<table>
<thead>
<tr>
<th>Serial No.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Author 1</td>
<td>OKAFOR, CHARLES Ezechinyere</td>
</tr>
<tr>
<td>Author 2</td>
<td>PG/Ph.D/05/39639</td>
</tr>
<tr>
<td>Author 3</td>
<td></td>
</tr>
<tr>
<td>Title:</td>
<td>ECONOMIC DIPLOMACY AND NIGERIA – CHINA RELATIONS (1999-2007)</td>
</tr>
<tr>
<td>Keyword:</td>
<td></td>
</tr>
<tr>
<td>Description:</td>
<td>A THESIS SUBMITTED TO THE DEPARTMENT OF POLITICAL SCIENCE, FACULTY OF SOCIAL SCIENCES, UNIVERSITY OF NIGERIA NSUKKA</td>
</tr>
<tr>
<td>Category:</td>
<td>POLITICAL SCIENCE</td>
</tr>
<tr>
<td>Publisher:</td>
<td></td>
</tr>
<tr>
<td>Publication Date:</td>
<td>2011</td>
</tr>
<tr>
<td>Signature:</td>
<td>Webmaster</td>
</tr>
</tbody>
</table>
ECONOMIC DIPLOMACY AND NIGERIA – CHINA RELATIONS
(1999-2007)

BY

OKAFOR, CHARLES EZECHINYERE
PG/Ph.D/05/39639

DEPARTMENT OF POLITICAL SCIENCE, UNIVERSITY OF
NIGERIA, NSUKKA

SUPERVISOR: JONAH ONUOHA Ph.D

FEBRUARY, 2010
ECONOMIC DIPLOMACY AND NIGERIA – CHINA RELATIONS
(1999-2007)

BY

OKAFOR, CHARLES EZECHINYERE
PG/Ph.D/05/39639

A THESIS PRESENTED TO THE DEPARTMENT OF POLITICAL
SCIENCE, UNIVERSITY OF NIGERIA, NSUKKA IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
THE DEGREE OF DOCTOR OF PHILOSOPHY IN POLITICAL
SCIENCE (INTERNATIONAL RELATIONS)

FEBRUARY, 2010
Okafor, Charles Ezechinyere, a postgraduate student in the Department of Political Science with Registration Number PG/Ph.D/05/3963 has satisfactorily completed research requirements for the award of Doctor of Philosophy in Political Science (International Relations). The work embodied in this thesis is original and has not been submitted in part or in full for another degree of this or any other university, to the best of our knowledge:

Jonah Onuoha Ph.D  
(Supervisor)

Prof E. O. Ezeani  
(Head of Department)

External Examiner  
Dean
DEDICATION
This work is dedicated to God

I thank God for making it possible for me to actualize this academic desire.

To my dear wife, Dr. Mrs. Chinyelu R Okafor, and children, Toby, Chime, Ugo and Uzo, I appreciate for their understanding and patience with me.

My father Mr. B.I. Okafor, and brothers Sir, Des. Okafor and Kevin Okafor and my late Mother, Mrs. F.N. Okafor. I remain ever grateful.
ACKNOWLEDGEMENT

I have encountered many people and places in the course of this work to whom I owe a lot of gratitude. First to the Almighty God who granted me the opportunity of staying alive to see the completion of the work.

I have benefited greatly from the assistance of my supervisor, Jonah Onuoha Ph.D who sees me not as a student but as a brother, I am grateful. To the academic staff of the Department of Political Science, especially the Head of Department Prof E. O. Ezeani, Prof Ikejiani Clark, Prof Obasi Igwe, Prof H. A. Asobie, Prof O. Ibeanu I say thank you. I am particularly grateful to other scholars in the department such as Dr Aloysius Okolie, Dr Ken Ifesinachi, Dr. Umezurike and Dr. Ogban Ogban Iyam were are most friendly in the course of the work.

I also express my thanks to the following for their various assistance Omenma J.T., Ezirim J. Chilaka F.C, and other staff of the Center for American Studies (CAST). Mrs. Ezeani, Mrs. Echozona of the Nnamdi Azikiwe library UNN.

I remain responsible for any short falls to the content of this thesis.
LIST OF ACRONYMS

BTA- Bilateral Trade Agreement.
CCECC- China Civil Engineering Construction Company.
CNOOC- China National Oversea Oil Company Limited.
CNPC- China National Petroleum Corporation.
FDI- Foreign Direct Investment.
FEC- Federal Executive Council.
FERMA- Federal Road Maintenance Agency.
GAC- General Administration of Custom.
GSM- Global System for mobile Communication.
GTL- Gas to Liquid.
ILO- International Labour Organisation.
IOC- International Oil Companies.
ISS- Institute of Security Studies.
MOU- Memorandum of understanding.
NAFDAC- National Agency for Food and Drugs Administration and Control.
NHF- National Housing Fund.
NHIS- National Health Insurance Scheme.
NICTIB- Communication Technology Infrastructure Backbone.
NIGCOMSAT-1- Nigerian Communication Satellite-1.
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>NITDA</td>
<td>National Information Technology Development Agency.</td>
</tr>
<tr>
<td>NNPC</td>
<td>Nigerian National Petroleum Corporation.</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Assistance.</td>
</tr>
<tr>
<td>PTO</td>
<td>Private Telephone Operators.</td>
</tr>
<tr>
<td>SCO</td>
<td>Shanghai Cooperation Organisation.</td>
</tr>
<tr>
<td>SON</td>
<td>Standard Organization of Nigeria.</td>
</tr>
</tbody>
</table>
LIST OF TABLES

Table 3.2: Nigeria’s oil export to China from 1995-2007.
Table 3.3: Nigeria’s oil export direction and China’s quest for Nigeria’s oil.
Table 3.4: China’s detailed record of her total export and imports since 1995-2006.
Table 4.1: China’s share of Nigeria’s export.
Table 4.2: China’s share of Nigeria’s import.
Table 4.3: Top ten export commodities between Nigeria and China.
Table 4.4: Top ten import commodities between Nigeria and China.
Table 4.5: Selected agreements between Nigeria and China.
Table 4.6: List of Nigerian products to be traded into the Chinese market.
Table 4.7: Nigerian China trade summary 1990-1996.
Table 4.8: Nigerian China trade summary 2000-2004.
Table 5.1: A global picture of Foreign Direct Investment inflow to Nigeria 1999-2006.
Table 5.2: Some characteristics of Chinese companies listed in 2005.
Table 5.3: Some Chinese investment and projects in Nigeria.
Table 5.4: Old power plants and generating capacities in Nigeria.
Table 5.5: Independent power producers.
Table 5.6: Seven new federal government power projects in the Niger Delta.
Table 5.7: The first four federal government power projects.
Table 5.8: Total connected lines and teledensity from 2001-2007.
Table 5.9: Borehole drilling and water supply schemes performed by China Zhongao Nigeria Limited.
ABSTRACT

China is essentially a state par excellence, a strong state like the United States with expansionist behaviour and attitudes. Demographically, China has the largest population in the world, 1.3 billion inhabitants that is more than the entire African continent. It has the third largest stock of foreign direct investment after the United States and United Kingdom. Its ideology has been the socialist market economy which embodied elements of pragmatism, free market and state dirigisme. In the past few years, especially since the declaration of the Beijing Consensus, intellectuals, Western media, human rights organization and the International Monetary Fund have intensified their criticisms regarding Chinese policy towards Africa, especially its loan and foreign investment practices and its behaviour and attitudes towards oil producing states. Regrettably, China’s increasing engagement with Africa has largely gone unnoticed in African studies. To worsen the situation, very few African scholars have devoted quality time to critically analyse Nigeria-China relations since the end of the Cold War. This study has been designed to bridge this gap in the literature. The central questions that formed the foundation of the inquiry are; what were the determinants of Nigeria – China relations between 1999 to 2007? To what extent has economic diplomacy impacted on the trade relations and inflow of foreign direct investment from China to Nigeria within the period under review? Theoretically, we anchored our analysis within the liberal theory of economic development and underdevelopment. Our choice of this theory is based on the fact that Nigeria – China relations is based on partnership, mutuality, reciprocity, and common prosperity, and not on any form of European or American neocolonialism and imperialism. The liberal theorists believe that interdependence between the developed and developing countries are beneficial to both. This theory is related to the win-win theory of international relations. The win-win theory implied that liberal economic cooperation through trade flows, foreign-domestic flows, technology transfer and integration in the global value chains and aid flows, should bring proportional benefits, which otherwise the partners would not have access to before entering into these relations. We adopted qualitative research design and relied mainly on documentary sources of data collection and
content analysis of primary and secondary sources of data. We collected data from Chinese Embassy, Nigeria’s Foreign Affairs Ministry, Nigeria Investment Promotion Commission, Central Bank of Nigeria and Nigeria Immigration Service among others. More importantly, we relied on current journals, textbooks, magazines, conference papers and other secondary sources of data. To ensure the validity and reliability of our methods, we relied on content of analysis of available information. After critical analysis of available data, the study reveals that China’s dynamic economic growth is fueling an ever increasing demand for Nigeria’s oil. In fact, guaranteed long term access to Nigeria’s relatively underexploited natural resources clearly tops China’s agenda. In 2005, China through her corporation, Petro-China signed an $80 million contract with Nigerian Government to locate upstream oil and gas that will guarantee 30,000 barrels per day to China over a period of five years. China has invested over $4 billion worth of investment in exchange for oil in Nigeria. At present, just over 30 percent of China’s oil requirements come from Africa, mostly from Sudan, Nigeria and increasingly the Gulf of Guinea. Beijing has signed more than 40 oil agreements with different African countries including Nigeria. The study also shows that while china’s principal interest in Nigeria is access to natural resources, the country also provides new markets and investment opportunities for China’s growing economy. Currently, about 750 Chinese enterprises are active in Africa with total investment of over $1 billion and many of them are doing business in Nigeria. In conclusion, China is both a tantalizing opportunity and a terrifying threat to Nigeria. On the one hand, China is just the tonic that mineral rich, but economically ailing Nigeria needs. On the other hand, China’s effort to flood the Nigerian market with cheap products is a great threat to the Nigerian economy.
TABLE OF CONTENTS

Title Page - - - - - - - - - i
Approval Page - - - - - - - ii
Dedication - - - - - - - iii
Acknowledgement - - - - - - - iv

Acronyms - - - - - - - v - vi
List of Tables - - - - - - - vii-viii
Abstract - - - - - - - ix - x
Table of Contents - - - - - - - xi - xiv

CHAPTER ONE: INTRODUCTION

1.1 Statement of the Problem - - - - - 4- 8
1.2 Objectives of Study - - - - - 8 - 9
1.3 Significance of Study - - - - - 9 - 12
1.4 Literature Review - - - - - 12
1.4.1 Nigeria Economic Diplomacy - - - 13-32
1.4.2 China’s Oil Diplomacy - - - 32-39
1.4.3 Economic Diplomacy And Nigeria China Relations - - - 39 -43
1.4.3.1 Economic Diplomacy and Inflow of Foreign Aid and Foreign Direct Investment (FDI) - - 43-62
1.4.3.2 Economic Diplomacy and Value - - 63-81
of Trade Between Nigeria and China

1.4.3.3 Economic Diplomacy and Obasanjo’s

Anti-corruption Policies in Nigeria - - 81-87
1.5 Theoretical Framework - - 87-92
1.6 Application of The Theory - - 92-93
1.7 Hypothesis - - 93
1.8 Method of Data Collection - - 93-97
1.9 Validity and Reliability - - 97-98
References - - - - 99–104

CHAPTER TWO: THE HISTORY AND DETERMINANTS OF NIGERIA-CHINA RELATIONS

2.1 The Era of Internal Ties, 1960-1971 - - - 105-107
2.2 The Era of Formal Ties 1971-1988 - - - 107-111
2.3 Obasanjo’s Economic Diplomacy & Nigeria China Relations (1999-2007) - - - - - - 111-115
References - - - - - - - 116

CHAPTER THREE: OIL AND NIGERIA CHINA RELATIONS

3.1 Oil in Nigeria: An Introductory Note - - - 117-125
3.2 Oil Politics & China’s Quest for Nigerian Oil - 125-135
3.3 China’s Oil Diplomacy in the New Gulf of Guinea - 136-142
References - - - - - 143-145

CHAPTER FOUR: TRENDS AND CHALLENGES OF NIGERIA-CHINA TRADE RELATION 1990-2007

4.1 Nigeria-China Trade Relations: A General Viewpoint 146-153
4.2 The Trend of Nigeria-China Trade Relations, 1999-2007 153-156
4.2.1 Size Composition and Significance of Nigerian Exports to China 156-159
4.2.2 Size Composition and Significance of Imports from China 159-161
4.2.3 Top Ten, Export & Import Commodities 161-163
4.3 Bilateral Trade Agreements between Nigeria & China 165
4.3.1 Bilateral Trade Agreement 165
4.3.2 Memorandum of Strategic Partnership 165-172
4.4 The Challenges of Nigeria-China Trade Relations 172-175
  References 176-178

CHAPTER FIVE: NIGERIA-CHINA RELATIONS AND INFLOW OF FOREIGN AIDS AND FOREIGN DIRECT INVESTMENT

5.1 The Inflow of Chinese Foreign Aid to Nigeria, 1999-2007 179-183
5.2 Chinese Investment Seal with Nigeria 183-187
5.3 General Trend of Chinese Foreign Direct Investment Inflow in Nigeria 187-188
5.3.1 Trend in Chinese FDI Inflow to Nigeria 188-189
5.3.2 Composition of Chinese FDI in Nigeria 190-196
5.4 Chinese Investments in Different Sectors of the Nigerian Economy 196
5.4.1 Chinese Investment in the Oil Sector/Oil Exploration 196-201
5.4.2 Investment in the Energy Sector 201-206
5.4.3 Investment in Satellite Communication Networks 206-212
5.4.4 Investment in the Transport Sector 212-217
5.4.5 Investment in Nuclear Technology for Peaceful Purpose 217-218
5.4.6 Investment in Provision of Water 218-224
5.4.7 Investment in Housing 224-227
5.4.8 Investment in Health Sector 228-230
CHAPTER ONE

INTRODUCTION

In the emerging world order, a broad transformation of political alignments is underway with economic factors rising to prominence in the calculations of every nation (Agbu, 1994). In fact, the growing integration of the world’s economy driven by the globalization process, and controlled by international capital which is domiciled largely in Western industrialized countries has opened up most countries of the world and promoted greater freedom in trade and capital flow. According to Kwanashie (2007) trade liberalization is the key to logic of the current global strategy for growth
driven by neo-liberal or orthodoxy. This presupposes why the present China-Nigeria relations is fundamental.

Nigeria’s first contact with the Peoples Republic of China (PRC) was in 1960, when she was invited to the country’s independence celebrations. According to Owoeye (1986) this Nigeria’s first contact with China is designated as “the era of informal ties, 1960-1971.” At independence, Nigeria political leadership was not only pro-West but vividly anti-communist. The resultant effect of this peculiar disposition was that Nigeria’s attitude towards communist China followed what had then emerged as a clear pattern of most of her relations with the Socialist States-diplomatic isolation accompanied occasionally by bitter attacks against communist ‘subversive’ ideology at home. As Alaba Ogunsanwo (2007), noted, “at independence, the worldview of Nigeria’s political leadership did not factor close relations with the Peoples Republic of China as one of the elements which the country would need to cultivate.” (Alli, 2007). This was despite the fact that Nigeria was the third largest market in Africa for Chinese goods, with a steady growth in import from China. At the same time, the Chinese did not allow Nigeria’s diplomatic snob and ideological preference for capitation to stand in the way of their obviously very lucrative trade relations with the country (Alli; 2007).
Nigeria which had consistently voiced its willingness to formalize ties with People’s Republic of China did so on 10 February 1971 (Owoeye, 1986). According to Kwanashie (2007) Nigeria established relations with China in February 1971 and has since then maintained good relations with her. Like her relationship with most other countries, Nigeria makes little effort in driving these relationships for her benefits. However, Kwanashie argued that the Sino-Nigeria economic relation if properly managed by Nigeria is capable of enhancing the success of reforms. He maintains that China provides a good source of growth inputs into the Nigerian economy. It is clear that Sino-Nigeria relations are driven by the diplomatic initiative of China. The danger for Nigeria is that China’s interests might over shadow the benefits that could result from these relations (Kwanashie, 2007).

China as economic partner to Nigeria has been very dogged and focused in its relations with Nigeria over the decades. Despite the ups and downs of Nigeria-China relations, the Chinese have continued to ensure that their market shares in Nigeria remain on a steady path of growth. This should suggest that China has a long term plan for its engagement with Africa, and it is important for African states, particularly Nigeria to develop a strategy for managing the relationship (Alli, 2007).
At present, some criticisms have been made against the Chinese. They have been accused of dumping, evasion of customs and of exporting substandard products, particularly pharmaceuticals and other consumer items into the country. Despite all these, Chinese products have continued to enjoy enormous patronage in the country largely because of their cheap prices. Another criticism is that Chinese companies tend to maintain harsh labour conditions for their Nigerian workers, while at the same time giving most of the jobs to Chinese nationals. Yet, amidst all these criticisms, there is a growing continuity in the China-Nigeria bilateral relations.

It is therefore clear that the economic engagement of Nigeria with the Chinese has grown so rapidly that the nation Nigeria has not been able to pause and think out of proper framework for engagement. From a seeming unknown some years ago, China now bestrides the Nigerian economic terrain like a colossus sending shivers down the spine of many other powers that would like to consider Nigeria their sphere of influence. Importantly, this rapid growth in trade relations between the two nation-states has been largely to the advantage of China.

It is important to note that Nigeria and China shared certain things in common. Nigeria and China are demographic giants and their interests in international affairs cannot be ignored. Nigeria is Africa’s most populous
country, while China’s population is second to none in the world. Nigeria, until the recent deapartheidisation in South Africa, has been the leader of Africa, while China has for long time been an acknowledged power in global politics. Put differently Nigeria is a regional power while China is a world power (Akinterinwa, 1994). Indeed, the economic growth of China has made it also look for markets abroad and eventually found a worthy market in Nigeria, thus, opening a new era in the relations between the two nations. Without doubts their relationship should be seen as that between a big giant and a bigger giant, implying that Nigeria cannot be placed on the same pedestal with China.

Against this backdrop, our preoccupation in this thesis is to critically examine the extent Nigeria-China relations have influenced the inflow of foreign aid, direct foreign investment, volume of international trade and diplomatic relations; as well as the strategies Nigeria should adopt to maximize the benefits of the Nigeria China relations within the period under study.

1.1 STATEMENT OF THE PROBLEM
In recent years, with the rapid economic development of both China and African continent, the interaction between the two parties, which used to centre on political sphere, is now featuring cooperation in various areas, especially, in the economic. It is a general belief that the increasing Chinese investments of capital and technology in Africa will reasonably help to unlock the African continent’s vast resources and potentials (Ogunsanwo, 2007). Indeed, Chinese economic and political activity in sub-Sahara Africa is growing at an exponential rate (Taylor, 2006; Tull, 2006; Taylor 2004). In fact, China is now Africa’s third largest trading partner, ahead of the United Kingdom and only behind the United States and France. Importantly, the bulk of this growth in trade is driven by a desire to obtain sources of raw materials and energy to fuel the Chinese economy and for fresh export markets (Taylor, 2006; 2008). Interestingly, Nigeria is taking a fair share of the Chinese economic activities in the African continent.

Although formal relationship between Africa and China Started in 1956 when China commenced full diplomatic relationship with Egypt, Nigeria and China established formal diplomatic ties on February 10, 1971 with an understanding to abide by a set of five principles: mutual respect for each other’s sovereignty and territorial integrity; mutual non-aggression; non-interference in each other’s internal affairs, sovereign equality; and

In 2004, Nigeria-China signed an agreement to develop Oil Mining Lease (OML) 64 and 66 located in the deep waters of the Oil Rich Niger-Delta. In an oil for investment deal, Nigeria agreed to offer China four (4) oil drilling licences in exchange for a USD 4 billion investment in infrastructure. China is buying a stake in Nigeria’s 110,000 barrel-a-day Kaduna oil refinery and building a rail road and power stations.

These various agreements came about as a result of the need for concrete measures to enrich the content of the existing bilateral cooperation between the two countries.

Resulting from the above, trade between China and Nigeria has quadrupled in the last seven years, even rose to $10 billion in 2006. A Chinese firm, the Chaoyang Heavy Machinery Group, in partnership with
Tancem Nigeria Limited, an indigenous company is establishing a cement plant at Mfamousing in Akamkpa Local Government Area of Cross River State. The plant is to produce 600,000 metric tones of cement annually, and worth N 7.68 billion investment. China’s incursion 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 business deal with Nigeria, yet, scholars of international relations have not deemed it necessary to embark on an in depth research on this subject matter.

Regrettably, China’s increasing engagement with African countries at large and Nigeria in particular has gone largely unnoticed in African studies. Most of the existing literature on Sino-African relations deals with the Cold War Era (Konings, 2007). As a matter of fact, this defines a gap in literature as far Nigeria-China relations in this new era are concerned.

Mohan and Power (2008) and Campbell (2008) have in their separate studies commented generally on Asian-African and China-African relations without a recourse to Nigeria-China relations. Even when such scholars as Agbu (1994); Ogunsanwo (2007); Alli (2007); Fadina (2007); Kwanashie (2007) and Chibundu (2007) made some intellectual attempts in explicating China-Nigeria relations, yet, the subject to date remains paradoxically under-researched and unsatisfactorily addressed in literature. In deed, there remains often basic knowledge gap as none of the scholars was able to clamp down concretely on the implications of Nigeria-China relations and the impact of such relations on the political economy of both nations, especially within the time frame of this study which spans between 1999-2007.

Therefore, in the light of the above, the academic problem this study seeks to address so as to fill the existing gap in knowledge are crystallized in the following research questions:

1. What are the implications of Nigeria’s economic diplomacy for Chinese oil interest in Nigeria?
2. Has economic diplomacy impacted on the inflow of foreign aid and foreign direct investment to Nigeria from China?
3. How has economic diplomacy stimulated trade between Nigeria and China within the period under review?
1.2 OBJECTIVES OF STUDY

The failure of various economic measures adopted by different governments has attracted intellectual discourse amongst political and economic scholars. Opinions are diverse on reasons for the inability of Nigeria to make progress in her developmental quest. While some blame it on the Foreign Policy thrust of Nigerian State, others hinge it on domestic political environment. The school of thought that blames it on the foreign policy thrust advocates a shift from pro-west economic relations to a more favourable Asian axis for solution to the Nation’s underdevelopment.

In response to this advocacy, Nigeria has adopted economic diplomacy as her foreign policy thrust since 1988. Nigeria’s economic diplomacy has seen her opening her foreign relations more with the Peoples Republic of China than most countries of the world, especially within the period under study.

The central objective of this study is to critically evaluate the implications and impact of economic diplomacy and Nigeria China relations under Obasanjo’s regime.

Specifically, the study has been designed to achieve the following detailed objectives:
To determine the implications of Nigeria’s economic diplomacy for Chinese oil interest in Nigeria.

(ii) To ascertain the impact of economic diplomacy on the inflow of foreign aid and foreign direct investment to Nigeria from China.

(iii) To evaluate the impact of economic diplomacy on the volume of Trade between the two countries within the period under study.

1.3 SIGNIFICANCE OF STUDY

The whole process of managing relations with other states and international institutions including the complicated processes of perception of the environment from a locality or from a central office, assessment of immediate and long-term interests, balancing of internal and external pressures, testing of likely responses to proposed policies, final implementations, and perception of the environment once again in a never-ending sequence, Burton (1968) quoted in CDLCE, pos 204, unit 1, p.16.

Diplomacy is an aspect of international relations which Holsti (1983) “refers to all forms of interaction between the members of separate societies, whether government sponsored or not”. Furthermore, the conduct of a
nation’s international relations is determined by the country’s foreign policy which Frankel (1975) observes “is a dynamic process of interaction between the changing domestic demands and supports and the changing international environments”. A country’s foreign policy guides and shapes the behaviour of that country in international arena. According to Rosenau (1976), foreign policy may be “aggressive or submissive, long-range or short-range, economic or diplomatic”. In furtherance to the components that determine a nation’s international relations are the national interests. National interests can be divided into three segments; (a) national security (b) the protection and preservation of the welfare of the state, and (c) national prestige. National interest according to Obasi Igwe (1989) is “a situation, policy or decision considered to be primitive of the state’s ultimate aims”. Morgenthau (1962: 562), national interest is “defined in terms of national security and national security must be defined as integrity of the national territory or of its institutions”.

Nigeria’s economic diplomacy is couched on the primacy of economic development of the nation state. Any diplomatic ties, bilateral, multilateral, or institutional relations would be conducted in a manner or intention to impact on Nigeria’s human or material development.
The issues arising from Nigeria-China relation are; what is China’s interest in her renewed relationship with Nigeria? Is it for economic exploitation as an emerging imperialist? May be a desire to control a larger share of global market. Could China’s push into Africa and the rest of the world be for the challenge of the hegemony, particularly, American overbearing influence?

This study is saddled with the responsibility of finding out the implications of Nigeria-China relations. This is important based on the common knowledge that international economic relations between the advanced industrial nations and the developing nations are conducted on unequal exchange leading to imperialism. This they do using “technical, commercial, capital resource and socio-political predominance over dependent countries.... This permits them to impose conditions of exploitation and extract part of the domestically produced surplus” (Theotonio Dos Santos).

The research will seek to reveal the trade and economic relations between Nigeria and China. This is aimed at determining the pattern and volume of trade between the two countries.

This work takes a keen interest in the inflow of Direct Foreign Investment from the nation’s dealing with China. It will examine the extent
of technological and industrial development of Nigeria as a result of her interaction with China and Chinese co-operations.

The study of Nigeria-China Relations has not been of great interest to Nigerian scholars compared with the abundant literature on America and British studies. The research is aimed at awakening and provoking further studies by intellectuals in this field of learning. If this is achieved, we will consider the study as successful.

The work will be beneficial to foreign policy makers, statesmen and diplomats who will examine critically the implications of policies and their executions in relations with countries, and in particular, the Asian-Tiger. Students of International Relations will find the research handy in their study of Nigeria-China Relations. This is apt, as China is indicating her interest in Nigerian Universities with the introduction of the study of Chinese language at Nnamdi Azikiwe University, Awka, Nigeria.

1.4 LITERATURE REVIEW

We shall adopt a thematic approach in our review of related literature in order to address the issues raised. The review will be done according to the following themes:

1. Economic Diplomacy and its uses
ECONOMIC DIPLOMACY AND ITS USES

1.4.1 NIGERIA ECONOMIC DIPLOMACY.

Economic Diplomacy is an acronym deduced from two distinct words, Economic and Diplomacy. It is a phrase adopted by political scientists to indicate or emphasize the policy thrust of a nation’s foreign policy. Economic is defined thus:


On the other hand, Diplomacy is “the art and practice of conducting negotiations between representatives of groups or states”. (http://en.wikipedia.org/wiki/diplomacy). It usually refers to international diplomacy, the conduct of international relations through intercession of professional diplomats with regards to issues of peacemaking, trade, war, economics and culture. According to Asobie (2002) diplomacy is the management of international relations by negotiation. It refers to the process of bargaining among states in order to narrow areas of disagreement, resolve conflicts or reach accommodation on issues over which agreement cannot,
otherwise, be reached. Bargaining itself could be either explicit or tacit (ie. disguised). Explicit when it takes a peaceful process. When it is tacit, diplomacy could take the form of fighting (war) aimed at establishing leverage over an opponent in negotiations. While foreign policy is the substantive aspect of external relations, diplomacy is the procedural aspect.

Economic Diplomacy is defined by various scholars as thus; Nwachukwu (1998), economic diplomacy is “the promotion of export trade, investment and increased financial assistance from friendly countries”.

Asobie quoted in Ogwu and Olukoshi (2002: 48) further defined economic diplomacy in three ways, as the management of international relation in such a manner as to place accent on the economic dimension of a country’s external relations. He sees it as the conduct of foreign policy in such a manner as to give top most priority to the economic objectives of a nation. It has to do with the various diplomatic strategies which a country employees in its bid to maximize the mobilization of external material and financial resources for economic development.

Second, he sees it as economic diplomacy as the application of economic instruments in negotiation and bargaining with other countries. Thirdly and perhaps more importantly, he defined economic diplomacy as a set of strategies and tactics formulated and applied for the achievement of a fundamental restructuring of the existing international economic order. The author sees the first two definitions as “limited” views of the notion of economic diplomacy. He refers to them “as depicting the diplomacy of economic
development”. All these refers to “as depicting the diplomacy of economic development”

According to Omoweh (2002) in May 1999, when the Obasanjo-led administration was inaugurated, Nigeria’s economy was still faced with chronic decline in capacity utilization in the real sector, near total collapse of all basic social infrastructures, protracted budget deficit, debt overhang, rising import dependent profile and weak private sector, among others.

As part of his efforts to revamp the economy, the Obasanjo’s government had, on December 8, 1999 launched the “Nigerian Economic Policy, 1999-2003” (See National Planning Commission, 2002).

Unlike his predecessors, the Obasanjo’s government is discreet in adopting economic diplomacy as one of its major policy instruments for achieving the above aims. The government embarked upon Anti-Corruption Crusade; and the President’s shuttle economic diplomacy is aimed at restoring foreign capitalist investors’ confidence in the Nigerian economy thereby encouraging them to invest in the country’s economy, particularly those from the Asian countries. While shuttle economic diplomacy has been criticized by many, Omoweh, stated that:

*The element of ‘newness’ in the economic diplomacy of the current government stems in part from the urgent need of the country to recover from its ‘pariah status’, and the need to restore the confidence of foreign investors in the nations’ economy. Perhaps, this explains the personal diplomatic shuttle overseas by the President Olusegun Obasanjo (Omoweh 2002).*
However, Omoweh is of the agitation whether the process of image-making of Nigeria should not first start at home before moving abroad, because the root cause of the economic crisis facing the country centres on the nature of the Nigerian state, its politics and models of extracting surplus. According to him, until this problem is decisively dealt with, the economic diplomacy of the current government will do very little to attract the much-desired foreign investors and reverse the country’s underdevelopment.

Fawole (2000) explained that “since coming to power as a democratically elected president, Obasanjo has traversed the globe seeking to restore Nigeria to its place of pride in the international community, while also seeking external support in the form of foreign investments, debts forgiveness, and the return of Nigeria’s ‘stolen Billions’.

Briggs (2005:206-209) presented a balanced argument both against and for (in favour of) Obasanjo’s shuttle diplomacy. He first argued against the shuttle diplomacy that since Obasanjo assumed the office of the President, he has visited almost all the parts of the world for economic negotiations and this cost the nation a great deal of money. The cost implications of Obasanjo’s trips are enormous, even if we sit down to calculate the cost of estacode paid to him and his entourage, aviation fuel
and hotel accommodation alone on the trip. He argued that the huge amount spent in this regard can as well be channeled to improving the ugly situation at our foreign missions (Briggs, 2005).

On the other hand, like many other scholars, he still subscribed in pages 209-213 that President Obasanjo’s diplomatic shuttle began to pay off in many ways. On the whole, he conclusively stated that “shuttle diplomacy as an instrument of a ‘grand strategy’ of President Obasanjo has more of positive results than negative results”.

Importantly, Obasanjo’s economic policy is patterned after the Western Capitalist Model according to the prescriptions of the IMF and World Bank for a market – led and private sector economy so as to ensure economic development. According to Igwe (2005:233-246) it is the pattern of mismanagement of the country’s debt portfolio that consequently led to the prescriptions, which were claimed to be in response to failure of public sector management. The prescriptions or conditions to be met for assistance in the case of Nigeria were:

- Trade liberalization, which in practical terms meant the removal of any restrictions or protection of home industries from outside competition.
• Removal of subsides from all goods and services provided by government;
• Privatization of public sector enterprises, especially government run social services;
• Retrenchment of 50 percent of the public sector workforce;
• Tight fiscal regimes

These stringent reforms measures, if adopted, were intended according to the IMF, to revamp ailing economics of developing countries by the attraction of foreign assistance and investment.

Economic Diplomacy is defined by various scholars as thus; Nwachukwu (1998), economic diplomacy is “the promotion of export trade, investment and increased financial assistance from friendly countries”.

Asobie quoted in Ogwu and Olukoshi (2002: 48) further defined economic diplomacy in three ways, as the management of international relation in such a manner as to place accent on the economic dimension of a country’s external relations. He sees it as the conduct of foreign policy in such a manner as to give top most priority to the economic objectives of a nation. It has to do with the various diplomatic strategies which a country employees in its bid to maximize the mobilization of external material and financial resources for economic development.
Second, he sees it as economic diplomacy as the application of economic instruments in negotiation and bargaining with other countries. Thirdly and perhaps more importantly, he defined economic diplomacy as a set of strategies and tactics formulated and applied for the achievement of a fundamental restructuring of the existing international economic order. The author sees the first two definitions as “limited” views of the notion of economic diplomacy. He refers to them “as depicting the diplomacy of economic development”, Definitions of this concept notwithstanding, Nigeria’s views and objectives of economic diplomacy is captured in Nwachukwu’s address in 1991 to Nigerian ambassadors where he stated as follows: your achievements would be measured more or less by the number of investors who visit from your country of accreditation or tonnage of Nigeria’s produce and articles sold as a result of your efforts.

He further described economic diplomacy as the task of using foreign policy, “to achieve Nigeria’s economic development and economic goals”. Nwachukwu reiterated his “abiding belief in the role of the private entrepreneur as a catalyst for economic growth and sustained development”. He recommended the development of a two way mechanism by which the Nigerian entrepreneur would, on the one hand, attract foreign capital and set up joint-ventures in Nigeria and on the other, invest in other countries,
particularly in sectors in which Nigeria lacks comparative advantage (MFA, 1992). The philosophy of economic diplomacy is an effort to integrate the workings of all ministries and parastatals, even individuals in the pursuit of economic development through bilateral and multilateral agreements. It was necessitated by the deep-seated and seemingly intractable economic crisis, which bedeviled the Nigerian economy since the beginning of the 1980s.

Nigeria’s concept of economic diplomacy is therefore, all domestic and foreign policy measures designed to support government’s goal of economic revival and sustainable development.

Since 1988 when the Nigerian government of General Ibrahim Babangida officially announced its commitment to Economic Diplomacy as a “new” focus of its foreign policy, a great deal of discussion has been generated within the country on this “new” posture (Ogwu and Olukoshi, 2002). Nigeria’s commitment to the pursuit of economic diplomacy was first enunciated by Retired Major General Ike Nwachukwu in his first policy address in June 1988 as the then Nigeria’s Foreign Minister (Nwachukwu, 1988). According to him, economic diplomacy is

“…the promotion of export trade, investment and increased financial assistance from friendly countries…” Implied from the above is that
economic diplomacy, simply means the diplomacy of economic development.

Scholars have discussed extensively on the factors responsible for the onset of the crisis in Nigerian economy, and so we need not detain ourselves here with this issue. However, what is really important for our purposes is the point that the onset of the crisis and the rapid deterioration of the economy provided the immediate domestic background that later gave birth to the new economic diplomacy. Also, the adoption by the Nigerian state of an International Monetary Fund (IMF) and World Bank sponsored Structural Adjustment Programme (SAP) in 1986 was to serve as a key complementary factor motivating the official emphasis on economic diplomacy in the period from 1988 onwards. The adoption of SAP really underlined the commitment of the Babangida administration to an emerging international system characterized by the increasing influence of monetarist economic ideas, the growing power of the IMF, the World Bank, the London and Paris Clubs, and the Group Seven (G-7) now increased to Eight (G-8) countries under the hegemony of the United States of America (Ogwu and Olukoshi, 2002).

As a matter of fact, in considering the main tenets of Nigeria’s economic diplomacy in the way it was enunciated by the Ike Nwachukwu in 1988, there was no doubt that from onset, the government considered
economic diplomacy to be organically interconnected to the goal of the structural adjustment programme of the state. According to Nwachukwu (1988) in a period of economic crisis and structural adjustment “…it is the responsibility of our foreign policy apparatus to advance the course of our national economic recovery”. Such goals of structural adjustment as export promotion, the encouragement of foreign investment inflow to the economy, and the rescheduling of Nigeria’s external debt are objectives which, in Nwachukwu’s view could and should be built into the foreign policy agenda and strategy of the country.

It is argued that employing foreign policy for the purpose of achieving domestic well-being will, according to the authors of Nigeria’s programme of economic diplomacy, not only entail the re-ordering of the country’s priorities in the international system but also careful friendship and goodwill of the leading Western Countries. Nwachukwu (1991) in an address to the appointed Nigerian Ambassadors of the Ministry of External Affairs in 1991, stated unequivocally that:

_The ball-game today in international relations is self-interest and economic development ...in your utterances and in your behavioral pattern, please remember that Nigeria is a developing country. It needs support from the international community and that support can only come when you can win the confidence of those whose support you seek._
In the same progression, Nwachukwu went on to inform the diplomats that:

*You begin to win that confidence through friendliness and loyalty to their cause (i.e. the cause of those whose support you seek). What matters is your ability to win for Nigeria what we cannot for ourselves, that is, the economic well-being of our people and physical well-being of Nigeria.*

From the above quotations, it becomes quite clear that economic diplomacy is the foreign policy component of the structural adjustment programme of the state and it contains in its aspiration, at least, all the logical elements which flow from the submission by Nigeria to the IMF and the World Bank in the quest for the management of the country’s domestic economic crisis. In short, economic diplomacy is a foreign policy orientation that is non-confrontational, heavily pro-West, and which accepts without question the hegemony of the forces of imperialism (Ogwu and Olukoshi, 2002). Similarly, using the indices of foreign trade promotion, direct investment flows, external public loan flows, and external debt rescheduling Prof Humphrey Assisi Asobie contends that “*Nigeria has achieved only mixed results in its programme of economic diplomacy*” (see Asobie, 2002).

According to Omoweh (2002) in May 1999, when the Obasanjo-led administration was inaugurated, Nigeria’s economy was still faced with
chronic decline in capacity utilization in the real sector, near total collapse of all basic social infrastructures, protracted budget deficit, debt overhang, rising import dependent profile and weak private sector, among others.

As part of his efforts to revamp the economy, the Obasanjo’s government had, on December 8, 1999 launched the “Nigerian Economic Policy, 1999-2003” (See National Planning Commission, 2002).

Unlike his predecessors, the Obasanjo’s government is discreet in adopting economic diplomacy as one of its major policy instruments for achieving the above aims. The government embarked upon Anti-Corruption Crusade; and the President’s shuttle economic diplomacy is aimed at restoring foreign capitalist investors’ confidence in the Nigerian economy thereby encouraging them to invest in the country’s economy, particularly those from the Asian countries.

Fawole (2000) explained that “since coming to power as a democratically elected president, Obasanjo has traversed the globe seeking to restore Nigeria to its place of pride in the international community, while also seeking external support in the form of foreign investments, debts forgiveness, and the return of Nigeria’s ‘stolen Billions’

Briggs (2005:206-209) presented a balanced argument both against and for (in favour of) Obasanjo’s shuttle diplomacy. He first argued against
the shuttle diplomacy that since Obasanjo assumed the office of the President, he has visited almost all the parts of the world for economic negotiations and this cost the nation a great deal of money. The cost implications of Obasanjo’s trips are enormous, even if we sit down to calculate the cost of estacode paid to him and his entourage, aviation fuel and hotel accommodation alone on the trip. He argued that the huge amount spent in this regard can as well be channeled to improving the ugly situation at our foreign missions (Briggs, 2005).

On the other hand, like many other scholars, he still subscribed in pages 209-213 that President Obasanjo’s diplomatic shuttle began to pay off in many ways. On the whole, he conclusively stated that “shuttle diplomacy as an instrument of a ‘grand strategy’ of President Obasanjo has more of positive results than negative results”.

Importantly, Obasanjo’s economic policy is patterned after the Western Capitalist Model according to the prescriptions of the IMF and World Bank for a market – led and private sector economy so as to ensure economic development. According to Igwe (2005:233-246) it is the pattern of mismanagement of the country’s debt portfolio that consequently led to the prescriptions, which were claimed to be in response to failure of public
sector management. The prescriptions or conditions to be met for assistance in the case of Nigeria were:

- Trade liberalization, which in practical terms meant the removal of any restrictions or protection of home industries from outside competition.
- Removal of subsidies from all goods and services provided by government;
- Privatization of public sector enterprises, especially government run social services;
- Retrenchment of 50 percent of the public sector workforce;
- Tight fiscal regimes

These stringent reforms measures, if adopted, were intended according to the IMF, to revamp ailing economics of developing countries by the attraction of foreign assistance and investment.

Nigeria’s concept of economic diplomacy is therefore, all domestic and foreign policy measures designed to support government’s goal of economic revival and sustainable development.

To achieve the above objectives, Obasanjo’s regime, in concert with the West, the World Bank and the IMF; has initiated a neo-liberal economic
policy assigned to bring about accelerated national economic development. Consequently, the policy of privatization of government parastatals, removal of subsidies on non-essential commodities, stabilization (devaluation) of the national currency and trade liberalization have constituted the bedrock of the economic strategies of the Obasanjo regime.

These stringent reform measures, if adopted, were intended according to the IMF, revamp ailing economies of developing countries (Igwe, 2005). But this is an egregious simplification of reality. Whatever be the logic behind it, expectedly, the outcomes of this policy have been mixed. The country’s foreign reserves have immensely increased; the public servants have been beneficiaries of increased salaries; telecommunications has improved considerable; infrastructural facilities like road construction etc have been improved upon.

Despite these improvements however in the country’s national life, Nigeria’s economy is still largely in the doldrums as Nigerians are still relatively poor and the level of the country’s foreign investment has remained very low. Due to the policy of privatization, millions of people have directly or indirectly lost their jobs (Yahya, 2005). It has also been argued that privatization of publicly-owned property brings about efficiency in public service delivery. But there is no proof of this assertion anywhere in
the world today. There are examples of already privatized enterprises in Nigeria. It would be interesting to study their performance against those yet to be privatized.

It is debatable whether the interest of the poor is being accommodated in the Nigerian reform process. For instance, removal of subsidies on petroleum and agricultural products has raised the cost of living beyond the widest dream of most Nigerians. In fact, it unduly affects adversely the most vulnerable in society and it is the extent of upliftment witnessed by this group that is the essence of government economic policies. If and when a government policy hurts the interest of those on the edge or on marginal living (i.e. if it affects the middle class), then it is no longer in the overall interest of the society.

Trade liberalization has resulted in the closure of many industries with attendant redundancies and unemployment. Liberalization can only favour economies already in search of markets. For years, China, India, Indonesia and other countries locked up their borders in search of internal potentials for development. Today, those who opened their borders most ignorantly import everything, including voting machine (as Nigeria did in 2007 general election). Economic theory teaches that liberalization will automatically take
place in any economy when production is in excess of consumption (Igwe, 2005).

Equally, the devaluation of the Naira has led to an increase in the prices of imported goods, with devastating consequences for the country. Available statistics have revealed that the goal of meeting the basic needs of Nigerians has not been met. With more than half of Nigerians still living below the poverty line eight years after the regime assumed office, there can be no denying the fact that the Obasanjo regime needs to embark on a critical review of its pauperizing neo-liberal policy (Yahya, 2005). And no country has ever developed by taking dictation of her economic policies from outside, as Nigeria seems to be doing.

Importantly, it must be realized that irrespective of what is done at the level of shuttle diplomacy, if the realities at the local level are not conducive to investment and other meaningful economic activities, no investor will set foot on the country. With the internet and generally improved telecommunication, nothing is hidden to the world about any country. Countries with requisite infrastructure and, political stability, will always attract foreign investment. Relatively, the violence and restiveness in the Niger-Delta and the issue of ethnic-religious violence are serious problems
that should be tackled in a bid to promote national economic development (Yahya, 2005).

It is therefore germane to remark, at this juncture, that if the process of image-making did not first start at home before moving it abroad it may not ensure the needed national development. And until these challenges are decisively dealt with, the economic diplomacy of the current government will do very little to attract the much-desired foreign investors and reverse the country’s underdevelopment (Omoweh, 2002). Even though there is undoubtedly an increase in the quantum of aid that flowed into the country within the period under study, if the right policies are not in place and the internal environment being cleaned up of the flagrant practice of misappropriation of funds and corruptions that undermine our development efforts, Nigeria will continue to grope in darkness in her aspirations for real national development.

According to Offiong (2003) African states like most other developing nations have been intricately and perhaps irrevocably interlinked with the outside world through colonialism and imperialism. The creation of modern African states was actualized by the forces of international economy dominated by the great powers of the world. In his words, the major problem for African states is the extent to which they could conduct their foreign
policies in a manner that will maximize their national interests, however, in order to ensure their interests in their foreign relations. It is very much contingent not only on their capabilities to do so, but on certain determinant variables.

In generic terms, Offiong simply reflected on Vernon Mckay’s general classification of determinants of African foreign policy as “national interest; ideology; economic determinant; military purpose; political factors; internal and external political pressures; cultural and psychological factors; geographical location of some states; propaganda and intelligence factors; and administrative and leadership influences” (Mckay, 1966 and Offiong, 2000).

Both Offiong and Mckay expended their mental energy in explicating broadly on the determinants of African foreign policy without a recourse on Nigeria’s foreign policy let alone expositing on the determinants of Nigeria-China bilateral relations.

However, Ogwu and Olukoshi (2002), Agbaje (1994) all view economic diplomacy from imperialist point of view. According to them, it is an imposition by IMF, World Bank, London and Paris Club and the group of seven (G7) led by US. It is viewed as Nigeria’s compelled response to emerging international economic order practiced under structural adjustment
programme. This in effect led to the stronghold of the developed economies on Nigerian economy. This position was on itself contradicted by some scholars when it was observed that before the official introduction of economic diplomacy in 1988, Akinyemi, then Foreign Affairs Minister had initiated economic diplomacy in Nigeria’s foreign policy with his diplomatic shuttles in 1987.

From the above exposition, it is obvious that the nation initiated economic diplomacy as a way out of her economic quagmire. It is also obvious that Nigeria had no alternative option to SAP since she can not be an Island in international arena. One loophole in the submission of the scholars is that they failed to proffer alternative means available to Nigeria to address her economic and social predicaments.

The determinants of Nigeria-China relations can be located in the changing foreign policy of the Nigerian state. Foreign policy is an embodiment of a Nation’s aspirations and the means of achieving them. It is not an abstract term or exist in isolation, it is influenced by both the domestic and external environments.

Foreign policy, though without any concise or an accepted definition, has been defined variously by scholars. Adeniji (1992) observed that foreign policy is ‘in fact a projection of the country’s national interest into the trans-
national arena and the consequent interaction of one with the other”. Wallace (1971) sees foreign policy as “that area of politics which bridges the all-important boundary between the nation-state and its international environment”. Olusanya and Akindele (1986, eds) opines that foreign policy is the “country’s national interest in its interaction with the outside world and relationship with specific countries in the international system”. Frankel (1975) defined it ‘as a dynamic process of interaction between the changing domestic demands and supports and the changing international environments”. Ukeje (1999), “foreign policy constitutes an endless dialogue between the powers of continuity and the powers of change”. For London (1965), foreign policy “may be called the father of all things in international relations. Indeed, the fate of the world depends upon wise foreign policy”. Some realists like Lippmann (1943) states that “a foreign policy consists in bringing into balance, with a comfortable surplus of power in reserve, the nation’s commitments and the nation’s power.

What is imperative in a nation’s foreign policy is the promotion and sustenance of her national interest.

Although, national interest of a country is often not clearly defined in specific terms, yet, two broad views exist on this concept – the subjectivists and the objectivists. Graham Allison and Brecher represent the former, and
maintain that national interest is not an objective truth that prevails whether or not it is perceived by members of a nation; rather, it is a pluralistic set of subjective preferences that change when the requirement and aspirations of the nation’s member change. On the other hand, Morgenthau, who is of the later school, is of the view that “the best interest of a nation is a matter of objective reality”. Ukeje (1999) corroborates this position as he observed that:

*Policies which are designed to serve some interest in one period, under particular circumstances, may become largely irrelevant in another period during which different conditions prevail.*

In spite of the controversies surrounding the term “national interest”, the determinant of Nigeria-China relations is situated in this concept as Nwachukwu in 1989 redefined Nigeria’s national interest saying, the ballgame today in international relations is self-interest and economic development of your nation. In your utterances and in your behavioral pattern, please, remember that Nigeria is a developing country. It needs support from the international community, and that support can only come when you can win the confidence of those whose support you seek. You begin to win that confidence through friendliness and loyalty to their cause. What matters is your ability to win for Nigeria what we want for ourselves, that is, the economic well-being of our people and physical well-being of
Nigeria, African Guardian (September 3, 1987: 17). On June 30, 1988, he further stated that “we must embark on a new era of dynamic and functional diplomacy to enhance our economic and technological well-being”. This in any way does not distract from what Akinyemi (1991) quoted in publication of Ministry of Foreign Affairs (1992) as “Nigeria’s national interest can be identified as predicated on the nation’s military, economic, political and social security. Anything that would enhance the capacity of Nigerians to defend their national interest, anything that will promote Nigeria’s economic growth and development is in the national interest.

1.4.2 CHINA’S OIL DIPLOMACY

China’s increased domestic energy demand, along with declining domestic petroleum production and insufficient coal output, has spurred Beijing to pursue stable overseas sources of hydrocarbon fuels. Asian oil and natural gas production is not growing fast enough to meet Chinese demand, and a large portion of middle Eastern oil and gas production is normally allotted to U.S and European markets. (http://en.wikipedia.org/wiki/fireignrelations) stated that “China is now the second largest consumer of petroleum products in the world after the United States”.

In an effort to ensure energy security, China has shifted attention to Saudi Arabia, Iran, Pakistan, Venezuela and African nations as likely hydrocarbon acquisition targets. An estimated 25 percent of China’s total oil imports presently comes from Africa. Beijing, therefore placed a high priority on maintaining strong ties with its African energy suppliers, which
Nigeria is the foremost intern if oil production, investment potentials and market.

Nigeria is the world’s eighth-largest crude exporter and the fifth-biggest exporter of oil to the United States. It is only natural that China will turn her search for satisfying her energy appetite to a leading oil producing country like her. According to (http://bigpicture.typepad.com/9/2/2008) “China will be the most dynamic element in the oil market for several years”.

*China’s growing thirst for oil-plus strong demand for gasoline in the US and fears of supply disruptions in the Persian Gulf has driven oil prices to their highest levels.*

Due to the problems in Nigeria’s Niger Delta Area and the growing Iranian terrorist threat which have impacts on the world oil supply, China has adopted the policy of stock piling oil through imports and cutting export of petroleum products. The Zhenhai reserve base, China’s first strategic oil reserve base began operation on January 29, 2007, as oil started filling up its tanks.

The reserve, located in Ningbo, East China’s Zhejiang province has a capacity of 5.2 million cubic meters. About 3.7 billion Yuan (US$462) million has been invested in the reserve. In 2004, China approved the construction of four national strategic oil reserve bases. According to Los Angeles, October 12, 2007, contained in (http://www.bigpicture.typepad.com) China has imported 18.1% more oil during January-August, 2007, than it did in the comparable period, last year.

In the report of the country’s General Administration of Customs GAC), China’s total oil imports were 110.4 million tones in the first 8
months of the year, 2007, however, it exported 2.18 million tones, resulting in net imports of 108.22 million tones. Over the same period in 2006, it imported 91.65 million tones of oil.

China’s importation of petroleum products have been on the increase. Gasoline, up 8.8%, Kerosene, up 17.5% and diesel oil, up by 6.3%.

Chinese invasion of African Countries, Nigeria, Zambia, Gabon, South-Africa, Cameroon, Democratic Republic of Congo and Sudan in search of energy is reminiscent of the political scramble for Africa. It has generated petro-politics between the United States and China. Washington has accused China of “not playing by the rules”, in terms of oil politics. It declared China guilty of “seeking to control energy at the source” (www.atimes.com). US has also called China a “negative force” in Asia. All these show the challenge and pressure China is putting on U.S. in terms of energy control.

It is the same quest for energy control that pushed the United States into a costly regime change in Iraq, dubbed “democracy” by Washington. While US is preoccupied with implanting democracy, while in actual sense chasing oil, China makes no pretences, and has penetrated Persian Gulf, the central Asian Caspian Basin and beyond.

The American strategy of global energy dominance according to Williams (2006) is becoming counter productive as most countries cooperate to oppose what they see as a US push to control the future security of their energy. “He observed that if the trend of recent events continues, it won’t be US-style democracy that is spading, but rather Russian and Chinese influence over major oil and gas supplies”

In pursuit of its energy policy, China and Russia founded the Shanghai Cooperation organization (SCO) in June 2001. Other members are
Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. Its stated goal was to facilitate “Cooperation in political affairs, economy and trade, scientific-technical, cultural and educational spheres as well as in energy transportation, tourism and environmental protection fields.”

The SCO is beginning to look like an energy-financial bloc in central Asia consciously being developed to serve as a counter-pole to US hegemony.

According to (http://www.atimes.com/global-economy), by 2045, China will depend on imported oil for 45% of its energy needs. She seeks to meet this demand by investing at the source of oil supply.

On May 26, 2006, crude oil began to flow into China through a newly completed pipeline from Atasu, Kazakhstan, to the Alataw pass in China’s far-western region of Xinjiang, a 1,000 – kilometer route. It marked the first time oil is being pumped directly into China. In Kazakhstan, China is financing the largest oil refinery about 3,000 Km to Dushanzi to be completed in 2008. She financed the entire $700 million pipeline and will buy the oil. China National Petroleum Corporation bought Petrokazakhstan for $4.2 billion and will use it to develop oil fields in Kazakhstan. China oil interest for economic sustainability knows no bounds. In this business there are no foes. They have few qualms about who they deal with and what inducements they offer to guarantee China’s access to oil. In Iran, China has signed a massive deal to develop the country’s Vadvaran field, while the rest of the world frets about Tehran’s nuclear ambition. In Venezuela, China is willing to support Chavez’s “Bolivarian Revolution”- economically, politically and, perhaps, even militarily …in exchange for access to Venezuelan oil Collins and Ramos-Mrosovsky (2006)
China is replicating the old antics of the colonialists, using home or multinational companies as agents of penetration. The China National Petroleum Corporation (CNPC) has been given the rights to operate 15 fields in eastern Venezuela, which has the capacity to produce on billion barrels of oil. She is participating in the development of the 200 billion barrel Orinoco Belt, and is already receiving 160,000 barrels of oil and refined products per month from Venezuela. Sinopec, another Chinese government owned company, is pursuing a wide range of petrochemical joint ventures in Venezuela, including a large fertilizer plant in Zulia state, a major petrochemicals facility in gas rich sucre state, and a substantial stake in the giant Paraguana refining complex, Venezuela’s main source of gasoline exports Xinhua (2006). China is feverishly working to expand its sour crude refining capacity. She is considering a pipeline to an export terminal on colombia’s pacific coast, at the same time building a state owned tanker fleet that can transport oil across the Isthmus of Panama, which would allow China-bound supertankers (too large for the panama canal) to avoid a lengthy voyage around Cape Horn.

China entices developing nations with what they lack while behind the gesture is Chinese dire for oil. Beijing is developing a geopolitical partnership with Caracas that goes far beyond buying and selling oil. China has agreed to build a telecommunications satellite for Venezuela, naming it the “Simon Bolivar”. In August 2005, China sold to Venezuela three long-range surveillance radars and high level Chinese military delegations have paid annual visits to Caracas since late 1990s. Chinese dependence on Venezuela oil would end the United State’s status, dating back at least to the end of the cold war, as the only great power with significant interests in the Caribbean basin.
Taken together, Bolivarian Venezuela, subsidized Caribbean governments, and the panama canal could form a chain of positions protecting the flow of oil from Venezuela to China- projecting Beijing’s influence into an area where Washington has grown unused to competition. China’s quest for oil shields the evils of any country she deals with. China’s membership of the United Nations Security Council has been used to protect evil regimes. Beijing has consistently sought to project power abroad to secure its energy supplies. China’s military deployment in Sudan is one example. Chinese strategists have long feared that U.S. naval forces could choke off their oil supply in the event of conflict over Taiwan. For this reason, Beijing is sinking billions into constructing a blue-water navy as well as deep-water ports in Pakistan and Burma that could serve as bases for Chinese Units protecting the shipment of oil from the Middle East to China, Gerzt and Scarborough (2004) off nations from the recognition of the sovereignty of Taiwan.

China is doing an end-run around the western controlled international monetary fund among African states. China’s export-import Bank gave a $2 billion soft loan to Angola. In return, the Luanda government gave China a stake in oil exploration in shallow waters of the coast. The growing interest of China in Angola is about to end the domination of US through Exxon Mobil in that country. Angola has over taken Saudi Arabia as China’s biggest single provider of oil.

China is at the same offering Angola infrastructural development which include railways, roads, a fiber-optic network, schools, hospitals, offices and 5,000 units of housing. China has pledged US$4 billion development fund to Angola.
Sudan has involved Chinese, instead of the western corporations in exploiting its oilfields. Despite the lingering political crisis in Sudan, which has attracted international calls for Sanctions, China is neck-deep in oil exploration in Sudan. Its export to China have soared from 10% in 1995 to 70% of its total exports in 2005.

China’s presence is witnessed in oil-rich Republic of Chad. This is threatening the major Oil Company in the country – Exxon Mobil. China is accused of supporting regime change in Chad because it is contended that Sudan is a backer of the Chadian rebels on their bid to topple President Deby’s government.

There is fear from the western axis that the success of the Rebels will jeopardize the Chad-Cameroon pipeline and western oil deals. The French and Washington have joined forces to protect President Deby’s regime.

Nigeria is a big beneficiary of Chinese economic boost and pursuit of oil suppliers. Nigeria has a light low sulfur grade of oil known as “sweet crude”, which is valued for its high gasoline content and relatively cheap processing outlay. China, until recently was completely excluded from Nigeria’s oil industry by an established presence of western oil companies. China, using her diplomacy and “sweetener” development deals has changed this trend.

Nigeria is said to require an annual investment of $10 billion in order to reach a proven reserves of 40 billion barrels by 2010 (http://www.asianresearch/articles). Chinese government has indicated willingness to participate actively in Nigeria’s oil industry. In July 2005, China through her corporation, petro China signed an $80 million contract with Nigerian government to locate upstream oil and gas that will guarantee
30,000 barrels per day to China over a period of five years. China has invested over $4 billion worth of investment in exchange for oil.

Daily Trust, International Business (June 5, 2008) reports that China is set to produce Republic of Niger’s first of oil in 2009. The China national Petroleum Corporation (CNPC), a state-owned company is investing $5bn over the next three years to develop oil production in Niger.

The CNPC is to build a 200-km pipeline and a refinery with a capacity of 20,000 barrels a day. The Agadem block located near Niger’s border with Chad is China’s latest move to secure energy resources in Africa. According to Niger’s mines and energy minister, Mohammed Abdoulahi, the deal was a “win-win” contract that benefited the people of Chad and Niger.

The International Business reports that China has invested $30bn in Africa’s oil and gas industries, primarily in Sudan, Nigeria, Angola, Equatorial Guinea and Chad.

Even as China is heavily involved in Nigeria’s oil industry, Chinese companies are also penetrating other spheres of the economy. Unlike most foreign actors in the country, her presence is felt in fixed assets such as refineries and factories, with the intention of developing a long-term economic relationship.

However, from the above reviewed literature it is expedient to note that scholars have not satisfactorily addressed in holistic terms whether or not oil constitute the major determinant for China’s relation with Nigeria and therefore forms the gap this study is set to fill.
1.4.3 ECONOMIC DIPLOMACY AND NIGERIA – CHINA RELATIONS

Nigeria-China relations were influenced by various factors which leaders of both countries seek to explore for the advantage of not only the two countries directly involved but for the benefit of the international community. These areas of commonality include geo-politics, economic, global and regional security, Reform of the United Nations, and the bilateral relations.

Nigeria and China are “burdened by destiny in their respective regions”. Both countries apart from being the most populated in their respective regions are well endowed in mineral resources. For these reasons, and others, Nigeria and China are to play prominent roles in the politics and security of their respective regions. These informed the “nurturing of close bilateral relations between the two countries, while fostering their collaboration in multilateral diplomacy on wide range of issues of general international concern” (NIIA, 2005). According to Palmer and Perkins (2004) the Chinese have had some success in identifying themselves with the black Africans as fellow coloured peoples. This is in a bid to turn Africans away from the Soviet Union as well as the West. Both countries have pledged cooperation in strategic partnership characterized by mutual
assistance in international affairs within the framework of South-South Cooperation. China also resolved to support African Representation in the United Nation’s Security Council, which Nigeria is in the race to occupy. She promises to support the New Partnership for African Development (NEPAD) which is a new vision of African Union to get African continent out of underdevelopment (www.fmprc.gov.cn/zfit/eng,6/12/2007. The two sides expressed their readiness to expand cooperation in various fields of work, on the basis of the principles of treating each other with sincerity and friendship and as equals, drawing on their respective strengths and achieving common development to promote the continued growth of the strategic partnership between the two countries and the well-being of the two peoples (au.China-embassy.org/eng, 12/6/2007, p.2). The Chinese government is interested in working with Nigerian counterpart to uphold the rights and interests of developing countries, promote world peace and development, and foster a harmonious world of durable peace. The Chinese administration of Jiang Zemin explained that Nigeria and China. “share extensive interests in safeguarding world peace, developing their own national economy and advancing common prosperity in the world”. He however, acknowledged the obstacles posed to both countries by economic globalization. According to Chinese newspaper, (Xinhua News Agency, April 15, 2005), the
President, Hu Jintao in Beijing agreed with his Nigerian counterpart that collaborated activities is “to expand economic and trade cooperation and further boost two-ways investment”. The Nations agreed to enhance political trust at high-level and to promote the establishment of a fair and reasonable new international political and economic order. Trade, investment, electric power, railway and telecommunication, construction, agriculture, water conservancy, manufacturing, human resources development and tourism form areas of cooperation. (www.china.org.cn/english).

The right of existence and the Fundamental Human Rights attracted the common interest of Nigeria and China. “The solution to the fundamental right of existence is the goal of such populous countries as China and Nigeria” (http://english.people.com.cn,12/6/2007). “However, different countries should have their own understanding about human rights based on their own national conditions” said Jiang. It was accepted also that the goal of feeding and clothing her peoples are the problems of Nigeria and other developing countries, and since China has successfully solved these problems, Nigeria has a lot to emulate from her. The need for Nigeria-China relations was captured in Thisday (July 5, 2007: 14). It blames the underdevelopment of Nigeria and other African countries on the structural adjustment programme of the west, led by World Bank and IMF which
resulted to the “wake of the virtual collapse of the continents economy in 1980s”. The SAP programmes led to Africa becoming “a net exporter of capital to the west – a cardinal feature of its economy since 1981”. It claimed that in the past 26 years, Africa has transferred about $700 billion to the West. The other consequences of the economy’s collapse are the flight of its middle class to the west and other parts of the world. An estimate of about 12 million Africans, majority of whom are Nigerians are said to be out of the continent, and act as external source of capital generation and transfer to Africa. It recommends the restructuring of the global institutions and the leadership succession pattern against the strong hold of United States. This position is anti-west which tends to justify Nigeria and African countries failures absolutely on western policies. Even Brazil made headway with IMF structural adjustment programmes. There is a need to look inwards in the search for Nigerian underdevelopment.

Other issues which Nigeria regard as vital but not receiving adequate attention from the international community are the democratization of the UN System, ending regional conflicts in Africa and the HIV/AIDS Pandemic. Nigeria and China are challenged by low interest to “coordinate their foreign policy approaches so as to facilitate an international response to, and for the resolution of these issues” Nigeria feels strongly that China
could assist her in the battle against the scourge. With large populations both
countries face the challenge of the pandemic. According to Chinese
delegation to Nigeria, about 600,000 people have been infected primarily
through sharing of intravenous needles by infected drug addicts, while in
Nigeria; it can not be specially pointed the number of infected people, but
major transmission is through sexual intercourse. The conservative lifestyle
of the Chinese is responsible for the low transmission via intercourse, while
the reverse is the case in Nigeria, were loose life style is predominant. China
is neck deep into laboratory investigations that aim at developing drugs that
can curtail the disease. The fight against drug trafficking and drug abuse is
one of the measures adopted by the Chinese government (NIIA,, report,
2005). The collaboration of the two countries will benefit them in the
research for the solution of the world ravaging Severe Acute Respiratory
Syndrome (SARS), the flude like deadly airborne disease that hit her in 2003
is a typical example worthy of emulation by Nigeria (Onunaju, 2005).

China’s interest in Nigeria can not be divorced from the overall
Chinese interest in Africa. In the 1960s and 1970s, China was interested in
building ideological solidarity with other underdeveloped nations to advance
Chinese-style communism and repelling western “imperialism”. This has
changed over time. According to (www.heritage.org/research,7/2/2006,p.1)
“Beijing has identified the African continent as an area of significant
economic and strategic interest”.

1.4.3.1 ECONOMIC DIPLOMACY AND INFLOW OF FOREIGN AID AND FOREIGN DIRECT INVESTMENT (FDI)

In the world of globalization, Nigeria can not be a part if she does not improve her economic fortune and productive capacity. This can not be attained unless Nigeria participates in the competition for Foreign Direct Investment (FDI). FDI will propel and fuel the production capacity. This would empower the private sector so that indigenous firms would compete favourably with foreign investors. According to Aremu (2005) foreign direct investment is defined “as the creation of enterprises abroad or the acquisition of substantial stakes in existing enterprises by foreign owners”. Policy Magazine (August 13-19, 2001: 16) observes that “foreign investment means mobilization of foreign capital in the form of foreign direct investment into the economic sectors of the host country. Foreign direct investment is an investment behaviour when an individual or industrial firm has expanded asset resources from one country” to the other in compliance with the legislation of the host country (Aja 2002). Foreign Direct Investment therefore means foreign private investment into the economic sector of host country either solely by the foreign investor or in partnership with local representatives with the sole aim of making profit.

In the area of foreign direct investment (FDI), Lumumba-Kasongo (2007) noted that over the last 10 years there has been a very rapid increase
in FDI. According to him, the stock of the Chinese FDI in Africa in 2005 was $1.6 billion, representing only three percent of the Chinese total FDI. In similar connection, Onuoha (2008) noted that in 2004, Chinese direct investment in Africa reached $135 million, with 77 additional Chinese companies doing business in the region.

Konings (2007) posits that while China’s principal interest in Africa is access to natural resources, the continent also provides new markets and investment opportunities to China’s growing economy. Direct Chinese investment in Africa has risen substantially following the government’s ‘Go-out’ or ‘Go-global’ strategy initiated in 2001 which focuses on active state support and encouragement for domestic firms to pursue investments abroad. He noted that while most investment projects in Africa are undertaken by Chinese state-owned enterprises, private companies are also increasingly investing there. In its 2006 Africa policy paper, Chinese government pledged to support and facilitates corporate investments in Africa with preferential loans and buyer’s credit. Piet Konings also revealed that “China is willing to invest not only in the highly competitive scramble for natural resources but also in sectors that western private investors and aid agencies have either neglected or abandoned altogether as being less
profitable; such as physical infrastructure, industry and agriculture (Konings, 2007).

Ogunsanwo (2007) posits that China is rapidly becoming one of Africa’s main sources of investment. According to him, by the end of 2005, China had established more than 800 enterprises in Africa involving a total investment of 6 billion dollars. China had also signed investment agreements with 28 African countries and its projects covered construction, petrochemical, power, culture, education, health and food processing sectors.

In Nigeria, the immediate past president of the country Olusegun Obasanjo, publicly invited foreign investors including the Chinese to come into the Nigerian economy promising to create a business friendly environment. No doubt in the past fifteen years, China has been able to attract FDI was not less than 40 billion dollars annually. These investments have however been focused and monitored by the Chinese government (Ogunsanwo, 2007).

In response to this, Kwanashie (2007) stated unequivocally that the level of absorption of foreign direct investment (FDI) has also grown rapidly. In addition, Alli (2007) explained that Chinese investment in Nigeria, which has equally risen sharply, is also now estimated to be worth a staggering figure of not less than 5 billion naira. According to him, the
Chinese have made investments in virtually all sectors of the Nigerian economy, including oil, energy, railway, construction, pharmaceutical, textile, and others.

Scramble for foreign direct investment has become the order of the day by developing nations. Investment model has shifted from public investment to private sector driven investment. Market liberalization and the opening up of the domestic frontier for investment brings appreciable FDI performance. The contributions of FDI to national development of host countries are enormous. They include: capital formation, technology transfer, increase in productivity through improved efficiency and value addition, provision of managerial and technical competence, encourages competition, development of domestic industries, increased profitability, opportunity for skills acquisition, employment generation and research and development/capacity building. The effect of these is the economic transformation of the developing economies and economies in transition (Policy, 2003).

To shore up its own share of FDI and volume of trade, Nigeria in the past decades under the structural adjustment programme in the late 80s instituted the Technical committee on privatization and commercialization in which a large number of small and medium scale enterprises were privatized
and commercialized. The aim of both is to achieve efficiency and attract investors both local and foreign. Both governments and private sectors are involved in the cross border transactions. They are concerned with policies formulated to promote and protect investments within and between countries. According to Aja (2002) “foreign direct investment promotes international flow of capital and financial ties among and between countries”. The agents of FDI are mainly the multinational corporations (MNCs). They possess the monopoly of world capital, technology and market ideology. The MNCs account for 95% of total world investments across national boundaries by adopting entry corporate strategies, optimal timing, strategic location behaviour, trade creation and trade diversion and market service strategic (Mucchielli, 1988). FDI creates greater challenges to industrial organizations which are in competition to improve high-technologies of production, labour cost, tax policies, trade barriers, economic infrastructure and productive technology. Workers and elements of technical knowledge move with investment across national boundaries.

The use of FDI as a developmental model has generated controversies and debates between two schools of thought, the Neo-liberals and Modernization theorists on one hand, and the dependency and world systems theorists on the other. While the former school supports foreign investment
as vehicle for development, the later, sees foreign investment drive as counter productive.

Onugaba (2003) contends that in the 1970 and 1980s, Nigeria was a leading centre for foreign investments in Black Africa. In 1972 a total of $2.16 or 22% of all foreign investments in Africa was invested in Nigeria. Scholars of dependency proved that foreigners dominated the manufacturing sector with 81.5% against Nigerian 18.5% in 1966. In 1970, it was 57.3% as against Nigeria 42.7%. The argument of the scholars is that this domination leads to dependency situation, which ultimately under develops Nigeria. They are of the view that foreign investors repatriate huge funds out of the country. By implication, foreign investors “bring in less resources into the country and then take away more for their home use”. This position is short of taking cognizance of domestic factors that stalled the linkage effect of direct foreign investment. It did not recognize the fact that policies, and low level of technical know-how could hamper the benefits derivable from foreign investment. It is only when such serious matters are taken into consideration, can Nigeria benefit from Direct Foreign Investment and globalization. Eze (2005) in a work, “Nigeria and the multinationals, the linkage Dilemma” noted that Transnational Corporations (TINC’s) activities are not the way out of Nigeria’s underdevelopment because despite apparent
favourable capital flows, no positive capital accumulation has been achieved by the TNCs, instead, they “promote the decapitalization of the national economies of the host states by transfer of such capital to the country of origin. Eze lays the blame not only at the foot of TNCS but the ruling class who “lack the seriousness in implementing policies like expatriate quota system and indigenous measures of the 1970s”. Those who are to control the TNCS, end up sharing the resources between them and the foreign partners. Cardoso and Faletto are among those who show reservation to the dependence of the developing countries on the industrially developed countries through the mechanism of direct foreign investment and its institution, the Transnational Enterprise (TNEs). They are of the opinion that the placing of foreign investment in the sector producing consumer durables results in the accumulation cycle being competed at world level. Keeping up the pace of economic growth implies expanding imports on capital goods.

According to the authors;

*TNES represent a vital institution for dependence. Enterprises created by TNEs are vertically integrated with the parent company and have few forward or backward linkages with the local economy. Where production of important substitution is undertaken there is often a high important content to inputs reducing the net foreign exchange savings, an effect that is further reinforced by the practice of Transfer pricing between subsidiaries of the same parent company.*
The mechanism of transfer pricing along with licensing fees and services controls by the parent company reduces the declared profits and hence the contribution to public savings through taxes paid, and the switch to local sources of capital by the TNEs increases the net export of capital from the less-developed countries. Capital is repatriated through profits, royalties, interest and payments on inter-affiliates debts. The outflow and deficits resulting to balance of payments problem against developing countries are made up by the grant of aid by the developed nations which on itself is a “new dimension of dependency” because the donors determine the use of grants, as such, taking-part in decision making of the country.

Nigeria like most developing countries is entrapped by the North and South, which is the major problem in contemporary international economic relations. Obasi (1986) states that Nigeria’s economic dependence has been deeply entrenched through (a) huge foreign investments, (b) the solicitation and acceptance of foreign aid, technical assistance and loans from external governmental and non-governmental institutions; and the maintenance of cultural, social and educational ties. The implications of Nigeria’s economic dependence are

*Firstly, it easily permits the numerous foreign investors to repatriate their huge financial gains thereby helping to develop their own countries and in the process under-developed their host countries.*
They collaborate with the local bourgeoisie to siphon sums of money aboard. The money are sent to capitalist countries or Swiss banks like the Abacha’s loots. Luxurious goods and houses are bought oversees. Good example is the 1999-2007 Governors, majority of them are now under trial of corruption by economic and financial crime commission (EFCC). Raw materials obtained in Nigeria are exported at pre-determined prices of the developed nations in return for over priced finished products. In the various ways of exploitation, domestic resources of Nigeria are constantly being taken away to other countries making the economy “lack any regenerative capacity needed for development”. This school holds the view that transfer of technology can not be possible because Nigerians are employed as daily paid or as junior and intermediate staff at relatively cheap wages. Machines of operations are imported and manned by the expatriates.

Eleazu (2005) urged “Nigeria to discontinue with the import substitution industrialization based policy which entails imported-inputs, machinery, raw materials and know-how, fraught with dangers as it is susceptible to vagaries of balance of payments disequilibria. He contends that industrialization through this manner can only be sustained on the availability of foreign exchange earner.” Foreign exchange earner is subject
to uncertainties, and wide price fluctuation like the oil price Nigeria depends on. This situation portends problems to Nigerian development. The only way out in his view is for Nigeria to establish export oriented industries. Even at that, he agreed that there will be opposition of the international economic order and also lack of technology.

The argument and conclusion of the scholar contradicts to extent his faulting of the TNEs as means of development, since his suggested panacea has its on obstacle of success. The Export processing Zone on itself is more or less an extension of the home industries of the developed countries because abuses have been witnessed where products of the Zones are diverted into the host country and in the process, import duties are evaded at the detriment of the nations economy. The seeming benefit of this method is balance of trade adjustment, but no technological transfer can be achieved as the companies are not regulated through the regime of expatriate quota. It therefore implies that the company is at liberty to utilize foreigners in her operations without the consideration of creating employment in Nigeria.

Another argument of the dependency school which opposes economic diplomacy as a means of extricating Nigeria from economic doldrums is the fact that international capital movement and transactions are carried out on convertible currencies of the North against the non-convertible currencies of
the South. In this circumstance, the North benefits from any international transactions be it import or export, making Southern Zone of Asia, Africa etc donor nations to their economy.

The dependency school opines that foreign owned firms provide few jobs to absolve the teeming unemployed than domestic private firms because they seek to replace local production by “buying markets”. They argue that FDI are attached to international investment agreements (IIAs) whose binding commitments may lead to convergence of national policies that would eventually limit the policy autonomy of the contracting parties to an agreement.

Although this school is agreed that the activities of the North, through the TNEs are to a large extent responsible for the underdevelopment of Nigeria and their continued influence can not be solution to the underdevelopment, they lack consensus on the measures to fast track Nigerian development. While some advocate for liberation or disengagement of Nigeria economy from the “Shackles” of foreign domination and exploitation and nationalization of multinationals operating in the country, others call for close of borders to the outside world for a period to fashion out the way out. They are Marxist inclined in their advocacy.
This position is no longer valid in the contemporary world of globalization and apparent collapse of socialism. The advocates seem to loose sight that Nigeria has attempted to implement various policies mentioned without success. It was not actually the close of doors to the North by China that led to her economic development, but well articulated and executed domestic policies. Nigeria therefore is set with the on-going reforms to learn from the Chinese experience.

Foreign Aid was the original means of developmental assistance to developing countries in the past centuries. The importance of Aid to meeting the needs of developing countries has been criticized by various authors. This group represented by Bhagwati argued that “aids and loans are tied in which case aid must be spent in the donor country’s good alone. Aid can also be granted as a result of pressure groups in donor country interested in export market. He contends that” both project-tied and country tied aid limit the effectiveness of assistance to the recipient countries”. Also, aid is intimately and inevitable mixed up with politics. He observes that official capital flows to the underdeveloped countries is adequate. This he attributes to the today needs of the underdeveloped countries and to the ability of the advanced countries to pay (Bhagwati 2001).
Fadina (2007) noted that the Chinese thirst for oil and raw materials is leading to a major involvement in Africa and this has led to generous aid packages and business deals. In categorical terms, large (2008) who argued in line with Deborah Brautigam stated that Chinese aid in Africa has as deep a history and has broad range of experience as any established in the west, but it lack empirical documentation. However, he observed that Brautigam’s work on “Chinese Aid and African Development: Exploring Green Revolution, published in 1998 demonstrated that the absence of documentation on the work of the People’s Republic of China is a major gap both in the literature on development and in studies of China’s relations with the Third World (Large, 2008:53; Brautigam, 1998:4; 2003:447-467, 1994, 111-138).

However, Onuoha (2008) argued that economic aid had been China’s most important and influential instrument of foreign policy in her relations with Africa countries. According to him, most African states developed their relation with China in the context of the “aid war” between China, the Soviet Union and the United States Peace Corps. China has also offered aid to its African partners, ranging from building infrastructure, to treating infectious diseases such as malaria and HIV/AIDS. Since the 1960s, over 15,000 Chinese doctors have worked in 47 African States, treating nearly 180
million patients. Moreso, Chinese-sponsored roads and railways are under construction in Kenya, Rwanda, and Nigeria and a mobile telephone network is being built in Tunisia and China’s exchanges with African countries.

In this connection, Lumumba-Kasongo (2007) highlighted that in November 2006, Hu Jintao also pledged to double China’s aid to Africa by the year 2009. He indicated that China would double its aid to Africa and offered $5 billion in loans and credits to be provided over the next three years starting from 2007-2009 and wider access for African products to Chinese markets. He also announced the creation of a $5 billion China–Africa Development Fund to encourage Chinese companies to invest in Africa and provide support for those companies. The author further explained that the value of the Chinese aid in Africa is set to overtake World Bank assistance in 2007 with $8.1 billion on offer compared to only $2.3 billion from the World Bank (Lumumba-Kasango, 2007:15).

Musa (2007) explained that recently the Chinese even went further to grant Nigeria concessionary loan of $2.5 billion which is to be used as follows: $1 billion for the Mambilla Hydroelectric Project, $1 billion for the moribund railways, and $500 million for rural telephony and power transmission.
Aid and Foreign Capital flows are sine qua-non for development of African States. Studies conducted over thirty-year’s period has proved the positive impact of aid, the Brandt Commission reports (1980-1983, Berg report (1981), The Brandt and Manley report (1985) and the Cassen report (1986), Akinrinade and Barling, (1985). They accused those against aid and investment as “encumbered by Colonial anxieties”. According to them, Official Development Assistance (ODA) is conditioned by the broader political and economic environments both on a national and international level. They do not agree with those who clamour for stoppage of ODA in preference for “Magic of the market” or new international economic order. They remind that in a free market situation, “private capital tends to flow towards areas that have an established technological base, trained manpower and an established infrastructure”. In the absence of these elements, African State has to assume a commercial role and encourage official sources of external finance. They posited that ODA is a necessary external resource for the invigoration of the temporarily constrained development for now. While acknowledging the views of this school for the importance and role of ODA, it is pertinent to point out that they failed to suggest other means of rapid economic growth and development with over emphasis on ODA as the major panacea to development of the less developed countries. Factors that
inhibited the full developmental effect of ODA arising from domestic policies were not addressed by them.

Committees were set up to examine possibilities for the expansion of cooperation in the areas of trade, agriculture, water resources, power and steel, transport, joint venture projects, promotion of investment and protection, technical cooperation amongst developing countries, and sports and culture.

The volume of trade between Nigeria-China was at initial period low but increased with time. The rise in Nigeria-China trade has been very encouraging as new frontiers are opened for both government and private investors. While it is heart warming that trade between the two countries is on the increase, it is painful to note that the trade balance has largely been in the favour of China.

In spite of the worrisome situation of balance of trade, another source of concern is the nature and qualities of goods exported to Nigeria by the Chinese manufacturers. While the Chinese authorities blame it on Nigerian Business people who ask for such inferior goods, the Nigeria authorities see it as a conspiracy from the Chinese companies who accept to produce such sub-standard commodities. The standards organization of Nigeria (SON) since 1996 made it clear 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 Organization.

The fight for fake and sub-standard goods should be a fight for all, and for both countries. The standard organization of Nigeria should do more to prevent the passage or entry of such commodities. Shifting the bulk to China or indeed any other country is shying away from her responsibilities. The importers should be made to face the full weight of law as a deterrent to others. The only plausible reason for the passage of these commodities is corruption among the officials of Agencies Charged with the responsibilities of Cargo handling, including inspections.

On the agreement of economic and technical cooperation, the Chinese agreed to execute irrigated rice plantation in Itoikin, Logos State; Duro-Egan in Kwara State and Odo-Ekpe in Anambra State. The executions of the projects were suspended because of differences in the modalities for implementation. The issue was renewed in November, 1998 during the Jiangsu Machinery and Electric products Exhibition held in Lagos. Apart from these initial agreements, Chinese companies have shown interests in poultry, vegetable growing, fish multiplication, and rice parboiling. Some state governments and private investors have engaged
Chinese agricultural technologies and machinery for mechanized farming and training of personnel like the Benue State.

The protocol agreement of 1976 resulted in the involvement of Chinese companies in sinking of boreholes, particularly in the Northern States for provision of portable water. According to Chibundu (2000) about 112 boreholes had successfully been sunk in Borno State. Chinese companies like CGC Nigeria Limited and China Zhonghao Nigeria Limited both based in Kaduna have been actively involved in irrigation projects and boreholes in Northern States of Nigeria.

There has been substantial cooperation between both countries on energy sector. Bilateral agreements have been concluded by the Federal Ministry of Energy and the North China Electric Power Design Institute (NCEPDI) and North China Power Group (NCPG) in January, 1996, for collaboration in the areas of rehabilitation of broken down Power Stations, construction of new power stations and training of manpower in this field, Chinese consortium is involved in the construction of multibillion naira energy project going on in Manbila Plateau, Adamawa State.

The Chinese Railway expertise attracted the attention of Nigerian Government, and in December, 1995, a contract of the rehabilitation of Nigerian rail system worth USD 528.60m was signed by the Federal
Government under General Abacha and China Civil Engineering Construction Corporation (CCECC). The terms of contract included modernization of railways, supply of locomotives, coaches training of Nigerian Railway Corporation Staff etc. the (CCECC) constructed the games village in Abuja and also, the ultra modern head quarters of Nigerian Communication Commission (NCC) Located in Maitama, Abuja.

A Nigeria-China relation has resulted in interactions in the field of sports and culture. Nigeria’s strong influence in the Table Tennis (Ping Pong) in Africa is attributed to Nigeria’s association with China. Chinese authorities have trained many sport men and women in table tennis and Badminton through attachment of appropriate coaches and short term courses.

To further the sports ties between the two countries, Nigerian officials visited China at different times, Chief Jim Nwobodo, former Federal Minister of Youth and Sports visited in October, 1996, Air Commodore Samson Omeruah (Late), Minister Youth and Sports was in China November 1998 and signed a Memorandum of Understanding (MOU) with the All China Youth Federation on the following activities.

i. Exchange of young leaders for short term visits on reciprocal basis

ii. Encouragement of exchanges by young entrepreneurs
iii. Strengthening of cooperation between young economic entities
iv. Increases of cooperation in the filed of youth related affairs.

According to Chibundu (2000) before the formal agreement on Cultural and Educational Cooperation on 20th March, 1981, Nigeria had hosted the Anhui Acrobatic Troupe from China in early 1980. The Chinese Government on the other hand reciprocated by hosting the Nigerian Women Basketball Team. Ever since then, there have been other cultural exhibitions and performances of acrobatic troupes from China at the National Theatre in 1983 and 1985 respectively. The expiration of the initial agreement in 1988 witnessed a renewal signed in Lagos on 28th March, 1990. Although, China has been forth coming in meeting these agreements, Walter Ofonagoro, former Minister of Information and Cultural and Educational Cooperation (1997-1999) in Beijing in September, 1997 argued that following the signing of implementation agreements, both countries reciprocated fairly in cultural exchanges and study in both nations. Both nations football teams, male and female have schedule to meet when opportunities permit.

Chinese restaurants are found in major cities of Nigeria, and Chinese Cuisine gaining popularity and acceptability among Nigerians. In Lagos, a location is now known as “Chinese Village”. Chinese nationals in Nigeria interact freely and enjoy Nigerian meals particularly yam and paper soap.
Nigerians are found in China married to Chinese women and consolidating Nigeria-China relations.

The relationship between Nigeria-China has led to the signing of Agreement for Reciprocal Promotion and Protection of Investments; Protocol on Co-operation on Electric Power projects in Nigeria; Protocol on Bilateral Co-operation in Steel Industry, and Oil Industry Co-operation in May 1997. The agreement has resulted to total value of trade of N 1.03 billion in 1990, N 9.1 billion in 1993, N 5.3 billion in 1996, N.58 billion in 1999 and N 8.6 billion in 2000. (NIIA, 2005). It however took a sweep at the situation where the total value of Chinese exports to Nigeria have reached USD 540 million and imports from Nigeria amount to only USD 307 million.

In 2004, Nigeria-China signed an agreement to develop Oil Mining Lease (OML) 64 and 66 located in the deep waters of the Oil Rich Niger-Delta. In an oil for investment deal, Nigeria agreed to offer China four (4) oil drilling licenses in exchange for a USD 4 billion investment in infrastructure. China is buying a stake in Nigeria’s 110,000 barrel-a-day Kaduna oil refinery and building a rail road and power stations.

On 26th April, 2006, an economic and technical co-operation, agreement was concluded by the two countries which included a grant of
about N 700 million (40 million Yuan), five Million Yuan for anti-Malaria Medicine, training course for comprehensive malaria prevention and control staff will cost China one Million Yuan. Memorandum of Understanding (MOU) was entered by both nations for the national Information Technology of Nigeria with Uwaei Technologies of China Petroleum Cooperation for the Ministry of Petroleum Resources and the China National Petroleum Co-operation.

In Farin Ruwa Community in Wamba Local Government Area of Nasarawa State, a Chinese company, Yoo Jin Engineering is constructing and Independent Power Project (IPP). The project is worth N 5.4 billion. According to Daily Trust, (July 16, 2007 p.2), Nigeria needs not less than $ 90 billion (about N11.5 trillion) investment to meet energy requirement. A Chinese firm, the Chaoyang Heavy Machinery Group, in partnership with Tancem Nigeria Limited, an indigenous company is establishing a cement plant at Mfamosing in Akamkpa Local Government Area of Cross River State. The plant is to produce 600,000 metric tones of cement annually, and worth N 7.68 billion investment, (Business leadership, p. 32). The CCECC of China constructed 5,000 housing units in the Abuja Games Village. The house were sold to individuals and has contributed to alleviating the housing problem in Abuja.
A Chinese joint venture worth $ 500 million investment which was originally meant for Imo-State in 2007, has been diverted to Ogun State, and is capable of generating 20,000 jobs. “To achieve equivalent of 800 watts per person, Nigeria would need to generate 104,000 Mega Watts of electricity”. It stated that ₦ 806 billion has been spent on power from 1999 to date, and power generation stand at 4.5 mega watts. The punch newspaper (July 11, 2007) states that Asian motors Limited, the main distributor of Foton diesel trucks in Nigeria is establishing a factoring in Lagos to commence production of trucks in 2008. The company aims at producing and selling at low prices, ₦ 2m, in order to eradicate the purchase of used European cars (Tokumbo).

A cursory look on the reviewed literature shows that there is still an existing gap, as scholars are yet to address the extent the China relations with Nigeria has influenced the inflow of foreign aid and foreign direct investment (FDI).

1.4.3.2 ECONOMIC DIPLOMACY AND VOLUME OF TRADE BETWEEN NIGERIA AND CHINA

At the level of trade, Taylor (2008) posited that Chinese economic and political activities in Sub-Saharan Africa are growing at exponential rate.
According to him, China is now Africa’s Third largest trading partner, ahead of the United Kingdom and only behind the United States and France. African trade hit $55.5 billion in 2006. Compare this to the $5 billion worth of trade China was doing with Africa in 1997, and one can quickly appreciate the positive influence of Chinese trade engagement with Africa. It should be noted that a senior economist at the Chinese Ministry of Commerce predicted that trade volume between China and Africa will top the $100 billion mark in the next five years.

In his earlier analysis, Taylor (2006) explained that the bulk of this growth in trade is driven by a desire to obtain sources of raw materials and energy to fuel the Chinese economy and for fresh export markets.

In a similar connection, Fadina (2007) highlighted that China-Africa bilateral trade volume moved from less than 10 billion US dollars in 2000 to nearly 40 billion dollars in 2005 and China’s direct investment in African countries topping 1.22 billion dollars. In the first half of 2006 trade volume between China and Africa grew 47 percent faster than the 39 percent growth of China’s growth trade as a whole. Lumumba-Kasongo (2007) also echoed the above view when he added that China’s trade with Africa increased from $11 billion to $40 billion between 2000 and 2005, making China Africa’s third largest partner. According to DeLorenzo (2007) most of the increase
comes from oil imports from Sudan where Chinese companies have been active since 1995, and Angola where they made major energy investments in 2003 and 2004.

This implies that while China’s principal interest in Africa is access to natural resources, the continent also provides new markets and investment opportunities for China’s growing economy. Consequently, the ever-growing range of imports from China, from shoes and textiles to high-tech goods, is flooding African markets (Konings, 2007). Furthermore, Konings explained that African consumer, whose purchasing power has sharply declined during the economic crisis and economic liberalization; appreciate these relatively cheap goods in spite of regular complaints about their quality compared to western products. Small and large African traders and manufacturers have all been hit by the flood of cheap Chinese imports.

According to Campbell (2008) low wages and low production costs underpin the manufacturing industries of textiles, automobiles, television set, steel, chemicals, pulp and paper, and plastics. In his words, “it is this low wage economy that enables China to flood the world market with cheap commodities’ (Campbell, 2008). Horace Campbell further explained that China’s trade and economic assistance to Africa has grown by geometric proportions, and by the end of 2007 China must have surpassed Japan and
the USA in economic assistance to Africa. He pointed out that “the volume of Chinese trade with Africa has risen from US$18.7 million in 1979 to US$6.84 billion in 1989 and US$39.75 billion in 2005” (Campbell, 2008; see also Yuan Wu, 2007 and Gongyuan, 1996).

From the foregoing, it is expedient to note that the authors so far reviewed situated their analysis on Chinese trade engagement with Africa as a whole without narrowing it down to Nigeria-China relations which constitutes the centerpiece of our research. Even those who attempted to focus their intellectual explications on Nigeria-China trade relations only presented a pilfered knowledge on these subject matters. For instance, Olusanya and Akindele (1986) only lamented on the persistent trade imbalance between Nigeria and China. According to them, the balance of this trade has always been in China’s favour. As a step towards bridging the trade gap then, China pledged to purchase, in addition to cocoa and cashew nuts, substantial quantities of cotton and palm kernel. Nonetheless, the trade imbalance has persisted. However, these authors thus explained that the trade disequilibrium is not likely to strain Sino-Nigerian ties (Olusanya and Akindele, 1986).

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 quadrupled in the last six years, reaching $106b in 2006. According to him, China’s incursion 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. Mike Kwanashie 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.

Onuoha (2008) in his study on Afro-China relations in the 21st century posits that China has made a series of major moves to promote trade and economic changes between China and Africa. Since 1995, China has established centers for investment, trade and development in 11 (eleven) African countries, and these have continued in a steady progression till date. According to him, being encouraged by “going out” strategy, investment from China to Africa has been seen in steady increase. In fact, Chinese government has adopted various measures to promote trade and economic relations between China and Africa (Onuoha, 2008). Like many others, Onuoha focused his analysis on the African continent rather than focusing on Nigeria- China relations that formed the basis of our research.

Prior to May 1999 when Chief Olusegun Obasanjo was sworn in as new civilian president, the Nigerian armed forces had ruled the nation continuously for fifteen years. In this same era, Nigeria which was previously celebrated as the foremost African nation in the world fell into the pit of infamy, especially between 1993-1998 under Late General Abacha. In a period of only five years under Abacha’s dictatorship, Nigeria
descended swiftly from being the most important African and black nation on earth to the ignoble status of a pariah country.

After General Abacha’s sudden death in June, 1998, a process of healing old wounds with Nigeria’s friends and allies started. Coming to power by accident, General Abdusalami Abubakar seemed to understand that the country could not continue in isolation. He understood the need to get the military out of power by putting in motion a transition programme that actually reached it’s destination in May 1999. During his one-year tenure, Abubakar sought to restore Nigeria into global reckoning. The world started opening its doors to Nigeria again, but skepticism concerning the unpredictable behavior of the Nigerian military persisted until he finally handed over to the new democratically elected civilian government on May 29, 1999.

Since coming to power as a demonstrated elected president, Obasanjo has traversed the globe seeking to restore Nigeria to its place of pride in the international community, while also seeking external support in the form of foreign aid, foreign investments, debts forgiveness, and the return of Nigeria’s ‘stolen billions’ (See, Fawole 2000). It is not surprising to note that when the Obasanjo-led administration was inaugurated, Nigeria’s economy was still faced with chronic decline in capacity utilization in the
real sector, near total collapse of all basic social infrastructures, protracted budget deficit, debt overhang, rising import dependent profile and weak private sector, among others. As part of its efforts to revamp the economy, the Obasanjo’s government had, on December 8, 1999 launched the “Nigerian Economic Policy, 1999-2003” (Omoweh, 2002).

Following the launching of the Nigerian Economic Policy by Obasanjo’s administration in December 1999, Obasanjo resorted to economic diplomacy as a practical means to actualize the above stated economic objectives.

It is without doubt that President Obasanjo’s economic policy is indeed neo-liberal. With his avowed commitment to the privatization of government parastatals, trade liberalization and deregulation. In fact, Obasanjo is the darling of the West and the Bretton Woods twins, the World Bank and the IMF. (Yahya, 2005). Similarly, Aluko (2007) explained that “the economic philosophy of the present Federal Government is hinged on the market: emphasizing ‘that government has no business in business’. Therefore, all the existing government projects, plants, enterprises, refineries and shareholdings in industries, trade, banking, finance and agriculture must be privatized and sold, so that government, particularly the Federal
Government, can concentrate on governance, forgetting that government that cannot run an industry successfully cannot govern efficiently”.

To this end, the critical thinking and indeed the element of the ‘newness’ in the economic diplomacy of the current government stems in part from the urgent need of the country to recover from its ‘pariah status’, and the need to restore the confidence of foreign investors in the nation’s economy, and attract foreign assistance. Perhaps, this explains the personal diplomatic shuttle overseas by the President Olusegun Obasanjo so as to ensure national development in Nigeria.

As noted earlier, the challenges of national development facing Nigeria has been how to raise the living standards of the people, reduction in unemployment rate, poverty alleviation, provision of infrastructure, industrialization, promotion of the citizens improvement in the educational and health sectors etc. Therefore, in order to take the bull by the horn with regard to the economic problem facing the Nigerian state, Obasanjo’s government adopted an economic policy that is highly pro-west according to the economic prescriptions of the multilateral international financial institutions - the World Bank and the International Monetary Fund (IMF). It is only by this that Nigeria would define her preparedness for the neo-liberal economic development and prove her credibility to obtain economic
development assistance (foreign aid) from the West, both multilaterally and bilaterally.

Although, it is on record that Nigeria’s romance with the World Bank dates as far back as 1961, shortly after her independence in 1960. Since then, the World Bank assisted projects in Nigeria amounts to not less than 120 projects and over 121 International Bank for Reconstruction and Development (IBRD) loans and International Development Assistance (IDA) credit—sourced from http://www.answers.com/topic/economy of Nigeria. Assessed on 11/8/2006.

However, following the militarization and de-democratization of the Nigerian polity in the 1990s coupled with Nigeria’s inability to service her debts and failure to strictly implement the loan conditionalities (ie economic reform programme) the World Bank thus disengaged from Nigeria. The recent re-engagement with Nigeria since 1999 was not merely only as a result of the de-militarization and democratization of the Nigerian polity, but as a result of the willingness and determination on the part of Obasanjo’s administration to pursue and fully implement a World Bank sanctioned and approved economic reforms as encapsulated in the National Economic Empowerment and Development Strategies (NEEDS) document (Aniche, 2006).
Sequel to the nature and/or contents and trends of Nigeria’s economic policy, as at July, 2006, the World Bank assistance to Nigeria already involves 20 active (on-going) projects with the commitment value of about US$1.9 billion (http://www.worldbank.org/website/external/countries/africaext/nigeriaext-11/8/2006). These 20 active projects cover all the major sectors of the Nigerian economy including privatization programme, community-based projects, health-care system, educational sector (ie. UBEP), urban development projects and power sector reform (Financial Standard, November 6, 2006, Vol.8, NO. 8). For example World Bank supported the privatization programme with the sum of US$ 100 million, urban development (ie. Lagos metropolitan project) with US$ 200 million. As of January, 2005, over 800 communities in the first phased states of the community-based development project have successfully completed 1.017 sub-projects that include 348 school projects, 350 water projects, 90 road projects, 90 health projects, 72 electricity projects and 67 other projects such as environmental protection, training centres and commercial markets. Sourced from http://www.worldbank.org/website/external/countries/africaext/nigeriaext-11/8/2006.
But more importantly, one distinctive feature of the World Bank development assistance to Nigeria since 1999 is that under the World Bank Emergency Facility (EF) arrangement and International Development Association (IDA) low interest rate, World Bank credit facilities come under the International Development Association (IDA) with a soft window of 0.75 percent interest at 30-35 years repayment period (Financial Standard, November 6, 2006, Vol.8, No.8).

Consequently, following from the re-engagement and the on-going World Bank assisted projects in Nigeria from 1999 to 2006 under Obasanjo, it becomes empirical to note that when the World Bank re-engaged with Nigeria in 1999, it was still reluctant about extending loan facility to Nigeria. It was not until 2001 when Nigeria has shown willingness and determination to fully implement World Bank Loan conditionalities as her domestic economic policy like privatization of public enterprises, deregulation of the economy and liberalization of trade, that Nigeria began to experience an increased inflow of foreign aid. Other socio-political reforms that heightened the rate of inflow of foreign aid and investment in Nigeria within the period under study include good governance, transparency and accountability at the three tiers of government in Nigeria (See, Financial Standard, November 6, 2006, Vol. 8, No. 8). It was then not
surprising to see that the first set of credit from World Bank to the Federal Government of Nigeria was to facilitate effective and transparent implementation of privatization programme under the tag “Nigerian Privatization Support Programme” being the credit granted to Nigeria on June 14, 2001 which stood at the tune of US$ 114.29 million at the grace of 10 years (http://www.worldbank.org).

In the same vein, the World Bank under IDA soft loan window granted the Federal Government of Nigeria on December 14, 2004, shortly after the launch of NEEDS, a total credit of US$ 140 million of 10 years grace period and maturity period of 40 years to support and encourage economic reforms and governance programme in Nigeria. In addition to this, the World Bank on June 28, 2005 granted the Federal Government of Nigeria an IDA credit of US$ 18.1 million for state governance and capacity building projects. Consequently, the total World Bank credit to Nigeria increase from US$304.29 in 2001 to US$441.8 in 2005 about 45.19 percent increase.

The point being made above is that as Nigeria began to fully implement the World Bank sanctioned and approved economic reforms programme and policies by 2001, the World Bank increased its credit portfolio to Nigeria by 45.19 percent in 2005. One indication of this
readiness to fully implement the economic reform programme was the appointment of the World Bank former Vice President Dr. Ngozi Okonjo-Iweala as the Minister of Finance in 2003, and also appointment of World Bank consultant Prof. Charles Soludo as the Senior Adviser on Economic Matters in 2003 and later Central Bank Governor in 2004.

As earlier stated, the economic policies of Obasanjo’s administration actually led to a seeming growth in the economy in terms of GDP. Regrettably, the economic dividends were ploughed back into servicing old foreign debts instead of using them for economic development. It was only a situation of economic growth without a corresponding economic development.

According to the report of the Financial Standard Newspapers, November 6, 2006, Vol. 8, No. 8, the World Bank is considering increasing its flow of assistance (credit) to Nigeria under the International Development Assistance (IDA) to US$ 1 billion each year between 2006 and 2008. For point of clarity World Bank evaluates country’s ability to service/repay based on external reserve and not merely economic growth rate because economic growth does not always translate to higher external reserve. This is the reason why quota subscription is hinged mainly on member country’s external reserve.
Hence, as Nigeria’s external reserve increased from US$ 3 billion from 1999 to 40 billion by September, 2006 (http://www.fmf.gov.ng) as a result of charting her economic policy in line with the dictates of the World Bank, the World Bank credit portfolio rose to US$441.8 million by 2005 about 45.19 percent (http://www.worldbank.org) and possibly to US$1 billion by 2006 with the recent World Bank move. (See, Financial Standard November 6, 2006. Vol. 8, No. 8).

Similarly, Obasanjo’s administration’s economic policy does not only attract the inflow of foreign assistance only on multilateral basis, rather it also opened up the door of inflow of aid from bi-lateral donors. This was why on coming to office, Obasanjo pursued a foreign policy (an economic policy and economic diplomacy) that placed priority on reversing the pariah status of the nation in the international community to bring back Nigeria into a global reckoning as well as promoting friendly relations with all nation of the world and beckoning them to come and invest in Nigerian economy. And this direction of his new economic policy was foreshadowed in his inaugural address, thus:

We shall pursue a dynamic foreign policy to promote friendly relations with all nations and will continue to play a constructive role in the United Nations and OAU (now AU) and other international bodies (Obasanjo in Babalola in Nigerian Tribune, July 9, 2002).
This declaration is obviously a clear indication of his readiness to foster friendly relations with all nations as a means of addressing the image problem confronting the country, so as to muzzle up confidence in the foreign investors and enhance their bi-lateral development assistance to Nigeria. In a bid to consummate these objectives, the President has consistently traversed the nations of the world (shuttle diplomacy) soliciting for aid and inviting them to come invest in our economy. To this effect, Yahya (2005) agreeing with Babalola stated unequivocally that:

*President Obasanjo’s shuttle diplomacy is primarily to reintegrate Nigeria into the World and bring about direct investment (DFI) into the country. Besides, It has enabled him to persistently campaign for debt reduction and debt forgiveness. Quite a lot has been achieved in terms of DFI. Particular not has been taken of the $45 million debt forgiveness by Canada (Babalola cited in Yahya, 2005).*

Relatedly, the government’s foreign policy has led to an improvement in bi-lateral relations and joint economic ventures between Nigeria and other countries of the world. In particular the re-establishment of air links between Nigeria and the US is expected to boost commercial and business activities between the two countries. It is a fact that Bill Clinton, American President’s visit to Nigeria yielded $350 billion pact. This was realized from the signing
of an agreement on transport and aviation, which is part of the dividends accruing from the president’s visit (Emenyeonu, 2004). It is also on record that on Sunday 27th August, 2000 President Bill Clinton unfolded a total package of $21 million to assist Nigerian government combat the dreaded HIV/AIDS and killer diseases. For a comprehensive list of U.S bilateral assistance to Nigeria. August 26-28, 2000, refer to Table 5 in chapter two of this work.

Sequel to Obasanjo’s economic policy and economic diplomatic shuttles, Nigeria has signed trade and investment agreements with many countries of the world. For instance, the government has an Investment Promotion and Protection Agreement (IPPA) with Germany and a trade agreement with India (Yahya 2005). In the same vein, the country has received trade delegations from Japan, Denmark, Turkey, France, Germany, China, South Africa and Belgium. Of particular importance was the grant of $3.5 million to the country by China during the visit of the former President Jiang Zenin to the country (Babalola, in Nigerian Tribune, July 9, 2002).

Furthermore, as it concerns Nigeria-China relations in perspective from 1999-2006; it is on record that the volume of trade between Nigeria and China increased from US$ 178 million in 1996 to US$1.44 billion in December 2001. In support of Nigeria’s Roll-back malaria programme,
China in 2002, donated anti-malarial drugs and treated mosquito nets worth about \( \text{₦}400 \) million. Nigeria and People’s Republic of China on 13 October, 2005 signed a contract agreement for the construction of water schemes for 19 states and the Federal Capital Territory (FCT) at the cost of \( \text{₦}695 \) million. Most fundamentally as it concerns bilateral agreements, during President Hu Jintao’s of China visit to Nigeria in April 2006, Nigeria and China signed four Agreements and three Memoranda of Understanding (MOUs) on a range of programme to enhance their economic ties, notable among which were:

- The financing agreement of \( \text{₦}8.36 \) billion (\$500 million) concessionary export grants to support the development of infrastructure by China Export Import Bank.

- The provision of about \( \text{₦}670 \) million (40 million Chinese Yuan) for the training of 50 Nigerian officials and medical personnel on comprehensive malaria prevention and control.

- The supply of anti-malaria drugs worth \( \text{₦}83.6 \) million (5 million Chinese Yuan) in support of the Roll-Back-Malaria programme.

- An agreement centered to set up a team of experts for the Nigeria-China friendship cultural project.
A memorandum of understanding on the provision of National Information Communication. Infrastructure Backbone between the Federal Ministry of Science and Technology and Huwaei Technologies.


Also, in terms of investment, China has signed contracts worth over ₦4 billion with Nigeria on a concessional basis to explore at least four oil blocks in the country and repair the Kaduna refinery. China’s investment in the oil sector will result in the building of a power generation station that would add some substantial megawatts of electricity to Nigeria’s power sector (http://www.nigeriafirst.org 15/3/2007).

In the technology and power (energy) sector, China is currently cooperating with Nigeria to launch NIGERCOMSAT I, Nigeria and Africa’s first communication satellite in 2007. The China EXIM Bank is partly funding five thermal power stations in Nigeria (Ughelli, Geregu, Papalanto, Alaoji and Omotosho Power Plants) through a credit facility repayable in 12 years. China is also to develop through financial and technical support, two new hydropower plants at Zungeru and Mambilla in Northern Nigeria. The
Mambilla Power Project is planned to generate 2500MN of electricity on completion. Many Chinese technology based companies have opened office in Nigeria employing various Nigerian professionals. Huawei Technology is an example (http://www.nigeriafirst.org 15/3/2007).

According to Soludo (2006) as at 1998, FDI in the non-oil sector was negative as foreigners deserted from Nigeria. But today, such FDI runs into billions of dollars per annum. In 2005 alone, he added, about $650 million flowed into the banking sector alone. The message is that because of the nature of Obasanjo administration’s economic policies and/or economic reforms, Nigerian economy is changing in fundamental ways and the rest of the world is taking notice. Similarly; NEEDS Document (2004) pointed out that “Foreign direct investment in the non oil sector grew at an average annual rate of 3.6 percent between 1999 and 2003”.

In line to the above, Bala (2003) maintains that indeed, the great business chance is already rising in Nigeria for many investors, especially those from Europe, America and China. He supported this position by data on investment in Nigeria between 1999-2002:

- Level of investment commitment by the 143 companies registered by the NIPC was ₦70.52 billion (US$466.4 million)
- Re-investment by major multinationals amount to over US$2 billion (₦236 billion).

- Projected employment generation is over 20,959

- Total capital imported for investment purposes was US$ 506.2 million.

- Capital market capitalization was 156% change between 1999-2002

- Annual return on investment in capital market was 105% making Nigerian stock market one of the most profitable in the world.

- Foreign investment inflows from the privatization program was ₦8.3 billion (US$470.3 million) in 2002 (Bala, 2003).

It is generally known that FDI into less developed countries, including Nigeria, increased substantially in the 1990s as they opened up to, and adopted the market-led economy. Thus, in 1999, FDI to Nigeria was US$1.01 billion which was 0.2% of world’s total of US$865 billion, and 0.7% of developing country’s total of US$20 7 billion and 15% of Africa’s US$9 billion,. This makes Nigeria one of the major recipients of FDI to Africa, together with the Republic of South Africa, Egypt, Morocco and
Tunisia, in that order. FDI flow into Nigeria was US$930 and US$1,104 million for 2000 and 2001 respectively (See Bala, 2003)

Importantly, it is noteworthy that with the enthronement of the civilian government of Obasanjo, Japanese government and companies started overtures towards new economic relations with Nigeria. In 1999, the Japanese government sent government officials to discuss and identify specific areas of development assistance required by Nigeria. This was subsequently followed in mid-1999 with an official announcement that Japan is resuming economic assistance activities, which was suspended in 1996, due to the Abacha’s repressive regime in Nigeria (Bala, 2003).

To further add credence to the question whether foreign aid and foreign investors are really being attracted into the country as a result of the governments’ renewed economic diplomacy, Professor Jerry Gana, the Minister of Information and National Orientation was of the view that, the economic diplomacy of Obasanjo’s government is already paying off. To him, one of the evidences was the World Bank/IMF standby loan of $998.5 million to the government in 2002, which signaled a measure of confidence and credibility on the Nigerian economy. Other gains arising from the economic diplomacy is the reported increase of foreign investors into the country, particularly from South Africa who are already participating in the
Communications Sector of the economy following government’s liberalization of the industry (Omoweh, 2002).

1.4.3.3 **ECONOMIC DIPLOMACY AND OBASANJO’S ANTI-CORRUPTION POLICIES IN NIGERIA.**

Still in the tract for economic transformation and Nigeria’s image laundry abroad as well as to restore Nigeria to its place of pride in the international community, Obasanjo’s administration also launched out anti-corruption policies so as to make Nigeria a sure haven for foreign investors who may want to invest in Nigeria. Generally the word corruption conjures a picture of dishonesty, immorality, depravity or related vices especially through taking bribe. In the analysis of corruption Ikejiani-Clark (1995) sees corruption as an inducement in cash or kind to secure services or goods form public officials or other agencies through illegitimate, unlawful or irregular means. Ifesinachi (2004) posits that corruption is a behavioral orientation that impinges on and necessarily vitiates and destroys rules and basis of public and political conduct. World Bank agreeing with the above view defines corruption as “ the abuse of public power for private gain” (World Bank, 1997).

Corruption constitutes a cog in the wheel of development of many societies especially the Third World Countries. Corruption negates the principle and culture accountability and it has become a global phenomenon
Different forms of corruption have been identified (Njoku, 2001). They include, economic, bureaucratic, political, and judicial corruption. Other forms of corruption are the advanced fee fraud otherwise known as 419, systematic looting of the treasury, evasion of arrests, tax evasion, metre adjustment at petrol filling stations, favouritism, and related nefarious practices (Okeke, 2003)

Corruption is a cankerworm which has eaten deep into the moral fabrics of the Nigerian society at every level and has adversely affected the citizens and our economy. The 2001 Transparency International (TI) Corruption Perception Index lists Nigeria as the second most corrupt country in the world behind Bangladesh. Nigeria alone is reported to be responsible for over 30% of the incidents of corruption in Africa. The same report notes that corruption in Nigeria has accelerated since the civilian government of Obasanjo came to power. A staggering $36 billion in public money is reported to have disappeared with a few traces (Fazekas and Fergusson in Business in Africa, Dec. 2002/Jan 2003). Also in the 2005 Transparency International (TI) corruption Perception Index, Nigeria ranked 152 out 159 most corrupt country in the world, while Nigeria is placed 94 out of 155 countries in the world Bank’s 2006 Ease of doing Business Index. Worse still, Nigeria is widely known around the world for a fraudulent activity known as the “419” scam,
which seeks to extort money from foreign recipients of letters and e-mails with the promise to transfer a nonexistent windfall sum of money (http://www.wikipeddia/economy of Nig.com).

To stem the trend of corruption or wage war against the wave of corruption in Nigeria, Obansanjo signed the Anti-corruption Bill into law on Tuesday 13th June 2000. Corruption stifles development and destroys the country’s image and taints Nigeria’s business environment. In Obansanjo’s word:

Corruption was identified as number one enemy of development and progress. Combating it was easily the number one priority action for our administration... corruption is a cankerworm that has eaten into the fabric of our society at every level. It has caused decay and dereliction within the infrastructure of government and the society in physical, social and human terms. Corruption has been responsible for the instability of successive governments since the first Republic. Every coup then has been in the name of stamping out of the disease called corruption. Unfortunately, the cure often turned out to be worse than the disease ..... Nigeria’s external image took a serious bashing, as our beloved country began to feature on top of every corruption index (see FRN Anti-corruption law, 2000:4).

In a bid to fight this social malaise (corruption), President Obasanjo established the Independent Corrupt Practices and other related offences Commission (ICPC) and the Economic and
Financial Crimes Commission (EFCC). While the performance of the ICPC appears to be below expectations, the EFCC is an icon of success. The dismissal of some ministers, senior civil servants and the former Inspector-General of Police, as well as the forced resignation of the former Senate President (Adulfus Wabara) and a subsequent trial of five other senators are indicative of a more determined Obasanjo in the fight against corruption (Yahya, 2005). In addition, The Vanguard of Thursday, February 8, 2007 reported that EFCC sets trap for governors for financial corruption. To this effect, states Governors like Mu’Azu of Bauchi state, Peter Odili of River state, Chimaroke Nnamani of Enugu state, Orji Uzor Kalu of Abia state etc have been arraigned before the Commissions for probes over alleged financial corrupt practices.

In September 2005, Nigeria, with the assistance of the World Bank, began to recover US$458 million of illicit funds that had been deposited in Swiss banks by the late military dictator Sani Abacha, who ruled Nigeria from 1993 to 1998. The discovery and recovery of the looted funds stashed away into foreign banks was made possible by the anti-corruption stance of the Obasanjo’s regime. Equally, the arrest of the Bayelsa State governor in London for money laundering,
and the support given to the British Police in his prosecution, has strengthened the country’s credibility internationally. With his relentless campaign against corruption both at home and abroad, President Obasanjo has, to some extent, convinced the world that a new era, different from the earlier military profligacy and pervasive corruption, has emerged in the country.

However, although EFCC has vigorously arrested known fraudsters, many of who are still held in custody, awaiting trial as a way of checking corruption; yet, the argument here is that the anti-corruption policies have failed to yield the desired result of stamping out corruption in Nigeria because a criminal cannot prosecute himself. Infact, Obasanjo and his men cannot really wage this war against corruption seeing that they themselves are inextricably tied to this primitive accumulation of wealth. It is on this note that Ifesinachi (2004) expressly stated that “Africa’s wind of corruption wither anti-corruption policies”. Drawing inferences from the operations of the Anti-corruption commissions so far, one is bound to deduce that the executors of these laudable objectives have the more perpetrated corruption in Nigerian society in partnership with their Western collaborators.
From the above literature, though scholars have expended their mental energy in explaining the interaction between China and Nigeria within the period under review, yet there is still a yawning gap in literature as they were practically incapacitated to demonstrate in concrete terms the relationship between China-Nigeria relations in the quantum of trade that flowed into these countries.

Nigeria-China Relations has impacted positively on the economy via importation of capital, provision of infrastructure, and employment generation. In spite of the significant improvement on Nigerian economy as a result of this relationship much still needs to be achieved if the Nigeria-China relations are worth while. However to benefit optimally from this relation is a function of both countries by adopting the proper polices, right minds and removing both internal and external barriers that impede benefits of the relationship.

It is obvious that scholars have commented on the prospects and banes of economic diplomacy as a foreign policy thrust, non has devoted a study on Nigeria-China relations. In essence, the rewards and the implications of Nigeria-China relations have not attracted the attention of students of International Relations. This might not be unconnected with the heavy
attention our previous leaders and scholars paid to the west for the nation’s economic and intellectual fulfillments.

Having rigorously and systematically x-rayed what scholars have said and what they have not addressed in the existing literature as concerns China-Nigeria relations especially under Obasanjo administration, it is evident to note that scholars are yet to address in concrete terms what informs (major determinants) of Nigeria-China relations within the twenty-first century. More importantly, the concerted efforts of President Obasanjo’s Administration from 1999-2007 to take advantage of Nigeria-China relations has not been investigated by any scholar known to us especially in the areas of the impacts of this relations on the inflow of foreign aid and foreign direct investment and the volume of trade. It is therefore, these gaps in the literature this study is set to fill.

1.5 THEORETICAL FRAMEWORK

Nigeria has wallowed under the clutches of underdevelopment since 48 years of her independence. The reasons for Nigeria’s underdevelopment even in the face of her abundant natural and human resources have been a major concern to both local and international commentators. Economic diplomacy was government’s perceived measure to get Nigeria out of her low level of development. Despite the adaptation of this foreign policy
instrument, Nigeria’s relation was heavily pro-West. From empirical evidence, the nation has not made significant progress since the 1980’s when the policy was introduced. This might be as a result of what the Marxist say that “the internationalization of capitalism by Europe is to find overseas markets for selling their surplus products and to have access to raw materials whose prices are determined by themselves” (CDLCE, pos 204, p. 16).

The failure of Economic relations with the Western hemisphere to solve Nigerian economic predicaments may have necessitated the shift towards China for rescue. Our analysis is situated within the theoretical framework of Liberal theory of economic development and underdevelopment. The theory gained ground in the 1950s particularly in USA to explain the modernization which was taking place in Asia, Latin America and Africa. According to Huntington (1971) the concept was a challenge to political science discourse centered on “democracy, oligarchy and dictatorship, liberalism and conservatism, totalitarianism and constitutionalism, socialism, communism and capitalism, nationalism and internationalism”. The Liberal theorists believe that interdependence and economic linkages between the developed capitalist economies and the less developed ones are beneficial to both the developed countries and the less developed countries.
The liberals hold the view that such things as foreign investment, trade and international trade make it possible for the third world countries to have access to export markets, capital and technology which constitute the engine of growth and development. They believe that organizing and managing the domestic economy is the most important factor that can bring about economic development. In their view, rapid economic development can be achieved only if social and political problems are not allowed to interfere with the free interplay of market forces.

The Liberal theorists subscribe to the view that an interdependent world economy characterized by free trade and an international division of labour fosters domestic development. They also agree that free flow of goods, capital and technology promote optimum efficiency in resource allocation and hence diffusion of growth from the developed world to the less developed world. For them, therefore, trade and investment is the panacea for economic growth and development of the less developed countries.

They equally agree that the developed countries benefit from trade relations with the less developed countries because of access to cheap raw materials, availability of foreign markets for capital and industrial goods. It is their general consensus that the less developed countries gain more from
international trade since it facilitates the expansion of their relatively small markets. This is based on the fact that factors of production are drifting to the less developed countries where they yield the highest rewards by substituting labour-intensive for capital-intensive mode of production, resulting in accelerated growth.

It is the conviction of the liberal school that through interdependence and trade, the key factors required for economic development steadily move from the developed capitalist countries to less developed areas, and that the rate and direction of the movement of these factors depend on the international migration of economic factors (i.e. capital, labour and skill), the volume, terms, and composition of foreign trade and the nature of international monetary system. However, they accept that at the moment there is wide disparity in economic development between the developed and the less developed countries but optimistic that in the long run market forces will bring about equalization of economic levels, real wages, and economic factors throughout the world.

The position was justified by citing China, Japan and Taiwan as countries that have achieved remarkable economic growth and development using export maximization strategy while Latin America countries have failed largely because of their import-substitution strategy. The liberals insist
that the less developed countries find it difficult to develop because of internal obstacles such as the practice of subsistence agriculture, lack of technical education, a low propensity to save, a weak financial system, and wrong government policies. Other factors inimical to development are political corruption, social rigidities, planlessness, market imperfections, unstable bureaucratic structure, insufficient investment in education, agriculture, high tariff barriers, and overvalued currencies.

Economic development requires enough financial resources and the views of the Liberal are that is necessary for the less developed countries to device a system of accelerated capital accumulation. They advise that foreign loans, aid, and foreign investment can assist to accumulate the required capital. Apart from foreign financial assistance to less developed countries, self-reliant policy is the key success to industrialization as epitomized by South Korea, Singapore, Hong-Kong etc. The critiques of the theory believe that it did not adequately address the effects of political factor in the management of the economy. Gunder Frank (1998), Claude Ake,(1981) Bade Onimade (1994) and Samir Amin (1996)insist that asymmetrical relationship between the developed countries is fundamentally responsible for the economic backwardness of the third world countries. They assert that at international level, the policies frustrate the development
efforts of the less developed countries. On the domestic scene, the existence of petty bourgeois elements who collaborate with foreign interest groups is a cog in the wheel of progress of the less developed countries. A country whose economy is manipulated and controlled from outside cannot easily overcome the problems militating against its economic development efforts. To this extent, they view liberal theory to be incomplete.

The arguments against these political theories are basically based on the facts that they have not attained the level of developing causal laws like the physical sciences and they lack accurate predictive qualities. That is why, Hedley Bull warned that “if by a scientific theory of international relations we mean one which is strictly empirically verifiable, then in my view no strictly scientific theory can come to grips with a central issues of the subject which concern the value premises of international conduct.

In spite of all knocks on political theories, for the purpose of this research, Liberal theory of interdependence shall be adopted in analyzing the issues raised. Our emphasis will be placed on external and the internal dynamics of development of Nigeria both political and economic. These include stability of government and domestic policies, availability of fund and level of technological development, effects of corruption, transfer of
technology, balance of trade and above all, the impact of Direct Foreign Investment on Nigerian Economy.

1.6 APPLICATION OF THE THEORY

In applying the Liberal theory of analysis to this study on Nigeria’s economic diplomacy and her relations with China, consideration will be given to the belief that interdependence and economic linkages between the developed capitalist economies and the less developed economies are beneficial to both the developed countries and the less developed ones. In this wise, the liberal’s ideology that trade and investment constitute the foundation of economic growth and development of the less developed countries will be upheld tenaciously. This is equally in terms with the principle that Foreign Investment, trade and international trade make it possible for Nigeria to have access to export markets, capital and technology which constitute the engine of growth and development. It will explore to what extent Nigeria-China trade has expanded the market to Nigerian goods and commodities.

Following this paradigm, assessment are made of the volume of trade between Nigeria and China; the inflow of Foreign Aid; it will determine the quantum of Direct Foreign Investment Nigeria has attracted from China; the impact on the socio-economic relations; as well, examine the development
effect of the DFI in Nigeria. Also, strategies to be adopted by Nigeria to maximize the benefit of Nigeria-China relations are examined. Mindful of the endogenous factors that stifle economic growth and development, attention will be devoted to the effects of such factors as social and political problems, economic management policies and regulations, decay of infrastructural facilities, lack of adequate manpower and corruption.

The liberal method of analysis proves an adequate approach to explain the consequences of economic diplomacy between Nigeria and China.

1.7 HYPOTHESES

This study will test the following hypothesis:

i. There is a positive relation between Nigeria’s oil and China’s enhanced interest in Nigeria under Obasanjo’s regime.

ii. Economic diplomacy has impacted positively on the inflow of foreign aid and foreign direct investment to Nigeria from China

iii. Economic diplomacy has led to increase in the volume of trade between Nigeria and China within the period under review.

1.8 METHOD OF DATA COLLECTION.

Political inquiry is rooted firmly on the logic of the scientific process. There are different models of science in the study of society, all aimed at making a
generalized statements about phenomena. As relates to the social science, the implication is that human or social behavior can be explained in terms of general laws established by observation.

According to (CDLCE, 303, 1992:2) scientific inquiry broadly presents two mains aspects, one is the ascertaining and discovery of facts, the other is the construction of hypotheses and theories. They are termed descriptive and theoretical science respectively. Theory building serves to predict the occurrence of events or outcomes of experiments which helps to anticipate new facts. It also serves to explain, or to make intelligible facts which have already been recorded.

Prediction and explanation are regarded as basically identical process of scientific thinking. While prediction looks forward from what is to what will come, explanation looks back from what is to what went before. Whereas the former deals with facts, the later deals with laws.

The scientific method has something to do with theory and real world. The way the two are linked results into a fundamental distinction between deduction and induction. The deductive method starts from the known to the unknown, from reality to theory. Scientist applies the two methods in their inquiry, depending on which one is more appropriate in a given situation.
Political scientists are agreed that political behaviors can be explained in terms of general laws established by observation, hence making the subject a science. According to Hedley Bull (1975:279) it must not be “strictly empirically verifiable” to qualify as a scientific theory. Other scholars who hold the view that social behavior conform to a limited number of recognizable patterns are Comte, Marx, Durkheim, weber, and Spencer.

The orientation in the social sciences toward statements of a theoretical nature has been and remains a subject of controversy in various disciplines. Historians argue whether their approach should be idiographic or nomothetic; anthropologists discussed with functionally integrated systems must be abstracted and compared; sociologists continue to disagree about the importance of the “postulate of indispensability” whether every existing structure is functional for the system; economists argue whether a universal definition of their discipline can be constructed; and political scientists debated the value of generalizations confined to a specific set of institutions (Przeworski and Teune, 1970:5). Ours is not to get into the controversial approach, rather, align with Popper who persuasively argued that all theoretical or generalizing sciences make use of the same method, whether they are natural sciences or social sciences (Bynner and Stribley, 1978:17). According to Obasi (1999:59), qualitative research has variables that are not
easily or objectively amenable to empirical measurement and verification. “it therefore applies mostly non-statistically-based data which nevertheless can be empirically studied”. He observes that, “although it does not test hypothesis in the statistical sense of the term, it nevertheless proves its hypothesis, using the method of content analysis (Obasi; 1999:60).

There are various methods of data collection such as; observation, in the classic method of scientific enquiry; mail questionnaire, an important instrument for a social survey; interviewing of respondents; questionnaires; where respondents are meant to fill out the answers. It could be standardized or unstructured Questionnaires; and Documentary sources of information which constitute secondary data.

We shall adopt documentary sources of data collection such as related text books, journals and magazines, newspaper features and internet sites in this study.

The researchers visited and obtained both primary and secondary data from federal ministry of commerce and industry, Abuja, where materials related to Nigeria-China trades and bilateral agreement were perused. The materials and investment records of expatriate quote approvals, company incorporation certificates, memorandum and other corporate Affairs commission (CAC) documents to give insight of Chinese business activities
were obtained at one –stop-shop investment centre(OSIC) pf Nigerian investment promotion commission, maitama Abuja. Nigerian investment promotion commission houses all relevant orgnisations directly or indirectly involved in attracting direct foreign investment to Nigeria such as Standard organization of Nigeria (SON) Central bank of Nigeria ( CBN) federal inland revenue commission, federal office of statistics, Nigeria Customs services, Nigeria immigration Services, where the researcher served as a desk officer, etc. the quota registry and operations sections of the Nigeria immigration service Abuja were utilized extensively to gather data on the number of Chinese companies doing business in Nigeria and their scope of business. The monthly expatriate quote returns by such companies gave us the knowledge of Chinese nationals residing and doing legitimate business in the country.

Other institutions where materials of study were collected for the purpose of this research are institute of international Affairs, Lagos, institute of peace and conflict peculation, Abuja, federal ministry of science and technology, national space centre, Abuja largely equipped and manned by Chinese technology, Chinese experts and Chinese trained Nigerian professionals.
Although, there are observable disadvantages of the secondary data method, definitions of categories used in collection of the data may not be known; the data may be absolute, or not the scale required by other studies and analysis. Yet the method proves reliable in the conduct of this study.

1.9 VALIDITY AND RELIABILITY

According to Asika (2006:69) validity is a degree to which a measuring instrument measures what is designed to measure. If research design is correctly designed, it measures what it is supposed to measure. If it is faulty, it measures something which may be not what it is suppose to measure or lead to incorrect findings. Validity is systematic specific that can be applied in three areas of research: validity of findings, validity of measurements and validity of checking the correspondence between the variable or concept being measured and other variables or concepts. Asika (2006:73) defines reliability as the consistency between independent measurements of the same phenomenon. Reliability implies the stability, dependability and predictability of a measuring instrument. Two ways to look at reliability are internal and external consistencies. The basic question we address here is to find out whether the research technique is reliable or consistent; and whether it is actually measuring what it ought to measure.
In view of the research method adopted for this study, content validity measurement is applied. Content validity emphasizes on the scope implied by the topic of study. Content validity amongst others, Questions;

A. If all the relevant dimension of the topic fully explored?

B. Does the measuring instrument adequately cover all the dimensions or at least a good representation of all the dimensions of the topic research?

Rigorous content analysis of documents for information related to the topic of study, such as research papers, government official documents/agreements, Newspapers and publications, textbooks shall be applied effectively to achieve validity and reliability of research.
REFERENCES

Adeniji (1992): “Future of Nigeria’s Foreign Policy in a Dynamic Domestic Environment and an Increasingly Complex Global Situation” (paper presented at Ogun State University, 4th June,


Alli.w.o. (2007): The prospect and challenges of engaging China, Lagos: NIIA.


CDLCE Pos 204, Unit 1, Introduction to International Relations, Abuja: University of Abuja.

CDLCE Pos 311, Unit 1, Theories of International Relations, Abuja: University of Abuja.


sino Nigeria relations: Economic and Political dimension organized by NIIA, Lagos on 26TH September.


Trends and challenges (ed) by briggs D.A. Kuru : NIIPS.


http://www.education.yahoo.com/reference/dictionary/entry/economic
en.wikipedia.org/wiki/diplomacy
fmprc.gov.cn/zflt/eng.
Au.china-embassy.org/eng
China.org.cn/english
english.people.com.cn
conf.diplomacy.edu/conf/petrovsky.htm.
www.heritage.org/research.org/research
http://en.wikipedia.org/wiki/foreign
http://bigpicturestypepad.com
http://www.atimes.com/global-economy
http://www.asianresearch.org/articles
http://www.stwr.net/continent/view/656/36
http://www.pinr.com/report
http://www.afpc.org/china-africa.shtml
http://www.gasandoil.com/goc/news
http://www.chinadialogue.net/article
http://www.nytime.com
http://www.uofaweb.ualberta.ca
http://auafrica.com/stories
http://foreignpolicy.com/story
http://www.policyinnovations.org/ideas
http://web.africa.ufl.edu/asq/v4ila5/html
http://www.progress.org/2006/africa06.htm


CHAPTER TWO
THE HISTORY AND DETERMINANTS OF NIGERIA-CHINA RELATIONS

The Republic of China’s renewed interest in Nigeria in this era of neoliberal globalization is one of the most significant developments in international relations. This chapter is designed to x-ray the history of this bilateral relation and analyze the fundamental determinants that have propelled the bilateral relations from 1960 to 1999. To achieve this objective, the analyses of the history will be partitioned into two sections, namely the era of informal ties and formal diplomatic ties.

2.1 THE ERA OF INFORMAL TIES, 1960-1971

Nigeria and China are not neighbours by any definition, nor do they share cultural, historical, linguistic affinity to make relations between them inevitable. Being at least, ten thousand kilometers away from each other, the factor of benefit or gain needs to be properly explored in the bilateral relations.

Nigeria’s first official contact with the People’s Republic of China (PRC) was in 1960, when she was invited to the country’s Independence celebrations. In fact, at Independence in October 1960, the world view of the Nigeria’s political leadership did not factor close relations with the People’s Republic of China as one of the elements with which the country would need to cultivate externally. According to Owoeye (1986), Nigeria’s political leadership was not only pro-west, but vividly anti-communist. The resultant effect of this peculiar disposition was that Nigeria’s attitude towards communist China followed what had then emerged as a clear pattern of most of her relations with the socialist states – diplomatic isolation accompanied occasionally by bitter attacks against communist “Subversive” ideology at
home. While the then Prime Minister Tafawa Balewa declared in new year on October 7, 1960 that Nigeria would be friendly with all countries that recognized and respected her sovereignty, territorial integrity and political independence, he soon made it clear thereafter where the line was going to be drawn. The leaders of the three major political parties – the Northern People’s Congress (NPC), the Action Group (AG), the National Convention of the Nigeria Citizens (NCNC) were for various reasons not comfortable with communism. The ideology was not properly understood and was therefore feared. Consequently, neither Chief Obafemi Awolowo nor Dr. Nnamdi Azikiwe visited a communist country during their life time.

Due to their anti communist stance, the Nigerian government banned the importation of communist literature into Nigeria during the transition periods from colonial rule to flag independence. According to Ogunsanwo, (N.D.), the British security authorities were also mandated to monitor the movement of Nigerians abroad who might wish to visit communist countries secretly. The Nigerian government received reports on such visit ensured that such individuals were denied access to civil service employment on their return to Nigeria. This explains why the Federal Government refused to grant permission to Chief Mrs. Olufunmilayo Ransome-Kuti to visit communist countries in 1959. In a letter to Mrs. Kuti, the Prime Minister noted as follows:

_I must tell you quite clearly that I and my colleague are determined that while we are responsible for the government of the Federation of Nigeria and the for the welfare of the people, we shall use every means in our power to prevent the infiltration of communism and communistic ideals into Nigeria. In order to carry out policy, we shall seek to prevent Nigerians from visiting_
It is quite clear from the above that the attainment of Nigeria national goals or objectives could not conceivably have involved close ties with the communist world at that point in time. As Alaba Ogunsanwo noted, the nature of the country’s economy which was tied to the former colonial power and dependent on the export of cash crops to the markets of developed capitalist states, was regarded by some as a strong factor militating against closer ties with the communist countries of which China was a major member.

The trend towards the isolation of the People’s Republic of China suddenly changed when some eminent Nigerians such as Dr. Chike Obi, Comrade Ola Oni and Mr. O.C. Ememe visited Beijing in 1964 to attend a symposium. The following year, a scientific conference in Beijing similarly had Nigerian participants. Despite these minimal unofficial contacts, the volume of trade was high. For instance, imports from China rose from about 10 million dollars in 1968 to 15 million in 1969, and 19.68 million in 1970 the year the civil war ended. In 1971, import from China rose to 28 million dollars (Ali, N.D.).

The postwar policy of the Nigerian government resulting in reconciliation with those that had been at logger heads with Nigeria led to the restoration of diplomatic relations with Tanzania, Zambia, Gabon and Ivory Coast. This also paved the way for formal diplomatic relations with China.
2.2 THE ERA OF FORMAL TIES 1971-1998

Although informal relations had existed for years, formal diplomatic relations between China and Nigeria were only established in February, 1971 when the Ambassadors of both countries to Egypt signed a statement pledging their two countries to the struggle against imperialism and reactionary forces in the world. The Chinese Ambassador, Yang Qi-liang, 57 arrived in Lagos in August 1971 to take up his post with some of his subordinates fluent in Nigeria languages. The first Ambassador to China, Mohammed Aminu Sanusi arrived in China in March 1972 to assume duty.

In between, delegations from Nigeria visited China while Chinese sent a table Tennis team to participate in a Lagos tournament. Its measures were received by the Nigeria’s Head of State in August 1971. It should be recalled that as soon as the Prime Minster unclosed the gate against contacts between Nigeria and socialist countries, including China in 1960, a high powered Federal Government economic delegation led by late Chief Festus Okotie Eboh, then Federal Minister of Finance, visited the Soviet Union and China in 1961. The visit was generally regarded as an important deliberate step taken by the Federal Government to reduce Nigeria’s dependence on western countries, and to raise the volume and value of trade with Eastern countries and China (Chibundu, 2000).

Another important visit to China was undertaken by late Dr Okoi Arikpo, then Federal Commissioner for External Affairs, in 1973, which preceded the State visit of General Yakubu Gowon, former Head of State, in September, 1974, essentially to demonstrate the non-aligned foreign policy of the Federal Government. The communiqués signed at the end of the visit endorsed, inter alia, the friendly ties between both countries.
It is also on record that late Brigadier Shehu Musa Yar’adua, then Chief of Staff, Supreme Headquarters (SHQ) was received in Beijing in April, 1979 by his counterpart, Mr. Geng Biao during which they exchanged views on a number of issues, including the restructuring of the Nigerian railways by the Chinese experts. In particular, both sides signed an agreement on bilateral cooperation in agriculture, trade and industry (Sanu, 1997).

A couple of years later, Dr. Alex Ekwueme former Vice President during the Second Republic, visited China and held discussions with Mr. Hu Yaobang, General Secretary of the communist Party of China as well as the Premier, Mr. Zhao Ziyang (Gambari, 1985). According to Chibundu (2000), the visit was intended to demonstrate the preparedness of the Federal Government to work with the Government of the People’s Republic of China in spite of the much dreaded socialist tendencies and communism.

A military delegation led by a former president, then Major-General Ibrahim Babangida, as Chief of Army Staff, also paid an official visit to China in 1985. The visit resulted in the purchase of arms and ammunition, and collaboration in the manufacture of light arms between the appropriate agencies of both countries. The true position is that since the establishment of formal diplomatic relations between both countries, every regime in Nigeria deemed it proper to send delegations to deliberate with Chinese leadership and emphasize the desirability of maintaining cordial relationship with that country.

The most important point to note is that the foundations of the Nigeria-China bilateral relations was laid in August 1972 when a six-man delegation led by the then Nigerian Commissioner for Economic Development, Professor Adebayo Adedeji arrived in Beijing. A unique
agreement on economic and technical cooperation was signed between the two countries and a trade agreement. According to Alaba Ogunsanwo, the agreement on trade was hardly meaningful as it had no impact on the largely unregulated imports of Chinese goods into Nigeria that had gone on for years and were to become more impossible to control in years ahead. Nevertheless, both agreements were described as providing a solid foundation for economic and technical cooperation between the two countries.

In 1975 and 1976, import from China amounted to $69.86 million and $140.87 million while Nigeria’s exports for the years combined amounted to $8.85 million. In 1977, import stood at $146 million while exports to China stood at $11.8 million (Alaba Ogunsanwo, N.D). The disparity in trade was greater than what China had with any other African country. The Nigeria government was particularly concerned about the adverse trade balance in view of declining foreign reserve in 1978. Nigeria’s concern, expressed to the Chinese, led to the visit in October 1978 by Chinese Vice Premier Geng Biao, a visit that was reciprocated by his Nigerian host in April 1979. On April 19, a Nigerian delegation led by the Chief of Staff, Supreme Headquarters, Major General S.M. Yar’adua including the commissioner for Foreign Affairs, Major General Henry Adefope arrived Beijing to begin discussions with Chinese officials on matters of mutual interest.

Apart from international issues, their preoccupation was with the problem of rectifying the yawning gap in the trade figures and the non effective utilization of economic and technical cooperation agreement signed between the two countries in 1972. Chinese agricultural experts were already working on a paddy rice scheme in Lagos State involving showing farmers new techniques in rice growing as well as sinking some boreholes for
irrigation purposes in the Northern part of the country, but they were considered inadequate. After negotiations with Vice-Premier Geng Biao and other Chinese officials, the two countries agreed to cooperate in the fields of agriculture, industry and trade. China agreed to buy Nigerian palm kernel, cocoa, cashew nuts and cotton as an initial step towards correcting the trade imbalance.

A more recent visit to China from Nigeria was the six-day tour of Foreign Minister Ibrahim Gambari which began on 7th May 1985. In Beijing, Dr. Gambari deliberated with his Chinese counterpart Mr. Wu Yuegian, and the Chinese Minister of Economic Relations and Foreign trade, Mr. Zhoe Jue. Likewise, the Chinese have also employed the diplomacy of “face to face” contact in ordering their relations with Nigeria. A steady parade of Chinese delegations has visited Nigeria from year to year. In November 1972, the first protocol Economic, Technical cooperation and Foreign Trade was concluded between Nigeria and China in Lagos during the visit of Mr. Tang Yi, PRC’s Minister of Foreign Economic Affairs. Similarly, the Chinese Vice Premier, Mr. Lin Biao, toured Nigeria from 23-28 October 1978. During the visit, another protocol on foreign trade and cultural cooperation between the two countries was concluded. Another Chinese Vice Premier, Tienji Yuan, was received in audience in November 1981 by Nigeria Head of State General Buhari in the State House.

However, the international isolation of Sani Abacha regime had great impact on the Nigeria-China bilateral relations. In desperation, the Abacha regime sought new friends in Asia. China became a new bride for the Nigerian military government, thus opening a new era in relations between the two nations. Since Obasanjo assumed office in May 1999 as Nigeria’s democratic president, the Nigeria-China relations have deepened.
Nigeria wished to become a major economic player regionally and globally by the year 2020. For this reason, the immediate past president of the country chief Olusegun Obasanjo, publicly invited foreign investors including China to come into the Nigerian economy, promising to create a business friendly environment. An annual inflow of at least ten billion dollars was expected when he assumed office in May 1999. The eventual transformation of the Nigerian economy which is the objective is assumed to be compatible with China’s national interests.

According to Alaba Ogunsanwo (N.D) in the past fifteen years, China has been able to attract Foreign Direct Investment (FDI) of not less than 40 billion dollars annually. These investments have however been focused and monitored by the Chinese government. In addition, the opening of important American and European markets as well as ASEAN and Japanese markets to Chinese manufactured products, has ensured an export driven growth in the Chinese economy which has made it now the 4th largest economy in the world with the expectation that by the year 2025, China’s economy would overtake the United States as the largest economy.

It is important to note that China needs raw material to feed her rapidly expanding manufacturing industry and large markets abroad for the manufactured products. This is what any government wants its salt would wish for its country and Nigeria quickly expressed her willingness to fill this economic vacuum. The Obasanjo government demonstrated great faith in the Chinese by signing many economic agreements. A major agreement was signed in 2001, on cooperation in the petroleum sector, and on reciprocal
promotion and protection of investment. The Nigerian president who was directly in charge of the petroleum portfolio for eight years, ensured that highly lucrative oil blocks were allocated to the Chinese state company in the expectation that China would utilize that opportunity to take over the Kaduna Oil refinery currently owned by the government. Indeed, the rushed or hurried sale of the Kaduna refinery to some consortium of companies including the former president’s friends in the last 36 hours before his exit from the presidency, was roundly condemned as not transparent leading to the eventual cancellation of the sale by Obasanjo’s successor, Musa Yar’adua.

The Chinese are highly represented in Nigeria and are quite aware of the fact that unless an oil refinery is located in the Export processing zone where it produces only for the export market, the Nigerian environment is not yet prepared to allow a free market to operate in the petroleum sector in all its ramifications.

High expectation of China’s participation in Nigeria’s economic transformation predated the 1999 assumption of office by the former president, Olusegun Obasanjo. As mentioned earlier, it was the government of late General Sani Abacha that in 1995 commenced the steps that drew China closer to Nigeria. In fact, it was the adversity of the sanctions imposed by some western countries on Nigeria at that time that led Nigeria to turn east words as an alternative to the west, the traditional allies of Nigeria’s ruling elites over the years. As the trade figures indicate, Nigeria’s imports from China increased considerably in 1997 and kept rising. China did not join the west in attacking the Nigerian government following the execution of Ken Saro Wiwa and his colleagues from Ogoniland in the Niger Delta.
China saw it as an entirely internal affairs of the Nigerian state which china did not want to interfere.

Thus, on December 9, 1995, the Nigerian Federal Ministry of Transport signed an agreement with the China Civil Engineering Construction Corporation for the rehabilitation of Nigeria’s railways at a cost of 529 million U.S dollars which included the supply of coaches (Bukarambe, 2005). This was reportedly followed in May 1997 by agreements on oil cooperation, bilateral cooperation on steel industry, protocol on cooperation on electric power project and reciprocal promotion and protection of investments. (Chibundu, 2000)

It was clear at that time that Nigeria was not in a position to actually invest in China and therefore the promotion of and protection of investments protocol was designed to attract Chinese investments. According to Ogunsanwo, it has done so successfully as more than one hundred Chinese companies now operate in Nigeria in various fields from construction, agriculture, water, into Oil

Even though the issue of Nigerian Railway System was mooted during the visit to Beijing in April 1979 by major general Shehu Musa Yar’Adua, the Obasanjo regime decided to take the bull by the horns by awarding to China the contract for the full scale modernization of the Nigerian railway system including the installation of the standard guage for the system. It will however be up to the current president Umar Musa Yar’Adua to ensure that this latest agreement is not abandoned.

In 2006, a memorandum of understanding was signed by the Obasanjo administration with the Chinese to facilitate further investment cooperation. Obasanjo offered Chinese companies Juicy contracts and opportunities for their Investment and awarded many contracts to them in so many areas. One
area where effective cooperation has taken roots is the rural telephony. The efforts of the Obasanjo regime to extend telephones to the rural areas through the connection of the 774 local government Areas to a network led to the signing of a loan agreement of 200 million US dollars on concessionary rate from three Chinese companies, namely Alcatel, Shangai Bell, Huawei and ZTE. This loan was guaranteed by the Chinese government. The Nigerian Ministry signed in the deal.

In December 2004, the National Space Research and Development Agency in Abuja, signed a contract with the Great wall Industry Corporation of China for the building, delivery and launching of a Nigerian Communication Satellite called Nigcomsat-1. This was to be developed based on the Donagfanghong-4 Satellite platform. The Nigcomsat-1 carries transmitters at 28 wave bands and was designed to ensure that the country met demands in telecommunications, broadcasting and broadband multimedia services. The Chinese side provided the soft loan for the project which was completed within schedule and is now in orbit having been launched into space before the exit of Obasanjo as president. At a cost of 200 million dollars, this is one project that was not abandoned even though the instrument has failed to perform in the space.

At the just concluded 5th Sino- Nigerian Business and Investment Forum Guangzhou, China, it was announced, according to the ThisDay Newspaper of September 21st, 2007, that Chinese Company, Guangdong Xinguang International Group was planning to establish a $500 million free trade zone, which will house no less than 100 Chinese Companies in Ogun State, Nigeria.

It is Important to mention here that one major project undertaken by China within the period under discussion was the Abuja All- African Games
village. The contract for the construction of this Vital Infrastructure was awarded to the China Civil Engineering Construction Corporation (CCECC) in 2000 to build some 5000 housing units for International athletes participating in the eight annual All African Games. The Construction of the Village provided an opportunity for the Chinese to show case their increasing cooperation with Africa in a high profile International setting.

The Launching of the Forum on China–Africa Cooperation (FOCAC) - a program designed to boost economic and social development for Africa that consisted of three high profile ministerial meetings between 2000 and 2006 - further cemented the China-Africa relationship, leading to a particularly important role for Nigerian. However, the reaction of Nigerian stakeholders to China’s engagement with the Nigerian economy differs. This point will be given a further elaboration in the subsequent chapters of this work.
REFERENCES


3.1 Oil in Nigeria: An Introductory Note

Oil is a major source of energy in Nigeria and the world in general. Oil being the mainstay of the Nigerian economy plays a vital role in shaping the political destiny of the country. Although Nigeria’s oil industry was founded at the beginning of the 20th century, it was not until the end of the Nigerian civil war (1967 – 1970) that the oil industry began to play a prominent role in the economic life of the country (Odularu, 2008:1).

Indeed, oil was discovered in Nigeria in 1956 at Oloibiri in the Niger Delta after half a century of exploration. This discovery was made by Shell-BP, at the time the sole concessionaire. Nigeria joined the ranks of oil producers in 1958 when its first oil field came on stream producing 5,100 barrels per day (bpd). After 1960, exploration rights in onshore and offshore areas adjoining the Niger Delta were extended to other foreign companies. In 1965 the EA field was discovered by Shell in shallow water southeast of Warri. (http://www.ogbus.ru/eng/ - Accessed on 5/12/2008).

In 1970, the end of the Biafran War coincided with the rise in the world oil price, and Nigeria was able to reap instant riches from oil production. Nigeria joined the Organization of Petroleum Exporting Countries (OPEC) in 1971 and established the Nigerian National Petroleum Company (NNPC) in 1977; a state owned and controlled company which is a major player in both the upstream and downstream sectors.

According to Okwandu (2008), Nigeria is one of the world’s leading oil producing nations, ranking second after Libya in Africa and eight in the world. In specific terms, petroleum plays a large role in the Nigerian economy, accounting for 40% of the GDP. It is the 12th largest producer of
petroleum in the world and the 8th largest exporter of oil, and has the 10th largest proven reserves and the country was also a founding member of OPEC (see http://www.wikipedia.com – 20/7/2008). Currently, oil constitutes over 90% of Nigeria's national income, over 85% of Federal Government revenue, and over 80% of the country’s foreign exchange earnings. Following the discovery of crude oil by Shell D’Arcy Petroleum, pioneer production began in 1958 from the Company’s oil field in Oloibiri in the Eastern Niger Delta. By the late sixties and early seventies, Nigeria had attained a production level of over 2 million barrels of crude oil a day. Although production figures dropped in the eighties due to economic slump, however, the year 2004 saw a total rejuvenation of oil production to a record level of 2.5 million barrels per day. Current development strategies are aimed at increasing production to 4 million barrels per day by the year 2010 (Odularu, 2008:7, http://www.ogbus.ru/eng./ - Assessed on 5/12/2008). The table below demonstrates the operative performance of the Nigerian oil sector from 1970 (when it assumed full functional operation) to 2007.

Table 3.2  **Labour, Capital, Real Gross Domestic Product, Domestic Crude Oil Consumption and Crude Oil Export in Nigeria, 1970 – 2007.**

<table>
<thead>
<tr>
<th>Year</th>
<th>L</th>
<th>K</th>
<th>RGDP</th>
<th>DP</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>20.39</td>
<td>17126</td>
<td>250604</td>
<td>12,234.00</td>
<td>383,455.00</td>
</tr>
<tr>
<td>1971</td>
<td>20.85</td>
<td>22437</td>
<td>278556</td>
<td>16,144.00</td>
<td>542,545.00</td>
</tr>
<tr>
<td>1972</td>
<td>21.32</td>
<td>23221</td>
<td>295255</td>
<td>14,655.00</td>
<td>650,640.00</td>
</tr>
<tr>
<td>1973</td>
<td>21.82</td>
<td>22775</td>
<td>313390</td>
<td>23,752.00</td>
<td>695,627.00</td>
</tr>
<tr>
<td>Year</td>
<td>Price</td>
<td>Quantity</td>
<td>Value</td>
<td>Price</td>
<td>Total</td>
</tr>
<tr>
<td>------</td>
<td>-------</td>
<td>----------</td>
<td>---------</td>
<td>-------</td>
<td>--------</td>
</tr>
<tr>
<td>1974</td>
<td>22.36</td>
<td>22708</td>
<td>351843</td>
<td>27,610.00</td>
<td>795,710.00</td>
</tr>
<tr>
<td>1975</td>
<td>22.96</td>
<td>37802</td>
<td>342208</td>
<td>32,510.00</td>
<td>627,638.00</td>
</tr>
<tr>
<td>1976</td>
<td>23.61</td>
<td>53153</td>
<td>378058</td>
<td>21,236.00</td>
<td>736,822.00</td>
</tr>
<tr>
<td>1977</td>
<td>24.31</td>
<td>63145</td>
<td>406800</td>
<td>50,815.00</td>
<td>715,240.00</td>
</tr>
<tr>
<td>1978</td>
<td>25/05</td>
<td>60609</td>
<td>381774</td>
<td>22,199.00</td>
<td>674,125.00</td>
</tr>
<tr>
<td>1979</td>
<td>25.78</td>
<td>48476</td>
<td>375855</td>
<td>37,778.00</td>
<td>807,685.00</td>
</tr>
<tr>
<td>1980</td>
<td>26.50</td>
<td>60428</td>
<td>388982</td>
<td>103,857.00</td>
<td>656,260.00</td>
</tr>
<tr>
<td>1981</td>
<td>27.17</td>
<td>75597</td>
<td>379972</td>
<td>56,196.00</td>
<td>496,095.00</td>
</tr>
<tr>
<td>1982</td>
<td>27.83</td>
<td>59068</td>
<td>373425</td>
<td>68,980.00</td>
<td>401,658.00</td>
</tr>
<tr>
<td>1983</td>
<td>28.48</td>
<td>32811</td>
<td>348686</td>
<td>58,930.00</td>
<td>392,031.00</td>
</tr>
<tr>
<td>1984</td>
<td>29.15</td>
<td>17790</td>
<td>343954</td>
<td>56,907.00</td>
<td>450,580.00</td>
</tr>
<tr>
<td>1985</td>
<td>29.87</td>
<td>18022</td>
<td>382940</td>
<td>60,508.00</td>
<td>486,580.00</td>
</tr>
<tr>
<td>1986</td>
<td>30.63</td>
<td>25582</td>
<td>390161</td>
<td>49,345.00</td>
<td>486,584.00</td>
</tr>
<tr>
<td>1987</td>
<td>31.42</td>
<td>24601</td>
<td>387456</td>
<td>92,755.00</td>
<td>390,514.00</td>
</tr>
<tr>
<td>1988</td>
<td>32.26</td>
<td>22929</td>
<td>416837</td>
<td>93,805.00</td>
<td>435,797.00</td>
</tr>
<tr>
<td>1989</td>
<td>33.11</td>
<td>22392</td>
<td>446625</td>
<td>103,427.00</td>
<td>522,481.00</td>
</tr>
<tr>
<td>1990</td>
<td>33.98</td>
<td>37411</td>
<td>497351</td>
<td>112,310.00</td>
<td>548,249.00</td>
</tr>
<tr>
<td>1991</td>
<td>35.03</td>
<td>38289</td>
<td>497410</td>
<td>104,012.00</td>
<td>585,838.00</td>
</tr>
<tr>
<td>1992</td>
<td>36.10</td>
<td>39764</td>
<td>510493</td>
<td>107,040.00</td>
<td>604,300.00</td>
</tr>
<tr>
<td>Year</td>
<td>Rate</td>
<td>Quantity</td>
<td>Price</td>
<td>Total 1</td>
<td>Total 2</td>
</tr>
<tr>
<td>------</td>
<td>-------</td>
<td>----------</td>
<td>--------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>1993</td>
<td>37.20</td>
<td>45715</td>
<td>518441</td>
<td>127,786.00</td>
<td>563,614.00</td>
</tr>
<tr>
<td>1994</td>
<td>38.32</td>
<td>35437</td>
<td>522510</td>
<td>118,146.00</td>
<td>578,044.00</td>
</tr>
<tr>
<td>1995</td>
<td>39.46</td>
<td>30903</td>
<td>533736</td>
<td>98,500.00</td>
<td>616,900.00</td>
</tr>
<tr>
<td>1996</td>
<td>40.63</td>
<td>33872</td>
<td>555791</td>
<td>91,500.00</td>
<td>648,690.00</td>
</tr>
<tr>
<td>1997</td>
<td>41.83</td>
<td>48570</td>
<td>571854</td>
<td>86,370.00</td>
<td>673,340.00</td>
</tr>
<tr>
<td>1998</td>
<td>43.04</td>
<td>39380</td>
<td>587954</td>
<td>88,620.00</td>
<td>687,390.00</td>
</tr>
<tr>
<td>1999</td>
<td>44.26</td>
<td>41613</td>
<td>594975</td>
<td>112,410.00</td>
<td>666,490.00</td>
</tr>
<tr>
<td>2000</td>
<td>45.49</td>
<td>43797</td>
<td>624072</td>
<td>109,800.00</td>
<td>688,080.00</td>
</tr>
<tr>
<td>2001</td>
<td>46.84</td>
<td>34470</td>
<td>653512</td>
<td>142,220.00</td>
<td>674,930.00</td>
</tr>
<tr>
<td>2002</td>
<td>48.19</td>
<td>42793</td>
<td>683786</td>
<td>164,250.00</td>
<td>490,810.00</td>
</tr>
<tr>
<td>2003</td>
<td>49.56</td>
<td>69841</td>
<td>749202</td>
<td>164,250.00</td>
<td>490,810.00</td>
</tr>
<tr>
<td>2004</td>
<td>50.94</td>
<td>105239</td>
<td>798496</td>
<td>164,200.00</td>
<td>736,400.00</td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td>134164</td>
<td>848219</td>
<td>73,105.90</td>
<td>846,179.70</td>
</tr>
<tr>
<td>2006</td>
<td>51.84</td>
<td>155923</td>
<td>891175</td>
<td>175022.00</td>
<td>864,422.00</td>
</tr>
<tr>
<td>2007</td>
<td>52.75</td>
<td>178142</td>
<td>984022</td>
<td>184,143.00</td>
<td>871,321.00</td>
</tr>
</tbody>
</table>


The above table demonstrates that petroleum production and export play a dominant role in Nigeria’s economy and accounts for about 90% of
her gross earnings. This dominant role has pushed agriculture, the traditional mainstay of the economy, from the early fifties and sixties, to the background. To this end, Okwandu, (2008:1) explained that:

*Nigeria has, in recent years, become heavily dependent on oil revenue to the utter neglect of the agricultural sector, which before the oil boom was the bedrock of the economy. The major agriculture products then, were palm produce in the East, groundnut, in the North, and cocoa in the West. Exports of these products amounted to between 70% and 80% of the country’s foreign exchange earnings. Added to these were cassava, yam, beans, millets, rice, etc, which satisfied the domestic requirements.*

Essentially, the oil boom, perhaps inadvertently, brought about the neglect of the production of export crops and domestic agricultural products, whose markets prices are no longer as lucrative as that of oil to the extent that, export crops contribute far less than 10% of the nation’s foreign exchange earnings. Paradoxically, even domestic staples such as rice and beans are now being imported to supplement local supply in an economy, which has been outweighed by the fast growing population (See Okoye, 1982; Achigbu, 1997; Agundu, 2000).

Since inception, the oil sector has been and still is predominantly in the hands of giant Multi-national Co-operations (MNCs). In 1938, when oil prospecting began in Nigeria, Shell D’Arcy Petroleum Company and British Colonial Government held sway. Shell BP’s monopoly was broken in 1955, with the granting of concession to other oil firms such as Mobil Exploration Nigeria Limited (Subsidiary of the American Socony Mobil Oil Company), SAFRAP (of the French oil group), AGIP, Phillips, Tenneco, Delta/Pan Ocean, Japanese Petroleum, Occidental, Ashland, among others, which were all MNCs. Today, the main oil companies operating MNCs in Nigeria
include Shell Petroleum, Elf, Mobil, Chevron, Nigerian Agip Oil Company, Texaco, Ashland and Panocean. They were extracting and marketing Nigeria’s Oil and paying royalties to the Federal Government of Nigeria (FGN) until 1967, when manipulation of output figures and exaggeration of extraction, transportation, and storage costs were insinuated by concerned stakeholders. This gave birth to the Joint Venture Arrangement (JVA) of April 1971, which ushered government into the mainstream of the oil industry, with a view to ensuring that the nation derives the best from her oil resources (Okwandu, 2008).

In 1958, when the first shipment of crude oils from Nigeria to Europe was made, Nigeria was still a colonial country, so the colonial government administered earnings. The 1959 Act stipulated categorically that profit derived from oil should be shared on 50:50 basis between the FGN and oil companies. The principle was achieved by charging tax of 50%, which the companies were mandated to set off and pay to government. The oil companies thrive under these provisions to the disadvantage of the FGN, until the Act was amended in 1967, after due consultation with major oil producers, on issues relating to pricing policy and intricate methods of the oil business. Namco (1982) equally captured the scenario in his assertion that:

> Until quite recently, Nigeria oil as extracted and marketed by the companies involved in the oil industry. Before January 1967, royalties for oil were assessed from the value of crude oil at the place of extraction. This value was compiled from proceeds realized at the port of export after deducting the cost of extraction, transport and storage. All of these costs were determined by the multinational companies.
This method invariably caused production profits to accrue unchallenged to the oil companies because of their monopolistic powers. In addition to the amendment of the 1959 Act, in 1967, Nigeria became a member of the Organization of Petroleum Exporting Countries (OPEC) in 1971 and subscribed to OPEC’s Resolution XVI, Article 90 of June 1968, which provided that:

i. Petroleum had become too critical to the well being of producer nations to be completely entrusted in the hands of private foreign nations;

ii. It is in interest of national security of these nations;

iii. The desires to obtain a fair share of the proceeds from foreign companies whose activities in the industry are shrouded with Secrecy (Orife, 1987).

Importantly, the Nigerian oil sector can be categorized into three main sub-sectors, namely, upstream, downstream and gas. The most problematic over the years has been the downstream sector, which is the distribution arm and connection with final consumers of refined petroleum products in the domestic economy. The incessant crisis in supply of products culminated in the decision by Government in 2003 to deregulate the downstream sub-sector. However, the manner of its implementation has been controversial because it ignores the economic realities in Nigeria.

Oil production by the Joint Venture (JV) companies accounts for about 95% of Nigeria’s crude oil production. Shell, which operates the largest joint venture in Nigeria, with 55% Government interest (through the Nigerian National Petroleum Corporation, NNPC), produces about 50% of Nigeria’s crude oil. Exxon Mobil, Chevron Texaco, ENI/Agip and
TotalfinaElf operate the other Joint Ventures, in which the NNPC has 60% stake.

In particular, the place of oil in the mind of the average Nigerian has become more profound since the deregulation of the downstream segment of the Nigerian oil industry in 2003. The contradiction is more glaring now with the recent rise in crude oil prices at the global markets, which meant more external earnings for Nigeria, but also increased the expense burden on imported refined petroleum products. It is such contradictions that make the Nigerian economy appear strange at times, as policies seem to ignore what appears obvious to do. As such, policies designed to address the deficiencies and defects in the structure end up being poorly articulated and/or implemented because of regional, political or rent-seeking selfish interests.

Obviously, it is the same rent-seekers that continually sabotage the reinvigoration of the domestic refineries, making Nigeria to depend on importation of refined products to meet the domestic need. At present, Nigeria has four refineries, with a combined installed refining capacity of 445,000 barrels per day (bpd). The four refineries are:

1. The first Port Harcourt Refinery was commissioned in 1965 with an installed capacity of 35,000 bpd, and later expanded to 60,000 bpd.
2. The Warri Refinery was commissioned in 1978 with an installed refining capacity of 100,000 bpd, and upgraded to 125,000 bpd in 1986.
3. The Kaduna Refinery was commissioned in 1980 with an installed refining capacity of 100,000 bpd, and upgraded to 110,000 bpd in 1986.
4. The Second Port Harcourt Refinery was commissioned in 1989 with 150,000 bpd processing capacity, and designed to fulfill the dual role of supplying the domestic market and exporting surplus.

The combined capacities of these refineries exceed the domestic consumption of refined products, chief of which is premium motor spirit (gasoline), whose demand is estimated at 33 million litres daily. The refineries are however, operating far below their installed capacities, as they were more or less abandoned during the military era, skipping the routine and mandatory turnaround maintenance that made products importation inevitable. Importation notwithstanding, there have been persistent product shortages that gave strength to the argument for deregulation of the downstream oil sub-sector in Nigeria.

The monetization of oil revenue has been a major factor in liquidity management in Nigeria. Measuring liquidity as the narrow and broad money definitions by the CBN, the early 1990s saw increases that were, dampened by 1995 up until the civilian administration came on board in 1999. The new Government maintained disciplined fiscal operations for about one year and thereafter, the floodgates were opened. Since then, the CBN has been battling to keep liquidity in check, in order to ensure that it does not create adverse effects on the three key macroeconomic prices (i.e. interest rate, exchange rate and inflation rate). The greatest challenge is when Nigeria generates more revenue from crude oil sales than it budgeted, like now. Such excesses have always been monetized, creating market distortions and inflationary pressure (Biodun Adedipe, 2004 cited in Odularu 2008:10).

From the above exploratory note, it is practically evident that Nigeria is richly blessed with oil and other natural resources. Indeed, petroleum (oil) production and exports play a dominant role in Nigeria’s economy and
accounts for about 90% of her gross earnings. Importantly, Nigeria’s sweet and low sulphur crude oil has made Nigeria a centre of attraction to many nation-states with the United States and China on the top list for Nigeria’s high quality crude oil.

**Politics and China’s Quest for Nigerian Oil**

Nigeria’s relations with China have grown in the last decade from the limited and intermittent contact that marked the immediate post-independence era to an increasingly complex and expansive engagement (Utomi, 2008). As a matter of fact, China’s increasing presence in Nigeria, and elsewhere in Africa, has spurred much speculation about the nature of the emerging partnership model, and as well raised the fundamental question “What does China really want in her relations with Nigeria? Is it to secure market for her Chinese products or is China directly or indirectly targeting the Nigerian Oil?

A national scholarly debate across sectors on this China’s partnership with Nigeria will be a healthy exercise and may drive more rigorous analysis of what best informs China’s interest in Nigeria. Essentially, this is what this section of the study is set to address.

Oil is one of the world’s most important forms of energy, which is essential to economic development and human progress. As Adebiyi (2002) noted, one thing that had been proved conclusively across the globe is that oil never leaves a nation as it meets it. It is the watershed for economic breakthrough and the pillar of wealth creation. As the author further observes, nothing internationalizes a nation like oil. This is why Nigeria is, on one hand, globally recognized and on the hand, because of the importance of oil, China has gone into partnership with Nigeria in order to
have a fair share of the Nigerian oil. According to Pat Utomi, the volume of trade between Nigeria and China continued to grow at low levels until rapid growth turned China in 1993 from a net exporter of crude oil to the second-largest importer of crude oil in the world. Gulf of Guinea countries like Nigeria, which produce sweet, low sulphur crude and offered developing markets open to international investment, were particularly attractive to the Chinese. As China secured various Joint-Venture contracts with Nigerian Oil Companies, often in exchange for low interest loans and targeted development projects, the volume of trade rapidly increased from 1.3 billion Nigerian naira in 1990, to 5.3 billion 1996, to 8.6 billion. Most of the growth was attributable to the oil sector, with a small fraction emanating from the importation of cheaply manufactured Chinese goods and products (Utomi, 2008 http://www.Csis.org/media/Csis/pubs/080603Utomi.nigeriachina.pdf - 8/22/08.

In support of the above viewpoint, Konings (2007:18) explained that China’s dynamic economic growth is fueling an ever-increasing demand for oil, minerals, timber and other natural resources. Similarly, guaranteed long term access to Africa’s relatively under exploited natural resources clearly tops China’s agenda (see Alden 2005; Council on Foreign Relations, 2006). To this end, it simply implies that China’s growth fuels her demand for oil so as to feed her numerous manufacturing companies. Kwanashie (2007:3) explained that “besides the United States, no other country has the demand for oil as does China”. According to him, China consumes 6.7million barrels a day, and that the level is projected to double to 13.4 million barrels per day by 2025. The table below shows Nigeria’s oil exports to China 1995 – 2007.
Table 3.1 Nigeria’s Oil Exports to China

<table>
<thead>
<tr>
<th>Year</th>
<th>$Million as Percentage of China’s Total Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>59,7112 0.0452</td>
</tr>
<tr>
<td>1996</td>
<td>6,8210   0.0049</td>
</tr>
<tr>
<td>1997</td>
<td>10,6323  0.0074</td>
</tr>
<tr>
<td>1998</td>
<td>27,4559  0.0019</td>
</tr>
<tr>
<td>1999</td>
<td>182,4852 0.1100</td>
</tr>
<tr>
<td>2000</td>
<td>292,9266 0.1301</td>
</tr>
<tr>
<td>2001</td>
<td>227,4364 0.0933</td>
</tr>
<tr>
<td>2002</td>
<td>121,3083 0.0410</td>
</tr>
<tr>
<td>2003</td>
<td>71,6788   0.0173</td>
</tr>
<tr>
<td>2004</td>
<td>462,5767 0.0824</td>
</tr>
<tr>
<td>2005</td>
<td>527,5767  0.0798</td>
</tr>
<tr>
<td>2006</td>
<td>277,7516  0.0350</td>
</tr>
<tr>
<td>2007</td>
<td>527,5767  0.0798</td>
</tr>
</tbody>
</table>

Source: China Customs, [http://www.tralac.org](http://www.tralac.org)

From the available data, China’s main interest in the economic front lies in securing supply lines for oil and minerals. China has only 2.3% of the world’s oil reserve and even less of gas (1%). Yet, China consumes 6.7 million barrels per day, which is the second largest consumption after US. China, therefore, relies on Africa, especially Nigeria, for about one third of
its oil supplies (Musa, 2007). The table below shows Nigeria’s direction of oil exports and demonstrates in concrete terms the steaming rise in China’s quest for Nigerian oil.

Table 3.2  Nigeria’s Direction of Oil Exports (Naira Million)

<table>
<thead>
<tr>
<th>Region/Country</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>758,995.0</td>
<td>600,373.9</td>
<td>1,236,018.5</td>
<td>2,086,689.1</td>
<td>3,167,959.8</td>
</tr>
<tr>
<td>South America</td>
<td>133,076.7</td>
<td>120,961.7</td>
<td>243,799.1</td>
<td>528,878.1</td>
<td>394,449.7</td>
</tr>
<tr>
<td>Europe</td>
<td>480,120.5</td>
<td>378,513.8</td>
<td>655,525.3</td>
<td>582,489.1</td>
<td>1,107,132.6</td>
</tr>
<tr>
<td>Asia &amp; Far East</td>
<td>339,695.7</td>
<td>425,398.9</td>
<td>575,102.3</td>
<td>899,706.7</td>
<td>1,092,011.0</td>
</tr>
<tr>
<td>China</td>
<td>17,960.0</td>
<td>7,107.7</td>
<td>12,941.7</td>
<td>44,670.2</td>
<td>69,923.4</td>
</tr>
<tr>
<td>Africa</td>
<td>128,0477.5</td>
<td>129,669.7</td>
<td>259,215.4</td>
<td>349,044.5</td>
<td>396,303.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,839,935.4</strong></td>
<td><strong>1,654,918.0</strong></td>
<td><strong>2,969,660.6</strong></td>
<td><strong>4,446,807.6</strong></td>
<td><strong>6,157,856.7</strong></td>
</tr>
</tbody>
</table>


Increase in table between Nigeria and China is also reflected in the continued increase in China’s import of Nigeria’s oil. As shown on the table above, China’s import of Nigerian oil more than tripled between 2001 and 2005. North America and specifically United States continue to be the destination of more than half of Nigerian’s oil exports.

China’s trade with Nigeria will in the long run continue to be driven by the growth of her economy and the demand for raw material to drive her growth process. For Nigeria, a key to beneficial bi-lateral economic relations stems in part in understanding China’s reforms of her trade strategy.
Reforms have resulted in a fast growth of China’s external trade. In fact, since 1979, China has witnessed her external trade expanding faster than GDP. External trade has grown by more than 15 percent a year. Total two-way trade in 2002 came to over $620 billion. China’s trade/GDP ratio is over 44%. Substantial trade liberalization preceded China’s accession to membership in WTO at the end of 2001.

Still on the bid to secure raw materials for its numerous industries, China has been on top-speed gear to secure a steady supply of Nigeria’s oil. In 2006, China intensified efforts in signing what is tagged “Nigeria and China Seal Oil Exploration Deal” (Timah, 2006 http://www.njeitimah-outlook.com/articles/article/3263422/49795.htm 9/12/08). The China National Petroleum Corporation was allocated four of 17 oil blocks that were on auction by the Nigerian government in Lagos Friday May 19th, 2006. The licenses were given to the Chinese to explore two blocks located in the Lake Chad basin area and two in the restive Niger Delta area.

According to Timah (2006), this deal was to concretize agreement reached between Nigeria and China during the visit of President Hu Jintao of China to Nigeria in April 2006. In the agreement, Nigeria was to offer to China National Petroleum Company “first right of refusal for four oil exploration blocks during the licensing round of 19th May 2006. In exchange, China was going to invest some $4bn in oil and infrastructure projects in Nigeria. These projects included the building of a railway system and power stations. China was also to buy the controlling stake in the 110,000 barrels a day of Kaduna oil refinery and make it more efficient.

China was expected to pay $5.01m and $10.01m respectively for the exploration right of the Niger Delta basin area while a very small amount will be paid for the risky Chad basin rights. “The success at the bidding has
given us the opportunity to be part of Nigeria’s massive oil sector”, said Huang Yu, Vice-President of the China National Petroleum Corporation. Eleven companies qualified for the bid including two local companies from the troubled Niger Delta region.

Nigeria is the first largest oil producer in Africa and 7th in the world with an estimated daily production of 2.6 million barrels of crude oil while China is the most populous country of the world with the fastest growing economy in the world. China’s quest for new source of energy for her expanding economy has become more and more urgent. This deal is seen as a significant first step for the Chinese to position themselves as future players in the Nigerian oil sector that has always been dominated by the Western oil companies.

From the light of the above, one may wonder why China has over-engaged itself in Nigeria with a peculiar target on the Nigerian oil. In an attempt to explain this reality Ogunsanwo (2007) highlighted that China needs raw materials, oil specifically, to feed her rapidly expanding manufacturing industry and large markets abroad for the manufactured products. According to Alaba Ogunsanwo, this is what any government worth its salt would wish for its country and there is therefore nothing wrong with this. To the extent that Nigeria’s aspirations are compatible with China’s interests, successes can be achieved in mutual cooperation.

Nigeria wishes to move away from being just a crude oil exporting country to a petroleum products exporting country a development that could turn the country’s fortune around. To this effect, licenses were approved for not less than twenty companies to establish refineries in Nigeria. Chief Olusegun Obasanjo, the then Nigerian President who was directly in charge of the petroleum portfolio for eight years, ensured that highly lucrative oil
Blocks were allocated to a Chinese state company in the expectation that China would utilize that opportunity to take over the Kaduna Oil refinery currently owned by government (Ogunsanwo, 2007). While the media reported in October, 2006 that the refinery had actually been sold to China, the reality was different. The Oil Block offer was not concretely operationalized for that purpose by the Chinese company, meaning the refinery was not purchased by China. The Chinese bid was deliberately low and this was why the new President Musa Yar’Adua promulgated a reversal of policy on the Kaduna and Port Harcourt refineries immediately he was sworn in (see Business Day, Monday August 6, 2007).

Indeed, the rushed or hurried sale of the Kaduna refinery to some consortium of companies including the former president’s friends in the last 36 hours before his exist from the presidency, was roundly condemned as not transparent leading to the eventual cancellation of the sale by Obasanjo’s successor. Regrettably, this sale-of-the refinery saga, at that time, resulted in a nation-wide consternation and brouhaha, which the height of its all was that Nigeria was thrown into a national strike action starting on June 20, 2007 that was orchestrated by the Nigerian Labour Union and Civil Society.

Going by the trend of oil politics in Nigeria, one cannot help but appreciate the fact that the Chinese are heavily represented in Nigeria and are quite aware of the fact that unless an oil refinery is located in the Export Processing Zone where it produces only for the export market, the Nigerian environment is not yet prepared to allow a free market to operate in the petroleum sector in all its ramifications. This was one of the reasons why Foreign Minister Ojo Maduekwe insisted in his statement at the Nigerian Institute of International Affairs (NIIA) on July 30, 2007 that Nigeria does not have a market (Ogunsanwo, 2007). On the other side of the coin, China
needs for her industry enormous amounts of imported crude oil and is looking for this everywhere including Angola, Sudan, Nigeria, Gabon and wherever else in Africa such oil is accessible. Therefore, it is our arguments that China cannot honestly be extremely enthusiastic in encouraging the conversion or transformation of crude oil exporting countries such as Nigeria, to petroleum product exporting countries.

Judging from the above posture and role of China in the Nigerian Oil Sector, the first very clear message is that China has a special interest in Nigeria’s oil. Musa (2007:2) echoed this view when he elucidated that:

*China’s main interest in the economic front lies in securing supply lines for oil and minerals. China has only 2.3% of the world’s oil reserves and even less of gas (1%). China consumes 6.7 million barrels per day, which is the second largest consumption after US. China relies on Africa for about one third of its oil supplies.*

As the above quotation emphasized, China has moved aggressively into the Nigerian oil sector, mainly buying equity shares in established fields (oil blocks) rather than exploring new ones. This implies that China has a yearning appetite for oil in order to sustain its numerous industries. For instance, China accounted for roughly 40 percent of the rise in global oil demand between 2000 and 2004 (Musa, 2007:2). However, Musa argued that as trade between China and Nigeria has quadrupled since Nigeria returned to civilian rule, even to the point of reaching $10bn in 2006, Chinas’ incursion 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 (with a population of about 140 – 150 million people) which makes it a veritable market for China’s product. Much as Sani Musa’s ideas/views are trying to square into reality that China’s incursion into Nigeria is for various reasons, it is still pertinent to note that the primary interest of centres around Oil.

Be that as it may, Kwanasie (2008:8) argued that “genuine Sino-Nigeria relationship can not be built around Nigerian oil alone” it would not be in her (China’s) interest in Nigeria to build trade relations around her demands for Nigerian oil. In his opinion, China should commit itself to collaborating in poverty reduction in Nigeria on a long term basis. China must partner with Nigeria to build Nigeria’s capacity to produce other commodities by providing appropriate technology that would grow small scale producers in the country. By this, it implies that China should be prepared to transfer labour friendly technologies to give it an edge over industrialized countries that Nigeria has been dealing with or doing business with. According to him, in a globalizing environment, countries can no longer hide behind the smokescreen of political noninterference, respect of sovereignty and none interference in the internal affairs of other states to ignore the sufferings of the peoples of the countries they are having business dealings with. China should commit itself to the complete liberation of the poor masses in countries it does business with through its new found economic clout in the world. Kwanashie crowned his argument by saying that it will be ironical for China to promote the hegemony of Chinese capital in Africa (Kwanashie, 2008: 3-9).

In response to this 1999 – 2007, Nigeria experienced an unprecedented trend in China’s quest for oil in Nigeria. This unprecedented China’s quest for oil may partly be as a result of the them President
Obasanjo’s economic policies or economic shuttle diplomacy wherein Obasanjo tranversed the whole world beconing on foreigners to come and invest in Nigeria. This new policy pathway of Obasanjo paved the way for foreign investors to come into Nigeria for investments. Notably, amidst all the investments made by the foreigners in the Nigerian soil, greater percentage was in the oil sector, even those foreign investments outside the oil sector were still directly or indirectly induced by oil interest. In line to the above reality Alli (2008) added that the Chinese investment in Nigeria, which has equally risen sharply, is also now estimated to be wroth a staggering figure of not less than 5 billion naira. According to him, the Chinese have made investments in virtually all sectors of the Nigerian economy, including oil, energy, railway, construction, pharmaceutical, textile and others.

The Obasanjo government demonstrated great faith in the Chinese signing many economic agreements. A major agreement was signed in 2001, as cooperation in the petroleum sector, and on reciprocal promotion and protection of investment. In 2006, a memorandum of understanding was signed by the Obasanjo administration with the Chinese to facilitate further investment cooperation. As a matter of fact, Obasanjo offered Chinese companies juicy contracts and opportunities for their investments and awarding many contracts to them in so many areas. There is no doubt that this development has enriched the character of the Nigerian international economic relations, reducing its decades of overdependence on a narrow list of Western powers and diversifying its overall global engagements.

However, it is important to note that Chinese engagement with Nigeria on business grounds did not begin with President Obasanjo, rather the new phase in the relations between Nigeria and China began in the mid-
1990s. This new phase engagement has reached a new level of very robust and diversified and broad engagement. For instance, since General Abacha brought the Chinese into the Nigerian Railway issue in late 1990s, they (the Chinese) have gone on to widen the scope of their involvement in the Nigerian economy, making inroads into virtually all the sectors. As a result, in the last decade, China has become not just a trading partner, but also a major investor, with a strategic and universal vision of the Nigerian economy in the short and long term. This can be seen from the pattern of investment the Chinese have made in all the critical sectors of the economy namely – Oil, energy, telecommunications, agriculture, construction, infrastructure, textile and so on. Indeed, the campaign of the Obasanjo Administration for foreign investment has also attracted the Chinese who have become the boldest investors in Nigeria in that while other nations are still carrying out political risk assessment, the Chinese are busy making hay while the sun shines as it were. The result, according to Alli (2008:3) has been spectacular. Chinese products are now very visible in the Nigerian consumer market. As should be expected, with such economic value for Nigeria, China is bound to have a growing economic and political clout over Nigerian affairs.

In analysing the prospects and challenges of engaging China, virtually all sectors of the Nigerian economy, especially the oil sector Alli (2008) pointed out that this development has become so important that major think tanks across the world, including the Chattam House in the United Kingdom, the US Council on Foreign Relations and South African Institute of International Affairs, are currently carrying out several projects (research) on the emerging nature of China – Africa and China – Nigerian relations. At home (here in Nigeria), the pace and intensity of the engagement has
become dizzying and even alarming for some people both within and outside Nigeria and Africa that we now read in our popular press articles with titles like “The Rampaging Chinese Dragon” (Adeniyi and Okereocha, 2006), “Beware of China” (Olisa, 2006) and so on. In fact, the Olisa’s piece or article attracted a direct response from the Chinese Ambassador, Xu Jianguo himself, who wrote a rejoinder which was published (See: ThisDay of Sunday January 7, 2007:21). In his rejoinder, the ambassador observed that the article shocked him “gravely” adding that “the content of ‘Beware of China’ is not in compliance with the reality of China” and that “the publication of such an article would not be in the interest of the Nigerian people”.

However, while this development is largely welcomed, and the prospects of China’s oil deal in Nigerian in particular, and trade in general appears good in the short term, there is an urgent need for Nigeria to immediately develop necessary institutional framework and human capacity to meet the challenges which the fast paced relations pose to the nation in the long term. To this end, Alli (2008:5) suggestively argued that with the great need of the Chinese for agricultural raw materials of all kinds namely, oil, solid minerals and gas to power their booming economy and the abundant resources of Nigeria and its potential to produce agricultural raw materials and food which the Chinese need, it is already clear that Nigerian government should intensify efforts to promote industrial and agricultural production and their export to China among other countries. The failure of the cassava initiative is a clear sad commentary on the ability of the Nigerian government to advance the course of profitable engagement of the Chinese on a balanced trade platform with Nigeria.
From the theoretical analysis and with the available data, it is practically evident that China’s interest in her relations with Nigeria centres heavily on oil. Although, Chinese investments cut across other sectors of the Nigerian economy and has littered or filled the Nigerian market with all sorts of Chinese products, yet it is our argument in this study that all these Chinese extra economic activities, investments and transactions outside the oil sector of the Nigerian economy are best described as “ancillary” Chinese economic interests, activities, investment and transactions in order to sandwich and/or secure her basic target interest which is underpinned on Nigerian oil.

3.2 China’s oil Diplomacy in the New Gulf of Guinea

In the contemporary global market, oil is the most essential commodity. The importance of oil cannot be denied nor over-emphasized. Petroleum represents one of the most diverse and multi-functional minerals in the world. It has played an integral role in shaping global events, technology, and society since 1880s when oil was discovered in large quantity. Oil is the major source of energy. It is a prerequisite for the industrial sector, agro based industrial development and traditional agriculture. The demand for oil is on the increase daily, and the world consumes the million barrels of oil a day.

Today, oil intimately links the world together politically and economically. Militaries around the world rely upon oil for a variety of
transport vehicles and weapons systems; while airlines, commercial shipping, and other enormous industries require dependable access to a vibrant global oil market. According to the 2005 BP Statistical Review of World Energy (2005) oil supplies about 40% of the world’s energy and 96% of the transportation energy. Given the importance of oil, it is not surprising that the world does not take the oil industry lightly and it has become a highly politicized commodity. More fundamentally, any nation-state in whose soil harbours oil is held at great esteem in the global community. This simply expresses why the countries within the new Gulf of Guinea region become a central focus in any oil geopolitical discourse.

The Gulf of Guinea specifically refers the Western African coastline rich oil producing countries. It points to all the oil fields from Angola in the South to Congo, Gabon, Equitorial Guinea, Cameroon and Nigeria. In fact, it is loosely used to encompass all the oil producing countries in Africa including Southern Sudan, Chad, Niger and South Africa as the case may be (see Engdahl, 2007). The Gulf of Guinea according to Forest and Sousa (2006:14) points to a “stretch of Western Africa’s coastline between Nigeria and Angola, where an estimated 50 billion barrels of oil reserves are located”. This refers to all the Western coastline African countries that are rich in oil.

Since the discovery of oil in the large quantity in the world, it saw the emergence of the major oil companies and their nationals which dominate the industry today. These oil companies and nation-states expanded their operations throughout the world in search of new sources of oil. To this end, our concern in this section of this study underpin on China’s oil demands in the new Gulf of Guinea.
China’s dynamic economic growth is fueling an ever-increasing demand on oil, minerals, timbers and other natural resources. Guaranteed long-term access to Africa’s relatively underexploited natural resources clearly tops China’s agenda (Alden, 2005; Council on Foreign Relations, 2006). In the same vein, the Institute for the Analysis of Global Security – IAGS (2004) in analyzing Chinese quest for crude increases focus on Africa, unequivocally stated thus:

*The scramble for Africa’s oil and gas reserves continues. US, European and Asian companies have been flocking to the capitals of Algeria, Libya, Nigeria, Angola, Egypt and even Sudan in recent months. Yet the battle for energy resources on the African continent still appears to be in its early stages. Leading oil sector analysts have warned of growing conflict between Western and Asian countries as they seek to outbid each other for key hydrocarbon assets in Africa. These forecasts have been largely based on the expectation that China will become the major player in nontraditional oil and gas producing regions on the continent.*

As the growth of Chinese economy surges ahead and its energy requirements rise in tandem, West Africa, Libya, Sudan and even South Africa have become key areas that Beijing has targeted in its global crusade for crude oil, natural gas and even refining assets and petrochemical products.
In the latest country analysis report on China published by the Energy Information Administration (EIA) of the US Department of Energy in July 2004 it was noted that China was the world’s second largest consumer of petroleum product in 2003. The country moved into second place, overtaking Japan for the first time, behind the US, with total demand of 5.56 million barrels per day (See IAGS, 2004) http://www.iags.org/n111544.htm 7/12/2008). China’s oil demand is projected by the EIA to reach 12.8 million bpd by 2025, with net imports of 9.4 million barrels per day, which will impact significantly on world oil trends.

China’s recognition of the dangers to its current oil sources due to political instability in the Middle East has had the effect of Africa assuming an even greater prominence in its persistent pursuit of secure of oil supplies. It has consequently taken a number of steps to expand and diversify its oil supplies from Africa (Tull, 2006; and Konings, 2007:18). At present, just under 30 percent of China’s oil requirements come from Africa, mostly from Sudan, Algeria and increasingly – The Gulf of Guinea. Beijing has signed more than 40 oil agreements with different African countries (Pham, 2006:243).

Most Chinese oil companies are state owned and as such, enjoy a number of competitive advantages over their Western rivals in securing African oil supplies. Unlike their Western counterparts, the Chinese have no qualms about making deals with even the worst of African’s corrupt and repressive regimes since the Chinese government imposes no political conditions on African governments before signing contracts for oil exploration or production (Lafargue, 2005; Hirst, 2006). To this end, IAGS (2004) commented that China will pursue its oil interest in Africa without
political restrictions or concerns. This implies that China tries to separate business from politics.

In terms of its drive into Africa, recent reports in the South African press have noted that China has increased its economic and diplomatic involvement in Southern African States, notably Angola and South Africa itself. These two States have been identified by Beijing as having suitable resources to satisfy China’s expanding need for energy products. In 2001, around 25% of Angola’s crude oil exports went to China. China has largely invested in the Angolan oil via a series of soft loans it has granted to Luanda. In fact, Konings (2007:18) contend that:

*One particular instrument for carrying favours with governments in oil-producing African States is China’s willingness to offer what is referred to as a “total package”: soft loans and credit lines, gifts and bribes, development assistance, arms, deliveries, political protection from international pressures, using its seat on the UN Security Council and other measures to bolster the competitive advantage of Chinese companies.*

The above strategies China adopted in her quest for steady oil supply from African oil rich countries have been paying off positively. The table below shows China’s detailed record of her total exports and imports since 1995 – 2006.
Table 3.4: China’s Exports and Imports 1995 – 2006 in Millions of US Dollars.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total world Exports</th>
<th>To Africa</th>
<th>Total world Imports</th>
<th>From Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>14877.6</td>
<td>2493.69</td>
<td>132083.4</td>
<td>1427.44</td>
</tr>
<tr>
<td>1996</td>
<td>151047.5</td>
<td>2466.33</td>
<td>138832.8</td>
<td>1464.47</td>
</tr>
<tr>
<td>1997</td>
<td>182743.9</td>
<td>3208.11</td>
<td>142139.9</td>
<td>2463.56</td>
</tr>
<tr>
<td>1998</td>
<td>183746.5</td>
<td>4054.66</td>
<td>140385.3</td>
<td>1478.62</td>
</tr>
<tr>
<td>1999</td>
<td>195176.5</td>
<td>4119.08</td>
<td>165779.1</td>
<td>2375.13</td>
</tr>
<tr>
<td>2000</td>
<td>249239.7</td>
<td>5057.39</td>
<td>225095.1</td>
<td>5540.71</td>
</tr>
<tr>
<td>2001</td>
<td>266403.1</td>
<td>6007.51</td>
<td>243562.6</td>
<td>4792.45</td>
</tr>
<tr>
<td>2002</td>
<td>325647.1</td>
<td>6967.82</td>
<td>295302.9</td>
<td>5427.31</td>
</tr>
<tr>
<td>2003</td>
<td>438472.6</td>
<td>10199.43</td>
<td>413095.6</td>
<td>8364.78</td>
</tr>
<tr>
<td>2004</td>
<td>593647.2</td>
<td>13815.11</td>
<td>560811.2</td>
<td>15640.85</td>
</tr>
<tr>
<td>2005</td>
<td>732326.8</td>
<td>18686.76</td>
<td>660221.8</td>
<td>21114.12</td>
</tr>
<tr>
<td>2006</td>
<td>969323.6</td>
<td>26704.86</td>
<td>791793.9</td>
<td>28767.62</td>
</tr>
</tbody>
</table>

Source: China Customs www/Iradac.org.

The table above empirically and statistically demonstrates that there has been a steady increment in the quantum of imports of China from Africa between 1999 – 2006. Importantly, between 2007 to day, the Chinese total oil imports from Africa have been on a geometric increase.

More recently, China has become a significant participant in the oil sector on the West Coast of Africa (The New Gulf of Guinea), the continent's largest oil-producing area. Nigeria and Angola are the main producers and China has increased its activities in both countries. In 2004, Angola became China’s largest supplier of crude oil in Africa. In that year, the Chinese state-
owned Export-Import bank (Eximbank) provided it with a US $2 billion soft loan as part of a longer-term aid package in exchange for 10,000 barrels of oil a day. The deal seemed to be of mutual interest: it enabled the Angolan regime to circumvent Western donor pressure for increased fiscal transparency and it strengthened China’s foothold in the Angolan oil economy. Indeed, China has largely invested in the Angolan oil sector. In view of this, analysts such as Jakkie Cilliers of the Institute for Security Studies (ISS) in South Africa believed China is more likely to grant loans than make donations to African countries which would push Chinese companies to the forefront in terms of oil sector participation in Africa in the coming decade. In fact, Angola and other African nations are likely to welcome Chinese loans given that there are no political conditions attached to them.

The potential for increased foreign direct investment in these African states, and the solutions they offer China’s booming oil demand, makes closer co-operation between the countries involved inevitable. Importantly, the state-owned China National Petroleum Corporation (CNPC) is currently developing oil projects in Chad, which has diplomatic ties with Taiwan. Similarly, Chinese oil companies are also signing contracts in west Africa’s other key oil producers, such as, Nigeria, Equatorial-Guinea, Congo-Brazzaville and Gabon. Other countries like Ivory Coast, Mauritania and Niger have also been identified as future cooperation by Beijing. Contracts between the Chinese authorities and many of these countries have already been signed.

China is essentially making an enormous progress in her oil deal in the New Gulf of Guinea and even beyond. In line of the above reality, the
former Nigerian Presidential Adviser on Petroleum and Energy Edmund Daukoru, said this about the increasing value of oil from the Gulf of Guinea:

*With the recent advance in deep water oil and gas production technology, particularly submersible production facilities, that have extended the reach of oil and gas production to water depths of 3,000 meters, the Gulf of Guinea has become one of the most profitable hydrocarbon, the most prolific hydrocarbon provinces of the world (Daukoru, 2005).*

The strategic importance of the new Gulf of Guinea to the Chinese oil needs is because it presents China with some unique opportunities quite different from the Middle East. First, oil revenues dominate most of these African countries economics within the Gulf of Guinea. Secondly, African oil is of high quality and low in Sulphur. The Sulphur content of crude oil varies from 0.2 to 6 percent in weight; and this has an important bearing on the quality of the crude, because the lower the sulphur contents, the higher the quality. The Nigerian crude is sulphur-free, non-waxy and the gravity varies between 20 and 30 degrees (See Angaye, 1986; NNPC, 2001; and Okubote, 2001).

The above description of the quality of the Nigerian crude oil, characterizes almost all the crude oil explored in the New Gulf of Guinea. This is what informs why China is grossly in the new Gulf of Guinea for her daily oil demands.
REFERENCES


Ogunsanwo, A. (2007): Nigeria and China. Ibadan: Lead City University,
Ibadan.


NNPC (2001) Monthly Petroleum Information, Published by the Corporate Planning and Development Division (CPDD).

CHAPTER FOUR
TRENDS AND CHALLENGES OF NIGERIA-CHINA TRADE RELATIONS, 1990 – 2007

4.1 Nigeria – China Trade Relations: A General Viewpoint

The growing integration of the world’s economy driven by the globalization process, and controlled by international Capital which is domiciled largely in Western industrialized countries has opened up most countries of the world and promoted greater freedom in trade and capital flow (Kwanashie, 2008).
Trade liberalization is the current global strategy for growth. It promotes economic growth and development, and serves as a Vehicle for poverty alleviation in the third world countries. It is noteworthy that bilateral and multilateral trade relations are useful part of the process of building a stable world economy. Nigeria and China are involved in such reevaluation as encapsulated in their respective reform agendas.

Trade relations between China and Nigeria have been growing steadily since the establishment of diplomatic ties in 1971 and have witnessed a fast growth since civil-administration of President Obasanjo in May 29, 1999. Nigeria is China’s second largest trading partner in sub Sahara Africa after South Africa. (http://englishpeople.com.cn,11/6/2007).

Nigeria-China trade relations suffered a setback in the 1960s and 1970s. During this period, Nigeria operated state monopoly and nationalized foreign enterprises. She adopted the import substitution industrialization strategy up till the early 1990s. This strategy worked against importation and free trade. The situation is no longer the same today following the economic reforms of 1999 – 2007 administration. Privatization and commercialization of government parastatals which is the trend world wide was embarked on by Nigerian government.

In the bid to achieve economic development, the president embarked on a holistic reform of Nigerian economic environment to create confidence in foreign nations and investors to relate with Nigeria and Nigerians. The first step/measure was for President Obasanjo himself to globe-trot. This was to
motive hither to reluctant nations to do business with Nigeria. The result was the re-admittance of Nigeria into the Commonwealth of Nations. The administration made concerted efforts to strengthen Nigeria’s economic relations with major countries across the world. Nigeria had been in isolation from international community during the period leading to 1999. As a result the economy suffered decline in local economic activities and economic partners dropped abysmally low. The foreign trips opened new lines of business and attracted foreign investments in areas of telecommunication, agriculture, electricity and railway.

A remarkable difference in the Obasanjo economic diplomacy is the shift from the traditional reliance on the western allies for economic survival to the Asian region, particular, Peoples Republic of China. During Obasanjo’s visit to China on August 26, 2001, issues relating to trade between the two countries was given a serious attention. At the end of the trip, trade agreements were signed by the two countries. The agreements include Memorandum of Understanding on co-operation. A new Bilateral Trade Agreement, an agreement for the Reciprocal promotion and protection of Investments, a frame work Agreement on petroleum Industry Cooperation and Memorandum of Understanding on Communications.

The new Bilateral Trade Agreement replaced the earlier one which expired in 1985. It stipulated that both countries will make every effort to increase the volume of trade between them and endeavour to achieve a balance of trade, taking into account payments for invisible trade. It also stipulates that the two countries shall grant each other most-favoured-nation treatment in
all matter relating to customs duties and foreign trade formalities in connection with the importation or exportation of products.

The bilateral trade agreement also provides for the establishment of Joint Trade Committee, to:

(a) Suggest measures for expanding trade relations and economic cooperation between China and Nigeria;

(b) Serve as a medium for the exchange of relevant information on the possibilities of delivering goods and commodities originating from the countries of the contracting parties and

(c) To compare trade statistics on a yearly basis in order to assist in the reduction of any trade imbalance.

This agreement also provides that in order to enhance trade relations between the two countries, experts from both sides will work out details on crude oil sales/purchase contract between companies of both countries.

The administration saw an urgent need to diversify the revenue base of the country through an agro-industrial revolution, and in 2002, the presidential cassava initiative was inaugurated. According to Fagbemi (2005) the Federal Government signed a pact with its Chinese counterpart towards exporting one million tones of cassava chips into China yearly. The agreement is aimed at achieving higher production of cassava in Nigeria, and will involve a reduced tariff condition with its consequent reduction in the cost of exportation. Afuforo (2005) reports that Nigeria exported its first batch of 100,000 metric tonnes of cassava chips to China in April, 2005. In August, 2005, another, batch of 100,000 metric tones was ready to be shipped to China, courtesy of Genetic International Cooperation of China, a
state owned company. The consignment forms a fraction of the 11.2 million metric tones requested from Nigeria by the People’s Republic of China. The supply agreement was secured by a Nigerian firm, Messrs Ladmok Company. Under the agreement, supervised by the Minister of Commerce, the company will supply China with 100,000 metric tonnes of cassava chips over a period of six months.

To facilitate the execution of the Order, the Nigerian Export – Import Bank (NEXIM) has agreed to provide 80 per cent of the funding requirements of the deal under its special facility for cassava. Cassava is said to have a wide and varied application as raw materials for well over 1000 Industries. According to Imisim (2006) Chinese business men adjudged Nigerian cassava the “best in the World”.

Inspite of the progress in this direction, Obinor (2006) argued that Nigerian goods are yet to penetrate the Chinese market, resulting in trade imbalance infavour of China. Ekah (2007) advocated that Nigerians desirous of accessing the opportunities of the China market must understudy the various complicating factors, some of which are uniquely native to China. They should fashion out a strategy of entering the China Market.

This initiative is expected to earn the nation about N15 billion per annum. The cassava export market alone now fetches over $5 billion (635 billion) per annum (Tell, May 2007, p.42).

The objective of the cassava initiative is to put Nigeria’s economy in the context of global competition. The government hopes to utilize cassava in primary industries like ethanol, chips, flour and starch. It is intended that this
will diversify the economy making room for foreign private participation and increase in trade commodities.

The revolution in agriculture and trade commodities has resulted in Nigeria becoming the highest grower of cassava in the world. Cassava production target for 2005 was put at 40 million tones. And it is expected that in the year 2020, output should be about 60 million tones.

To further encourage foreign and local investors, the federal government instituted a N50 billion agricultural credit support scheme. Interest on the loan is pegged at 14 percent, with the Central Bank of Nigeria, expected to subsidize it by six percent. The Commercial Bank is to source the bulk of the fund. The beneficiaries are only expected to pay eight percent. The impressive reform and the enabling environment led to the signing of trade agreements with China, Botswana, and South Africa with a view to increasing cassava exports. With an estimated 120,000 tonnes production capacity annually, it is aimed that export will generate an average of $38 million a year in foreign earnings.

Cocoa production is another area the Federal Government made an ambitious and remarkable impression with a development programme in February, 2007. The government plans to increase the present production of 170,000 tonnes to 600,000 tonnes by 2008. The sum of N154 million subsidies are to be granted to farmers, and N91 million for cocoa plant nurseries. New seedlings with 18 months gestation period has been introduced. 50 percent input subsidies for the purchase of chemicals was also granted. In 2006, Nigeria generated N34 billion from cocoa. According to Obasa, Chairman, National Cocoa Development Committee, NCDC, the
federal government granted a N50 billion loan to the sector to be channeled to exploring market possibilities in China and Europe. Officials and experts from the Nigerian agricultural sector have visited China to interact with their Chinese counterparts and pursue the initiative for greater bilateral cooperation for agricultural development. China is expected to share its expertise in land reclamation and dry season farming with Nigeria. The cotton industry attracted the attention of government. Government budgeted a N50 billion for the textile sector to revive it. Nigeria’s production capacity is put at 550,000 bales at present, while area planted is about 375,000.

The revival of the textile sector is expected to meet with a lot of challenges as cheap textiles are smuggled and imported in from China. The influx of Chinese textiles kill local production due to cost differential. According to report on (www.fonprc.gov.cn/eng,12/6/2007) China’s main exports to Nigeria are light industrial, and mechanical and electrical products. Her main imports from Nigeria are petroleum, timber, and cotton etc. The volume of trade between the two countries in 2002 reached USD1.168 billion, of which China’s exports were US$1.047 billion, and imports US$121 million.

On the other hand, China adopted the socialist economic system since her liberation in 1949. National Development Plans in the early 1950s were directed to collectivism of resources and production. From 1991, China developed the socialist market economy in which the means of production were owned by the state but managed on market principles for factor efficiency.
The past decade has seen China open her economy to foreign trade and investment. Initially she favoured a maximum of 25 percent stake in foreign investment. Today, the regulation is relaxed as there exist in China many wholly foreign owned co-operations.

The two countries eager and ready to transform their economies necessitated Presidential visits that took place between Presidents Hu Jintao of China and Olusegun Obasanjo of Nigeria where various agreements were signed. In 2001, a Bilateral Trade Agreement (BTA) was signed. In April, 2005, while President Olusegun Obasanjo was in China, a strategic Partnership Agreement was concluded. Again, on February, 2006, a memorandum of understanding on Investment Cooperation between the Federal Ministry of Commerce of Nigeria and Ministry of Commerce of the People’s Republic of China was signed in Lagos both in English and Chinese Languages. The contents of the agreements: are contained in the bilateral trade agreement and memorandum of strategic partnership.

Although, it might not be easy to obtain an accurate figure due to the smuggling activities that go on across Nigerian verse and porous borders, it is generally agreed that the Volume of Nigeria – China trade has been on the increase since 1999. According to Yinzhu, the Chinese Ambassador to Nigeria (2001), the volume of trade between both countries hit the $796 million – mark in 2000, showing an increase of 50 per cent over the 1999 figures.

Odeny (2004) stated that the volume of trade between the two countries increased over the five years from $578.43 million in 1999 to $1.858 billion in the first quarter of 2005. According to statement issued by the Minister of
Foreign Affairs, during the 7 – man Chinese delegation in the country, led by Mr. Xuchun, September, 2008, “China’s Current Investment in Nigeria stands at $3 billion, which bilateral trade as at the end of 2007 amounted to $4.3 billion, making Nigeria the third largest trading partner of China in Africa”.

According to (NIIA, 2005:25) the economic and trade relations between Nigeria and China “lagged behind their political relations” prior to 1999 administration of Chief Olusegun Obasanjo. During the period, the imbalance in trade in favour of China was so glaring that it was advocated that China should “take deliberate policy steps to allow more Nigerian primary commodities into China”. To take advantage of China’s growing foreign investment, the government took far-reaching measures to provide the enabling environment for investments in the Nigerian economy.

During the fourth session of the Nigeria-China Joint Commission in Beijing from 26th February – 2nd March 2001, both parties expressed the hope that far-reaching decision be taken for mutual benefit of the countries in the areas of agriculture, education and culture, trade, investment, banking, transport, power and steel, and petroleum resources, military and security matters. These objectives are to be pursued by the government and organized private sector institutions in both countries. Chinese diplomatic activity is normally conducted at two levels; “inter-governmental and the peoples diplomacy”.

Prior to the inception of the Obasanjo regime on May 29, 1999, Nigerian trade and development were at the lowest ebb. All sectors suffered serious neglect, provision of qualitative education, portable water, roads, healthcare and other provisions and services that make life meaningful for the people were all in a parlous state. Rates of foreign exchange and interest were so
high. The nation’s external debt profile rose up to $40 billion, while the foreign reserves were as low as $5 billion. (Tell, May 2007).

The activities of the several military governments that held power in Nigeria had made her a pariah state before the coming of President Olusegun Obasanjo. To reintegrate the nation into the main stream of global trade and politics using diplomacy as a baseline, the President made over 112 shuttles out of the country. Unlike the previous era when diplomatic exchanges were carried out by Ministers and government officials, the president of both countries engaged in official visits to underscore the importance of the determination of both countries to cooperate in all levels.

4.2 The Trend of Nigeria-China Trade Relations, 1999 – 2007

The new phase, in the relations between Nigeria and China, which began in the mid-1990s, has reached a new level of very robust and diversified and broad engagement. According to Alli (2008:1) this is evident in the steep rise in the volume of trade between the two countries from about 200 million dollars in 1995 to about 2.9 billion dollars in 2006 as reported by the Chinese Ambassador to Nigeria, Mr. Xu Jianguo in December, 2006 (See Punch, December 18, 2006. To be more specific and precise too, the bilateral trade between China and Nigeria reached USD 3 billion in 2006, which shows a steep rise from USD 384 million in 1998 (http://en.wikipedia.com -Accessed 10/12/2008). Importantly, scholars argue that this trade is largely in favour of China, a reason for which Bukar Bukarambe has defined the relations as China-driven (Bukarambe, 2005:232).

Since May 1999 after Nigeria returned to constitutional democracy, President Olusegun Obasanjo has visited China twice, in 2001 and 2005 with his Chinese counterpart reciprocating both visits. Many high level visits
have taken place between ministers and top officials of both nations. The volume of trade between Nigeria and China increased from $178 million (US) in 1996 to $1.144 billion (US) in December 2001. China is now one of Nigeria’s top ten trading partners with Chinese businessmen showing increasing interests in investing in Nigeria (http://www.nigeriafirst.org/cgi-bin/artman/exec/view.cgi?archive.vessed 10/12/08.

Kwanashie (2007) stated that the economic growth of China has made it look for market abroad. Although it has a large domestic market it still needs to develop domestic demands to the level of its supply of many goods. According to him, Nigeria has in few years experienced greater trade with China. The volume of non-oil imports from China has grown. In trade related matters with Nigeria, the role of China has become noticeable over the years. Today China accounts for more imports from Nigeria than the whole of Africa. For instance in 2005 Africa accounted for ₦138, 111.78 million worth of Nigerian import. In the same year China accounted for ₦251,111.78 million worth of Nigerian imports. China has been as source of cheaper consumer goods attracting an increasing flow of Nigerian merchants seeking cheap sources for imports. Although concern over quality has been expressed, but Nigerian merchants are often interested in making profit at cost and would continue to seek out cheap goods abroad. Resulting from the above, China’s non-oil imports from Nigeria amounted to (in million naira) 03,733.23 in 2002; 178, 719.14 in 2003; 187,307.16 in 2004 and 251,112.32 in 2005 (see CBN, 2005). While the Nigeria’s direction of oil exports to China (in million naira) amount to 17,960.0 in 2001, 7,107.7 in 2002, 12941.7 in 2003, 44, 670. 2 in 2004 and 96, 923.4 in 2005 (see also CBN, 2005).
To this end Ogunsanwo (2007) pointed out that Nigeria has remained a good market for Chinese goods. He presented the historical trend of trade transactions between Nigeria and China since Nigeria’s independence, especially during the Nigeria’s post civil war era. According to him in 1994 and 1976, imports from China amounted to $96.86 million and $140.87 million while Nigeria’s exports for the years combined amounted to $8.85 million. In 1977 imports stood at $146 million while exports to China stood at $11.8 million. According to him the disparity in trade was greater than what China had with any other African country. Also, Olusanya and Akindele (1986) lamented seriously on the persistent trade imbalance between Nigeria and China. According to them, the balance of this trade has always been in China’s favour. As a step towards bridging the trade gap, then, China pledged to purchase, in addition to cocoa and cashew nuts, substantial qualities of cotton and palm kernel. Nonetheless, the trade imbalance has persisted. However, these authors thus explained that the trade disequilibrium is not likely to strain Sino-Nigerian ties (Olusanya and Akindele, 1986:302).

In the contemporary phase of Nigeria –China relations (1990s to present), the trade imbalance has persisted. As part of efforts to help Nigeria diversify her economy and relatively strike a balance in their trade relations, China increased its volume of agricultural imports from Nigeria. Already, 80,000 tonnes of cassava chips have reached China. Nigeria has already received another order from China to supply another 192,000 tonnes in the next 10 months. China is also buying sesame seed from Nigeria and has indicated her willingness to buy more agricultural produce if Nigeria can supply. There are currently over 400 Chinese agricultural experts in Nigeria involved in the construction of small earth dams (see Nigeria China relations
In the same vein, Musa (2007) argued that trade between China and Nigeria has quadrupled in the last six years, reaching $10 billion in 2006. According to him, incursion 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. Furthermore, in a BBC News of April 26, 2006, China agreed to buy a controlling stake in the Kaduna oil refinery that would produce 110,000 barrels a day. Nigeria also promised to give preference to Chinese oil firms for contracts for oil exploration in the Niger Delta and Chad Basin (BBC News 2006 China and Nigeria agree oil deal” April 26, 2006 –Retrieved on 21/6/08). In 2005 Nigeria agreed to supply petroleum to China with 30,000 barrels a day of oil for USD 800 million (Financial Times, February 27, 2006).

Ogunkola, Bankole and Adewuyi (2008) presented a detailed analysis on Nigeria-China trade relations with particular reference to the size, composition and significance of exports to China as well as size, composition and significance of imports from China.

4.2.1 Size, Composition and Significance of Nigerian Exports to China

According to them, Nigeria’s exports to China are spread over many and varied products which have been classified according to the Standard International Trade Classification Revision 3 (SITC Rev 3) shown on Table 4.1. These products include food, animals, crude materials, oils, chemical products, and manufactured products. Though the sources of data did not
show data on Nigeria’s exports to China in 1995, data were recorded for 2000 and 2005. In 2000, four broad commodities were exported totaling US$307.3 million, with the main export commodity being mineral fuel and lubricants which represented US$273.7 million. The next important export in 2008 was crude materials excluding food and fuel which totaled US$33.3 million. The remaining two broad commodities exported to China were quite insignificant with values between US$0.1 million and US$0.2 million. Thus in terms of Nigeria’s exports to China, Mineral fuel and lubricants ranked first, Beverages and live animals exports rank third while manufactured goods rank fourth. In terms of significance of Nigeria’s exports to China relative to the world. Nigeria exported more crude materials excluding food and fuel to China as this constituted 61.1%. Mineral fuel and lubricants which constituted the main exports of Nigeria to China in 2000 was a paltry 1.4% of Nigeria’s total world exports. In effect, out of US$20.3 billion total Nigeria’s exports, only 1.5% was exported to China.

Nigeria’s exports position was more impressive in 2005. The country’s exports more than doubled the value in 2000; this accounted for by all the products, from US$20.3 billion in 2000 to US$44.4 billion in 2005. In contrast, though exports to China increased to US$526.9 million in 2005, the increase was not as much as that of Nigeria’s total exports. The composition of exports to China in 2005 was not very different from that of 2000 but experienced some repositioning of certain broad products. Thus, mineral fuel and lubricants still ranked first followed in ranking by crude materials excluding food and fuel. However, manufactured goods, which ranked last in 2000, displaced food and live animals while two broad products; chemicals, and miscellaneous manufactures, featured in 2005. Also, exports of crude materials excluding food and fuel reduced between 2000 and 2005.
the proportion of Nigeria’s exports destined for China reduced in 2005 even when the absolute value showed an increase. Nigeria’s export to China in 2005 was 1.3% of its total exports which represented a reduction compared to 2000. The export destinations appeared to have been more fairly diversified in 2005, as areas where exports to China was dominant, such as crude materials excluding food and fuel, became insignificant while China gained positions in such other areas as food and live animals, chemicals, manufactured goods and miscellaneous manufactures. In other words, even though Nigeria’s exports to China relative to the rest of the world dwindled in 2005, Nigeria exported more varieties of products to China compared to earlier periods.

In effect, producers and exporters of those broad categories of products whose exports increased between 2000 and 2005 are better off as they earned additional incomes. These include producers and exporters of food and live animals, mineral fuel/lubricants, chemicals, manufactured goods, and miscellaneous manufactures. Nigerian producers and exporters of crude materials excluding food and fuel lost export market share in China and thus were worse off in 2005.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>.3</td>
<td>Wor</td>
<td>Chi</td>
<td>Wor</td>
<td>Chi</td>
<td>Wor</td>
<td>Chi</td>
</tr>
<tr>
<td>0</td>
<td>Food &amp; live</td>
<td>293.9</td>
<td>0.0</td>
<td>205.4</td>
<td>0.2</td>
<td>592.6</td>
</tr>
<tr>
<td></td>
<td>China’s Share of Nigeria’s Imports</td>
<td>0.0</td>
<td>0.1</td>
<td>0.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Beverages and tobacco</td>
<td>1.7</td>
<td>0.0</td>
<td>1.3</td>
<td>0.0</td>
<td>3.9</td>
<td>0.0</td>
</tr>
<tr>
<td>Crude mater. ex food/fuel</td>
<td>262.4</td>
<td>0.0</td>
<td>54.5</td>
<td>33.3</td>
<td>304.0</td>
<td>12.6</td>
</tr>
<tr>
<td>Mineral fuel/lubricants</td>
<td>1118</td>
<td>0.0</td>
<td>1995</td>
<td>273.0</td>
<td>4305</td>
<td>503.0</td>
</tr>
<tr>
<td>Animal/ veg oil /fat/ wax</td>
<td>0.1</td>
<td>0.0</td>
<td>2.6</td>
<td>0.0</td>
<td>1.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Chemicals/products n.e.s.</td>
<td>38.6</td>
<td>0.0</td>
<td>8.6</td>
<td>0.0</td>
<td>15.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Manufactured goods</td>
<td>347.3</td>
<td>0.0</td>
<td>10.0</td>
<td>0.1</td>
<td>255.4</td>
<td>8.2</td>
</tr>
<tr>
<td>Machinery/transp equipment</td>
<td>185.9</td>
<td>0.0</td>
<td>70.3</td>
<td>0.0</td>
<td>114.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Miscellaneous manuf arts</td>
<td>15.7</td>
<td>0.0</td>
<td>9.1</td>
<td>0.0</td>
<td>26.9</td>
<td>0.2</td>
</tr>
<tr>
<td>Commodities nes</td>
<td>4.4</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.8</td>
<td>0.0</td>
</tr>
<tr>
<td>Total Export</td>
<td>1233</td>
<td>0.0</td>
<td>2031</td>
<td>307.0</td>
<td>4436</td>
<td>526.0</td>
</tr>
</tbody>
</table>

*Source: World Integrated Trade Solution (WITS) database, 2007*

**4.2.2 Size, Composition and Significance of Import from China**

Nigeria’s total imports increased from US$5.3 billion in 1996 through US$5.8 billion in 2000 to US$17.3 billion in 2005 (Table 3.2). The dramatic increase of Nigeria’s total imports between 2000 and 2005 was also reflected in the country’s imports from China which rose phenomenally from as little as US$2.52 million in 2000 to US$2.3 billion in 2005. Nigeria imports almost all of the broad categories of products from China. In 2005, imports
of machinery and transport equipment ranked first followed by manufactured goods, miscellaneous manufactures, chemicals and food and live animals. In trend terms, the composition of Nigeria’s imports has changed quite a bit. In 1996 for example, chemical products imports ranked second only to machinery and transport equipment while in 2000, manufactured products replaced chemicals in second place. Machinery and transport equipment imports thus ranked highest in all the reference years.

This picture altered when China’s share of Nigeria’s total import is considered. While that share rose successively from 1996 to 2005 from 3.5% to 13%, not all broad categories of goods imported from China maintained such consistent increase. This is especially the case of mineral fuels/lubricants, and animals/vegetable oil/fat/wax. Furthermore, when the broad categories are considered, Nigeria imported more of miscellaneous manufactures from China relative to the rest of the world. This rose from 7.8% in 1996 to 30.6% in 2005. China’s share of Nigeria’s imports also rose consecutively in food and live animals, as well as beverages and tobacco (both minimally); crude materials excluding food and fuel, manufactured goods, machinery and transport equipment, and miscellaneous manufactures (all four substantially). Thus, in terms of stakeholders’ analysis, countries which hitherto exported these products to Nigeria have lost their market share in Nigeria to China as Nigeria increasingly look towards China for the importation of these products.

<table>
<thead>
<tr>
<th>Table 4.2 China’s Share of Nigeria Import (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>------</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>Rev</td>
</tr>
<tr>
<td>-----</td>
</tr>
<tr>
<td>0</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>9</td>
</tr>
<tr>
<td>Total Import</td>
</tr>
</tbody>
</table>


4.2.3 Top Ten Export and Import Commodities
The top Ten exports and import commodities are indicated on Tables 3.3 and 3.4. Mineral fuels, oils and related products tops the list of top 10 exports followed with substantial distance by ores, slag and ash, as well as copper and articles thereof. In effect, mineral products constitute the first three export products of Nigeria to China. Cocoa and cocoa preparations was a distant fourth followed by cotton (5\textsuperscript{th} rank), and oil seed etc (sixth). The top six export products are primary commodities made up of mineral and agricultural products. The last four commodities in the top ten list are agro allied manufactured goods whose individual export values are less than $1 million dollars.

\textit{Table 4.3: Top 10 Export Commodities (2005)}

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Simple Average Tariff</th>
<th>($million)</th>
<th>Share (%)</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Trade</td>
<td>9.3</td>
<td>526.9</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Mineral fuels, oils &amp; product of their distilati</td>
<td>2.5</td>
<td>503.9</td>
<td>95.64</td>
<td>1</td>
</tr>
<tr>
<td>Ores, slag and ash</td>
<td>0.2</td>
<td>7.4</td>
<td>1.41</td>
<td>2</td>
</tr>
<tr>
<td>Copper and articles thereof</td>
<td>3.7</td>
<td>1.9</td>
<td>0.35</td>
<td>3</td>
</tr>
<tr>
<td>Cocoa and cocoa preparations</td>
<td>8.0</td>
<td>1.6</td>
<td>0.31</td>
<td>4</td>
</tr>
<tr>
<td>Cotton</td>
<td>11.4</td>
<td>1.5</td>
<td>0.28</td>
<td>5</td>
</tr>
<tr>
<td>Oil seed, oleagi fruits, miscall grain, seed, fru</td>
<td>5.0</td>
<td>1.1</td>
<td>0.22</td>
<td>6</td>
</tr>
<tr>
<td>Lac. Gums, resins &amp; other vegtale saps &amp; extrac</td>
<td>15.0</td>
<td>0.4</td>
<td>0.08</td>
<td>7</td>
</tr>
<tr>
<td>Preper feathers &amp; down; arti flower, articles huma</td>
<td>17.5</td>
<td>0.2</td>
<td>0.03</td>
<td>8</td>
</tr>
</tbody>
</table>
In contrast to the nature of Nigeria’s top 10 export commodities, the top 10 import commodities from China are all manufactured goods. Top on the list are electrical machinery equipment parts, sound records followed closely by vehicles, etc, as well as nuclear reactors, boilers, machinery and mechanical appliances. Coming at a distant fourth are articles of iron or steel followed by plastics and articles thereof. Organic chemicals and articles of apparel and clothing accessories almost have equal ranking. Included in the lower part of the list are ceramic products as well as inorganic chemical and radioactive elements.

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Simple Average Tariff</th>
<th>($million)</th>
<th>Share (%)</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Trade</td>
<td>12</td>
<td>2301</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Electrical mechy equip parts thereof; sound record</td>
<td>11</td>
<td>551</td>
<td>24.0</td>
<td>1</td>
</tr>
<tr>
<td>Vehicles 0/t railw/tramw roll-stock, pts &amp; access</td>
<td>10</td>
<td>437</td>
<td>19.0</td>
<td>2</td>
</tr>
<tr>
<td>Nuclear reactors, boilers, mechy &amp; mech appliance; Articles of iron or steel</td>
<td>3</td>
<td>257</td>
<td>11.2</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Appendix Table 3.1
From the above detailed analysis, it is statistically evident that since 1999 – 2007, there has been a geometric increase in the volume of trade between Nigeria and China. As a matter of fact, it was the economic policies of president Obasanjo which were encapsulated in his economic diplomacy that reasonably prepared the grounds and/or necessitated this phenomenal increase in the volume of trade within the period under study.

4.3 Bilateral Trade Agreements Between Nigeria and China

In order to create a safe environment for trade and investments to flourish favourably, there was high need for both countries to enter into and sign official agreements on trade, economic and technical cooperation, scientific and technical cooperation as well as an agreement on investment protection. The two countries set up a joint economic and trade commission.

It is important to note that the recent developments in China and Nigeria relationship are not unconnected with the renewed ties between the
two giants. Although, China and Nigeria established diplomatic ties in 1972, the last decade has witnessed unprecedented renewed positive and mutually beneficial developments. Indeed, between 1999 – 2006 diplomatic visits at the highest level were recorded. Ogunkola, E.O (2008: 2-3) posits that “it was two visits in each direction and various visits at other levels. All these visits, no doubt, are precursors to developments in other facets of the relationship”. Bilateral agreements were entered into in the process, some of which are listed below:

**Selected Agreements between Nigeria and China, 2001 to 2006**

<table>
<thead>
<tr>
<th>Types of Agreements</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agreement on trade, investment promotion and protection</td>
<td>2001</td>
</tr>
<tr>
<td>Agreement for the avoidance of double Taxation and Prevention of fiscal Evasion with respect to Tax and Income</td>
<td>2002</td>
</tr>
<tr>
<td>Agreement on Consular Affairs</td>
<td>2002</td>
</tr>
<tr>
<td>Agreement on cooperation on strengthening Management of narcotic Drugs, Psychotropic substances and diversion of precursor chemical</td>
<td>2002</td>
</tr>
<tr>
<td>Agreement on tourist cooperation</td>
<td>2002</td>
</tr>
<tr>
<td>Strategic partnership Agreement</td>
<td>2005</td>
</tr>
<tr>
<td>A memorandum of understanding on investment cooperation between the federal ministry of commerce of Nigeria and ministry of commerce of China</td>
<td>2006</td>
</tr>
<tr>
<td>Economic cooperation Agreement between Nigeria and Xinguang International Group of China</td>
<td>2006</td>
</tr>
</tbody>
</table>

As we have earlier emphasized, all these official agreements entered into by the two countries, China and Nigeria, are meant to create a conducive and enabling environment for a healthy bilateral relations, especially at the level of trade relations.

4.3.1 BILATERAL TRADE AGREEMENT

The trade agreement was entered into to facilitate and develop trade relations on the basis of equality and mutual benefit. The essence of the agreement is to:

- Increase volume of Trade
- Give each other most favoured nation treatment in matters relating to customs duties and foreign trade formalities; and
- That the goods and commodities to be exchanged under the agreement shall be those originating in the country of contracting parties
- Furnish each other upon request, all necessary information which could contribute to the expansion of trade;
- Provide freedom of transits of goods of the contracting parties;
- Participate in each other’s Trade Fair; and
- Establish a joint Trade Committee for the purpose of implementing the Agreement.

4.3.2 Memorandum of strategic partnership:
This memorandum is aimed at providing structural framework for investment by Chinese companies in Nigeria. It is to reduce the rampant incidence of dumping of sub standard goods into the country by Chinese exporters. The essence of the (MOU) referred to as (MOFCOM) is for the ministries of the two countries to further enhance and expand investment cooperation between the two countries agreed to enhance and expand bilateral investment cooperation in the spirit of reciprocity, mutual benefit and common development. The two countries agreed to encourage enterprises from both countries to carry out investment cooperation in the fields of textile, clothing, home appliances, telecommunication equipment, agricultural machinery and the development of natural resources. It was also agreed that the relevant government institutions in their respective countries shall provide enterprises from both countries necessary facilitation and necessary infrastructure such as electricity, water etc...

The Nigerian side shall make and perfect relevant policies to protect legitimate rights and interests of Chinese Investors. There should be a working group under Nigeria-China Joint Commission to implement the MOU. It is equally agreed that incase of termination of the MOU, any ongoing contracts signed under the understanding shall not be terminated.

This memorandum of understanding on Investment Cooperation between The Ministry of Commerce of the Federal Republic of Nigeria and The Ministry of Commerce of the People’s Republic of China was drafted by the Representatives of both countries and contained seven (7) Articles of action plan.

The Nigeria-China relations have continued to yield fruits to both countries. In April 2002, the two governments signed the “Agreement
between the Government of the People’s Republic of China and the Government of the Federal Republic of Nigeria for the Avoidance of Double Taxation and the prevention of fiscal Evasion with respect of Taxes on income”. During President Hu Jintao’s visit to Nigeria in April 2006, Nigeria and China signed four Agreements and three Memorandum of Understanding (MOUs) to enhance their economic ties, including; The financing agreement of N8.36 billion ($500m) concessionary export grants to support the development of infrastructure by China Export Import Bank.

In July 2002, they signed the Agreement on Consular Affairs, the Agreement on Cooperation on strengthening Management of Narcotic Drugs, Psychotropic substances and Division of precursor chemical, and the Agreement on Tourism Cooperation. Based on this agreement, the Chinese government provided about N670 million for the training of 50 Nigerian Officials and Medical Personnel on comprehensive malaria prevention and control. Another support of N83.6 million (5 million Chinese Yen) worth of anti-malaria drugs were donated in support of the Roll-Back malaria Programme. The Nigerian Government approved the sell of 50,000 barrels per day (BPD) crude oil to China. A contract worth over N4 billion was signed by the two countries for oil exploration and repair of the Kaduna refinery. The Chinese investments in the oil sector will result in the building of a power generation station that would add some substantial megawatts of electricity to Nigeria’s power sector.

China has increased its volume of agricultural imports from Nigeria. Already, 80,000 tonnes of cassava chips have been imported by China. Another order for supply of 102,000 tonnes was also made by the country. Apart from cassava, China has indicated her willingness to purchase Sesame
Seed from Nigeria and more agricultural produce if Nigeria can supply. (www.nigeriafirst.org,10/12/08)

The commitment of the Chinese government to improve trade and agriculture in Nigeria received attention in the Guandong Xinguang International Group of China memorandum of understanding with the Government of Nigeria. The Chinese International Group offered to assist in training 100 personnel every year for three years in the areas of Fishery and Rice Production. Capacity building, another aspect Nigeria needs China’s assistance was taken care of in the MOU. The Guangdong Xinguang Group signed an MOU with the Imo State Governor, Chief Achike Udenwa, who visited the company for the development of Free Trade Zone. The agreement covered investment and management of the Zone. Local raw materials will be used to produce some of the products being imported in Nigeria. The company is to invest USD500 million and USD1000 million. The Free Trade Zone will provide 50,000 jobs directly and indirectly when fully operational. The export from the zone would be to the tune of USD1.5 billion annually.

The company however, sought the support of the Federal Government in the areas of Provision of water, power and road in the Free Trade Zone. Both the Chinese Government and Imo State had consented to the project. Report on commerce, (March 15, 2006). This gigantic project that would have contributed immensely to the development of Imo-State and opened up the South East region to commerce and industry was unfortunately diverted to Ogun State for no good and known reason(s). The Chinese group expressed willingness to train 100 officials annually. According to Aimurie (2008) Guangdong Xinguang International China – Africa Investment limited, is to partner First Bank of Nigeria PLC in the $ 500 million Free
Trade Zone (FTZ) Project in Ogun State. The Free Trade Zone to be known as Ogun Guangdong Free Trade Zone will house over 100 Chinese companies when completed.

The MOU between the Chinese Company and First Bank would be in the areas of Investment, banking, project financing, business advisory services and correspondent banking relationship. According to Jianxiong Sun, the Group Chairman of Guangdong Xinguang Company, the understanding between the two bodies is the promotion and protection of Chinese interest in Nigeria by way of sound financial advisory services.

Other areas of interest as expressed by the group are:

(i) to build an extraction facility to produce anti-malaria active drug, the location will be in Cross-River State;
(ii) to build a manufacturing plant for anti-malaria ACT finished drug in a suitable location in Nigeria;
(iii) to build a plant to manufacture anti-biotic, the location of the factory is to be decided by Nigerian Government.

However, Nigerian Government indicated interest in areas of assistance to the Chinese group as follows:-

(a) production of malaria control drugs
(b) prevention and control of avian flu
(c) capacity building
(d) production of HIV drugs; and
(e) Construction and rehabilitation of Hospitals.
The Chinese International Group proposed to build shopping malls of international standard in Lagos and Abuja. (External Trade Department, Federal Ministry of Commerce, 14\textsuperscript{th} March, 2006).

According to Abubakar (2007) Benue State has purchased agriculture equipment from Chinese Company, Zhejiang Cifang Import and Export Company worth N507 million. The equipment include, harvesters, threshers, hand tillers and other modern technologies relevant to farmers in the state. The equipment will assist the farmers in the state embark on mechanized agriculture.

The business agreement includes the supply of Spare Parts, training of hands by Chinese experts and the demonstration of the use of the machinery. The volume of trade between Nigeria and China increased from USD178 million in 1996 to USD1.144 billion in December, 2001. A report on AIT (September 2, 2007) Chinese government has proposed to invest the sum of N63 billion in Ogun Free Trade Zone within the year, 2007.

List of Nigerian Products to be traded or to be introduced into the Chinese Market categorized as follows:-

\begin{table}
\centering
\caption{Agricultural Commodities}
\begin{tabular}{|l|l|}
\hline
S/N & Commodities \\
\hline
1. & Cocoa \\
2. & Cotton \\
\hline
\end{tabular}
\end{table}
3. Cassava
4. Ginger
5. Sheanut
6. Gun Arabic
7. Sesame Seed
8. Poultry
9. Cashew
10. Floriculture
11. Fruits/Vegetables

MANUFACTURED PRODUCTS AND SERVICES

<table>
<thead>
<tr>
<th>S/N</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Beverages</td>
</tr>
<tr>
<td>2.</td>
<td>Textiles, garments and Footwear</td>
</tr>
<tr>
<td>3.</td>
<td>Leather</td>
</tr>
<tr>
<td>4.</td>
<td>Shrimps</td>
</tr>
<tr>
<td>5.</td>
<td>Pharmaceuticals</td>
</tr>
<tr>
<td>6.</td>
<td>Rubber/rubber products</td>
</tr>
<tr>
<td>7.</td>
<td>Art and Crafts</td>
</tr>
<tr>
<td>8.</td>
<td>Iron and Steel</td>
</tr>
<tr>
<td>9.</td>
<td>Film &amp; Music</td>
</tr>
<tr>
<td>10.</td>
<td>Vegetable Oil</td>
</tr>
<tr>
<td>11.</td>
<td>Services</td>
</tr>
</tbody>
</table>

SOLID MINERALS

<table>
<thead>
<tr>
<th>S/N</th>
<th>Minerals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Tantalite</td>
</tr>
</tbody>
</table>
2. Coal
3. Gold
4. Wolframite
5. Silver
6. Tron ore
7. Limonite-Rutile
8. Cassiterite
9. Bitumen
10. Lead-Zinc
11. Manganese

Source: ministry of commerce & industry, Abuja

Improved trade relations between Nigeria and China have not been favourable to Nigeria. According to Daily Trust (August 16, 2007: 31), “the balance of trade is in favour of China in every aspect”. To check the balance of trade deficit, it advocated for Chinese government to grant free-duty export of Nigerian goods into China.

Table 4.5 NIGERIA-CHINA TRADE SUMMARY (1990-1996)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>Value of Trade (N)</th>
<th>Balance of Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>44,870,000</td>
<td>1,030,633,000</td>
<td>1,077,503,000</td>
<td>-985,763,000</td>
</tr>
<tr>
<td>1991</td>
<td>21,073,000</td>
<td>659,302,000</td>
<td>6,413,755,000</td>
<td>-637,229,000</td>
</tr>
<tr>
<td>1992</td>
<td>24,619,341</td>
<td>5,448,545,779</td>
<td>5,473,165,120</td>
<td>-5,424,084,435</td>
</tr>
<tr>
<td>1993</td>
<td>1,244,220</td>
<td>6,057,216,106</td>
<td>6,058,460,320</td>
<td>-6,055,971,886</td>
</tr>
<tr>
<td>1994</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>1995</td>
<td>325,329,674</td>
<td>10,989,908,928</td>
<td>11,315,239,592</td>
<td>-10,664,578,254</td>
</tr>
</tbody>
</table>
1996 | 39,360,000 | 5,388,289,053 | 5,328,149,053 | -5,349,429,053

Source office of statistics, Abuja.

Table 4.6 NIGERIA-CHINA TRADE SUMMARY (2000-2004)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>Value of Trade (N)</th>
<th>Balance of Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>14,265,595,743</td>
<td>25,693,468,606</td>
<td>39,959,064,349</td>
<td>-11,427,872,863</td>
</tr>
<tr>
<td>2002</td>
<td>8,812,197,307</td>
<td>89,138,079,432</td>
<td>98,050,276,739</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>153,871,378,128</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>228,445,193,486</td>
<td>-77,382,036,946</td>
</tr>
</tbody>
</table>

Source: Bureau of Statistics

The tables above show unfavourable balance of trade against Nigeria and, in favour of China. The imbalance of trade not with standing, table 2 shows the increased volume of trade between the countries which indicates the improved economic and trade relations between Nigeria-China since 1999.

4.4 The Challenges of Nigeria–China Trade Relations

China is now one of the largest economic powerhouses in the world. In a few short years after Deng Xiao Ping liberalized the Chinese economy
in 1989, China has raced from a Third World country to jostle or position as one of the world most influential economic powers. China with huge reserves is blessed with human and mineral resources with which she can offer affordable products and services at the cheapest level. Many (scholars) are even confused that they do not know whether to now regard China as a communist enclave or a capitalist state. The truth remains that Chinese are everywhere and into everything (Arinze, nd.http://www.nathameturner.com/chineseinversionofnigeria.htm).

According to Ogunsanwo (2007) the increased Chinese presence in Nigeria cannot but meet resistance in some quarters. There are accusations of Chinese companies dumping cheap goods produced by cheap labour in China on the Nigerian market, thus, helping to kill nascent industries in the country. The collapse of the textile industry has been blamed on influx of cheaply produced alternatives from China. To this end, Wikipedia encyclopedia (2008) observed that:

*However, the flooding of Nigerian markets with cheap Chinese goods has become a sensitive political issue, as – combined with the importation of second –hand European products-it has adversely affected domestic industries, especially in textiles, and led to closure of 65 textile mills and laying off of 150, 000 textile workers over the course of a decade (see also Taylor, 2007).*

Nigeria deserves more than what we are getting from the Chinese diplomatic or bilateral relations (Arinze, nd) in his argument, he questioned how easy is it to secure a Chinese visa? Can a Nigerian do business freely in their place without undue interference by their authorities? Can a Nigerian move freely, the way they are doing here, in China? What are their authorities doing about the fake and sub-standard goods coming daily from
their place? What are they doing about their people here who engage in piracy and duplication of fake works of art? A reasonable percentage of our imported materials and goods come from China, what are we exporting to them? A member of the Chinese trade delegation talked about their direct investment in Nigeria in recent times, but how much of our foreign exchange that goes into their economy was not mentioned.

Nigerian manufacturers are crying. Many cannot remain in business because of the influx of the Chinese goods and services. If they really want to contribute to the growth of our economy, what stops them from setting up industries that will employ our youths and manufacture most of those goods here? The ones who have their companies here fill them up with their own people and leave little or no space to employ our youths. The ones they even dare to employ are contracts staff of those companies who are sacked at will. Our government should wake up from this deep sleep before the Chinese invasion halt whatever they project for vision 2020 economically (Arinze, n.d.).

Ogunsanwo (2007) added that a different criticism relates to the dumping of inferior quality and substandard goods on the Nigerian market. The standards Organization of Nigeria complains at the level of substandard products coming from China into the Nigerian market. As at August 2007, the twenty billion dollars toys exports from China are on focus with manufacturers agreeing to recall nineteen and a half million toys for retouching. The second element involves the importation into Nigeria of fake toxic products, substandard and expired drugs which the National Agency for Food and Drugs Administration and Control (NAFDAC) has traced to China and India with several companies from these two countries named publicly as being responsible for manufacturing such dangerous
drugs for the Nigerian market. In this case, however, it takes two to tangle as what actually happens is argued to be the demand for such products specified by Nigerian businessmen who go directly to China for the purpose. They are well aware of what they are doing but place greater emphasis on the profits than the health of the Nigerian masses.

On August 16, 2007, NAFDAC announced a crack down on all foreign manufactured tooth paste following the discovery of a harmful agent in a Chinese made brand. An anti-freezing agent Diethylene Glycol (DEG) was discovered in Chinese made Colgate. DEG reportedly can cause abdominal pains, nausea, vomiting damage to kidneys and liver. The Director – General of NAFDAC Professor Dora Akunyili announced that no foreign manufactured tooth paste is registered in Nigeria and should therefore be avoided as safety cannot be guaranteed (Ogunsanwo, 2007).

Summarily, some criticisms have been made against the Chinese. They have been accused of dumping, evasion of customs and of importing substandard products, particularly pharmaceuticals and other consumer items into the country. Despite all these, Chinese products have continued to enjoy enormous patronage in the country largely because of their cheap prices. Another criticism is that Chinese companies tend to maintain harsh labour conditions for their Nigerian workers, while at the same time giving most of the jobs to Chinese nationals.

Although it is clear that the economic engagement of Nigeria with the Chinese has grown so rapidly, regrettably, this rapid growth has been largely, to the advantage of China. To this end, Alli (2008.:1) however argued that while this development is largely welcomed, and the prospects in the short term appears good, there is an urgent need for Nigeria to
immediately develop necessary institutional framework and human capacity to meet the challenges which the fast paced relations pose to the nation in the long term.

At this juncture, having gone this far in this chapter our rigorous and systematic analysis on the trends and challenges of Nigeria China trade relations, 1999 -2007, we hereby accept and validate hypothesis No.2 which states that economic diplomacy has led to the increase in the volume of trade between Nigeria and China within the period under review.
REFERENCES


Commission (NIPC).


REFERENCES:
The Guardian, April 26, 2005
The Guardian, March 17, 2006
The Guardian, August 12, 2005
The Guardian, May 10, 2006
The Guardian, April 15, 2005
The Guardian, October 3, 2003
The Comet, February 19, 2001
The Comet, November 6, 2001
The Comet, November, 5, 2004
Thisday, March 8, 2006
Thisday, June 18, 2004
Thisday, June 5, 2007
Daily Champion, March 9, 2008
Leadership, September 26, 2008
Tell, May 2007
www.nigeriafirst.com
http://englishpeople.com
www.fonprc.gov.cn/eng
CHAPTER FIVE

NIGERIA-CHINA RELATIONS AND INFLOW OF FOREIGN AID AND FOREIGN DIRECT INVESTMENT-FDI

5.1 The Inflow of Chinese Foreign Aid to Nigeria, 1999-2007

Economic aid has been China’s most important and influential instrument of foreign policy in her relations with African countries (Onuoha, 2008:302). According to him, most African states developed their relations with China in the contest of the “aid war” between China, the Soviet Union and the United States Peace Corps.

Retrospectively, economic relations between Nigeria and China date back to 1971 when the two countries signed the Joint Communique on the Establishment of Diplomatic relations. Currently, China requires Nigeria’s oil to fuel its economic expansion while Nigeria seeks Chinese expertise, finance, technology and industrial goods as well as market for its non-oil exports. Some technical and financial assistance have been rendered by the two countries to support each other. For instance, during the visit of Chinese President (President Hu Jintao) to Nigeria in April 2006, Nigeria and China signed four Agreements and three Memoranda of understanding (MOUs) on a range of programmes to enhance their economic ties (Ogunkola, Bankole and Adewuyi, 2008: 10-11).

Available data show that some of the technical and financial assistance provided by China for Nigeria in recent times are in the areas of health, education, communication and infrastructural development. In the area of health, China supported Nigeria’s Rollback malaria programme with anti-malarial drugs and treated mosquito nets worth about ₦ 400 million in 2002. In an attempt to further support the programme in 2006 China signed a Memorandum of Understanding (MOU) with government to supply anti-
malaria drugs worth ₦83.6 million (Ogunkola, et al. 2008:11). In support of this view, Musa (2007:1) stated that:

Recently, the Chinese even went further to grant Nigeria concessionary loan of $2.5 billion which is to be used as follows:

$1 billion for the Mambilla Hydroelectric Project, $1 billion for the moribund railways, and $500 million for rural telephony and power transmission.

In the area of education, China signed an MOU in 2006 with the Nigerian government to provide about ₦670 million for the training of 50 Nigerian officials and medical personnel on comprehensive malaria prevention and control. Furthermore, some educational institutions in Nigeria have established linkages with China with a view to showcasing the Chinese culture, landscape and innovations. For instance, the Federal Polytechnic, Offa. Similarly, China is working with the Nnamdi Azikiwe University, Awka to provide Chinese language teaching to Nigerian students. Under this scheme, the Chinese government is to fully sponsor the training of the university’s staff to study Mandarin in China up to Master’s and Doctorate Degree Levels. This scheme is also characterized by frequent exchanges of cultural troupes and students.

China has also made meaningful impact in the transport sector of the Nigerian economy. BBC News of May 22, 2006 Broadcast that “in 2006, China also agreed to grant a loan of USD 1 billion to Nigeria to help it upgrade and modernize its railway networks” (BBC News 2006-05-22).

In 2006, a memorandum of understanding on the provision of National Information Communication Technology Infrastructure Backbone was signed between the Federal Ministry of Science and Technology and
Huawei Technologies. In order to support infrastructural development, China through its Export Import Bank entered into a financial agreement (of ₦ 8.36 billion concessionary export grants) with Nigeria (Ogunkola, et al, 2008).

Economic and Technical cooperation form the bedrock of Nigeria-China Relations. Both nations agreed through a Bilateral Agreement signed in 2005 to establish a strategic partnership featuring mutual political trust, mutual economic benefit and mutual support in international affairs.

Nigeria’s bilateral agreements with China is an offshoot of the comprehensive “China-Africa Strategic Partnership and Strengthen Cooperation at a higher level.” Following the China-Africa strategic partnership, Nigeria and China drew up the following areas of Assistance and Partnership;

**China’s assistance under the partnership**

In line with the overall partnership agreement with Africa, the Chinese Government articulated eight (8) points agenda China would assist African countries to develop. They are:

(i) double its assistance to Africa by 2009

(ii) Provide US$3 billion of preferential loans and US$ 2 billion of preferential buyer’s credits to Africa in the next three years.

(iii) Set up a China-Africa development fund of US$ 5 billion to encourage Chinese companies to invest in Africa and provide support to them
(iv) Build a conference for the Africa Union to support African countries in their efforts to strengthen themselves through Unity and Support the process of integration.

(v) Cancel debt in the form of all the interest free government loans that matured at the end of 2005 owed by HIPC and the LDCS in Africa that have diplomatic relations with China.

(vi) Further open up China’s market to Africa by increasing from 190 to over 440 the number of export items to China receiving zero-tariff treatment from LDCS having diplomatic relations with China.

(vii) Establish three to five trade and economic cooperation zones in Africa in the next three years.

(viii) Over the next three years, train 15,000 African professionals; send 100 senior agricultural experts to Africa, set-up 10 special agricultural technology demonstration centres in Africa; build 30 hospitals in Africa, and provide RMB 300 million of grant for providing artemisinin and building 30 malaria prevention and treatment centres to fight malaria in Africa; build 100 rural schools in Africa; and increase the number of Chinese government scholarships to African Students from the current 2000 per year to 4000 per year by 2009. Nigeria in her bid to make maximum benefit of this partnership agreement formulated and presented to Chinese Government the underlisted proposals as her area of interest and cooperation.

(i) Consideration for the US$500 million preferential loans and US$250 million of Preferential Buyer’s Credits for Nigeria;
(ii) US$2 billion from the China-Africa Development Bank to encourage more Chinese companies to invest in Nigeria;

(iii) Consideration to have two Trade and Economic Cooperation Zones out of the five promised by China;

(iv) Continuation of the presence of Agricultural Experts presently in Nigeria;

(v) One (1) Special Agricultural Technology Demonstration Centre

(vi) Three (3) hospitals

(vii) 75 million Renminbi for Arteminin and Malaria Prevention and treatment centres;

(viii) ten (10) rural school out of a total of 100 proposed by the Chinese;

(ix) 400 scholarship between 2007-2009 for Nigerian students in various fields of technological and educational endeavours;

(x) completion of the Nigeria-China friendship cultural centre in Nigeria; and

(xi) Zero level tariffs on the approved 440 commodities destined for the whole of Africa.

The exchanges of proposals and interest areas culminated to a formal drafting and signing of a common working document between China and Nigeria in the form of MOU.

5.2 CHINESE INVESTMENT SEAL WITH NIGERIA

China has signed many official agreements and memoranda of understandings as a way of sealing her investment deal with Nigeria. As earlier emphasized in the preceding section of this thesis, the exchanges of proposals and interest areas
culminated to a formal drafting and signing of common working document between China and Nigeria in the form of Memorandum of Understanding-MOU. Notable among which is the MOU on Economic Coorporation between the Federal Republic of Nigeria and Guandong Xingusng International Group of China on investment matters for common development and mutual economic cooperation.

MOU ON ECONOMIC COOPERATION BETWEEN THE FEDERAL REPUBLIC OF NIGERIA AND GUANDONG XINGUSNG INTERNATIONAL GROUP OF CHINA:

The parties agreed to enhance and expand bilateral economic cooperation in the spirit of common development. The two countries agreed that China should invest in Fast-Track Train and Light Train for the development of rail transport in Lagos and Abuja respectively. The parties are to encourage the provision of land and license for the establishment of economic development Free Zones and construction of low cost housing units in different locations in Nigeria. They are to provide education materials for Nigeria tertiary institutions. (Bilateral Trade Division, FMC and I. July, 2006).

- Establishment of working group of investment cooperation,
- Economic and technical cooperation,
- Memorandum of Understanding for Nigeria universal telephony service project agreement;
- Cooperation agreement for Huawei Investment in Nigeria.
- Military/defence collaboration,
- Tourism development.

Both countries agreed on reciprocal promotion and protection of investments. It stipulates that.
It also provides that without prejudice to its laws and regulations, neither contracting party shall take any unreasonable or discriminatory measures against the Management, maintenance, use, enjoyment and disposal of at the investment by the investors of the other contracting party. Under this agreement, investments by the investors of the other contracting party shall all the time be accorded fair and equitable treatment in the territory of the other contracting party.

Further, both countries shall, subject to their laws and regulations, guarantee to the investors of the other contracting party, the transfer of the investments and returns in freely convertible currency. Also, investors of one contracting party whose investments in the territory of the other contracting party suffer losses owing to war, a state of national emergency, insurrection, riots or other similar events shall be accorded treatment as regards restitution, indemnification, compensation and other settlements no less favourable than that accorded to the investors of its own or any third state.

The agreement as well stipulates that Nigeria China will exchange ideas and information, and encourage enterprises of their countries to cooperate in the implementation of relevant projects in oil exploration, development and production, oil engineering services, oil equipment manufacturing and supply services, refineries and petrochemical plants. Understanding and agreement was equally reached by both countries on area of construction of communications and information technology infrastructure, fixed line capacity expansion and GSM Mobile Communications.

On health, an Mou on the establishment of a Diagnostic Technique promotion project at the Nigerian Institute of Medical Research, Yaba,
worth N100 million was signed by the two countries. This is to emulate China’s best rural health policies. According to China’s Ambassador to Nigeria, Yinzhu (2000), China is to cooperate with Nigeria in the development of herbal medicine to compliment the orthodox medicine practice.

A cultural implementation pact for 2000 – 2002 was signed by Nigeria and China on November 20th – 26th in China. Cooperation against illicit trafficking and abuse of Narcotic drugs, psychotropic substances and diversion of precursor chemical was reached. According to Abdulkarian (2002) a twelve (12) man multi-disciplinary Chinese team from the agriculture Ministry and three man team from food and Agricultural Organisation (FAO), visited all the 36 states and the FCT, in October, 2002 to assess opportunities for the south – South cooperation. (SSC). The leader of the Chinese delegation, Dieng noted that areas of cooperation and support included small holder irrigation, production and marketing of field crops and horticulture, livestock (including poultry and goats) production, breeding and nutrition, aquaculture, farm mechanization and agro-processing”

Both countries agreed to embark on a $ 22.2m (N2.08 billion) agricultural project under the South – South Cooperation initiative and within the framework of special programmes on food security. The Federal Government is to spend $22,245,600 over a period of four years. Nigeria is expected to deposit $11,500,000 being 50 percent of the total cost into the sub account for the programme by November 30, 2002; while the first batch of five experts and III technicians are expected to arrive the country in December. At the full implementation of the agreement, its expected that about 20 experts and 500 technicians would be involved in a range of technical fields of the programme.
China has also pledged to assist Nigeria in the implementation of her poverty alleviation programme through the establishment sericulture which could earn Nigeria about N100 billion from the exportation of silk cloth production. China hopes to collaborate with Zard Holdings sericulture pilot project at Ilesa, Osun to achieve this objective. According to Dalin, Commercial Counselor of the Embassy of China, 2002, Chinese Government will seek and encourage core investors and companies with a view to investing in sericulture expected to accelerate poverty alleviation and enhance rural economy.

Nigeria’s poor majority stand to benefit from the lessons of China’s economic growth strategy. China’s technology could prove to be appropriate to drive domestic private sector production, particularly in agriculture as the country still remains an agrarian economy.

The Bilateral Agreement signed by visiting Chinese President, Hu Jintao in April with his Nigerian counterpart, Obasanjo contained collaboration on economic and technical ventures.

Currently, Chinese companies are in big-time contract and trade businesses in Nigeria, making contributions to the economic development of Nigeria. Major Chinese companies are directly or indirectly involved in the following sectors:

- Oil exploration and deport
- Railways and Road Construction
- Energy Project
- Satellite Communication
- Nuclear Technology for Peace purposes
- Water and Natural Resources and,
- Real estate

Nigeria encouraged foreign participation and investment into the economy by embarking on the privatization exercise. Nigeria took cue from the role private sector played in the development of South Korea, Singapore and Japan.

Between 1999-2004, 19 enterprises were privatized. In 2005, another 46 companies were successfully privatized by the Bureau of Public Enterprises (BPE). The BPE further privatized 38 others in 2006. Among the enterprises privatized are the 18 ports terminals at Apapa, Tin-can Island and Calabar terminals which are under concession. The NICON Hilton Hotel, Nigerian Telecommunications Limited (NITEL), Delta Steel-Complex Aladja and the unbundling of the National Electric Power Authority (NEPA) and the incorporation of 17 successor companies in the energy sector. The privatization exercise fetched the federal government the sum of N550 billion between 2005 and 2006 (BPE). The money was used by the government for provision of essential services that would improve the lives of Nigerians.

5.3 GENERAL TREND OF CHINESE FOREIGN DIRECT INVESTMENT (FDI) INFLOW IN NIGERIA

Positive developments have been recently recorded in the net FDI as it has doubled from US$3 billion in 2003 to more than US$6 billion in 2005.
The share of the oil and gas sector was about 75 percent. The developments in the non-oil FDI is also significant as this component increased from about $0.3 billion in 2003 to about $1.7 billion in 2005. Three related types of efforts explain the observed positive developments: change in FDI regime; second, privatization programme of the government; and third, the aggressive drive of government in attracting FDI into the country. The recent developments notwithstanding, there is a huge investment gap in the development of the Nigerian economy and the required investment can only be expected after the investment climate has improved.

Our approach in this section is to review Chinese investment in Nigeria with a view to describing its size, composition and significance. Data permitting the analysis would cover the relative size of Chinese FDI compared to other sources of FDI, and the composition of the Chinese FDI with a view to revealing relative sectoral preferences. This is necessary in order to characterize the nature of investment and consequently assist in drawing inferences on the possible benefits of such activities to the host country: Nigeria.

5.3.1 **Trend in Chinese FDI inflow to Nigeria**

Available information points to a great upward trend in the inflow of FDI from China to Nigeria. Table 5.1 presents a global picture of FDI inflow to Nigeria from different regions and China from 1999 to 2006. All the
regions showed significant increase in FDI inflow from the 1999 level. Thus, the upward increase in the aggregate FDI flows to Nigeria from about $190.61 million in 1999 to about $4169.14 million in 2006 is a joint increase in the levels of FDI by all the regions.

Table 5.1: Foreign Direct Investment in Nigeria, 1999-2006, $ Million

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>7.35</td>
<td>9.84</td>
<td>12.10</td>
<td>36.16</td>
<td>40.34</td>
<td>4354.14</td>
<td>5166.32</td>
<td>1601.28</td>
</tr>
<tr>
<td>South America</td>
<td>1.15</td>
<td>2.96</td>
<td>0.39</td>
<td>0.05</td>
<td>7.14</td>
<td>60.04</td>
<td>24.56</td>
<td>11.26</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>2.94</td>
<td>5.93</td>
<td>4.45</td>
<td>5.17</td>
<td>1.54</td>
<td>32.12</td>
<td>47.29</td>
<td>39.63</td>
</tr>
<tr>
<td>China</td>
<td>0.02</td>
<td><strong>1.08</strong></td>
<td><strong>2.39</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.05</strong></td>
<td><strong>0.51</strong></td>
<td><strong>1.88</strong></td>
<td><strong>5.50</strong></td>
</tr>
<tr>
<td>Middle/Far East</td>
<td>7.41</td>
<td>2.75</td>
<td>10.92</td>
<td>5.30</td>
<td>6.74</td>
<td>23.27</td>
<td>21.22</td>
<td>13.39</td>
</tr>
<tr>
<td>Europe</td>
<td>164.95</td>
<td>136.46</td>
<td>98.86</td>
<td>200.24</td>
<td>293.66</td>
<td>2624.30</td>
<td>3084.68</td>
<td>2441.52</td>
</tr>
<tr>
<td>Africa</td>
<td>6.79</td>
<td>9.45</td>
<td>8.24</td>
<td>24.30</td>
<td>91.41</td>
<td>173.62</td>
<td>169.04</td>
<td>56.06</td>
</tr>
<tr>
<td></td>
<td>190.61</td>
<td>168.47</td>
<td>137.35</td>
<td>271.22</td>
<td>440.88</td>
<td>7268.00</td>
<td>8514.99</td>
<td>4169.14</td>
</tr>
</tbody>
</table>

Source: Based on data from Nigerian Investment Promotion Commission (NIPC)

Relative to other regions, South American region contributed the least to the level of FDI inflow to Nigeria. This was followed by the Asia-Pacific region. By 2006, though the relative positions remained unchanged as the South America maintained its position, FDI inflows from Asia Pacific region have surpassed the inflows from the Middle and Far East region. Thus, between 1999 and 2006, FDI inflows from Asia-Pacific region to Nigeria increased at a higher rate than their similar inflows from the Middle and Far East region. This suggests increasing importance of China in the observed trend. A further analysis of inflow of FDI from this region revealed that
although China ranked 5th in the magnitude of FDI in flows from the region to Nigeria behind India, Singapore, Hong Kong, and Japan in that order, the country seems set to overtake these leading countries. This is not farfetched given that Chinese FDI inflows to Nigeria increased from an average of $0.55 million in 1999-2000 to about $5.5 million in 2006. This is a tenfold increase compared to 9-fold increase by the region as a whole.

5.3.2 Composition of Chinese FDI in Nigeria

Although, information about Chinese activities in the country point to increase economic (trade, commerce and investment), social (health and education) and technical relation, the composition of Chinese FDI into Nigeria is fragmented. According to a source: China has set up over 30 solely owned companies or joint venture in Nigeria, actively involved in the construction, oil and gas, technology, services and education sectors of the Nigerian economy. Indeed the increased Chinese economy interests in Nigeria can be broadly classified into two; private and public. According to information obtained from the Nigerian Investment Promotion Commission (NIPC), Chinese private FDI is composed of agro-allied industry, manufacturing and communications sectors. On one hand, some of these investments are joint venture mainly between Chinese and Nigerian investors. On the other hand, some are wholly foreign owned either wholly by the Chinese or in partnership with other foreign investors. Some of the Chinese investments have also benefited from investment incentives in the country such as pioneer status and expatriate quotas have been granted to some of these companies (see Table 2.2)

Thus in 2005, the official record by Nigeria was $ 1.88 million FDI inflow from China. This seems to be at variance with the impression created in the
media. Various explanations can be adduced for the seemingly paucity of observed figure: First, the upsurge in Chinese FDI inflow to Nigeria occurred only in the recent time i.e. between 2006 and 2008, a period that is not covered by the available data. Second, there is also the possibility that the promises and declarations captured by the media did not eventually materialize. A case in point is the sales of Kaduna Refinery that was announced in January 2006. It was meant to be a $2.3 billion worth of investment by the Chinese state controlled energy company, CNOOC. By March 2007, the government was considering a review of the deal.

The “public” investment and economic activities of Chinese in Nigeria have also gained prominence in recent time. This is not unexpected given the high profile witnessed at the political level (see the introduction to this study). This type of investment spanned different areas of the Nigerian economy and prominent among them are those in oil and gas, construction, especially building of infrastructure. Table 5.1 lists some of the Chinese investments and projects in Nigeria. There is the need to distinguish between investment, loan and contracts. This, however, requires further insight to data. Currently available data do not offer sufficient information. For example, a further probing of the deal to refurbish the Nigerian railways by the Chinese reveals that it has a soft loan component.

FDI has a host of advantages including augmentation of domestic capital, transfer of technology, knowledge and skills; promotion of competition and
innovations; and enhancing export performance. These must be weighed against other issues such as anti-competitive and restrictive business practices; tax avoidance and abusive transfer pricing; volatile flows of investment and related payments deleterious for balance of payments; transfer of polluting activities and technologies; and excessive influence on economic affairs with possible negative effects on industrial development and national security.

Table 5.2: Some Characteristics of Chinese Companies listed in 2005.

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Origin</th>
<th>Nature of Business</th>
<th>Nature of Investment</th>
<th>Level of Investment</th>
<th>Employment Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Happy Chef Restaurant Ltd</td>
<td>Chinese &amp; Nigerian</td>
<td>Food and Restaurant Business</td>
<td>JV (Joint Venture)</td>
<td>N 20million</td>
<td>35</td>
</tr>
<tr>
<td>Plas Alliance Company Ltd.</td>
<td>Chinese</td>
<td>Manufacturing of Rubber Bags &amp; Shoes</td>
<td>WFO (Wholly Foreign Owned)</td>
<td>N75million</td>
<td>170</td>
</tr>
<tr>
<td>Royal Motots Company Ltd.</td>
<td>Chinese</td>
<td>Assembling of Motorcycles</td>
<td>WFO</td>
<td>N10million</td>
<td>1000</td>
</tr>
<tr>
<td>Sun Lung Industries(Nigeria) Ltd</td>
<td>Chinese</td>
<td>Manufacture, import, and distribution of all types of telecommunication, electronic goods, telecommunications, instrument, musical instruments.</td>
<td>WFO</td>
<td>N20 Million</td>
<td>75</td>
</tr>
<tr>
<td>ZTE Nigeria Investment Ltd</td>
<td>1 Chinese 1 Australian</td>
<td>Production, Sales, Services, Investment related to Telecommunications</td>
<td>WFO</td>
<td>N5 Million</td>
<td>136</td>
</tr>
</tbody>
</table>

Source: NIPC
A country desirous of hosting FDI must of necessity institute policies aimed at maximizing the direct and indirect benefits as well as minimizing the possible negative impacts. A litmus test for gauging the motive of FDI is to classify such investments into resource-seeking, market-seeking or efficiency-seeking. Efficiency-seeking FDI is preferred to other forms at least from the perspective of the host country. However, for a country to attract efficiency-seeking type of FDI, macroeconomic stability must be ensured and distinct, predictable and easy-to-access policy environment including incentives must be instituted.

Giving the list of private FDI and the sectoral concentration, efficiency motive may not be driving force of inflow of Chinese FDI in the Nigerian economy. From the list of public FDI, resource-seeking motive cannot be ruled out. However, there are other categories of FDI that cannot nearly fit into resource-seeking class. These include those in the area of building infrastructure.

A veritable channel for optimal benefit is in the involvement of indigenous entrepreneurs in the affairs of the particular firm. A joint venture has higher potential of positive impact in the host economy. Beyond, the involvement of indigenous entrepreneurs at the management level, local expertise and other work force are the channels through which technology is transferred and technological capacity is developed.

Chinese firms in Nigeria have been criticized for being “closed” as they hardly employ local experts. There are even submission that they maltreat their workers. According to a report, the Conditions of employment of
Nigerians in Chinese firms neither conform with the Nigeria Labour Laws nor to that of the International Labour Organisation (ILO). The Report also alleged that technology transfer from Chinese FDI is insignificant because most of Chinese firms bring into the country finished products and complete equipment with Chinese technicians. In a nutshell the expected benefits may not be realized. The lesson is for the country not only to design appropriate policies and regulations but also to ensure that these are implemented. Although some of the Chinese investments are in critical areas of the Nigerian economy, especially in infrastructure (telecommunications, water, electricity, housing, etc.) hence they have high social contents. However, there are reservations about the activities of Chinese investors especially those who are engaged in manufacturing. Such complaints include sharp practices such as importation and production of sub standard products, and lack of respect for their workers.

However, the quest for oil and gas by the Chinese seems to be of importance in the resurgence of the current wave of relations. Consequently, Chinese nationals are not immune from the spate of social unrest in the Niger Delta (the area where oil and gas are located in Nigeria). Some of the Chinese oil workers were recently abducted by militants who are agitating for a more equitable distribution of resources in the country.

*Table 5.3: Some of the Chinese Investment and Projects in Nigeria.*
<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>China National Overseas Oil Company Limited (CNOOC) 45% stake in OPL 246 in Offshore deepwater oil field</td>
<td>$2.7 billion</td>
</tr>
<tr>
<td>Controlling shares in Kaduna Refinery</td>
<td></td>
</tr>
<tr>
<td>Modernisation of Nigeria’s one-track rail to standard gauge rail (Note: China has loaned Nigeria $2.5 billion to finance the refurbishment of the railway system)</td>
<td>$8.3 billion (1st phase)</td>
</tr>
<tr>
<td>Financial support to Reliance Telecommunications Ltd. (RelTel) by China’s Development Bank facilitated by Huawei Technologies</td>
<td>$20 million</td>
</tr>
<tr>
<td>Huawei equipment agreement with GV Telecoms/Prestel</td>
<td>$250 million</td>
</tr>
</tbody>
</table>

In summary of the trend of Chinese FDI in Nigeria. It is on record that the Chinese have made investments in virtually all sectors of the Nigerian economy, including oil, energy, railway, construction, pharmaceutical, textile, and others. In addition, Chinese investment in Nigeria, which has equally risen sharply, is also now estimated to be worth a staggering figure of not less than 5 billion naria (Alli, 2008:1). Nigeria wishes to become a major economic player regionally and globally by the year 2020. For this reason, the immediate past President of Nigeria, Olusegun Obasanjo, publicly invited foreign investors including Chinese to come into the Nigerian economy, promising to create a business friendly environment. No doubt in the past fifteen years, China has been able to attract FDI of not less than 40 billion dollars annually. It was clear at that time that Nigeria was not
in a position to actually invest in China and therefore the promotion and protection of investments protocol was designed to attract Chinese investments. It has done so successfully as more than one hundred Chinese companies now operate in Nigeria in various fields from construction, agriculture, water, into oil, etc. (Ogunsanwo, 2007).

Gentile (2006) explains that China, apparently undaunted by violence in oil-rich Nigeria, increased investment in this West African nation-Nigeria by $3 billion over the past three years. According to him, while many foreign investment firms have been forced to scale back operations amid kidnappings and militant attacks on oil installations (violence in the Niger Delta that has slashed production levels by 20 percent) companies like China’s state-run CNOOC invested $2.3 billion in early 2006 in Nigerian off-shore oil and gas fields. BBC News broadcast of April 26, 2006 explains that during Chinese President Hu Jintao’s visit in 2006, China secured four oil drilling licenses and agreed to invest USD 4 billion in oil and infrastructure development projects in Nigeria (BBC News, 2006)

In another document, Gentile (2008:1) explains that the violence plaguing other foreign energy firms does not seem to bother Chinese officials, however, Chinese investment in Nigeria has increased considerably over the last few years, while other nation’s firms have downsized
operations or pulled out altogether. According to him, China has committed $1 billion to the creation of a six-lane highway surrounding Nigeria’s defacto oil capital, Port Harcourt, the latest indicator of Beijing’s intent to become a leader in African oil extraction. Nigeria and China already enjoy strong relations in the energy sector. Beijing in 2006 bolstered those ties when it signed a deal for oil drilling licenses in exchange for a promised $4 billion to be spent on power stations and a railroad for Nigeria (Gentile, 2008) http://www.energy-daily.com/reports/analysis-99.html-10/12/08)

5.4 CHINESE INVESTMENTS IN DIFFERENT SECTORS OF THE NIGERIAN ECONOMY.

The Chinese have made investments in virtually all sectors of the Nigerian economy, which ranges from oil, energy, railway, construction, pharmaceutical, textile, and others. To this end, our preoccupation in this section is to present a rigorous and systematic analysis of the nature of Chinese FDI in the different sectors of the Nigerian economy.

5.4.1 Chinese Investment in the Oil Sector/ Oil Exploration

The federal government pursued reforms in the oil industry aimed at raising crude reserves and production capacity by making the investment environment more conducive for prospective investors. According to
government projection, between 2006 and 2010, the sector is expected to attract $67 billion in foreign investment, increase the country’s oil reserve to 40 billion barrels, and daily production capacity of 4.5 million barrels. The government reforms were to ensure a competitive and attractive environment for both external and local investors. According to Kupolokun, GMD, NNPC, Nigeria embarked on increasing its energy initiative to ensure it doubles its gross domestic product, GDP, in the next 10 years. The Investment in crude is essential because the product accounts for 32 percent of Nigeria’s GDP and 70 percent of its revenue, making it fundamental to regional stability and prosperity.

The transformation of the oil-dominated energy industry into integrated oil and gas industry through a mixture of liquefied natural gas, LNG, gas-to-Liquids, GTL, and pipeline developments. There is also a new Trans-Sahara gas pipeline project which would link Nigeria with Algeria and subsequently to European markets.

Government economic reforms have resulted to total gas utilization from 197 million scf per day in 1999 to about 573 million scf per day in 2004. Domestic demand for natural gas is expected to increase to about 1,700 million scf per day by 2010. With the expansion of the oil and gas sector, investment opportunities abound in the domestic gas market (NNPC, tell, May 2007 p.14). The administration is determined to encourage more participation of local contractors in the oil industry. According to Leadership newspaper (July 17, 2007, p.29) Pan Ocean Oil Corporation, an indigenous oil company has signed a $144 million agreement with China’s Lemna Energy Resources for the execution of phase one of a three-phase gas
project. The project when completed will connect the Afam Plant to the Edo region of the Niger-Delta.

The encouragement of the local/indigenous firms to participate actively in the oil and gas industry was boosted by the establishment of content support fund. It is a specialized funding scheme meant to provide term capital for indigenous oil service providers in the oil and gas sector. It was structured as a $350 million multi-seller notes issuance programme with commitments from a consortium of Nigerian banks. It is a revolving debt funding scheme collateralised by receivables of Nigerian Oil Service providers from services rendered to the international oil companies (IOCs)/joint ventures (JVS) partners of NNPC.

To attract foreign investment into the sector, apart from the privatization programme, Nigerian Petroleum Exchange (NIPEX) was introduced, meant to satisfy stake holders’ expectations in the contracting process. This scheme is an electronic platform that links buyers with suppliers and establishes industry-wide standards for transacting business. These two web-based applications facilitate supplier selection and contract approval process. The essence is to ease the challenges faced by NNPC and its partners in their procurement and contracting functions. The enabling investment climate so created and the diplomatic overtures of the Nigerian President to China, resulted to what international watchers refers to as the “Scramble for Africa’s strategic mineral resources and markets by China and the emerging economies of Asia as well as Europe and America”. China National Overseas Oil Company Limited (CNOOC) won a 45 percent stake in OPL
246 worth $2.7 billion in Nigeria’s off-shore deep water oil field operated by Total.

On an official visit to Singapore, the President of Nigeria muted the idea of developing strategic oil depot. The President as well canvassed for the Chinese interest in the execution of this idea which could be owned through equity participation by Nigeria, China and Singapore. Chinese government indicated interest in the project.

The China Petro-Chemical Company Group showed interest in gas development in Nigeria and sought for MOU to this effect. The Group is said to have the capability and facility to establish an assembly plant for big buses that could take thirty-nine (39) people. Nigeria also requested from China a concessionary loan of USD2.5 billion for 2007.

In July 2005, the Nigerian National Petroleum Corporation (NNPC) and China Petro-Chemical International (London), along with its Nigerian Partner, Equinox Energy Limited signed a long term crude oil purchase agreement worth $800 million (N105.6 billion) per year.

The agreement is subject to annual renewal, and will lead to the Chinese government buying 30,000 barrels of Nigeria’s crude oil daily over a period of five years.

The innovation in the oil sector continues to attract attention of the Chinese government and small private investors. Mani-Kam Chinese Nigeria Limited, a joint venture business is one of the companies registered in
Nigeria. It is involved in the manufacture, and designs of petroleum equipment and construction of gas stations.

China has also used debt relief to assist African countries by turning loans into grants. In 2002, china wrote off $1.2 billion in African debt; in 2003, it forgave another $750 million (http://www.afpc.org/china-africa.shtml). Debt relief is an excellent public relations tool for Beijing because it garners popular support and also allows for two positive press events: the first to provide the loan, the second to relieve the debt. This act, the Ethiopian Prime Minister, Meles Zenawi proclaimed as

“China’s exemplary endeavour to ease African countries debt problem is indeed a true expression of solidarity and commitment”

In addition to aid and debt forgiveness, China’s outreach includes efforts to boost its soft power in Africa. This is evident in a growing focus on promoting Chinese cultural and language studies on the continent.

In Nigeria, the Chinese Embassy in Abuja has organized schools’ competition on China’s lunar year which takes place first week of every February. The one week activity has been organized in Abuja, the Federal Capital Territory of Nigeria in 2007 and 2008.

In 2007, 15 schools participated with the competition venue at Junior Secondary School, Apo. The theme of the competition is Nigeria-China Cultural Co-lateral relationship. It’s aim, according to the organizers is to expose Nigeria Junior Secondary School Children to Chinese Culture-
Knowing the relationship between Nigeria and China. The 2008 competition took place at Area two (2) Junior Secondary School, Garki, Abuja. A total of ten (10) Junior Secondary Schools participated in the one week event. The title of the competition is “My impression about China and her People”. The Chinese government is working out modalities to establish “Chinese corner” and a Chinese student in all the schools in the capital territory.

Prizes were given out to the winning schools and students ranging from television sets, D.V.D, Radio sets, Books, Brass Key holders to emblems and flags of Nigeria and China. In 2003, 1,793 African students studied in China, representing one-third of total foreign students that year. China plans to train some 10,000 Africans per year, including many future African opinion leaders who once might have trained in the west. In August 2004, China held a China-Africa Youth Festival in Beijing.

The establishment of the “Confucius Institutes” in Africa-programmes at leading local Universities is another method of integrating china with Africa. The institutes are funded by the Chinese Government and devoted to China studies and Chinese language training. There are over 1000 Confucius institutes in the world, including the centre at Nnamdi Azikiwe University in Awka, Nigeria, in honour of a Chinese philosopher. It has proved effective in encouraging graduate students to focus on china studies and, ultimately, to study in China.

**5.4.2 INVESTMENT IN THE ENERGY SECTOR:**
It is no gain saying that Energy is the back breaker of all the economic reforms embarked upon by the Administration that supervised Nigerian
affairs from 1999-2007. This sector plays a vital role in the economic survival of any nation state. In realization of this obvious fact, the Obasanjo administration and his economic team put in place structures to improve energy supply as a means of encouraging both local industries and attracting foreign investment.

Initially, the policy target was to privatize the power sector to make the then NEPA more efficient and more profitable. The government injected massive funds into the maintenance, rehabilitation, retrofit and the upgrading of existing units in the operational power stations in the country to increase generating capacity and stabilize power distribution.

Table 5.4 OLD POWER PLANTS AND GENERATION CAPACITIES

<table>
<thead>
<tr>
<th>Station</th>
<th>Type</th>
<th>Inauguration Date</th>
<th>Installed Capacity</th>
<th>Current Output MW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oji</td>
<td>Thermal</td>
<td>1956</td>
<td>30</td>
<td>-</td>
</tr>
<tr>
<td>Delta</td>
<td>Thermal</td>
<td>1966-1999</td>
<td>900</td>
<td>366</td>
</tr>
<tr>
<td>Ijora</td>
<td>Thermal</td>
<td>1978</td>
<td>60</td>
<td>-</td>
</tr>
<tr>
<td>Sapele</td>
<td>Thermal</td>
<td>1978-1981</td>
<td>1020</td>
<td>62</td>
</tr>
<tr>
<td>Kainji</td>
<td>Hydro</td>
<td>1968-1978</td>
<td>760</td>
<td>445</td>
</tr>
<tr>
<td>Jebba</td>
<td>Hydro</td>
<td>1983-1984</td>
<td>560</td>
<td>339</td>
</tr>
<tr>
<td>Afam</td>
<td>Thermal</td>
<td>1978-1982</td>
<td>960</td>
<td>85</td>
</tr>
<tr>
<td>Egbin</td>
<td>Thermal</td>
<td>1985-1987</td>
<td>1320</td>
<td>243</td>
</tr>
<tr>
<td>Shiroro</td>
<td>Hydro</td>
<td>1989-1990</td>
<td>600</td>
<td>281</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>6210</td>
</tr>
</tbody>
</table>
After unbundling NEPA into several companies, it was realized that the measure could not guarantee solutions to National Electricity problems. The government adopted the National Integrated Power Project (NIPP). The concept is aimed at improving electricity generation, transmission, distribution and supply. The power sector was therefore liberalized to allow Independent Power Producers (IPPs) to invest in the Power industry. The IPPs generate power and sell to Power Holding Company of Nigeria, (PHCN), to distribute under a power purchase agreement. The interest generated by this measure attracted the participation of some state governments and companies to join the business. The Rivers State Government and AES and Agip have operational power plants in Egbin, Okpai, Port-Harcourt and Omoku.

Table 5.5 INDEPENDENT POWER PRODUCERS (IPP PROJECTS)

<table>
<thead>
<tr>
<th>S/N</th>
<th>Power Station</th>
<th>Location</th>
<th>Output MW</th>
<th>States</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>AES</td>
<td>Lagos</td>
<td>300MW</td>
<td>Commissioned</td>
</tr>
<tr>
<td>2.</td>
<td>Agip</td>
<td>Okapi</td>
<td>480MW</td>
<td>Commissioned</td>
</tr>
<tr>
<td>3.</td>
<td>Ajaokuta Steel</td>
<td>Ajaokuta</td>
<td>80MW</td>
<td>Commissioned</td>
</tr>
<tr>
<td>4.</td>
<td>Trans Amadi I</td>
<td>Port Harcourt</td>
<td>36MW</td>
<td>Commissioned</td>
</tr>
<tr>
<td>5.</td>
<td>Trans Amadi II</td>
<td>Port Harcourt</td>
<td>150MW</td>
<td>On Going</td>
</tr>
<tr>
<td>6.</td>
<td>Omoku I</td>
<td>Omoku, Rivers</td>
<td>150MW</td>
<td>Commissioned</td>
</tr>
<tr>
<td>7.</td>
<td>Ibom Power</td>
<td>Ikot Abasi</td>
<td>188MW</td>
<td>On Going</td>
</tr>
</tbody>
</table>
8. Shell Obite 650MW On Going
9. Exxon Mobil Bonny Island 5000WM Yet to be awarded

<table>
<thead>
<tr>
<th>S/N</th>
<th>Power Station</th>
<th>State Location</th>
<th>Units</th>
<th>Total Output</th>
<th>Commissioning Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Odukpani, Calabar</td>
<td>Cross River</td>
<td>5</td>
<td>561MW</td>
<td>July 2007</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>November 2007</td>
</tr>
<tr>
<td>2.</td>
<td>Egbema</td>
<td>Imo</td>
<td>3</td>
<td>338</td>
<td>July 2007</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>December 2007</td>
</tr>
<tr>
<td>3.</td>
<td>Ihovbor</td>
<td>Edo</td>
<td>4</td>
<td>451</td>
<td>June 2007</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>September 2007</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>September 2007</td>
</tr>
</tbody>
</table>

To further boost energy supply and meet the electricity demand of the country, eleven (11) new power-generating stations were built by the administration. The regime hoped to achieve a combined output of 10,080 mw by December, 2007. Seven (7) power stations were embarked upon in the Niger-Delta States at the cost of USD2.5 billion. On completion, they would jointly produce about 2062 mw

Table 5.6 SEVEN NEW FEDERAL GOVERNMENT POWER PROJECTS IN THE NIGER DELTA
The first phase of the power plants was located in Geregu, Omotosha, Papalanto and Alaoji. The joint capacity of the four stations is estimated at 984 MW

Table 5.7 THE FIRST FOUR FEDERAL GOVERNMENT POWER PROJECTS

<table>
<thead>
<tr>
<th>F</th>
<th>Station</th>
<th>Location</th>
<th>Capacity MW</th>
<th>States</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Geregu</td>
<td>Kogi</td>
<td>414MW</td>
<td>Commissioned</td>
</tr>
<tr>
<td>2</td>
<td>Omotosho</td>
<td>Ondo</td>
<td>335MW</td>
<td>Commissioned April</td>
</tr>
<tr>
<td>3</td>
<td>Papalanto</td>
<td>Ogun</td>
<td>335MW</td>
<td>Commissioned April</td>
</tr>
<tr>
<td>4</td>
<td>Alaoji</td>
<td>Abia</td>
<td>500MW</td>
<td>On-going</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>984MW</strong></td>
<td></td>
</tr>
</tbody>
</table>

Apart from power generation, the government improved on transmission and distribution by embarking on capacity building in these areas. The transmission project would evacuate the generated power from new power
stations to the national grid through major corridor. The transmission project consists of 22 project lots.

Along side transmission project, distribution is being overhauled. The distribution projects divided into 11 zones cover the whole of the country. All over load facilities are being reinforced too. A new system of distribution at a higher voltage is adopted to reduce losses in transmission. In the low consumption areas, smaller transformers are being introduced. About 250 distribution projects have been identified to cover the following; scope: new 33kv lines, 1.70 km, new 11 kv lines, 2666 km; additional injection substation capacity 3,540 Mva, and new distribution transformers 22,598 km. This programme when fully implemented will ensure that all villages within 5km radius of the power stations. Give provided with electricity.

The federal government built a N9.88 billion Owerri-Ahoada-Yenagoa 132kv double circuit transmission line and substations around the area. There was an additional construction of Yenagoa-Imiringi 33kv double transmission line to connect existing 33kv network in Bayelsa with the state owned power plant in Imiringi. At the same time, there was the Ahoada-Abonema 33kv double circuit transmission line that will supply power to Abonema as well as other towns and villages around it, including Abua and Degema. The efforts of the administration yielded result as Bayelsa was connected to the national grid on October 20, 2006, first time since its creation, 10 years ago.
Gas utilization in power supply is one of the corner stones of the 1999-2007 energy reforms. Gas transmission pipelines are being constructed to the power station sites. This projected is expected to reduce gas flaring in the country which is estimated at 748 million metric standard cubic feet per day (MMSCF/D).

Between 1999-April, 2007, the federal government has completed 836 power projects, 1946 are ongoing, 445 at the state of commissioning. Out of the 774 local governments in the country, 662 have been connected to the national grid and N23.3 billion has been approved for the Rural Electrification Agency, REA, for capital projects.

This day (July 8, 2007) ascribes low level of development to “the infrastructure deficiency peculiar to the Nigeria’s business environment”. The epileptic power supply in Nigeria has increased the over head cost of operations which are factored into alternative energy sources of their business plan. The China EXIM Bank is partly funding five thermal power stations in Nigeria (Ughelli, Geregu, Papalanto, Alaoji and Omotosho power plants) through a credit facility repayable in 12 years (www.nigeriafirst.org (22/2/2007, p.3). The Chinese Group plans to build power station to produce energy to power the trains from Lagos to Abuja and the excess power would be sold to consumers.

Chinese government and Chinese companies are heavily involved in Nigeria’s energy plans. Through financial and technical support of china, two new hydropower plants at Zungeru and Mambila in Northern Nigeria are being constructed. The Mambila hydro project planned to generate 3000MW of electricity on completion is being executed by China Gezhouba
Group Corporation at the cost of USD1.46 billion. The project is to be completed in six (6) years, nine (9) months period. About 8000 Chinese expatriates are to be involved in the execution of the project. The scheme is expected to generate employment to numerous Nigerians in the related fields.

5.4.3 INVESTMENT IN SATELLITE COMMUNICATION NETWORKS:

Communication is a strong instrument of economic development of any nation. Information dissemination is essential to investors both locally and internationally. This had been one of Nigeria’s setbacks in her efforts to encourage foreign investors into the economy.

Before the inception of the democratic administration in May 29, 1999, the services rendered by the Nigerian telecommunications Limited (NITEL) and a few Private Telephone Operators (PTOs) were suspect and inadequate. Nitel had about 700,000 telephone lines out of which about 450,000 lines were functional. The PTOs had about 50,000 lines functioning. The number was quite little to serve the teeming population desirous of it. Inefficiency, poor service delivery, over charges and high handedness became the hallmark of the telecom providers because of the government monopoly enjoyed by them.

Although, the need to deregulate the sector was realized by government leading to the establishment of the Nigerian Communications Commission (NCC) in 1993 to regulate the sector, not much was achieved in the
deregulation exercise of 1996. Apart from the unreliability and inadequate provision, connection costs of the operators was outrageous, ranging from N100,000 – N120,000. M-tel, a subsidiary of NITEL was solely responsible for the provision of mobile telephone in Nigeria during the period.

In line with the government’s economic reforms through the world trend of liberalization, deregulation and privatization, a holistic review of the 1987 telecommunications policy was carried out by the Obasanjo regime, leading to a new national Telecommunications Policy in 2000. The introduction of the new policy radically changed the face of telephony in Nigeria.

In 2001, Nigeria joined the rest of the world in the use of Global System for Mobile-communications (GSM). The NCC auctioned 2G digital mobile licenses to three GSM operators, MTN Nigeria, Econet Wireless Nigeria (Now Celtel) and M-tel. Globacom later joined the league of providers after a protracted tussle with NCC as the second national operator. The revolution taking place in the telecommunication sector is massive, and following the introduction of the unified access license in 2006 by NCC, about eight telecom firms have obtained license to commence operation.

To make the industry achieve the desired result and contribute to the national development, the Obasanjo administration, 1999-2007 provided enabling environment to attract foreign investors to boost the communication sector. It is a known fact that lack of infrastructure and communication equipment contributed to the slow pace of revolution facing the sector and bringing the cost low at affordable price for the average Nigerian. The effort has attracted investors from all parts of the globe, but
the Asian axis, led by China is at the forefront of provision of telephone handsets and accessories to Nigerian teeming populace. Chinese facilities are reasonably cheaper and affordable to low income earners. Telephone facilities are largely concentrated in the urban areas of the country. The government is determined to provide communication facilities in the rural areas where majority of the population reside. ZTE, a Chinese company has been awarded a contract of N24 billion to provide rural telephone projects. Although the company is facing difficulties in the execution of the project because of the terrain of the sites, the project is more than 75% completed. ZTE with its headquarters in Abuja is also engaged in the production of telephone handsets locally. The company when fully operational is capable of manufacturing about 2000 handsets per day. At present, more than 50,000 starcom fixed telephone handsets have been produced by the company.

The company as well is encouraging Nigerians to invest in it by buying into the company’s investment which the president of the company says is very viable. The organization hopes to list in the Nigerian Stock Exchange to attract investors through public offer. The activities of the company are providing employment opportunities to numerous Nigerians.

Huawei Technologies Nigeria Limited is another Chinese Company operating in Nigeria and lending great assistance to the telecommunication industry. On April 6, the company opened a N13 billion technical assistance and training centre which is expected to address the problem of human capacity building in the nation’s telecom sector which faces acute shortage of man-power. The company has the capacity to accommodate the training of over 2000 telecommunication engineers a year. Nigeria’s desire to have
communication spread to nooks and crannies and at low cost is boosted by ZTE’s Commitment to provision of low cost equipment and services to Nigerians.

According to the President of the Sub-Saharan region of Huawei Technologies Company Limited, Mr. Jao Jingwen,

*the company’s main objective is to work in tandem with the government agencies, telecom operators, regulators and Nigeria as a whole to fashion out in concrete terms, the ways and means in which it can achieve relatively meaningful impact in the industry together* (www.nigeriapfirst.org/article, 22/2/2007).

In pursuit of the objective of improving the information communication Technology Sector, the government, through the Federal Executive Council (FEC) approved the establishment of the National Information Communication Technology Infrastructure Backbone (NICTIB).

In April 2001, the Federal Government established the National Information Technology Development Agency, (NITDA). The agency was set up to implement the National Information Technology, IT, policy, as well as develop and regulate the IT sector in the country. The agency is spearheading infrastructural, institutional and human resource capacity development in the country.

The expansion of the telecommunication facility is shown on the table below.
Table 5.8 TOTAL CONNECTED LINES AND TELEDENSITY FROM 2001-JAN. 2007

<table>
<thead>
<tr>
<th>OPERATOR</th>
<th>DEC-01</th>
<th>DEC-02</th>
<th>DEC-03</th>
<th>DEC-04</th>
<th>DEC-05</th>
<th>DEC-06</th>
<th>JAN-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>600,321</td>
<td>702,000</td>
<td>872,473</td>
<td>1,027,519</td>
<td>1,223,258</td>
<td>1,687,972</td>
<td>1,704,722</td>
</tr>
<tr>
<td>Mobile</td>
<td>266,461</td>
<td>1,569,050</td>
<td>3,149,472</td>
<td>9,174,209</td>
<td>18,587,000</td>
<td>32,322,202</td>
<td>33,603,761</td>
</tr>
<tr>
<td>Total</td>
<td>866,782</td>
<td>2,271,050</td>
<td>4,021,945</td>
<td>10,201,728</td>
<td>19,810,258</td>
<td>34,010,174</td>
<td>35,308,483</td>
</tr>
<tr>
<td>Teledensity</td>
<td>0.73</td>
<td>1.89</td>
<td>3.35</td>
<td>8.50</td>
<td>15.72</td>
<td>24.29</td>
<td>25.22</td>
</tr>
</tbody>
</table>

Source: Nigerian Communications Commission, Abuja.

The sector has impacted tremendously on the social and economic lives of Nigerians, irrespective of where they reside in the rural or urban centres. The total number of subscribers rose from less than 450,000 in 1999 to over 35 million by the first quarter of 2007. Teledensity increased from 0.73 in 2001 to 25.22 in the same period. Private Investment also grew from USD50 million in 1999 to USD2.55 billion.

Satellite Communication is one great ambition of Nigeria during the period under study. However, Nigeria lacked the technology and technical-know-how to actualize this dream. Nigerian President, Obasanjo made request to his Chinese Counterpart Hu Jintao to assist Nigeria launch her communication satellite in the orbit. The Chinese government consented to Nigeria’s request by financing the construction and launching of the satellite that is wholly owned by Nigeria. The contract was executed by a Chinese firm, China Great Wall Industry Corporation. The satellite was developed by the China Aerospace Science and Technology Corporation. After the launching, the In-Orbit-Test-a series of measurements were carried out from
June 1, to verify the performance parameters of the satellite. By June 28, the launch was confirmed successful.

The development and the launching of the satellite project cost Nigerian government about USD400 million. The funding was a loan from the Chinese government.

The Nigeria communication satellite-I (NIGCOMSAT-I) is a very important achievement of the economic diplomacy of the civilian administration because of the derivable benefits accruable to the project. The benefits of NIGCOMSAT include data traffic such as e-mail, short messaging services, web-hosting, global positioning-controlled devices and inter switching between financial institutions for easier on line payments. Other gains include voice traffic such as Internet Protocol Technology, GSM telecommunications, 3G Communications, convergence of networks between the traditional phones and the modern telephony services. Other derivable are video traffic, such as those found in multimedia applications and traditional news and events to remote areas and ancillary services such as e-education, e-banking, e-medicine and e-government.

It is also expected to improve and fast-track the penetration and accessibility of telecommunications and information technology services in the rural and un-served urban centres of the country. Communication providers who wish to deploy to rural areas will find the facility useful. It solves the major problem facing PTOs and ICT operators who find it difficult to meet the high cost of acquiring bandwidths. (Punch, July 5, 2007, p.17). According to the Guardian (August 8, 2007, p.31), “Nigeria has the highest GSM tariff in
the whole world. We now have the facility, technology and the technical know-how to crash the tariff”.

The transponders of the satellite have been of great interest to many companies including the Nigerian Television Authority, Telnet, the Central Bank of Nigeria, MTN and Globacom. The provision of this facility is expected to generate huge economic benefit to the nation. The standard price for the provision of a transponder to each company is put at USD1.3m for C-band pre-emptive contract, while post launch price is USD1.7 million. Those who want to deploy telecoms service in the rural areas will have to pay almost USD3 million.

Above all, the much needed employment and technological transfer will be achieved by this launch. Before the launch, 55 Nigerian Engineers were trained in China. And post launch requires that more Engineers will be trained to man the satellite site.

5.4.4 INVESTMENT IN THE TRANSPORT SECTOR

Mobility, land, air and sea are very essential elements in the development and economic growth of a country. The state of infrastructures in this sector in Nigeria is nothing to write home about. Roads are in the most deplorable conditions in the annals of Nigerian history. It is often referred to as “death trap”. Seas transportation is almost forgotten as a means of movement within and outside the country. The sea ports lack handling facilities and had become bedeviled with corruption. Air travel in Nigeria today is a nightmare because of the frequent air plane crashes that have cost
the nation many lives including those of innocent school children on
vacation. The Rail sector is a tale of woes. A sector condemned to crisis and
ineptitude, but yet consumes a lot of money both for purported revival and
payment of retirement benefits which is never ending and a re-occurring
decimal.

Considering the importance of the transport sector, can Nigeria actually
make economic progress without adequate attention to the sector? It is in
realization of the essentiality of the sector that the Obasanjo Administration
craved to depart from the old ways and to pay attention to it by encouraging
foreign governments to assist Nigeria in re-juvinating the transport sector.

The road transport system is part of the engine of economic and socio-
political development of Nigeria as most activities and movements involved
the use of this means. The administration between May 29, 1999-2007 paid
adequate attention to road construction and management. Records from the
Federal Ministry of Works and Housing indicate as follows:- the
government completed 117 roads and bridge projects covering 4,747, 97
Kilometers. There are about 118 ongoing road projects, some of which are
near completion levels of 96.60 percent. These cover 6,324.28km, thus
bringing to 10,801.5km the total span of road projects embarked upon by the
administration since May, 1999. The total amount so far spent on all capital
road projects, both completed and ongoing stands at N299,019,761,996.75.

A total of 123 highway projects valued at N3,164,981,073.30 have been
completed. While 74 valued at N3,868,127,953.34 are at various stages of
completion.
Deliberate efforts were made to improve the state of bridges built some years back. The Niger Bridge in Onitsha, Anambra State was rehabilitated and strengthened. Six (6) new ones are under construction along Argungu Bwi Road in Kebbi State. The Jalingo Bridge which collapsed in August, 2005 had been replaced with a new one built in Nukkai, Taraba State.

Other projects include the construction of Itigidi Bridge in Cross River State, which was conceptualized during the Premiership of Nnamdi Azikiwe in the Eastern region. There is the first ever attempt through road to link people in the oil and gas-rich island of Bonny to the mainland of Rivers State going on through the construction of Bodo-Bonny roads. On Ette-Abak Road, in Akwa-Ibom State, a new Ibagwa Bridge is constructed to replace the old narrow one which has claimed several lives. Others are Tombia Bridge and Amassoma-Okutukutu Road in Bayelsa State; construction of Abonema and Degema bridges in Rivers State, and the construction of the Goronyo Dam and Goronyo Sabon Birni Road in Sokoto State.

In the bid to sustain the maintenance of the Roads, the Federal Government established the Federal Roads Maintenance Agency (FERMA) through a bill sponsored by late Dr. Chuba Okadigbo, then, Senate President of the Federal Republic of Nigeria. FERMA is to ensure all year-round maintenance/repairs of federal roads. Since its inception, the agency has awarded a total of 1,906 regular maintenance contracts under its phase 1-10 special road maintenance programme at a total contract sum of N33.35 billion. It has ensured maintenance of over 100 roads nationwide by Direct Labour operation at a cost of N4 billion: 408 federal roads under the
retainership by rate programme at the total cost of N37.70 million. The agency has also undertaken rehabilitation of street lighting installation on some bridges and other 24 locations nationwide. With the ‘operation 500 Roads’ programme of FERMA, the Ministry has restored to serviceability several sections of federal trunk roads which had been in very bad condition.

The confidence and commitment so created by the government have impressed the foreign investors to partner with Nigeria to find a lasting solution to this problem.

The Nigerian government on 3rd of November, 2006 appealed to Chinese companies to cooperate with the Nation on her efforts to improve on the transportation system. The CGC was awarded the contract to construct the section 4 (Potiskum-Damaturu) of the Kano-Maiduguri road as well as secured block 2 of the bitumen development field in Ondo State. The initial investment outlay would be USD200 million.

Other smaller Chinese Companies are also involved in rural roads constructions. China Zhonghao Nigeria Limited, China Geo-engineering Coy. International Limited, F4 Nigeria Limited and Yangte Lagoon Construction and Development Coy. Limited are all present in Nigeria prospecting and executing road construction works.

It is pertinent to say that Chinese impact has not been significantly felt in the area of Road Construction like others such as Railway and communication. It is envisaged that since Nigeria is set to emulate China, improvement will be witnessed in this sector.
RAIL TRANSPORTATION SYSTEM

Rail transportation world wide is recognized as efficient and cheapest means of transport. Since after Nigerian first Republic and the end of civil war, Nigerian Rail System continued to decline until total collapse in the present day.

China is acknowledged as a society where system is effective. Nigerian government therefore looked up to China for the revival of Nigerian rail transportation. Cooperation between the two countries to this effect was part of the Beijing talks held in April 1996. The effort to bring in Chinese experts dates back to 1975-1979, during Murtala Mohammed/Obasanjo regime. This followed the success recorded by the Chinese companies in the construction of the TANZAM Railway Project in East Africa. (Chibundu, 2000, p.25).

The failure of this effort prompted the Government of Sani Abacha (late) to negotiate with the China Civil Engineering Construction Corporation (CCECC) to undertake the rehabilitation of the Railway system. The contract for the project was signed between the Federal Ministry of Transport and CCECC on 9th December, 1995. job was not executed as agreed due to the failure of Nigerian Contractors involved in the job to deliver track materials within the stipulated period.

The 1999 Administration re-visited the rehabilitation process of the rail system by once more romancing the Chinese Government and requesting committed assistance to get it done. The fallout of the discussion between the two countries yielded the Chinese indication of interests in the followings:-
a) Fast-Track Train from Lagos to Abuja
b) Light-Train from Lagos Airport to the Lagos city
c) Light-Train from Abuja Airport to the Abuja city.

Parts of the agreements to actualize this task were:-

i) That the Guandang Xinguang International Group will invest in the above areas and they will source for either local or international partners for collaboration

(ii) That the Government of Nigeria will provide right of way and ensure a conducive environment for the investment

(iii) That the fund to be procured by the investor is different from the USD 2 billion fund already being provided by the Chinese Government for investment in Nigeria.

(iv) That detailed negotiations on interest rates will be worked out by experts of the two countries. The administration, finally signed an USD8.3 billion contract with China Civil Engineering Construction Corporation for the construction of the first phase of Lagos-Kano Standard Gauge Rail lines. When completed, the modernized rail lines are expected to enhance transportation, especially in the area of haulage. The speed is expected to be between 120 to 150km per hour. The project is divided into five phases: Lagos-Ibadan; Ibadan-Ilorin; Ilorin-Minna; Minna-Kano; and Minna-Abuja-Kaduna. The project, which commenced in 2006, is expected to be completed in four years. (Poverty control June 2007).
5.4.5 INVESTMENT IN NUCLEAR TECHNOLOGY FOR PEACEFUL PURPOSES

Nuclear and space technology have become a measure of a nation’s strength and prestige in international community. No wonder the developed countries and world powers led by America Chastise nations like Iran in her efforts to acquire nuclear technology. Since after the negative use of nuclear technology in Hiroshima, Japan during the Second World War, the world through the Institution and instruments of the United Nations Organization is very keen on the development and use of nuclear power.

The contradiction in this quest for nuclear technology is the fact that while the super powers like America, Russia, Britain, France, Germany posses and continue to improve on their ballistic weapons; they consciously monitor other nations and prevent them from having such facilities. This raises the question, whether the purpose for this attitude is to intimidate other nations or to continue to maintain their supremacy over countries that do not posses the technology? However, it is important to state that nuclear technology is not all about evil. The technology can be put into good uses like communication, Agriculture, peaceful research Energy Supply etc.

Peoples Republic of China, suddenly, has emerged as one of the nuclear powers in the world today, be it ballistic missile or for peaceful purposes. Space travel has become an ordinary feature in China’s technology. Nigeria’s desires to join the comity of nations with nuclear technology like South Africa, has attracted her to Chinese government and her Agencies.
President Obasanjo, Nigeria, on his trip to China solicited China’s collaboration with Nigeria for her development of nuclear technology for Peaceful purposes. He also made it clear to President Hu Jintao of China that Nigeria has obtained the approval of the United States of America for this project. Nigeria’s interest in nuclear technology is boosted by her successes in the satellite launch. Strong plans are on the way to develop Nigeria’s nuclear technology before 2013 in collaboration with China’s Aerospace Science and Technology Corporation. Nigerian Ministry of Science and technology is working in tandem with Nigerian Military to actualize this.

Although, much impact has not been made in this direction, the partnership of Nigeria and China is most favoured to achieve this feet, both in terms of cost and commitment.

5.4.6 INVESTMENT IN PROVISION OF WATER

In the spirit of economic diplomacy, which essentially is to provide for the populace and Nation what they lack and truly desire, the administration of 1999-2007, devoted ample time and energy in wooing foreign governments and investors to aid Nigeria in providing this very important commodity to her citizens.

Chinese presence is currently felt in water and water related projects in Nigeria. About 400 Chinese experts are involved in the construction of small earth dams around the nation. On October 13, the government of Nigeria and China signed a contract agreement for the construction of water
schemes for 19 states and the Federal Capital Territory (FCT) at the cost of N695 million (www.nigeriafirst.org).

China Zhonghao Nigeria Limited, a company specializing in Borehole Drilling, water Treatment Plant, Road and Bridge Construction, Dam, Irrigation Works and Agriculture, Housing etc was incorporated in Nigeria in 2002. In collaboration with the Federal Ministry of Water Resources, UNICEF and state governments the company has executed several water projects in Nigeria. The Chinese Company has come along with its high skill in water treatment plants construction and fabrication to Nigeria. The skill is being passed on to numerous Nigerians employed by this company. Below is a table of jobs executed by China Zhonghao Nigeria Limited.
<table>
<thead>
<tr>
<th>S/N</th>
<th>Employer</th>
<th>Consultant Supervision</th>
<th>Location and Description of the Work</th>
<th>Value of Contract</th>
<th>Completion %</th>
<th>Scheduled Date of Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Katsina State Govt.</td>
<td>Ministry of Water Resources, Katsina State</td>
<td>Dutsinma Borehole Drilling</td>
<td>N7,300,000.00</td>
<td>100%</td>
<td>July 2002</td>
</tr>
<tr>
<td>2.</td>
<td>Federal Ministry of Water Resources</td>
<td>Federal Ministry of Water Resources</td>
<td>Shira Water Supply Project</td>
<td>N49,000,000.00</td>
<td>100%</td>
<td>March 2003</td>
</tr>
<tr>
<td>No.</td>
<td>Implementing Ministry</td>
<td>Consultant/Implementation</td>
<td>Project Description</td>
<td>Proposed Budget (N)</td>
<td>Completion Status</td>
<td>Completion Date</td>
</tr>
<tr>
<td>-----</td>
<td>-----------------------</td>
<td>---------------------------</td>
<td>---------------------</td>
<td>---------------------</td>
<td>------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>7.</td>
<td>Kaduna State Government</td>
<td>Ministry of Water Resources</td>
<td>Drill of Boreholes with Hand Pump</td>
<td>N19,500,000</td>
<td>100%</td>
<td>July 2004</td>
</tr>
<tr>
<td>No.</td>
<td>Implementation Authority</td>
<td>Ministry &amp; Location</td>
<td>Description</td>
<td>Amount</td>
<td>Completion Status</td>
<td>Completion Date</td>
</tr>
<tr>
<td>-----</td>
<td>-------------------------</td>
<td>---------------------</td>
<td>-------------</td>
<td>--------</td>
<td>------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>11.</td>
<td>Kaduna State Government</td>
<td>Ministry of Water Resources, Kaduna State</td>
<td>Drilling of Boreholes with Hand Pump</td>
<td>N19,000,000</td>
<td>100%</td>
<td>July 2005</td>
</tr>
<tr>
<td>No.</td>
<td>Implementing Organization</td>
<td>Implementing Organization</td>
<td>Project Description</td>
<td>Contract Amount</td>
<td>Percentage</td>
<td>Completion Date</td>
</tr>
<tr>
<td>-----</td>
<td>---------------------------</td>
<td>---------------------------</td>
<td>---------------------</td>
<td>----------------</td>
<td>------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>17.</td>
<td>UNICEF</td>
<td>UNICEF</td>
<td>Construction of 29 Boreholes</td>
<td>N19,968,324.00</td>
<td>100%</td>
<td>December 2006</td>
</tr>
<tr>
<td>20.</td>
<td>Hadejia-JAMA’ARE River Basin Development Authority</td>
<td>Hadejia-JAMA’ARE River Basin Development Authority</td>
<td>Construction of 2 Motorize Boreholes, Associated Structures at YOBE STATE</td>
<td>N11,895,422.08</td>
<td>40%</td>
<td>March 2007</td>
</tr>
<tr>
<td>No.</td>
<td>Client/Authority</td>
<td>Project Description</td>
<td>Cost (₦)</td>
<td>Percentage</td>
<td>Date</td>
<td></td>
</tr>
<tr>
<td>-----</td>
<td>---------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------</td>
<td>---------------</td>
<td>------------</td>
<td>------------</td>
<td></td>
</tr>
</tbody>
</table>

Zhongho overseas Construction Engineering Company of Beijing, the parent company of China Zhongao Nigeria Limited, in October, 2007, signed a contract of $300m with the Zamfara State Government for the exploration of minerals in Zamfara State. The project is a collaboration between the firm and an indigenous company, Loratt in the ratio of contract shares of 90 percent and 10 percent respectively. The joint venture is targeted at the exploration and exploitation of mineral resources in the state. The joint venture will also involve the construction of state of the art solid
minerals processing factory in Gusau. It will also consider oil exploration in the Northwest along the Sokoto basin consisting of Sokoto, Kebbi and Zamfara States. Daily trust, (November 5, 2007, p.2).

The company is currently executing the following contracts, supply and installation of small water scheme for sixteen (16) communities in Zamfara State. Construction of (10) water schemes in Zaria city of Kaduna State. In Ebonyi State, the Rehabilitation of Ezillo water Treatment Plant. On 27 July, the Bauchi State government entered into contract agreement with the company for water supply schemes in Hospitals, Clinics, schools, and three towns, Bogoro, Gololo and Kari at the cost of over a billion naira.

5.4.7 INVESTMENT IN HOUSING

Successive Governments in Nigeria have failed to provide adequate housing for Nigerians. It was a common thing to hear in the 1980s and 1990s “housing for all by the year 2000”, but the year has come and gone, Nigerians are still waiting to see the houses. In the 1980s, the administration of Shehu Shagari embarked on the low-cost housing scheme but was poorly executed, hence, failed. Housing policies of past governments did not only fail but at the same time contributed to the rise in the shortage of housing. According to Tell (May, 2007, p.35).

*Nigeria’s housing deficit is at a dizzying 12 million to 17 million Units. At an average occupancy ratio of six persons per household, this translates to 72 million to 100 million Nigerians that are either homeless or without decent housing.*
Following presidential committees on housing and the panel on merger of Federal Mortgage Bank of Nigeria and the Federal Mortgage Finance Limited headed by former Governor of Rivers state, Peter Odili, the Federal government came up with the 2002 policy on urban development and housing for the country. The goal of the federal government’s reform is to achieve its major desire of ensuring Nigerian’s ownership or access to decent and affordable housing made possible through mortgage-enabling regulatory and legislative frameworks, mass housing production by the private sector and robust mortgage finance.

The agenda is to develop a strong secondary mortgage financing mechanism based both on the National Housing Fund (NHF) and the mobilization of additional funds from the Nations Capital Market. Funds were not only expected from local sources, Foreign Investors were encouraged to embark on build and sale housing scheme. In the MOU between Nigeria and China, the parties agreed to encourage the construction of Low-Cost Housing. The housing units are to be built in different locations in the country. The Federal Government, however, shall facilitate the provision of land for the housing units.

The Guandong Xinguang International Group of China expressed interest in building 50,000 units of one, two, and three bedroom houses respectively as follows:

i) Abuja - 10,000 units

ii) Lagos - 20,000 units
iii) Port Harcourt - 10,000 units
iv) Kano - 10,000 units

The company would build and sell directly to the public without Government interference. While this effort is commendable, the housing need of Nigerians is far from being met.

Other areas of cooperation where Chinese Government and industries have shown interests in Nigeria are the Military, Education and medical and Health. It is on record that in May, 1985 former President, Ibrahim Babangida, then Major-General and Chief of Army Staff paid an official visit to China. The visit resulted in the purchase of arms and ammunition, and collaboration in the manufacture of light arms between the appropriate agencies of both countries Gambari (1985). In 1997, the former Head of State General Abdulsalami Abubakar visited China as Chief of Army staff to seek ways and means to strengthen Military cooperation between the two countries. Another, followed by then chief of Naval Staff, Admiral Okhai Nike Akhigbe (rtd) in 1998. Several military course exchanges have taken place between the Chinese and Nigerian Military since 1997 – 1998.

Beginning from when Chief Obasanjo was elected the President of the Federal Republic of Nigeria, and prior to his swearing-in, he indicated his desire to cooperate with china by paying a two-day official visit to China in April, 1999. Ever since then, military exchanges have taken place between the two nations. In June, 2001, the Chinese Military delegation headed by Deputy Chief of the General Staff PLA, General Wu Quanxu visited Nigeria. In September of the same year, General, Haotian, Chairman of the

Chinese Government is deeply involved in the rehabilitation of the Nigerian Air force both in terms of Equipment and personnel training. In September, 2003, Nigeria approved the purchase of 15 F-7NI and FT-7N Chinese Multi-role combat/trainer aircrafts to boost the defense operations of her Armed Forces.

In 2005, supplies of Air force equipment were made to the Nigerian Military by a Chinese Firm, Catic I & E Nigeria Limited. The Firm is currently involved in the up grading of Air force facilities in Jos and other parts of the Nation.

The desire to diversify the procurement of military wares resulted from Nigerian’s experience during the Biafra-Nigeria Civil War of 1969-1970, where over reliance on the west almost held the Nigerian Side hostage and frustrated. It is also envisaged by the Current Administration that China will be disposed to giving Nigeria what western nations will be reluctant to offer for the sake of maintaining status quo.
5.4.8 INVESTMENT IN THE HEALTH SECTOR

The health sector had decrepit facilities and suffered from brain drain thereby putting the sector in a terrible bad condition. Our hospitals were mere consulting homes. Both primary and tertiary institutions could no longer meet with their responsibilities. This was not helped by constant strikes by health workers agitating for improved conditions of service and provision of basic facilities for work.

The administration of 1999 embarked on major reforms which included the National Health Insurance Scheme, NHIS, which was inaugurated in 1999. NHIS was established to ensure that Nigerians have access to quality health care services; an equitable distribution of healthcare cost among different income groups, as well as to maintain a high standard of health care services and provide insured persons and their dependants access to quality and cost-effective healthcare. The Federal Government Contributed N4.8 billion for the take of the NHIS.

The administration embarked on a policy of constructing 200 model healthcare centres across the country. About 152 of these centres have been completed as follows:- North-East-23, North-West-31, North-Central-28, South-West-32, South-East-21, and South-South-17.

Tertiary healthcare received boost as the teaching hospitals in Maiduguri, Jos, Port Harcourt, Ibadan, Lagos, Zaria, Enugu and Ilorin received face left. According to the Health Minister, Eyitayo Lambo, the
government spends about N11.4 billion equipping some of the teaching hospitals.

The Federal government re-built the National Agency for Food and Drugs Administration and Control, NAFDAC. The activities of NAFDAC has giving confidence to drug manufactures who fled the country to return and new ones making inroad into Nigeria.

During President Jiang Zeminis vist, Nigeria solicited for assistance to achieve her healthcare programmes. The Chinese President pleaded his country’s support in medical and health services. China provided about 75 million Renminbi, RMB (about 7.3 million US dollars) for provision of Artemisinisin and Malaria prevention and treatment centres.

In support of Nigeria’s Rollback Malaria programme, China in 2002, donated anti-malaria drugs and treated mosquitoes nets worth about N400 million. She is to train 50 Nigerian officials and medical personnel on comprehensive malaria prevention and control.

Several Chinese Herbal, non Synthetic drugs have been approved by NAFDAC for use and consumption in Nigeria. Products of Tianshi and Tasly and other are commonly found in Nigerian homes and markets. The Network business of these Chinese companies have in addition to making cheap and good products available, created job opportunities and source of wealth to many Nigerians. By way of promotions, they give out BMW and Mercedes Cars to their major distributors as incentives. Education sector had its own fare share of reform efforts and Chinese contributions. President Obasanjo noted that efforts should be doubled on the areas of culture and language between the two countries. China and Nigeria have signed an
agreement on cultural cooperation and a protocol on cooperation between institutions of higher learning of the two countries. China has begun to provide scholarships for Nigerian students for their study in China in 1993. From 2002 to 2003, there are 24 Nigerian students studying in China.

The two countries identified areas of Chinese investment in the educational sector as, provision of educational materials and equipment for upgrading of educational institutions in Nigeria. All the Universities in Nigeria are expected to benefit from this investment. Under the China-Nigeria scheme, the Chinese government is to fully sponsor the training of the Nnamdi Azikiwe University Staff to study Mandarin (the Chinese official orthography) in China up to masters and Doctorate Degrees Levels. This is aimed at facilitating and strengthening China-Nigeria relations in the long-run. In Federal Polytechnic, Offa, organized an exhibition on Chinese Culture and Landscape to further strengthen the cultural bond between the two countries.

China’s investments in Nigeria span over oil and gas, iron and steel, machine manufacturing. Cement, electronics, motorcycle-assembly, fishing, pharmaceuticals and telecommunications, and education sectors. According to German Press Agency, (February 15, 2007), more than 20,000 Chinese are estimated to be living and working in Nigeria.

5.5 CHINESE INVESTMENTS AND POLITICAL RELATIONS WITH NIGERIA.
As China has become one of the outstanding investors in Nigeria, her relations with Nigeria does not only center on economic but has spilled over to political sphere of relationship. Ever since the establishment of diplomatic relations between China and Nigeria on February 10, 1971, bilateral relations have always been cordial. China and Nigeria have always firmly supported and closely collaborated with each other in nation building and in international affairs and the friendly cooperation between the countries in political, economic, cultural and other fields has been strengthened continuously (Obayuwana, 2004 http://nm.onlinenigeria.com/templates/?a=261&z=9Accessed 10/12/2008)

As a boost to this diplomatic ties and political relations, there had been exchange of visits by the political leaders of both countries. Chinese leaders who visited Nigeria are as follows: Vice Premier Geng Biao (October 1978), Vice Premier Tian Jiyun (November 1984), Vice Premier Wu Xuegian (March 1990), Vice Premier and Foreign Minister Qian Qichen (January 1995), State Councilor and Secretary-General of the State Council Luo Gan (September, 1996), Premier Li Peng (May 1997), State Council Ismail Amat as President Jiang Zeming’s special envoy (May 1999), Foreign Minister Tang Jiaxuan (January 2000), President Jiang Zemin (April 2002), and Chairman of the Standing Committee of the Naitonal People’s Congress

Leaders of Nigeria who visited China are as follows: Head of State, Gen. Yakubu Gowon Gen (September, 1974), Vice President Dr. Alex I. Ekwueme (May 1983), Chief of the Army Staff Gen. Ibrahim Babaginda (September 1984), Chief of the Army Staff Gen. Sani Abacha (October 1989), Chief of the Defense Staff, General Abdusalami Abubakar (July 1997), President Olusegun Obasanjo (April 1999, August 2001, April 2002), President of Senate Anyim (December 2001), Vice President Abubakar (July 2002), and Deputy Speaker Nwuche of the National Assembly (July 2002) (See Political Relations http://www.china.org.cn/english/features/focac/183429.htm).

The political well-being of Nigeria, nationally and internationally, has been the interest of China. In support of this view, China has indicated her support for Nigeria’s bid for a permanent seat in the United Nations (UN) Security Council. Nigeria’s bid for a permanent seat in the United Nation’s Security Council has secured the support of a key member of the elite body, China (See Nigeria-China relations in Perspective: 1999-2006, May 15, 2006 – Retrieved from http://www.nigeriafirst.org/cgi-bin/artman/exec/view.cgi? 10/12/08; and Obayuwana, 2004).
According to Obayuwana (2004) the world’s most populous nation (China) believes that Nigeria, with its vast geographical spread and record of good neighbourliness in Africa, is eminently qualified for the seat. Remarkably, South Africa and Egypt are also eyeing the possible African slot in the UN-Security Council. The Security Council passes resolutions that are binding on the world body’s 191-member states and has had five permanent members with veto power since the UN was established in the wake of World war II. The permanent members are Britain, China, France, Russia and United States. Ten other nations are elected into the Security Council as non-permanent members for two-year rotation terms.

Having so far explored on Nigeria-China relations and inflow of foreign aid and foreign direct investment (FDI), the available data proved that the Nigeria has enjoyed increase in the inflow of aid and FDI from China within 1999-2007. We therefore at this juncture accept and validate hypothesis No 3 which states that economic diplomacy has impacted positively on the inflow of foreign aid and foreign direct investment to Nigeria from China.
REFERENCES


NIPC (2007) Based on data from Nigerian Investment Promotion Commission (NIPC)


Nigeria & China: Bilateral Ties In A New World order; (2005), The Fourth Nigeria-China Dialogue on Foreign Policy, Lagos: Nigerian Institute of International Affairs.


German Press Agency, Thursday February 15, 2007

http://www.english.people.com.cn
nigeriafirst.org
fmprc.gov.cn/eng/wjb.

Daily Trust, Wednesday, August 29, 2007

Daily Trust, Monday, November 5, 2007


Nigeria’s Interest Under The Strategic Partnership.
Memorandum on China’s Assistance Under The Partnership.


Report of The Meeting of the Presidential Committee to negotiate with Guangdong Xinguang International Group of China held at the Board Room of the Cooperate Affairs Commission (CAC) on 14th March, 2006.

http://www.nigeriafirst.org/article
CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATION

6.1 Summary and Conclusion

This study was designed to achieve three important objectives, namely (a) To determine the implications of Nigeria’s economic diplomacy for Chinese oil interest in Nigeria, (b) To ascertain the impact of economic diplomacy on the inflow of foreign aid and foreign direct investment to Nigeria from China, and (c) To evaluate the impact of economic diplomacy on the volume of trade between the two countries within the period under
review. After a critical analysis of extant literature and data, the study revealed as follows:

1. Nigeria as a regional hegemon, matters significantly to China’s national interest. Nigeria is a key zone for Chinese energy requirements and provides new markets and an investment opportunity for China’s growing economy. The study shows that China’s rapidly growing economy is persuading an ever increasing demand for Nigeria’s natural oil. In fact, unfettered access to Nigeria’s natural resources tops China’s agenda in Nigeria. The study shows that China in 2005, through her corporation, Petro-China signed an $80 million contract with Nigerian Government to locate upstream oil and gas that will guarantee 30,000 barrels per day to China over a period of five years. At present, Nigeria is amongst the country in Africa that provides just over 30 percent of China’s oil requirements. Beijing has signed more than 40 oil agreements with different African countries including Nigeria.

2. Nigeria is China’s second largest trading partner in Sub-Saharan Africa after South Africa and the third largest trading partner of china in the whole of Africa. The study revealed that irrespective of the set backs of 1960s and 70s, the volume of trade between the two countries stood at $4.3 billion in 2007, with numerous trade agreements and Memorandum of
Understanding (MOU) between the two countries. Today, the two countries grant each other most-favoured-nation treatment in all matters relating to customs duties and foreign trade formalities in connection to the importation and exportation of products. More importantly, China currently accounts for more imports from Nigeria than the whole of Africa.

3. On foreign direct investment, the study revealed that Nigeria has attracted huge foreign direct investment from China through the entrant of numerous Chinese companies. Currently, about 750 Chinese enterprises are active in Africa with total investment of over $1 billion and many of them are doing business in Nigeria. These companies are involved in the production of telephone handsets, water and irrigation, and construction of plants. Currently, China has about $7 million worth of FDI investment in Nigeria.

4. Nigeria has felt the positive impact of her relations with China in the areas of energy projects, satellite communication, nuclear technology, health, education, military, and real estate. China provided up to 400 million worth of aid to Nigeria in her Roll Back Malaria Programme. The successful design, construction and launching of Nigcomsat -1 was made possible by China.
5. The study further revealed that China’s overarching presence in Nigeria has attracted increased attention of other world economic powers to Africa and Nigeria in particular and leveraged them before these states. The flooding of Nigerian market with China made goods is offensive to America and Britain to say the least and this has led to increased American attention to Nigeria and the Gulf of Guinea.

6. Culturally, China’s influence and culture is gaining popularity and acceptance in Nigeria. More recently, Nigerians, travel to China more than any other country for business opportunities.

In the final analysis, China is both a tantalizing opportunity and a terrifying threat to Nigeria. On the one hand, China is just the tonic that mineral rich, but economically ailing Nigeria needs. On the other hand, China’s effort to flood the Nigeria market with cheap products is a great threat to the Nigerian economy.

6.2 RECOMMENDATIONS

(1) Nigeria-China relations should be encouraged and sustained for the mutual benefits of both countries.

(2) Nigerian government should subsidise the cost of production of indigenous industries by providing finances that would cut low the
cost of production as it is done in China to enable price of commodities to compete favourably with goods from China.

(3) There are major infrastructure problems in Nigeria, where industry struggles with inadequate roads, and railways and unreliable electricity and water supplies. Urgent measures must be taken by government to provide these basic requirements.

(4) Nigeria should not go into competition with China in production of what China has the comparative advantage over her, but should compete in commodities which Nigeria has edge over china in the bid to correct the trade imbalance between the two countries. Cassava, Rubber, Timber etc production can really improve the volume of trade between Nigeria and China.

(5) Governments and Nigerians in particular should emulate the Chinese patriotism and live for one another, by making concerted and conscious efforts to protect Nigerians and the nation in their dealings with China and Chinese in order not to sell out.

(6) Nigeria should fortify her verse porous borders in order to checkmate attempts by the Chinese traders and other foreigners to smuggle in goods into the country without paying duties. In February, 2006, the Nigerian Customs raised alarm over the “extent of violation of Nigeria’s import and export regulations by the Chinese traders in various China towns”. (www.tmcnet.com/usubmit/22/2/2007). It was alleged that “30 trailer loads of contraband goods were imported into the nation in mysterious circumstance”.

(7) Nigeria needs to utilize the renewed relations between Nigeria and China to improve other diplomatic issues, including absolute adherence to principles of reciprocity in dealings between the
nations in one hand and the citizens on the other. The case of Nigerians in China complaining of maltreatment and high handedness of Chinese officials in China leading to the deaths of Messrs Chinedu Akidi on 28 December, 2005 and Charles Mbigbo should be tackled very diplomatically with all amount of seriousness to ensure Nigerians are not sacrificed on the alter of economic development.

(8) Industrialization has got its own hazards, America has recently accused China of producing and contributing heavily to earth warming, and industrial pollution, Nigeria should have a wholistic environmental agreement with Chinese firms operating and hoping to come into Nigeria on how to curtail these vices in order to avoid what is currently taking place in the Niger-Delta where foreign oil companies have completely destroyed the environmental health of man and animals.

(9) The Local content development initiative should form the bedrock of technology transfer and participation of Nigeria Entrepreneurs. It is only through this means that value will be added to Nigerian goods and commodities to attract foreign market.

(10) The Activities of Nigerian Contents Support Fund (NCSF) established with the collaboration of commercial banks to ameliorate the issue of funding impact on the indigenous supplies and service providers must be closely monitored and accessed by the Central Bank.

(11) The bill on the Nigerian Content Development should be passed by the National Assembly with stringent penalties for defaulters, accompanied with the will to enforce it.
(12) Strategic plans of industry should be used as basis for suppliers and service to build capacity and competence for effective participation in contract and projects. The cluster model as envisioned by Ministry of Industry and Commerce to be adopted to encourage the concentration of related manufacturing plants and facility in the same locality to facilitate synergy and minimize cost of delivery of goods and services.

(13) There should be strict adherence to import restriction on some imported items that could be sourced locally with a view to discouraging waivers and exceptions.

(14) It makes no sense Nigeria entering into all shades of agreements with China, definite areas of great potentials like Agriculture, the highest provider of employment which will guarantee easy acquisition of skills and basic societal needs should be considered as priority. Sugar importation is a major drain to Nigerian foreign Exchange. Elumere (2008) reports that in 2007, $338.32 or about $197.17 Million (2006), $281.47 Million (2005) and $229.23 Million in (2004). Local Sugar production is 5 percentage of the national total sugar requirements, estimated as 1.2 Million tones annually, 95 percent is currently imported. The national sugar development council should be given specific target and mandate to partner Chinese companies for development of abundant sugarcane Fadama areas for sufficient sugar production in the country.

(15) To solve Nigeria’s energy/electricity supply problems to enable factories and industrial outfits perform optimally, and reduce cost of production to put Nigerian products on competitive level,
energy sector should be liberalized to break the monopoly and improve efficiency. The success achieved by opening up communication sector should guide Nigerian government in this direction. Other sources of electricity generation like solar and gas in particular should be explored. Distribution network of energy to end users must be ensured.

(16) The war against fake and substandard products should not be that of the originating country alone. Nigeria, through her agencies charged for this responsibility should be up to the task of checkmating the activities of the dubious importers who specifically request for these qualities of products. The Nigerian Standard Organization (SON) and NAFDAC have greater responsibilities to ensure that food, drugs and other consumer commodities brought into this country meet the required standards.

(17) It has been a subject of controversy that the quality of Nigerian education has been on the decline. Technical education seems to be the worst hit. The ridiculous level technical and polytechnic education have been taken to makes it impossible for the nation to produce skilled manpower to take advantage of the on the job experience and learning from the Chinese experts. Attention should be paid to the education sector with a view to improving curricula and incentives for encouraging teaching and learning of science education to provide support services and to steal the needed technology from the Chinese experts.

(18) According to President Obasanjo, “corruption is the biggest single bane of our society today………” Corrupt acts and sharp practices have discouraged a lot of investors from coming to Nigeria,
including the abandonment of Nigerian Railway contract by Nigeria and China’s CCECC during the Abacha’s regime. The EFCC and the ICPC should keep up the tempo of the fight against corruption to create confidence on Foreign Investors to do business in Nigeria without hindrances.

(19) Government should harmonize the functions and activities of all the Ministries and Agencies responsible for Foreign Direct Investment (FDI) drive into the country. A clear cut Protocol of Authority should be worked out to make the functioning of the one stop investment centre and the concept of one-stop-shop achieve its designed objectives. And the managers of the one stop shop, NIPC, should not see the centre (OSIC) as a patronage venture for loyalists but focused on the outlined agenda and concept of the Presidential Committee on the implementation of one-Stop-Shop. Representatives of the Agencies at the OSIC should be given a level of autonomy or powers by their supervisory institutions to do more than they are currently doing to reduce bureaucracy and save time of doing business.

(20) Security of foreign investment and investors is paramount in FDI drive. To achieve the expected benefits of this important component of development, the nation has to improve on her security measures, particularly in the Niger-Delta region and armed robbery cases to guarantee the safety of Foreign Investors.

(21) Nigerian Scholars and policy makers should pay adequate attention to Nigeria – China relations to continually formulate policies that will enable Nigeria take advantage of the relationship.
BIBLIOGRAPHY

BOOKS

*Lagos*: J.O.O Publisher Limited.


Enugu: Phyce Kerex Publisher.

Lagos: Pumak Educational Polishers.


Lagos: NIIA.


Amin Samir (1976): Unequal Development: *An Essay on the social Functions of peripheral Capitalism*,


CDLCE (1992): *History of Nigeria to (100ad) Unit I*, University of Abuja.


CDLCE (1993): *Theories of International Relations* University of Abuja


Gana, A. T. (1990): *Reflection on Sap” in structural Adjustment in Nigeria (e.d)* by Olaniyan O. And Nwoke C. N. Lagos NIIA.


New York: Alfred and Kampt.


Bloomington and Indianapolis: Indiana University Press


Ojo, orwa, and Litete (1985): African International Relations:
New York: Longman Inc.

Multinationals Nigeria. Enugu: Fourth Dimension


ARTICLES AND JOURNALS


Annual Lecture Of the Nigerian Society of International Affairs. 5th August, 1991.


Blomstorm and person (1983): Foreign Investment an Spillover Efficiency in Under Developed Economy, World Development vol.11 No.6


Daukoru, Edmond (2005): ‘ Addresson on the occasion of the signing of the Production sharing contract (psc) in respect of bloc 01 in the Nigeria Sao Tomr and principle joint development Zone” February 1.


Orife, J. (1987): The role of joint venture as the co-ordinator of oil industry Activities. A public relations seminar paper presented at Federal palace Hotel, Lagos, February


Policy, February 3-9, 2003, vol 8, No. 5, 4-7
Policy, August 2-8, 2004, vol.9, No. 31, 14-17
Policy, August 13-19, 2001, vol. 6, No.33, 26-31
Policy, September 27-October 3, 1999, 2-6
Policy, February 3-9, 2003, 6


Xinhua News Agency, April 15, 2005
NEWSPAPERS

Africa Guardian, (Lagos) 3 September, 1987, p.17
Daily Trust, Wednesday, August 29, 2007
Daily, Trust, Wednesday, September 12, 2007
Daily Trust, July 18, 2007
Daily Trust, Monday, July 16, 2007
Daily Trust, August 4, 2008.
Leadership, September 26, 2008
The Comet, February 19, 2001
The Comet, November 6, 2001
The Guardian, February 8, 2000
The Guardian, April 26, 2005.
The Guardian, May 10, 2006
The Guardian, April 15, 2005
The Punch, February 29, 2008
The punch, Friday, August 31, 2007
The Punch, Thursday, July 5, 2007

Thisday, Wednesday, July 18, 2007
Thisday, July, 8, 2007
Thisday, Tuesday, July 10, 2007
Thisday, the Sunday Newspaper, August 26, 2007
Thisday, Friday, July 6, 2007
Thisday, July 5, 2007
Thisday, march 8, 2006
Thisday, June 18, 2004.
Thisday, June 5, 2007
Thisday, July 22, 2008.

Sunday punch, August 26, 2007.
The punch, July 11, 2007
The guardian, Wednesday, August 8, 2007
Vanguard, Thursday, July 26, 2007
Leadership, Monday, July 23, 2007
Leadership, Tuesday, September, 25, 2007

INTERNET SITES

En. Wikippedia.org/ wiki/diplomacy
http://www.conf.diplomacy.edu/conf/petrovky.htm
www.fmprc.gov.cn/zflt/eng
www.au.china-embassy.org/eng
www.china.org.cn/English
www.english.people.com.cn
www.tmcnet.com/usubmit
www.nigeriafirst.org/article
www.fmprc.gov.cn/eng/wjb
www.en.wikipedia.org/wiki/economichistoryofnigeria
www.nigeriatourism.net
www.questia.com/library/history/Nigeria-history
links.jstor.org/sici?
www.Ng.total.com
www.State.gov/r/pa/ei/bgn
www.heritage.org/research.org/research
http://en.wikipedia.org/wiki/foreign
http://bigpicturestypepad.com
http://www.atimes.com/global-economy
http://www.asianresearch.org/articles
http://www.stwr.net/continent/view/656/36
http://www.pinr.com/report
http://www.afpc.org/china-africa.shtml
http://www.gasandoil.com/goc/news
http://www.chinadialogue.net/article
http://www.nytime.com
http://www.uofaweb.ualberta.ca
http://auafrica.com/stories
http://foreignpolicy.com/story
http://www.policyinnovations.org/ideas
OFFICIAL DOCUMENTS


Nigeria’s interest under the strategic Partnership Memorandum on China’s Assistance Under the partnership


Nigeria’s Economic partnership Agreement (EPA) action plan and Capacity Building programme.

REPORTS


Report of the meeting of the presidential committee to negotiate with Guandong Xinguang international group of held at the board room of the corporate affairs commission (CAC) on 14th March, 2006.

APPENDIX 1

FRAMEWORK AGREEMENT ON PETROLEUM INDUSTRY CO-OPERATION BETWEEN THE GOVERNMENT OF THE FEDERAL REPUBLIC OF NIGERIA AND THE GOVERNMENT OF THE PEOPLE’S REPUBLIC OF CHINA

The ministry of petroleum resource of the Federal Republic of Nigeria (hereinafter referred to as “THE NIGERIAN SIDE”) and The Ministry of Foreign Trade and Economic Cooperation of the People’s Republic of China (hereinafter referred to as “THE CHINESE SIDE”).
DESIRING to further strengthen cooperation in the development of the petroleum industry of the two countries on the basis of equality and mutual benefit; HAVE REACHED THE FOLLOWING AGREEMENT AFTER FRIENDLY CONSULTION:

ARTICLE A JOINT DEVELOPMENT OF THE NIGERIAN PETROLEUM INDUSTRY

Both sides desire to conduct mutually beneficial co-operation in the development of its upstream as well as the downstream activities of the petroleum industry. To this end, both sides hereby agree to exchange ideals, information and promote enterprises of the two countries to co-operate of the implementation of relevant project in the following areas:-

1. **Oil Exploration, Development and Production**

THE CHINESE SIDE stresses that the Chinese petroleum enterprises (hereinafter referred to as ‘CHINESE ENTERPRISES”) shall apply for appropriate acreages for cooperation in oil exploration, development and production in line with the governing laws of the Federal Government of Nigeria. Based on the geological evaluation and economic feasibility study of such acreages, CHINESE ENTERPRISES will further seek the possibility of joint development of such acreages. THE NIGERIA SIDE, in collaboration with relevant Nigerian Government Departments, will endeavor to assist CHINESE ENTERPRISES to carry out business locally.

2. **Oil Engineering Services**

Both sides will encourage the relevant departments and enterprise to hold discussions on concrete cooperative projects of mutual interest. THE
NIGERIAN SIDE will provide THE CHINESE SIDE opportunities to participate in the onshore and offshore exploration and production services.

2.1 Seismic Service
THESE CHINEE SIDE encourages CHINESE ENTERPRISES to provide to THE NIGERIAN side according to the principle of equally and mutual benefit their expertise in seismic data acquisition, data processing and old data reprocessing to be used in the exploration service with Nigeria territory.

2.2 Engineering And Technical Services
CHINESE ENTERPRISES will exchange information, ideas and pool expertise together with appropriate Nigerian Departments for the development of quality service in drilling engineering, oil field development, pipeline construction, the utilization and processing of mutual gas and other engineering related to petroleum.
3. **Oil Equipment Manufacturing And Supply Service**

THE NIGERIAN SIDE will encourage CHINESE ENTERPRISES in the manufacturing of drilling and engineering equipment, as well as local manufacturing of liquefied petroleum gas (LPG) cylinder and accessories. Furthermore, THE NIGERIAN SIDE will encourage CHINESE ENTERPRISE to invest in the upstream and downstream activities of the petroleum industry. THE NIGERIAN SIDE, in collaboration with relevant Government Department, will endeavour to assist CHINESE ENTERPRISES for this purpose.

4. **Refineries And Petrochemical Plants**

THE NIGERIAN SIDE, desirous of enhancing the refining and processing capacity and on-stream availability of the local refineries and petrochemical plants, will cooperate with CHINESE ENTERPRISEES to use their quality and efficient maintenance services.

**ARTICLE B CRUDE OIL TRADING**

In order to enhance trade relationship between the countries, details shall be worked out by the technical experts of the two sides so as to facilitate the signing of the crude oil sales/purchase contract between companies of the two sides.

**ARTICLE C TRAINING AND TECHNOLOGY TRANSFER**

As part of the co-operation between two countries, CHINESE ENTERPRISES have agreed to assist in improving and enhancing the quality and technical skills of the NIGERIA SIDE manpower. To effect this transfer of technology, CHINESE ENTERPRISES have agreed to conduct
technical training for the relevant Nigerian at the petroleum training institute in Nigeria and China. Modalities and contents shall be finally decided by the two sides based on the training needs of the appropriate departments.

**ARTICLE D VALIDITY PERIOD**

This agreement shall come into effect on the date of signature and shall remain valid for the period of two years thereafter. Its validity shall be renewed for a period of another two years unless written notice to terminate it is given by one of sides to the other 6 months in advance before it expires.

This agreement is signed on this 27th day August 2001 in Beijing, China. This agreement is in duplicate, each of them is written in English and both versions shall have equal force and effect.

Signed signed

______________________________

ALH, Sule lamido sun quangxiang
Honourable minister of Vice minister of foreign trade
Foreign affairs and economic co-operation

**APPENDIX 2**

**MEMORANDUM OF UNDERSTANDING ON INVESTMENT COOPERATION BETWEEN THE MINISTRY OF COMMERCE OF THE FEDERAL REPUBLIC OF NIGERIA AND THE MINISTRY OF COMMERCE OF THE PEOPLE’S REPUBLIC OF CHINA**
Recalling the Memorandum of Understanding on the Establishment of Strategic partnership recently signed between the two countries

Aware that there is need for concrete measures to enrich the content of the existing bilateral relations, in order to further broaden and deepen economic cooperation between Nigeria and China;

The Ministry of Commerce of the Federal Republic of Nigeria and the Ministry of Commerce of the People’s Republic of China (hereinafter referred to as “the parties”) with a view to further enhancing and expanding investment cooperation between the two countries, have agreed, through friendly consultations, as follows:

ARTICLE 1
The parties shall enhance and expand bilateral investment cooperation in the spirit of reciprocity, mutual benefit and common development.

ARTICLE 11
The parties shall encourage enterprises from both countries to carry out investment cooperation in the fields of textile, clothing, home appliances, telecommunication equipment, and agricultural machinery, procession of agricultural products and development of natural resources.

ARTICLE 111
The parties shall encourage relevant government institutions in their respective countries to provide enterprises from both countries with necessary facilitation for the above—mentioned cooperation and help them to strengthen contacts with the above mentioned institutions.
ARTICLE IV
The Nigerian side shall choose suitable industrial sites in Nigeria for Chinese enterprises to invest in. The Nigerian side shall provide Chinese enterprises, on commercial basis, necessary infrastructure such as water, electricity and telecommunications; and facilitate Customs clearance and registration process, etc. The Nigerian side shall make and perfect relevant policies to protect legitimate rights and interests of Chinese investors.

ARTICLE V
The Chinese side shall encourage capable enterprises to make investment in suitable places in Nigeria and provide support in policies, financing and so on. The Chinese side is willing to continue discussion with the Nigerian side on new ways and channels of promoting investment cooperation.

ARTICLE VI
The Nigerian side shall notify the Chinese side of the choice of industrial sites, relevant laws and regulations as well as project information and planning of the chosen sites. Both parties shall endeavour to seek solutions to problems that may arise during the cooperation.

ARTICLE VII
The working Group on Investment Cooperation under the framework of the Nigeria-China Joint Commission of Trade, Economic and Technical cooperation shall implement the memorandum of understanding. All issues relating to investment cooperation will be studied and negotiated in the framework of the working group.
The memorandum of Understanding shall enter into force on the date of its signature and remain valid for ten years, and will continue to be in force for an additional two years automatically within six months before the end of the period of validity.

The termination of this memorandum of understanding will cause the termination of any ongoing contracts signed to implement this memorandum of understanding within its validity unless the parties decide otherwise.

Done in duplicate at Abuja on February 28, 2006 in the English and Chinese languages, both texts being equally authentic.

SIGNED SIGNED
Representatives of the
Ministry of Commerce of the

APPENDIX 3


Recognizing that the reciprocal promotion and protection of investments will be conducive to the stimulation of business initiative, contribute to development and increase prosperity of both contracting parties;
Recognizing investor’s duty to respect the host country’s sovereignty and laws; determined to create favourable conditions for greater investment by nationals and companies of me contracting party in the territory of the other; have agreed as follows:

**For the purpose of this agreement:**

(a) “investment” means every kind of asset invested by investors of one contracting party in accordance with the laws and regulations of the other contracting party in the territory of the latter, and in particular, though not exclusively, include:

i) Movable and immovable property and any other property rights such as mortgages, liens or pledges;

ii) Rights derived from shares, stock, debentures and other kinds of interests in companies including joint ventures;

iii) Claims to money or to any performance under contract having a financial value;

iv) Intellectual property rights, technical processes, know-how and goodwill.

v) Business concessions conferred by law, including rights to prospect, explore, or extract natural resources

(b) “returns’ means the amount yielded by an investment and in particular, though not exclusively, includes profits, interests, capital gains, dividends, royalties and fees;

(c) “investors” include nationals and companies of both contracting parties

(d) “national” means, with regard to either contracting party, natural persons having the nationality of that contracting party;
(e) “companies” means, with regard to either contracting party, corporations, firms and associations incorporated or constituted under the law in force in the territory of that Contracting party;

(f) “territory” means the land area, the inland water, the territorial sea of the contracting party, as well as continental shelf and the exclusive economic zone over which the state concerned exercises, in accordance with international law, sovereign and jurisdictional rights.

ARTICLE 2

PROMOTION AND PROTECTION OF INVESTMENTS

1. Either Contracting party shall, within the framework of its law and regulations, promote economic cooperation through the protection of its territory of investments of nationals and companies of the other contracting party. Subject to its right to exercise powers conferred by its laws or regulations, each contracting party shall admit such investments.

2. Each contracting party shall endeavour to provide assistance for obtaining visa and working permit to nationals of the other contracting party in the territory” of the former in connection with activities associated with such investments.

3. Each contracting party shall ensure fair and equitable treatment of the investments of nationals and companies of the other contracting party and shall not impair by unreasonable or discriminatory measures, the operation, management, maintenance, use, enjoyment or disposal thereof by those nationals and companies.

4. More particularly, each contracting party shall accord to such investments treatment and protection which shall not be less favourable than that accorded to investments of its own nationals in
accordance with its laws and regulations and in any case no less favourable than that accorded to investments of nationals and companies of any third State.

5. The treatment and protection as mentioned in paragraphs (3) and (4) of this Article shall not include any preferential treatment of a third state based on customs union, free trade zone, economic union, agreement relating to avoidance of double taxation or for facilitating frontier trade.

6. If the treatment to be accorded by one contracting party in accordance with its laws and regulations to investments or activities associated with such investment of investors of the other contracting party is more favourable than the treatment provided for in this Agreement, the more favourable treatment shall be applicable.

ARTICLE 3
COMPENSATION FOR LOSSES

1. Nationals and companies of one contracting party who suffer losses in respect of their investments in the territory of the other contracting party owing to war or other armed conflict, revolution, a state of national emergency, revolt, insurrection or riot, shall be accorded by the latter contracting party treatment, as regards restitution, indemnification, compensation or other Settlement, no less favourable than that accorded to nationals and companies of any third state.

2. Neither Contracting Party shall expropriate, nationalize or take similar measure (hereinafter referred to as “expropriation”) with. Investments of
investor of the other contracting party in its territory, unless the following conditions are met:

(a) for the public interests;
(b) under domestic legal procedure;
(c) without discrimination;
(d) with compensation.

3. The compensation mentioned in paragraph 2(d) of this Article shall be equivalent to the value of the expropriated investments immediately before expropriation is proclaimed, be convertible and freely transferable. The compensation shall be paid without unreasonable delay.

ARTICLE 4
TRANSFERS

The contracting parties shall guarantee that payments relating to an investment may be transferred. The transfers shall be made in a freely
convertible currency, without undue restriction or delay. Such transfer include in particular though not exclusively:

(a) profits, interests, dividends and other income;
(b) funds necessary;
   (i) for the acquisition of raw or auxiliary materials, semi fabricated or finished products; or
   (ii) to replace capital assets in order to safeguard the continuity of an investment; or
   (iii) for expansion and or improvement of an investment;
(c) funds in repayment of loans;
(d) royalties or fees, including technical services and management fees;
(e) earnings of nationals;
(f) the proceeds of sale or liquidation of the investment; and
(g) payments on projects relating to contracts.
If a Contracting Party or its Agency makes payment to an investor under a guarantee it has granted to an investment of such investor in the territory of the other Contracting Party, such other Contracting Party shall recognize the transfer of any right or claims of such investor to the former Contracting Party or its Agency and recognized the subrogation of the former Contracting Party or its Agency to such right or claim. The subrogated right or claim shall not be greater than the original right or claim of the said investor.
ARTICLE 6

SETTLEMENT OF INVESTMENT DISPUTES

1. Any dispute between any investor of one Contracting Party and the other Contracting Party in connection with an investment in the territory of the other Contracting Party shall, as far as possible, be settled amicably through negotiations between the parties to the dispute.

2. If the dispute cannot be settled through negotiations within six months, either party to the dispute shall be entitled to submit the dispute to the competent court of the Contracting Party accepting the investment.

3. If a dispute involving the amount of compensation for expropriation cannot be settled within six months after resort to negotiations as specified in paragraph 1 of this Article, it may be submitted at the request of either party to an adhoc arbitral tribunal. The provisions of this paragraph shall not apply if the investor concerned has resorted to the procedure specified in the paragraph 2 of this Article.

4. Such an arbitral tribunal shall be constituted for each individual case in the following way; each party to the dispute shall appoint an arbitrator, and these two shall select a national of a third State which has diplomatic relations with the two Contracting Parties as Chairman. The first two arbitrators shall be appointed within two months of the written notice for arbitration by either party to the
dispute to the other, and the Chairman be selected within four months. If within the period specified above, the tribunal has not been constituted, either party to the dispute may invite the Secretary General of the International Centre for Settlement of Investment Disputes to make the necessary appointment.

5. The tribunal shall determine its own procedure. However, the tribunal may, in the course of determination of procedure, take as guidance the Arbitration Rules of the International Centre for Settlement of Investment Disputes.

6. The tribunal shall reach its decision by a majority of votes. Such decision shall be final and binding on both parties to the dispute. Both Contracting Parties shall commit themselves to the enforcement of the decision.

7. The tribunal shall adjudicate in accordance with the law of the Contracting Party to the dispute accepting the investment including its rules on the conflict of laws, the provisions of this Agreement as well as the generally recognised principles of international law accepted by both Contracting parties.

8. Each party to the dispute shall bear the cost of its appointed member of the tribunal and of its representation in the proceedings. The cost of the appointed Chairman and the remaining costs shall be borne in equal parts by the parties to the dispute.
ARTICLE 7
SETTLEMENT OF DISPUTES BETWEEN THE CONTRACTING PARTIES

1. Disputes between the Contracting Parties regarding the interpretation or application of the provisions of this Agreement shall be settled through diplomatic channels.

2. Where the Contracting Parties cannot reach an agreement within twelve months, the dispute shall, upon request of either Contracting Party, be submitted to an arbitral tribunal of three members. Each Contracting Party shall appoint one arbitrator, and these two arbitrators shall nominate a third arbitrator who shall be a national of a third State with diplomatic relations with the two Contracting Parties. The third arbitrator shall be appointed by the two Contracting Parties as the Chairman of the arbitral tribunal.

3. Where one of the Contracting Parties has not appointed its arbitrator and followed the invitation of the other Contracting Party to make that appointment within two months, the arbitrator shall be appointed upon the request of the latter Contracting Party by the President of the International Court of Justice.
4. Where the Chairman of the arbitral tribunal has not been appointed within two months after the appointment of the two arbitrators and in the absence of any other agreement, the Chairman shall be appointed upon the request of either Contracting Party by the President of the International Court of Justice.

5. Where in the cases specified under paragraphs (3) and (4) of this Article, the President of the International Court of Justice is a national of either Contracting Party or is otherwise prevented from carrying out the said function, the appointment shall be made by the Vice-President. Where the Vice-President is a national of either Contracting Party or is otherwise prevented from discharging the said function, the appointment shall be made by the most senior Judge of the Court who is not a national of either Contracting Party.

6. The tribunal shall determine its procedure.

7. Each Contracting Party shall bear the cost of the arbitrator it has appointed and of its representation in the arbitral-proceedings. The cost of the Chairman and the remaining costs shall be borne in equal parts by the Contracting Parties.

8. The decisions of the tribunal are final and binding on the Contracting Parties.
ARTICLE 8
APPLICABILITY
The provisions of this Agreement shall, from the date of entry into force thereof, also apply to investments which have been made before that date.

ARTICLE 9
AMENDMENT OR REVISION
Any amendment to or revision of this Agreement shall be in writing and shall come into effect when confirmed by both Contracting Parties in an Exchange of Notes through diplomatic channels.

ARTICLE 10
ENTRY INTO FORCE
This Agreement shall enter into force from the date on which the Contracting Parties have informed each other in writing that the domestic legal procedures required thereto in their respective countries have been complied with.

ARTICLE 11
DURATION AND TERMINATION
This Agreement shall remain in force for an initial period of ten years. Thereafter, it shall continue in force until the expiration of twelve months from the date on which either Contracting Party shall have given written notice of termination to the other; provided that in respect of investments made at any time before the termination of the Agreement. Its provisions shall continue in effect with respect to such investments for a period of ten years from the date of termination.
IN WITNESS WHEREOF the undersigned, duly authorised thereto by their respective Governments, have signed this Agreement.

Done at……………………this……………….day of……………………19………….. in two originals in the English and Chinese languages, both texts being equally authentic.

SIGNED SIGNED

MOHAMMED BALARABE HALADU MADAM WU YI

Lieutenant General Honourable Minister of Industry Foreign Trade and Economic Cooperation


APPENDIX 4


The Government of the Federal Republic of Nigeria and the Government of the People’s Republic of China (hereafter referred to as the Contracting Parties) Recognizing that the reciprocal encouragement, promotion and protection of such investment will be conducive to stimulating business initiative of the investors and will increase prosperity in both States;
Recognizing investor’s duty to respect the host country’s sovereignty and laws;
Desiring to intensify the cooperation of both States on the basis of equality and mutual benefits;
Determined to create favourable conditions for greater investment by—
investors of one Contracting Party in the territory of the other Contracting
Party:

Have agreed as follows:

ARTICLE 1
DEFINITIONS

For the purpose of this Agreement:

1. The term “investment” means every kind of asset invested by
   investors of one Contracting Party in accordance with the laws and
   regulations of the other Contracting Party in the territory of the
   latter, and particularly, though not exclusively, includes:
   (a) movable and immovable property and other property
       rights such as mortgages, lines or pledges;
   (b) shares, debentures, stock and any other kind of interests
       in companies;
   (c) claims to money or to any other performance under
       contract having a financial value associated with an
       investment;
   (d) intellectual property rights, particularly copyrights,
       patents, trademarks, trade-names, technical process,
       know-how and good-will;
   (e) business concessions conferred by law or under contract
       permitted by law, including concessions to prospect,
       cultivate, explore, extract or exploit natural resources.

2. The term “investors” include nationals and companies of both
   Contracting Parties:
(a) “nationals” means, with regards to either Contracting Party, natural persons having the nationality of that Contracting Party;

(b) “companies” means, with regards to either Contracting Party, corporations, firms and associations incorporated or constituted under the law in force in the territory of the Contracting Party.

3. The term “returns” means the amounts yielded from investments, including profits, dividends, interests, capital gains, royalties and fees.

4. The term “territory” means the land area, the inland water, the territorial sea of the Contracting Party, as well as continental shelf and the exclusive economic zone over which the State concerned exercises, in accordance with international law, sovereign and jurisdictional rights.

ARTICLE 2
PROMOTION AND PROTECTION OF INVESTMENT

1. Each Contracting Party shall promote economic cooperation and encourage investors of the other Contracting Party to make investments in its territory and admit such investments in accordance with its laws and regulations.

2. Investments of the investors of either Contracting Party shall enjoy the continuous protection in the territory of the other Contracting Party.

3. Without prejudice to its laws and regulations, neither Contracting Party shall take any unreasonable or discriminatory measures
against the management, maintenance, use, enjoyment and disposal of the investments by the investors of the other Contracting Party.

4. Each Contracting Party shall endeavour to provide assistance in obtaining visas and working permits to nationals of the other Contracting Party engaging in activities associated with investment made in the territory of that Contracting Party.

ARTICLE 3
TREATMENT OF INVESTMENT

1. Investments of investors of each Contracting Party shall all the time be accorded fair and equitable treatment in the territory of the other Contracting Party.

2. Without prejudice to its laws and regulations, each Contracting Party shall accord to investments and activities associated with such investments by the investors of the other Contracting Party, treatment not less favourable than that accorded to the investments and associated activities by its own investors.

3. Neither Contracting Party shall subject investments and activities associated with such investments by the investors of the other Contracting Party to treatment less favourable than that accorded to the investments and associated activities by the investors of any third State.

4. The provisions of Paragraphs 1 to 3 of this Article shall not be construed so as to oblige one Contracting Party to extend to the investors of the other Contracting Party the benefit of any treatment, preference or privilege by virtue of:
(a) any customs union, free trade zone, economic union and any international agreement resulting in such customs union, free trade zone, economic union; and

(b) any international agreement or arrangement relating wholly or mainly to taxation.

ARTICLE 4
EXPROPRIATION

1. Neither Contracting Party shall expropriate, nationalize or take other similar measures (hereinafter referred to as “expropriation”) against the investments of the investors of the other Contracting Party in its territory, unless the following conditions are met:

   (a) for the public interest;

   (b) under domestic legal procedure;

   (c) without discrimination; and

   (d) against compensation.

2. The compensation mentioned in paragraph (d) of this Article shall be equivalent to the value of the expropriated investments immediately before the expropriation is proclaimed, be convertible and freely transferable. The compensation shall be paid without
unreasonable delay and include interest at a normal commercial rate.

ARTICLE 5
COMPENSATION FOR DAMAGES AND LOSSES
Investors of one Contracting Party whose investments in the territory of the other Contracting Party suffer losses owing to war, a state of national emergency, insurrection, riot or other similar events in the territory of the latter Contracting Party, shall be accorded by the latter Contracting Party, treatment as regards restitution, indemnification, compensation and other settlements no less favourable than that accorded to the investors of its own or any third State.

ARTICLE 6
REPATRIATION OF INVESTMENTS AND RETURNS
1. Each Contracting Party shall, subject to its laws and regulations, guarantee to the investors of the other Contracting Party the transfer of their investments and returns held in its territory, including:
   (a) profits, dividends, interests and other legitimate income;
   (b) proceeds obtained from the total or partial sale or liquidation of investments;
   (c) payments pursuant to a loan agreement in connection with investments;
(d) royalties
(e) payments of technical assistance or technical service fee, management fee;
(f) payments in connection with contracting projects; and
(g) earnings of nationals of the other Contracting Party.

ARTICLE 7
SUBROGATION
If a Contracting Party or its Agency makes payment to an investor under a guarantee it has granted to an investments of such investor in the territory of the other Contracting Party, such other Contracting Party shall recognize the transfer of any right or claim of such investor to the former Contracting Party or its Agency and recognize the subrogation of the former Contracting Party or its Agency to such right or claim. The subrogated right or claim shall not be greater than the original right or claim of the said investor.

ARTICLE 8
SETTLEMENT OF DISPUTES BETWEEN CONTRACTING PARTIES
1. Disputes between the Contracting Parties regarding the interpretation or application of the provisions of this Agreement shall be settled through diplomatic channel.
2. Where the Contracting Parties cannot reach all agreement within twelve months, the dispute shall, upon request of either Contracting Party, be submitted to an arbitral tribunal of three members. Each Contracting Party shall appoint one arbitrator, and these arbitrators shall nominate a third arbitrator who shall be a national of a third State with diplomatic relations with the Contracting Parties. The third arbitrator shall be appointed by the two Contracting Parties as the Chairman of the arbitral tribunal.

3. Where one of the Contracting Parties has not appointed its arbitrator and followed the invitation of the other Contracting Party to make that appointment within two months, the arbitrator shall be appointed upon the request of the latter Contracting Party by the President of the International Court of Justice.

4. Where the Chairman of the arbitral tribunal has not been appointed within two months after the appointment of the two arbitrators and in the absence of any other agreement, the Chairman shall be appointed upon the request of either Contracting Party by the President of the International Court of Justice.

5. Where in the cases specified under paragraphs (3) and (4) of this Article, the President of the International Court of Justice is a national of either Contracting Party or is otherwise prevented from carrying out the said function, the appointment shall be made by the Vice-President. Where the Vice-President is a national of either Contracting Party or is otherwise prevented from discharging the said function, the appointment shall be made by the most senior Judge of the Court who is not a national of either Contracting Party.
6. The tribunal shall determine its procedure.

7. Each Contracting Party shall bear the costs of its appointed arbitrator and of its representation in arbitral tribunal proceedings. The cost of the Chairman and the remaining costs shall be borne in equal parts by the Contracting Parties.

8. The decisions of the tribunal are final and binding on the Contracting Parties.

ARTICLE 9

SETTLEMENT OF DISPUTES BETWEEN INVESTORS AND ONE CONTRACTING PARTY

1. Any dispute between an investor of one Contracting Party and the other Contracting Party in connection with an investment in the territory of the other Contracting Party shall, as far as possible, be settled amicably through negotiations between the parties to the dispute.

2. If the dispute cannot be settled through negotiations within six months, either Party to the dispute shall be entitled to submit the dispute to the competent court of the Contracting Party accepting the investment.

3. If a dispute cannot be settled within six months after resort to negotiations as specified in paragraph 1 of this Article, it may be submitted at the request of either Party to an ad hoc arbitral tribunal. The provisions of this paragraph shall not apply if the investor concerned has resorted to the procedure specified in paragraph 2 of this Article.
4. Such an arbitral tribunal shall be constituted for each individual case in the following way: each Party to the dispute shall appoint one arbitrator, and these two shall select a national of a third State which has diplomatic relations with the two Contracting Parties as Chairman. The first two arbitrators shall be appointed within two months of the written notice requesting for arbitration by either Party to the dispute to the other, and the Chairman shall be selected within four months. If within the period specified above, the tribunal has not been constituted, either Party to the dispute may invite the Secretary-General of the International Centre for Settlement of Investment Disputes to make the necessary appointments.

5. The tribunal shall determine its own procedure, However, the tribunal may, in the course of determination of procedure, take as guidance the Arbitration Rules of the International Centre for Settlement of Investment Disputes.

6. The tribunal shall reach its decision by a majority of votes. Such decision shall be final and binding upon both parties to the dispute. Both Contracting Parties shall commit themselves to the enforcement of the decision.

7. The tribunal shall adjudicate in accordance with the law of the Contracting Party to the dispute accepting the investment including its rules on the conflict of laws, the provisions of this Agreement as well as the generally recognized principles of international law accepted by both Contracting Parties.

8. Each Party to the dispute shall bear the cost of its appointed arbitrator and of its representation in arbitral proceedings. The
cost of the appointed Chairman and the remaining costs shall be borne in equal parts by the parties to the dispute.

ARTICLE 10
OTHER OBLIGATIONS

1. If the legislation of other Contracting Party or International obligations existing at present or established hereafter between the Contracting Parties result in a position entitling investments by investors of the other Contracting Party to a treatment more favourable than is provided for by this Agreement, such position shall not be affected by this Agreement.

2. Each Contracting Party shall observe any commitments it may have entered into with the investors of the other Contracting Party as regards to their investments.

ARTICLE 11
APPLICATIONS

This Agreement shall apply to investments, which are made prior to or after its entry into force by investors of either Contracting Party in accordance with the laws and regulations of the other Contracting Party in the territory of the latter.

ARTICLE 12
CONSULTATIONS
1. The representatives of the Contracting Parties shall hold meetings from time to time for the purpose of:
   (a) reviewing the implementation of this Agreement;
   (b) exchanging legal information and investment opportunities;
   (c) resolving disputes arising out of investments;
   (d) forwarding proposals on promotion of investments; and
   (e) studying other issues in connection with investment.

2. Where either Contracting Party requests consultation on any matter of Paragraph 1 of this Article, the other Contracting Party shall give prompt response and the consultation be held alternatively in Beijing, China and Abuja, Nigeria.

ARTICLE 13
AMENDMENT OR REVISION
Any amendment to or revision of this Agreement shall be in writing and shall come into force when confirmed by both Contracting Parties in an Exchange of Notes through diplomatic channel.

ARTICLE 14
ENTRY INTO FORCE, DURATION AND TERMINATION
1. This Agreement shall enter into force from the date on which both Contracting Parties have notified each other in writing that their respective internal legal procedures necessary therefore have been complied with and remain in force for a period of ten years.

2. This Agreement shall continue in force if either Contracting Party fails to give a written notice to the other Contracting Party to
terminate this Agreement one year before the expiration of the period specified in Paragraph 1 of this Article.

3. After the expiration of the initial ten years period, either Contracting Party may at any time thereafter terminate this Agreement by giving at least one year’s written notice to the other Contracting Party.

4. With respect to investments made prior to the date of termination of this Agreement, the provisions of Articles 1 to 13 shall continue to be effective for a further period of ten years from such date of termination.

IN WITNESS WHEREOF the undersigned, duly authorized thereto by their respective Governments, have signed this Agreement.

Done and signed in Beijing on 27th August, 2001 in two originals, in English and Chinese languages, both texts being equally authentic.

CHIEF KOLAWOLE BABALOLA JAMODU, MFR SUN GUANGXIANG
Honourable Minister of Industry Honourable Vice Minister of Foreign Trade and Economic Cooperation.
For and on behalf of the For and on behalf of the Government of the Federal Government of the Federal Republic of Nigeria Republic of China.

APPENDIX 5

FEATURE: Plundered or breaking away from exploitation? (1)
By Ren Ke
BEIJING, (Xinhua) – Over the past two weeks, Beijing has become a hotspot for news about China as hundreds of foreign journalists rush into the
Great Hall of the People, where the National People’s Congress (NPC), China’s parliament, is convening its annual full session.

Despite all of the exciting new legislation that has been announced by the NPC, many are still turning their heads thousands of miles away to Africa. In the recent news conferences held on the sidelines of the parliamentary session, Chinese foreign and commerce ministers were both asked about China’s so-called “neo-colonialist” approach to African countries, and its “growing thirst” for Africa’s resources – especially oil.

“Statistics show China’s share of Africa’s total oil exports last year only stood at around 9 percent, compared with 36 percent for Europe and 33 percent for the United States,” said Chinese Commerce Minister Bo Xilai at a news conference this week.

“If an 8.7 percent share could be suspected as act of plundering resources, then what about 36 percent and 33 percent?” asked the minister. The accusation of “China’s neo-colonialism in Africa” sound very discordant with the reality that China-Africa economic and trade cooperation has entered a period of robust growth, particularly since the Sino-Africa summit late last year. Chinese President Hu Jintao’s African tour last month further fueled such growth. Many people in China found it ironic that the critical voices against the current China-Africa relations were mostly from some Western nations which are former colonial powers. The colonialist tendencies of these
nations, they say, are actually the primary source of many of Africa’s problems today.

Indeed, whilst Western countries pay increasing attention to Sino-African relations, Western companies are busy drilling around the continent for oil, often with complete disregard for the environment. European and American oil giants have invested heavily in Africa for many years, holding high expectations of the huge potential of Africa’s oil and gas.

Chevron Texaco for example, has invested 5 billion U.S. dollars in African operations over the last five to six years, and it plans to invest 20 billion more over the next five Royal Dutch Shell has announced that too, would double its investment in African oil fields over the next five years. More surprisingly, Exxon Mobil is planning to invest 50 billion dollars over 10 years in order to exploit the vast oil and gas resources that are present in Africa.

Such heavy investments have resulted in the large shareholdings in African oil production by Western oil giants. In Nigeria – the world’s sixth largest and Africa’s largest oil exporter – 25 million barrels of oil are produced everyday, of which Western oil companies hold a stake of 95 percent. In Equatorial Guinea, Exxon Mobil alone holds a 70 percent stake of the country’s total oil production.

Exxon Mobil is now cooperating with Italy’s Agip, British Petroleum and Norway’s Statoil in Angola to develop a deepwater drilling project in a bid to produce as many as 1 billion barrels of oil. Last year, a media frenzy
ensued as it was announced that Angola had become China’s top oil supplier. At the same time, however, even more oil from the country was shipped to the United States.

American government data released last month showed that Africa has now topped the Middle East as the United States’ largest crude oil supplier. According to the figures, last year African oil imports hit their highest rate since 1979 – a 5 percent jump from 2005.

Prolonged exploitation of Africa has brought billions of dollars in profits to western oil giants, with local people only being met by poverty and pollution. In the February edition of American magazine, National Geographic, a bleak picture of a failed area was shown.

FEATURE: Plundered or breaking away exploitation? (2)

Ever since 1956 when oil was first discovered in the Niger Delta of Nigeria, oil companies, led, by five multinational firms – Shell, French Total, Agip, Exxon and Chevron – have transformed the wetland into an industrial wilderness.

Without sufficient investment in infrastructure, the area suffered disastrous consequences. Pipelines often break, with oil spilling over and self-igniting. Fires have ravaged farmlands and forests, with pollution affecting the air, soil and water. Environmental degradation coupled with growing resentment at the uneven distribution of profits has helped exacerbate the problems of violence in the region, with young, unemployed Nigerians increasingly attacking oil
facilities and abducting personnel. The deterioration of the region is starting to have an effect on global oil prices.

The situation in Nigeria is widespread across the African continent, only serving to remind people of the days of the European empires, when they came here with guns and left with treasure. In return for plundering the continent of ivory, cocoa, diamonds and slaves, they left an underdeveloped, volatile and ravaged land.

Almost half century after the “Year of Africa”, 1960, when 17 African countries gained independence from their colonial masters, Africa is still at the bottom of the international trade system, with many countries’ economies still focused on the primary sector, and poverty still nife—it appears not much has changed.

China’s meteoric rise has brought about changes in the continent’s geopolitical climate, as many of the formal colonial powers are now labeling China as what they had once labeled – Africa is again gaining global attention.

“What is neo-colonialism? There has never been a clear definition for it,” said Xu Weizhong, director of the Institute of Asian and African Studies under China Institute of Contemporary International Relations (CICR). “Without any definition, you can blame any action as a colonialist practice.”

As Xu said, colonialists seek political control and the economic monopoly of a country. At the same time, they implement their policies and ideologies using coercive techniques.
At the same time as China is accused of having “neo-colonialist intentions” in Africa, Western oil giants’ economic monopolies in Africa are resulting in unfair profit distribution arrangements, only rousing the fury of the Africa people and their subsequent determination of regaining oil sovereignty. One such case occurred in Chad in August last year, with the Chadian government expelling Chevron and Malaysia’s Petronas from the country.

However, many Western media organizations have associated this issue with China, alleging that Chad’s action was aimed at making room for Chinese oil companies. However, such notion was denied by Chad’s ground, with Chadian President Idriss Deby saying. “In less than three years of exploitation, the consortium has earned 5 billion U.S. dollars from a 3 billion investment. In contrast, Chad has just received crumbs – 588 million (U.S. dollars).”

Zhang Hongming, deputy director of the Institute of West Asian and African Studies of the Chinese Academy of Social Sciences (CASS), commented, “America’s approach to Africa is very pragmatic – resources are a focus.” Zhang’s remarks seem well founded. As early as his first presidential campaign in 200, George W. Bush announced, “While Africa may be important, it doesn’t fit into the national strategic interests as far as I can see them.” The subsequent actions of his administration, however, have proved quite on the contrary.

In 2003, President Bush made a high-profile visit to Africa. Interestingly, of the 8 billion barrels of oil reserves that were discovered in 2001, 7 billion
came from the Gulf of Guinea. As a South African newspaper said, it was a “trip of oil”.

During Chinese President Hu Jintao’s African trip last month, George W. Bush approved a new U.S. Africa command. The Pentagon remarked that it was in response to rising security and military concerns in the terrorism-torn area.

However, skepticism aroused at the timing of the decision as the latest U.S. oil import data showing Africa as its top oil supplier were also released last month.

“Besides oil, anti-terrorism and China are also the main reasons for America’s refocus on Africa,” said Xu Weizhong. “Sino-African relations have more influence than ever”.

Bilateral relations between Africa and China have enjoyed a period of immense growth over the past few years with China donating vast sums of condition-free aid to African countries. In last year’s inaugural Sino-African summit, President Hu pledged to double aid to Africa by 2009 and create an investment fund of 5 billion U.S. dollars.

In order to fulfill the promises made at the summit, Presidents Hu’s African tour last month brought extra aid, debt cancellation and development projects to all eight of the countries that he visited.

FEATURE: Plundered or breaking away from exploitation? (3)

Chinese enterprises are now doing business around Africa. With their help, Sudan and Angola have improved their oil industries, resulting in a 9 percent growth in Sudan’s economy last year. Whilst young people in the oil-rich
Nigr Delta can not find jobs with oil industry, China National Petroleum Corporation has employed more than 11,000 local Sudanese.

At the same time, Chinese enterprises are busy playing their part in local infrastructure projects. Hospitals, schools, housing projects and railways are built up around Chinese companies, helping to promote local economic development.

“We know that China is the largest developing country in the world, and we also know that we are still facing a great deal of difficulties and new challenges”. Said Chinese Foreign Minister U Zhaoxing at a press conference last week. “We must regard strengthening unity and cooperation with other developing countries as the foundation of all our foreign affairs works”.

Despite growing skepticism from the West as to China’s intentions in the continent, its approach to Africa has been markedly different from that of its western counterparts – past and present.

Indeed, many feel that, with the help of China, Africa can enter a new era of cooperative development and finally break from decades of exploitation.

“China and Africa have a lot in common,” Xu said. Indeed, they are both destinations of foreign waste, and victims of an unfair international trade system. Africa in particular is often at the wrong end of the bargain when it comes to international trade, frequently being exploited by large international companies that drive commodity prices down with their immense buying power. China too feels the squeeze on prices, with the
majority of profits from its rapidly-growing exports being enjoyed by Western multinationals.

“The present system is created and led by developed countries in which they have gained the most of the interest. As China is now merging into the global community, this system is being well followed,” said Xu. “It is ridiculous that the one who gains more blames the one who gains less.”

The hegemony of large Western multinational companies on the global economy is even felt within the World Trade Organization (WTO). In the still-unsuccessful Doha Round WTO negotiations, developed countries on the one hand refused to make concessions on agricultural subsidies, but on the other hand asked for developing countries to open up their weak service sector to foreign investment.

As Xu remarked, “For African nations, the best way to tackle the defects in the Western-led International trade system is to do more practical things and empower themselves instead of sitting still and blaming others.” After all, whose oil is it anyway?