

National Development Implications of Nigeria-China Economic Relations

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Abstract

Over the past two decades, bilateral ties between Nigeria and China have intensified, driven by China's strategic interest in Africa in general and Nigeria in particular. Nigeria's quest for development through trade expansion, and foreign investment has also aided this bilateral relation. This paper explores the benefits of this partnership. It looks at the multifaceted economic relationship between Nigeria and China, emphasizing its implications for national development. Among other issues, the paper examines the historical context of Nigeria-China engagements, emphasizing developmental opportunities and challenges. Drawing on secondary sources and critical content analysis of extant literature as its methodology, this study assesses how Nigeria-China relations foster sustainable national development. The paper concludes by offering policy recommendations aimed at maximizing the benefits of the partnership while mitigating associated risks, recognizing the need for strategic negotiation, improved governance, and stronger regulatory frameworks.

Key words: National development, economic cooperation, Nigeria-China relations, policy.

Introduction

The diplomatic and economic relations between Nigeria and China have grown substantially over the past two decades, transforming into a significant partnership that influences Nigeria's development trajectory. China's Belt and Road Initiative (BRI) and increased foreign direct investment (FDI) in Nigeria are central to this relationship, promising infrastructural development and economic opportunities (Adeoti & Oladipo, 2019). The world becoming a global village has made it impossible for a nation-state to be an island on its own. The interconnectedness and interrelationship between states have made interdependency in the international system a day-to-day reality in the contemporary world. The world has become so knitted together that almost everything can be done anywhere in the world, through technology, without any hindrance. Thus, bilateral, and multilateral relations between and among nation-states of the world have become easier. Cohn (2010) posits that states relate for the political pursuit of power and use the market with the economic pursuit of wealth. Consequently, relations between African states (Nigeria

inclusive) and China are economic pursuit of wealth by the two parties. China and Africa, for instance, relate not just for the sake of it but for economic interest and development.

As a matter of fact, the impacts of Chinese economic activities are being felt in many parts of Africa. When two countries trade, the gains that would accrue to any of the nations would largely be dependent on the structure of output for each country and their comparative advantages. China's engagement with Africa is largely driven by China's need of resources to power its modern, growing economy and to support its expanding industrial base. The rapid growth of its manufacturing sector has created increased domestic demand for natural resources, and these are natural resources Africa has in abundance. Added to the resource seeking, Africa is seen by China as a potential market for the sale of Chinese products. While Chinese growth relies heavily on manufacturing sector, it needs a new and dependable consumer market to sustain its steep developmental trajectory (Ayodele and Sotola, 2014).

China's strategy of gaining access into African markets for its own benefit is pervasive in Nigeria's economy. Firstly, by establishing diplomatic mutual relationship with Nigeria, China offered a small aid package that featured education and trade. The aid package grew once Nigeria viewed China as a substitute partner to complete its infrastructure deficiency. Through infrastructure, Chinese companies were able to settle in Nigeria to complete different projects that were requested. Access to Nigeria's oil sector was eased for China because the President Yaradua attributed many oil blocks to China to complete Nigeria's infrastructure (Vines et al., 2010).

Subsequently, its engagements with the country have continued to grow following its strategic interests. China has penetrated not only into small scale industries in Nigeria but also into major markets in the country. In Nigeria's major markets like Onitsha and Kano, the sight of Chinese have become usual. In the area of trade, China exports more to Nigeria resulting in huge trade imbalances to its favour (Manko Rose, 2015). The imbalance volume of trade is harmful to the Nigerian economy. The influx of cheaper and more sophisticated items of trade from China into Nigeria makes Nigeria a dumping ground. This is also contributing to the death of infant industries, most especially, the textile industries. The activities of Chinese are posing a serious challenge to the industrialisation of Nigeria. The act of dumping of Chinese goods into the Nigerian market is a recurring decimal. Chinese is synonymous with fake, cheap, and low-quality products in the country. Reports of seizure of contraband and fake products from China are rife in the news. It is

against this background that this paper seeks to examine Nigeria-China economic relations and its impact on Nigeria's economic growth and development.

Conceptual Clarification

National Development

Development as a concept is a victim of definitional pluralism. It is a difficult word to define. However, attempts have been made by erudite scholars to conceptualize development. Some of these definitions will be explored for the purpose of this study. Gboyega (2003) captures development as an idea that embodies all attempts to improve the conditions of human existence in all ramifications. It implies improvement in material well-being of all citizens, not the most powerful and rich alone, in a sustainable way such that today's consumption does not imperil the future, it also demands that poverty and inequality of access to the good things of life be removed or drastically reduced. It seeks to improve personal physical security and livelihoods and expansion of life chances. Naomi (1995) believes that development is usually taken to involve not only economic growth, but also some notion of equitable distribution, provision of health care, education, housing and other essential services all with a view to improving the individual and collective quality of life.

Chrisman (1984) views development as a process of societal advancement, where improvement in the well-being of people is generated through strong partnerships between all sectors, corporate bodies and other groups in the society. It is reasonable to know that development is not only an economic exercise, but also involves both socio-economic and political issues and pervades all aspects of societal life. National development National, according to Longman dictionary of contemporary English, refers to a phenomenon that embraces a whole nation. National development therefore can be described as the overall development or a collective socio-economic, political as well as religious advancement of a country or nation. This is best achieved through development planning, which can be described as the country's collection of strategies mapped out by the government. National development entails the full participation of the citizens in the political, social, economic and technological affairs of the country (Adeleke & Adekunle, 2020). It aims at harmonizing the goal of quality and quantity which will be measured in areas such as equal quality education, shelter, clothing, water, etc. National development should be the concern of both the rulers and the ruled of the Nigerian society.

Historical Overview of Nigeria-China Relations

Sino-Nigeria relations have developed rather slowly over the years. Over time, the relationship expanded from diplomatic recognition to comprehensive strategic partnership, marked by high-level visits, bilateral agreements, and economic cooperation. Historically, concerted diplomatic relations between Nigeria and China began in 1971, overcoming the hostility of Chinese support for Biafra during the Nigerian civil war of 1967–1970. During the Abacha years of 1993–1998 when Western aid was cut off because of the human rights record of the regime, Nigeria adopted a “Look East Policy”, which strengthened the Nigeria-China alliance and built trust between the two nations. Cooperation has continued and increased in volume over the years. Since the return to democratic rule in Nigeria, successive Nigerian presidents have had to visit China. In 2005, China and Nigeria issued a joint communiqué with China announcing Taiwan as an inalienable part of the territory of China. In 2015, China endorsed Nigeria’s attempt to become a permanent member of the UN Security Council, while Nigeria supported China’s position in territorial disputes in the Pacific region. China has also provided military support in counterinsurgency efforts in the Niger Delta (Ramani, 2016).

Nigeria and China have both accomplished a great deal in infrastructure, investments, oil, culture, education, and industry. China has up to 30 solely owned companies or joint ventures in Nigeria, majority actively engaged in constructions, oil, and gas, technology, services, and education sectors of the Nigeria economy. And, while China has a lot to give, Nigeria would need all the help it can get, keeping in mind that this will be a win-win situation for both parties (Imanche et al., 2020). Nigeria is China’s most important project-contracting market, most significant export market, second-largest trading partner, and major investment destination in Africa. The bilateral trade volume in 2019 was \$19.27 billion, up 26.3 percent year on year, and ranked first among China’s top 40 trading partners (Quadri, 2020). Good political relations have spilled over into economics.

In 2006, China and Nigeria signed a memorandum of understanding (MOU) on the establishment of a strategic partnership, which was the first for an African country. The partnership led to an oil-for-infrastructure arrangement, under which Chinese companies were offered first access to oil-processing licences. President Jonathan’s visit to Beijing in 2013 led to a US\$3 billion loan for infrastructure which included expansion of the airports in Lagos, Kano, Abuja, and Port Harcourt. Following President Buhari’s visit in 2016, Nigeria was offered an infrastructural loan of US\$6

billion (Adunbi and Stein, 2019) Chinese companies have increasingly been locating to Nigeria. As of 2013, according to the local investment agency, there were 208 registered Chinese companies in Nigeria focusing on oil and gas, construction, and telecommunications (Umejei, 2015).

By 2016, the number registered with the investment agency had grown to 308 though the numbers could be considerably higher (Sun et al., 2017). Nigeria has also been one of the largest recipients of loans from China. Between 2010 and 2015, Nigeria received the fourth-highest amount of loans in Africa from China and the sixth highest over the longer period of 2000–15 (SAIS-CARI, 2018). Between 1995 and 2017, Nigeria has been the second-largest importer of Chinese goods after South Africa. Exports to China have also been in the top five in most years over the same period (UNCTAD, 2018).

Drivers of Nigeria's Relations with China

Nigeria, with its abundant energy reserves, potential economic growth, and human resources, could be considered an influential power in the African region. Its active contributions to peacekeeping operations and its critical role in promoting the end of the slave trade and colonialism in Southern Africa, has gained it support and improved its reputation with other African countries. Acknowledging its regional influence, Nigeria has ambitions to represent the continent on the global platform. Also, Nigeria became the largest economy in Africa in 2013. These facts all indicate that Nigeria could be the leading representative for Africa. However, Nigeria's economic problems have been compounded by security challenges and widespread corruption, which have affected the revenue base necessary for meaningful growth and development. Largely relying on energy exports has hindered the diversity of its economy, especially the development of its agricultural industry. Lacking refinery facilities, the state remains an oil importer despite its abundant energy reserves. According to an investigation by the local newspaper Punch at the end of 2012, over N5tn (US\$32.3billion) in government funds have been stolen through fraud, embezzlement and theft since President Jonathan assumed office in May 2010 (Ogunseye, 2012). At this point, it must seek support from the AU and big powers from other continents. China on the other hand traditionally considers itself a representative of developing countries and the developing member states of the UN Security Council. Therefore, it became a key political supporter of Nigeria's quest. In 2005, the then Chinese Foreign Minister Li Zhaoxing exchanged such views with Nigerian Foreign Minister Oluwemi Adeniji on UN reform (People's Daily, June 5, 2005). At the same time, China's chief spokesman Liu Jianchao said that China supports Africa,

the continent with the largest number of developing countries, playing a greater role in the UN, including participation on the Security Council. (MOFA, March 29, 2005). Nigeria's political needs can motivate it to stand with China for political considerations.

Economically, Nigeria needs China for its economic reform: funds for structural transformation, economic aid, and local production to prevent over-reliance on oil exports. Despite large amounts of energy reserves, Nigeria has not fully taken advantage of its oil income to generate national wealth. The oil industry has played a dominant role in Nigeria's national income. However, the rural sector has been neglected. When the global oil price declined during the 1980s, the country's development stagnated, which led to the deterioration of Nigeria's economic and social conditions. Simultaneously, the structural adjustment introduced by World Bank and IMF has been challenged by domestic pressure. —Towards the end of 1990, the Government began to retreat from the reforms¹ --- meaning, the loans provided by the funding sources were suspended (Moser, et al, April 4, 1997). During the same period, the Chinese enterprises had entered Nigeria market, and bilateral trade began to develop. Beijing, with its large amount of funds, provided the country with an alternative opportunity, especially after assistance from the Western world dropped significantly from 2008, because of the global recession. China appears to be filling this gap.

As an emerging economic power, China can provide investment, loans and other kinds of financial assistance for which Nigeria is thirsty. Compared to most other African countries that need funds, Nigeria has a more ambitious demand. The state experienced a period of yearning for economic transformation, from being dependent on imports to boosting local production. As a country exporting crude oil but relying on petrol imports, Nigeria needs to develop an industrial sector as a tool for job creation, food security, poverty reduction, and sustainable growth. Similarly, having the largest population on the continent, the country can provide cheap labour force. In this case, China's successful economic transformation and industrial development have provided Nigeria with a good example of how to become a world factory that produces the goods not only consumed by domestic customers but also exports to the rest of the world. Furthermore, Beijing has enough funds to invest in Nigeria's industrialisation by providing infrastructure and establishing factories for manufactures. It offers Nigeria an economic opportunity to achieve its transformation agenda if political elites can properly take advantage of Beijing's pledges.

Nigeria-China Economic Relations and Its Implications on National Development

The existing literature argues that China's needs in Africa are resources, markets for its exports, and political support on its territory and human rights abuses. Dijk and Pieter (2009) enumerate eight different objectives for China's engagement in Africa: providing raw materials for its manufacturing sector, presenting a niche market for Chinese products and services, acquiring land for its agricultural ends, transferring some of its population through migration, acquisition of diplomatic support, becoming a superpower, instead of the current prevailed Western model presenting an alternative development model and partnership (Van Dijk, 2009). As for Nigeria, it has vast energy reserves and a large domestic market with huge population, both of which certainly meet China's basic needs. Apart from these demands, Nigeria, as the most populous African country has political and economic interests beyond oil, markets, and international support. Vice Versa, Nigeria needs Chinese investment, technology, and assistance to fuel its economic growth. Hence, bilateral relations have developed based on mutual demands.

As the most populous country in the continent, Nigeria has played a leading role in West Africa. In 2010, during his talk with the then President Goodluck Jonathan, the US President Obama stated that Nigeria is critical to the rest of the continent and if Nigeria does not get it right, Africa will not make more progress (All Africa, April 13, 2010). On one hand, it indicated that Nigeria's domestic peace and stability has influenced regional security and development. On the other hand, as a big emerging nation in West Africa, Nigeria has a responsibility to maintain regional peace and stability. The Nigerian government has recognised its critical role in the region and expressed its ambition to become an African leader. Not only has it actively participated in regional peace keeping operations in Chad, Liberia, Sierra Leone, the Democratic Republic of Congo, Angola, Cote d'Ivoire, Somalia, and Darfur in Sudan, but it has also made efforts to form an African voice in the international arena.

Nigeria's desire to become a leading African voice, and its influence in West Africa provided China with the motivation to establish deeper political ties with the country. The two sides have expressed a willingness to cooperate in solving Africa's various conflicts. In a joint press communiqué in 2008, the parties highlighted that the Chinese side hailed Nigeria's long-standing role in the cause of peace in Africa, and in return the Nigerian side applauded the contribution made by China in support of the efforts of the African Union in the peaceful resolution of conflict situations in Africa. (Xinhua News, February 28, 2008).

Economically, the massive oil reserves of Nigeria located in the strategic Gulf of Guinea region, and the country's population has not only provided China with a diverse oil supply, but also an export and investment destination for its construction, communication, manufacturing, and retail industries. China's domestic political economy is heavily reliant on energy---intensive industry. To achieve its national economic objectives, it must secure foreign supplies of oil and refined oil products for domestic use. Also, attempting to lower the influence of the international commodity market on oil supply and price, Beijing has sought reliable markets with less competition from traditional developed countries. Nigeria has ranked as one of the largest oil producers in Africa and the 11th largest worldwide. It produces approximately 2.28 million barrels per day and has a proven oil reserve of 37.2 billion barrels (Gwaambuka, 2018).

Nigeria's fragile democracy and domestic violence have made its energy market too risky for traditional oil importers to access, which provided Chinese oil companies with chances to move in without (much) competition. The successful engagement in the Nigerian oil industry could diversify China's sources of oil and reduce its dependence to the highly competitive markets in the Middle East. In short, China is an energy-import-oriented country and will need plenty of oil due to its economic growth and domestic growth. With its abundant oil reserves, China needs access to Nigerian oil fields. Furthermore, Nigeria is also considered to have great potential for rapid economic growth. Economist Jim O'Neill has introduced Nigeria as a Mint^l country, to indicate its potential to become an emerging economic giant (BBC, January 5, 2014).

The diversity and potential of the Nigerian market has attracted Chinese labor-intensive industries, mainly textiles, industrial machinery, telecom equipment, electrical equipment, vehicles, and other manufactures. It provides a good export destination for China's expanding industry that has limited customer bases in either its domestic or other developed markets. Nigerian customers' demands for low-price products helped Chinese enterprises to transfer their uncompetitive industries to this country. Consequently, Chinese consortiums have established free trade zones in Lagos and container areas at the Lagos port. At the same time, China has become Nigeria's largest import partner, and accounted for 17% of Nigeria's total volume. Between 2005 and 2012, Nigeria had the largest share of Chinese investment in Africa -roughly US\$15.6 billion out of US\$97.8 billion (Odeh, 2013). Alaba Ogunsanwo has described —third World countries^l like numerous —ants^l standing behind China, —the elephant^l. (Cited in Mthembu-Salter, 2013) Even if China had the power of an elephant, Nigeria, with its location, resources, size, and political influence, can hardly

be compared to an ant. Considering its political ambitions and considerable oil reserves, China has plenty of motivation to get involved with Nigeria.

Conclusion and Recommendations

Nigeria-China relations have mutually benefited the two nations. In Nigeria, the relationship has significantly influenced national development through increased economic cooperation, infrastructural projects, and trade partnerships. This relationship has facilitated Nigeria's access to Chinese investments, technology transfer, and the development of critical infrastructure such as roads, railways, and energy projects. However, it also presents challenges including trade imbalances, concerns over debt sustainability, and the need for responsible engagement. Overall, Nigeria-China relations hold substantial potential to foster sustainable development and economic diversification in Nigeria, provided that strategic policies are implemented to maximize benefits while managing risks.

Be that as it may, the expansion of Nigeria's bilateral interactions with China is constrained by a few factors. These include the imbalance in the structure of level of their trade, the inadequacy of the industrial infrastructure for promotion of relations, the incidence of flooding of the Nigerian market with substandard goods from China and inability to implement various bilateral agreements between the two countries among other problems. However, despite this trade imbalance and other challenges, the bilateral relationship should be symbiotic and mutually beneficial to both countries. Nigeria-China relations should, however, go beyond rhetorics. The possibilities and potentials of a bilateral cooperation between the two countries have not been fully exploited. Nigeria and, indeed, Nigeria should move beyond the bounds of marginality and peripheral association where the nation is looked like a marginal factor merely for tilting matters in favour of developed market economies. Nigeria abounds with immeasurable reservoir of opportunities for trade, investments, business, and cooperation. The indifferent response to invitations of Chinese investors to come and invest in the country has not been encouraging as one would have expected.

It is therefore important that Nigeria-China trade relations need to be reviewed if Nigeria is to maximize the impacts of this relationship. Hence, the following recommendations are put forward:

(i) Government at Federal and State level should see to the implementation of relevant laws and regulations that bar foreign nationals in certain trade activities and seek to protect domestic industries from Chinese dominance.

- (ii) Partnership between indigenous companies and Chinese counterparts on technology transfer should be encouraged.
- (iii) Government should regulate Chinese trading in Nigeria in the form of quotas, stricter enforcement of import regulations, taxes as well as financial support to home-grown and local manufacturing companies.

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IJOGSE, 2025