen path to development.4

Judging from the above, the preference of Nigeria’s relationship with China could be described as shaky at the onset of their bilateral dealings. This was probably because both countries belonged to different ideological camps during the cold war era. However, the policies of foreign trade between both nations have been on the rise from the 1990s.

2. Historicizing and Contextualizing the Bilateral Relations between Nigeria and China

The history of the Chinese Empire dates back to some thousands of years (about 3000 years). In the aftermath of World War II, China became active in terms of international diplomacy. With the ascension to power of the Chinese Communist Party in October 1949, her diplomatic activity abroad has been conducted largely to contain the opposition of the Western world and the Soviet Union to its policies. China has made tremendous efforts to explore a development road designed for her own needs and suitable to her own national conditions, which were finally summed up by Deng Xiaoping, the architect of the opening up in 1978.5 Economic success in mainland China began in the 1980s. By 1986, China was the second largest producer of coal in the world and the fourth largest producer of steel. Chinese GDP rose at more than 10 percent a
year between 1978 and 1986, while industrial output had doubled in value by 1987. Per capital peasant income nearly tripled and by 1988 the average peasant family was estimated to have about six month’s income in the savings bank.

Within a space of about 30 years (1960-1990s), China had grown rapidly from one of the seemingly most hopeless and poor agrarian economies in the world to one that could be regarded as a developed economy. It is evident that this feat was never achieved on a platter of gold. Rather, it is a product of hard work, prudent management by a committed leadership that is exceedingly nationalistic; and who inspired a mass of productive, sacrificial and hopeful citizenry. The development of China resulted principally from two main factors; capital and labour. To a very large extent, the cheap and productive workforce became a decisive factor, a sine-qua-non comparative advantage, in the success attained by Chinese industrialization. As wage increase has become a constant phenomenon, and with the production of technology-intensive goods; the comparative advantages associated with cheap and qualified labour have been relegated to the past. China had also sought harmonious scientific and sustainable development at national and international level to strengthen cooperation and embrace globalization with the world. China’s population is estimated at 1.34 billion and China has the second largest economy in the world today (2012) after the United States of America.  

The success of the Chinese economy testifies to the efficacy of the Maoist principles. To paraphrase Aspe and Gurra both old and new literature on development point to primacy of government efforts, as the focal agent of the state, to bridge missing markets and open opportunities for civil society by a leaner but stronger government. Jan Erik and Ersson have noted that development is a major goal for most, if not all, third world nations. It is believed to be the key to solving social problems and a necessary condition for not having to face greater difficulties and to usher in not only affluence and economic growth but also improved production output and incomes, conditions of production, and the quality of institutions and policies.

Consequently, compared to China, Nigeria lags behind in almost all areas of national life. Nigeria has the largest population and market in Africa. Nigeria’s is about 170 million. Nigeria also has the largest African population in the world. As at the 1960s, Nigeria has a Gross Domestic Product of 1,147.6 million pounds sterling in 1962 with agriculture, as a very viable and renewable source of its wealth. This was well favoured and reasonably explored by government to the extent that it contributed over 60 percent of GDP. According to Aboyade, the Nigerian economy witnessed a quantum rise in the spate of industrialization and manufacturing between 1950 and 1962. However, from the account provided by Oyejide and Obadan, the nation’s Gross National Product declined rapidly from $99, 539m in 1980 to as low as $27, 515 in 1989. Patrick Utomi,
described this period as the beginning of the capitulation of the Naira, consequent strangulation of industries, occasioned by rapid institutional decay, leadership’s loss of direction and sanity resulting in aggressive and wanton corruption. Considering much of the efforts that have been devoted to economic and developmental planning in Nigeria, barring problems naturally associated with formulation and implementation of its grandiose economic programmes, the greatest obstacle militating against development in Nigeria is the underpinning philosophy and nature of the Nigerian elitist citizens. This underlying philosophy of the elitist citizens is best captured by the parasitic distributive nature of:

a) The ineffectiveness of security, law and order,

b) The lack of national harmony or, put differently, tribalism, the overabundance of dissent, ideological division and confusion,

c) The dependence on other economies of the globe for their goods and services, and

d) The weak federal system

Nigeria is having a growing middle income class. Nigeria is a mono-economy state; while China is a multi-economic state. Nigerians have in-satiated thirst for imported goods and China is seeking markets to sell its products. Logically, China needs Nigeria’s market and Nigeria is interested in China’s food and manufactured goods. Strategically, China’s aim is to condition Nigeria’s thirst to love Chinese products hence making Nigeria to be dependent on its export. Empirically, China through imbalance trade, is trying to condition Nigeria’s dependence on its market; it does this through harmless loans, cheap-low quality goods, lopsided labour relations and favourable contracts to China’s company. Invariably, China dumps goods into Nigeria’s market in exchange for Nigeria’s highly priced petroleum. Paradoxically Nigerians do not consider importation of manufactured goods and food items from other nations as the chief source of their dwindling economy apart from corruption that pervades the Nigerian society.

China, like, Europe and America is interested in subjecting Nigeria or African states to remain as a producer of primary products. The China-Nigeria trade imbalance portends threats to Nigeria’s economy and it is at variance with the so called friendly relations objective. In 1968, China and Nigeria trade value was recorded at just $2.3million climbing to $5million in 1970 and $10.3million in 1971. In September 1968, Chinese government publicly backed the Biafra region to secede from Nigeria; this was against the interest of the Federal Military Government. Chen Yi, Chinese ambassador linked this support to Biafra to the Soviet Union’s backing for Nigeria. China covertly supplied Biafra with small quantities of light arms but it made no difference to the outcome of the war, which ended in favour of Nigeria in 1970.
For China, its foreign policy was also on a brighter side, in 1971, President Nixon announced his acceptance of an invitation to visit Beijing in 1972. This had been preceded by the relaxation in April of American trade and travel restrictions against China, including the release of the American dollars for use by the Chinese. In the year 1971, China was admitted into the United Nations Security Council. However, the United States support to China’s admission into the United Nations Security Council came with a caveat of America’s support for a two-China Policy, which is the recognition of Taiwan alongside China as a member of the United Nations. The two-China Policy, however, ran into a hitch with other members of the United Nations, where in fact the General Assembly including Nigeria voted for the exclusion of Taiwan. In 1972, the communist Chinese delegates (of China) took over from Taiwan the seat for Permanent Membership in the United Nations. One of China’s foreign policy goals was to reduce the number of countries recognizing Taiwan in diplomatic terms. Though by 1971 there were still five nations from Africa recognizing Taiwan.

Nigeria and China established diplomatic relations at the ambassadorial level on the 10th of February, 1971, even though both countries had maintained contacts at various levels before then. Gowon visited China in September 1974; the first Nigerian head of state to visit China. However, this visit had no effect on the relationship because Gowon was ousted from power ten months later by General Murtala Mohammed. General Murtala Mohammed was assassinated in 1976. General Olusegun Obasanjo was appointed the new head of state for Nigeria. Between 1978 and 1979, delegates from both countries visited each other. The visits resulted in China agreeing to a limited aid package for Nigeria, including the sending of medical personnel and agricultural experts to assist in the development of specialized farms but this did nothing to reverse the trade imbalance. The terms of trade were heavily in China’s favour in these early stages of relationship between both nations. During Murtala/Obasanjo regime, Nigeria was also at loggerhead with China over the crisis in Angola. China was against the presence of Cuban troops in Angola because of the anti Soviet Union stance.

From 1992 onwards, China entered a phase of hyper growth, with its GDP increasing by more than ten percent on average up to the year 2006. The end of the Cold War also transformed China’s foreign relations. China still held on to its one-China Policy of reuniting Taiwan, like it later achieved with Hong Kong and Macao in 1997 and 1999 respectively. By 1994, bilateral trade between Nigeria and China had increased by $80million. In 1995, bilateral trade between them became doubled to $210million and jumped up to $830million at the end of the 20th century. Nigeria exported goods worth $60million to China in 1995; it jumped by 500% to $293million in the year 2000. Despite this increase in trade, China was still comparatively favoured with a better balance of trade. The total Chinese export to Nigeria was 73% in 1995 and
68% in the year 2000. The total value of trade was N1.03 billion in 1990, N9.1 billion in 1993, N5.3 billion in 1996, N5.8 billion in 1999 and N8.6 billion in 2000. While the gradual increase in value is significant, the major problem was the balance of trade, which has always been in favour of China. Two key events at the close of the 1990s represent major ideological and substantive breakthroughs for China’s private sector. The green light was given at the 15th Party congress which recognized that “public ownership,” opening the door for a mixed economy leading to the incorporation of the Private Sector in the constitutional set-up for China. China as at the period of this study has more than 3.85 million businesses, of which over 1.5 million are private enterprises. The registered capital of China’s private sector as at then (2012) now exceeds $590 billion and the sector employs more than 10% of Chinese labour force. 

Nigeria’s large deficit in bilateral trade relationship with China can also be traced to the contractual agreements made between both nations in gigantic Engineering and Construction works going on all over Nigeria. In 2004 and 2006, the Chinese President, Hu Jintao made state visits to Nigeria and addressed a joint session of the National Assembly of Nigeria. In 2006, China secured four oil drilling licenses and agreed to invest $4 billion in oil and infrastructure development projects in Nigeria. During the Obasanjo civilian administration (1999 and 2007), two Chinese companies, Sinopec and Petro China had a contract with the Nigeria National Petroleum Corporation to supply 100000 b\d and 30000 b\d respectively. Obasanjo offered Chinese firms the right of first refusal on oil blocs at discounted rates in return for their commitment to invest in the downstream sector and infrastructural projects. The first of this type of bidding was in 2005 when 77 blocs were offered. Many Western companies stayed away out of opposition to this special arrangement because of the requirement that bidders acquire local partners, who were mostly political cronies of the Obasanjo administration. Chinese firms also stayed away from the 2005 auction because they believed that by the arrangement made with Obasanjo they were assured of oil blocs. Incidentally however, 44 of the blocs were awarded and about half of those who won defaulted on payments. Another set of oil blocs award was made by the government in May 2006. The China National Petroleum Corporation (CNPC) scooped up four blocks, two oil production licenses (OPLs 471 and 298) in the Niger Delta, and two oil production licenses in the Chad basin (OPLs 732 and 721). CNPC promised to invest $2 billion in Kaduna refinery. Towards the end of Obasanjo’s administration in May 2007, the NNPC held another auction. Forty five oil blocs were on offer, with 24 pre assigned to 12 Chinese firms. The China National Offshore Oil Corporation (CNOOC) was one of the companies that participated in the bids. It was offered four blocs in return for a $2.5 billion from China’s Export- Import (Exim) Bank for the rehabilitation of the Lagos-
Kano railway and the construction of a hydro-electric power station at Mambilla, Taraba State. However, the proposed Chinese rehabilitation of Lagos-Kano railway and the construction of the Mambilla power station have since been placed on hold as at 2012. CNOOC’s Nigerian operation had developed its production up to 15000b/d as at March 2009. A four-point plan was subsequently made to improve bilateral relations between both countries. This led to other sectors of investment such as infrastructure, telecommunications, energy and agriculture.

In 2006, for instance, President Olusegun Obasanjo secured an agreement with the Chinese government to build a massive 2600mw hydro-electric power station at Mambilla, Taraba State. The Obasanjo administration awarded a $1.5 billion contract for Mambilla to China Gezhouba group corporation-Su Zhong and Sina hydro of China were contracted by Nigeria to build a 950mw hydro-electric power station in Zugeru, in Niger State financed by Exim Bank.

The 335mw Olorunsogo gas turbine power station in Ogun State is worth $220.7million; 35% of which is coming from the federal government and the balance from a credit facility was to be provided by Exim bank. In the same year, China also agreed to grant a loan of $1billion to Nigeria to develop and modernize its railway networks. By 2007, Chinese export to Nigeria was valued at $5.476billion; while a mere $0.897billion worth of goods was exported by Nigeria to China. Both nations signed a $311 million worth of goods agreement to develop for Nigeria a space program. In 2008, Nigeria had been able to attract at least 40 Chinese official development finance projects identified in Nigerian rail, power, space or telecommunications projects. A Memorandum for Understanding for $1Billion construction of houses and water supply was also agreed in Abuja excluding the rail networks agreement made in 2009 in the same Abuja. China had also pledge to invest $267 million to build the Lekki free trade zone in Lagos State. Nigeria also ran to China for support through the provision of armament to fight against insurgents in the Niger Delta and the North East in Nigeria.

Chinese companies such as China’s Geo-Engineering Corporation had been present in Nigeria since the 1980s when it started off digging boreholes, the company had developed into numerous projects which includes the building of the Kebbi Airport, the road from Kano to Maiduguri and many other smaller routes...etc. so also are companies such as Huawei that had started in Nigeria for about 40 years now.

As at 2012, Nigeria had become an appendage to Chinese economy. Infant Nigerian industries in the construction and manufacturing industries collapsed. For instance a local construction company named Iyalabaki in Ekiti State, Nigeria could no longer compete with better equipped Chinese Construction Companies such as Charvet; that got the contract to build local roads in Ekiti State like Ijesa Isu to Ikole single lane road, Otun Ekiti to Igogo road, and Ijesa Ekiti to Igogo road.
China has been accused of deliberately using dynamic and systematic pressure to condition Nigeria to produce mere primary goods for its own companies. Unfortunately, Nigeria, through its unquenching thirst for foreign goods, had helped China to sustain its industries and also keep the youths of China employed; whereas the number of unemployed youths in Nigeria has been on the increase. Nigerian Newspapers are filled with reports of seizure of contra-band goods smuggled into Nigeria by Chinese Traders in various China towns. The irony in this case is that whilst Nigeria could not provide jobs for its teeming youths and as such had condemned them to frustrating activities such as migration, prostitution and drug trafficking, among others; China had invariably created jobs for its own youth by its deliberate reduction of contractual values of projects because China’s real interest (Real Politik) is to bring Chinese youths to Nigeria to provide the necessary labour for the contract. The upsurge in the number of motor cycles/tricycles on Nigerian streets has conditioned Nigerians to Okada riding instead of other positive, productive skill-based activities such as farming, auto-mobile engineering services, among others.

3. Conclusion

There is no denying the fact that Nigeria has shifted from her traditional allies in the West to Asia, particularly China. It was also noted that in the early post-independence era, economic exchanges between China and Nigeria were largely marginal, as ideology, language and cultural barriers kept trade between the two countries low; in comparison to that of the western powers.

Although China tried to woo African states (prior to Nigeria’s independence) in forums such as the Bandung Conference in 1955, the Tafawa Balewa administration rejected cordial relationship with China at the onset of Nigeria’s independence. This may have prompted Zhou En-Lai, the Chinese Premier not to include Nigeria as one of the 10 countries to be visited in Africa in 1971. The Bandung Conference was followed by Chinese efforts to increase diplomatic, economic and cultural contacts with Africa. China traded with some African states such as Egypt, Sudan and Morocco as at the 60s but the Nigerian State was not included in this early contacts.

Meanwhile, in spite of this rather shaky start to bilateral relations, the rapport later blossomed to favour China from the 1980s. China’s departure from Communism cum socialism in the post Cold War era towards the opening of its economy with elsewhere ideologically ‘incompatible’ states pinpoints the reason for the boost in the cooperation between Nigeria and China. This facilitated increase in the volume of trade between the two nations. Though, Chinese firms have been known to negate basic rules of business. Chinese firms have a negative disposition to the “Extractive Industries
Transparency Initiatives” which tend to portend firms to be environmentally friendly. Chinese firms’ antecedents in the other African states like Angola regarding the construction of a stadium for the Portuguese speaking nation should be a concern for Nigeria. In addition, the use of cheap labour leads many Nigerians to believe that Chinese firms are only interested in profit and employment for its own citizens negating the interest of the home citizens. The Memorandum of Understanding between both nations has embedded in it the encouragement of emigration of cheap Chinese labour from China in the name of Chinese expertise. A reason while the Chinese firms’ contractual value seems lower when compared to the cost of similar firms from Europe and America. Although Chinese investment in the country is regarded as a boost to Nigerian economy and employment, such disregard for Nigerian services could hurl many Nigerians against the Chinese companies. This issue thus poses a serious challenge to the balance of trade between the two nations. China in its desperate bid to capture a large market in other continents has found a perfect target to sell its cheap and substandard products due to the weak border checks in Nigeria. This has led to rising unemployment rate in Nigeria and failing Nigerian industries and condemned European and American firms to mere suppliers of second-hand products. Nigeria seems to have lost what it gained in attracting foreign investors to a deficit in technological and manpower development.

The importation of sub-standard goods from China (encouraged by some criminally minded Nigerians) has also been a source of concern to the Nigeria government. This probably informed the 1996 declaration of the Standards Organisation of Nigeria (SON) that “unless steps were taken urgently to rectify the situation, Nigeria would have no option but to lodge a formal protest with the World Trade Organisation.” In response, however, the Chinese had explained that Nigerian businessmen should register appropriately with the Chinese embassy. The Nigerian government believes that this duty belongs to the Chinese not Nigeria. Nigerian businesses are dwindling partly because of the thriving Chinese businesses in the Nigerian economy and that of Nigeria continues to reverse backward. Finally, Nigeria needs to explore every available option to balance the trade between it and China in order to benefit maximally from their bilateral trade relations.

Notes and References

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19. Roberts: Modern History: From the European Age to the New Global Era, p.737
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