

Research on China's financing in Nigeria

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China

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ABSTRACT

This Research is about china's foreign direct investments (FDI) and overseas development assistance (ODA) in Nigeria. To understand this clearly we studied literatures in the following discipline; history, international relationships and, economics, giving the author a clear understanding of the history, political and strategic relationship between the two countries.

As they are lots of criticism and worries about china's engagement in Nigeria if the impact of this relationship is healthy for the future of Nigeria, the literatures reviewed were divided in chronological order of causes, characteristics and, effects of china's engagement with Nigeria and it was discovered that China's financing which has brought much- needed capital, technical abilities and managerial knowledge is complementary to the growth and development of Nigeria. China's engagements with Nigeria are mainly political at the UN level, strategic to secure natural resources for its industrial growth and market seeking for its local companies' expansion and sales of its consumer goods. While China's financing is characterized by infrastructural loans, quickly built and commissioned projects, there is also a great degree of lack of transparency to the actual amounts of money spent. The effects will be a more infrastructural developed Nigeria that will attract more foreign direct investments (FDI), the free trade zones will improve the employment and entrepreneurship environment, full support for the "one china" policy at the expense of an independent Taiwan and an increased Sino-Nigerian relationship.

Nevertheless, while China's aid goes into developing Nigeria's infrastructural deficits, our investment volume analysis shows that the investments are still mainly congested in the oil and gas industries which shows that there is a lot to be done towards making the relationship a "win-win" as Nigeria aims at diversification of its economic structure towards manufacturing finished goods to incorporate its industries into global production and distribution chains.

At the end of the research, suggestions were made to both Nigeria and China on how to improve key areas of this great relationship.

KEY WORDS; Nigeria, China, FDI, ODA

ABBREVIATIONS

COMTRADE- Commerce and trade
ECOWAS- Economic Community of West African states
OFDI- Outward foreign direct Investment
FDI-Foreign Direct Investment
ODA- Overseas development assistance
OECD- Organization of economic corporation and development
NEEDS- National economic development system
SEEDS- State economic development system
LEEDS- Local economic development system
UNCTAD- United Nation Conference trade and development
MOFCOM- Ministry of commerce
R&D-Research and development
FOCAC- Forum of China and African corporation

CHAPTER 1 INTRODUCTION

1.1 Background of study

The background of this study begins by understanding the chronicle of the relationship between Nigeria and China.

The relationship between China and Nigeria began in 1955 at the Bandung Conference when China sought African cooperation to get a balance between Soviet hegemony and Western imperialism. The relationship between China and Africa was concentrated until the 1980's when China shifted its focus to domestic economic development and, the relationship gradually plummeted.

During the period of their constructive relationship, the people's Republic of China officially established bilateral relations with the Federal Republic of Nigeria February 1971 and in the same year, Nigeria and other developing countries from Asia, Africa and Latin America helped to support Beijing in its 21 years of striving for world recognition as the real government of China and November 25, 1971, the people's Republic of China officially replaced the Republic of China (Taiwan) in the UN Security Council.

After 30 years of bilateral relations, when the Asian giant was turning into an economic power, Nigeria experienced a series of military coups from the 1980's to the end of the 1990's. From 1993 to 1998, the Sani Abacha government began to contact with the Chinese government. As early as he took over power, the Nigeria China Chamber of Commerce was established in 1994, paving the way for the establishment of China Civil Engineering Construction Corporation (CCECC). In 1995, it won a contract worth 529 million US dollars for the restoration of Nigeria's railway system, due to the sanctions imposed on Nigeria by western countries during the Sani Abacha regime, CCECC failed to complete the Nigerian Railway project granted to them, and Li Ping's protocol failed to be implemented. When Olusegun Obasanjo came back to power as an elected democratic president in 1999, China's positioning of Nigeria began a new phase. In October 2000, the first ministerial meeting of the Forum on China Africa cooperation FOCAC was held in Beijing, it was attended by senior Nigerian representatives and this marked a new dawn in China and Nigeria relationship.

In this research, we will study the impact of China's presence in Nigeria, the aid patterns, distribution and the outflow of foreign direct investments from china.

1.1 Research significance

Nigeria is a major beneficiary of foreign direct investment (FDI) from China in Africa, bringing much-needed capital, as well as technical and management know-how to improve the country's production and skills capacity. This has drawn criticism from many citizens and observers, some of whom think that the relationship is purely a business opportunity for politicians and business moguls.

The research is to study by close examination the merits and demerits of Financing and investments from China to Nigeria.

Nigeria transferred power from military dictatorship after series of coups since the 1970s and became a democracy in 1999. Therefore, it is worth noting that trade and policy liberalization began in 1999, and the acceptance of foreign direct investment has been a priority of the Federal Republic of Nigeria's policy.

Nigeria intends to diversify its economy from oil by creating a competitive manufacturing sector, which will help integrate into global value chains and increase productivity. The recent consolidation of trade, industry and investment into the Federal Ministry of industry, trade and investment reflects Nigeria's intention to improve its trade and investment environment through effective coordination among the three key areas. Some of Nigeria's main advantages are its partially privatized economy, reasonable tax system, rich natural resources and low labor cost.

In this research, we will be looking at china's role towards making that goal a reality through the outflow of foreign direct investments (FDI) and overseas development assistance (ODA) that has been channeled towards Nigeria and at the end advice will be given based on the observations on how to make it a more "win-win" relationship.

Nigeria is the third-largest foreign direct investment host country in Africa, second only to Egypt and Ethiopia, it is one of the most promising economic growth poles in Africa, attracting a large number of investors in oil and gas, energy, construction, telecoms and, other fields. Affected by the anti-impact of oil, according to the data of the United Nations Conference on Trade and Development (UNCTAD), under the influence of austerity measures, inward flow of Foreign direct investment in Nigeria decreased by 21% to US \$3.5 billion in 2017, accounting for \$97.6 billion, which was 24.4% of Nigeria's GDP, of which the United States, China, the United Kingdom, the Netherlands, and France are the major investors.

Chapter 2 literature review

China's deepening engagement in Africa has provoked a range of reactions in both Africa and the west. In Africa, these reactions are fueled in some cases by hopes for what China can bring to the continent in Trade, Investment and Development partnerships similar to their western colonial masters. On the other hand, are western experts on china's engagements in Africa, they center their attention on what china benefits from the cooperation; natural resources to keep its expanding economy, cheap agricultural products to feed its large population and above all an export market for its manufacture lead economy (Ehizuelen Michael MO, 2017).

When China first established diplomatic relationships with some African countries more than 50 years ago, both continents shared economic miseries such as low levels of development and high incidences of poverty (Ajakaiye & Kaplinsky, 2009). In the 21st century, however, Africa's economic and political fate cannot be analyzed without paying attention to the emerging economic, political and strategic role of China in the continent. This research will deal with two of the numerous channels that china has impacted Africa, namely Chinese development aid (ODA), Chinese outward foreign direct investment (OFDI) and will concentrate on Nigeria.

2.1 Causes for china's engagement with Nigeria

A major reason behind the relationship between china and most African countries is political; China needed recognition in the United Nations (UN) security council at one time, from 1949 to 1971, the Peoples republic of china needed world recognition as the official Chinese government, to achieve this it needed UN votes and 26 of the votes that made it possible came from African countries. Currently, it is about the 'one-china policy', China needs as many countries as possible to cut diplomatic ties with Taiwan (Wenping, 2007). China plays the big brother role in a region that has been greatly exploited since as far back as history can remember and in favor, it rallies around them asking them to cut bilateral ties with Taiwan. The forum of China and Africa (FOCAC) is the major platform for this campaign as African countries with diplomatic and bilateral relations with Taiwan cannot be a member of this union which has brought so much financing towards the African continent from china. While China has frequently emphasized the principle of non-interference in internal affairs, the 'One China Policy' has remained the prominent exception to the rule. The absence of diplomatic ties with Taiwan is a precondition for any fruitful diplomatic relations with Beijing (Bräutigam, 2009). There are numerous historic examples when China have cut aid to nations which have diplomatic ties with Taiwan and Nigeria happens to be a big player in African politics having more seats in the UN security council than any African country.

A key element of China's diplomatic engagement with Nigeria is strategic; which is the need to secure access to natural resources like oil and other minerals. China's economy currently finds itself in an energy transition manifested by the shift (i) from low-efficiency fuels to oil, gas and electric power, (ii) from agriculture to urbanization and rapid industrialization and (iii) from low motorization to an increased use of motor vehicles (Adams & Shachmurove, 2008; Moyo, 2012). In 2003, China became the second largest world consumer of oil after the United States and the third largest net oil importer after the United States and Japan (Taylor, 2006). By 2009, China had become the second largest net oil importer overtaking Japan (Lee, 2012), this fact is no longer controversial, which is reflected in the influx of various foreign investors economic activities in the country, these investors are attracted by their product market and services in a country with more than one billion people. China's need and demand for oil and other natural resources have significantly contributed to a major increase in world commodity prices recently. As the scramble for natural resources becomes increasingly competitive, China is eager to secure its natural resource supply for the near and distant future and sees Nigeria and some African country as inevitable in this course (Moyo, 2012).

Market seeking interest; As china's expansion continues, with manufacturing as the centerpiece of its poverty alleviation scheme, African countries has proven to be a good market for its consumer goods (Wang,2007), Nigeria a country with a rising middle class with one of the highest disposable incomes in Africa with half the population of west Africa happened to be a good place for Chinese exports. Gathered research and evidence from Adewuyi et al (2010) have demonstrated that China's exports to Nigeria have attracted more consumers than locally produced goods. "Nigerian trade unions have been reported as blaming Chinese imports for the loss of 350,000 Nigerian manufacturing jobs, chiefly in the textile sector" (ibid, p. 11) and the main reasons for consuming Chinese products are the relative low prices, product availability, quality, technology, and packaging" (ibid, p. 92).

2.2 Characteristics of China's engagement with Nigeria

China's engagement with Nigeria has the same model as most other resource-rich African country and it is characterized by; no political intervention, loans with no 'direct' strings attached, cheaper and quicker completion of projects and lack of absolute transparency.

China has dramatically increased its size, scope and volume of aid and investment in the continent (Bräutigam 2009)

In Nigeria China is the main rival to all western donors as it involvement covers a wide range; infrastructural financing, agricultural development, import credit etc. This growth has ignited much debate among scholars and policymakers. Some argue that China is a "rogue" donor whose tendency to impose few if any conditionalities on the aid and investment it delivers will only "underwrite a world that is more corrupt, chaotic, and authoritarian" (Naím 2007). This on the long run could turn citizens against their governments if the impact of the loans is not felt.

Chinese projects are implemented more quickly and at lower cost than their Western counterparts (Wade 2008). Critics respond that China prioritizes speed and low cost at the expense of quality and fair play in its negotiations with both the citizens and governments of recipient countries.

China treats its aid allocations as highly confidential and, until very recently, data on foreign aid have been a state secret (Bräutigam, 2011) unlike the organization of economic cooperation and development (OECD) donors' china has established a more unprecise definition of foreign aid. Another perspective suggests that Chinese aid policy has always maintained its distance from the established aid model under the guidance of OECD development assistance committee (DAC) and will not necessarily challenge the existing international aid regime (Brautigam 2009). Through a careful examination of Chinese zones in Africa, (Brautigam and Tang 2012) find's that china's overseas economic activities are driven by strategic consideration, but not as a means to boost china's resource security.

2.3 Consequences of China's engagements with Nigeria

China's involvement with Nigeria has reshaped the country and the continent at large, this has provoked rigorous debates about the impacts of China's financing model in the following ways (i) Economic growth pattern and (ii) Development path of Nigeria.

Infrastructure projects undertaken by Chinese companies are often financed by soft loans from the Chinese government, on the condition that they are carried out by Chinese companies which is in line with the 'going out' strategy of the Chinese government to internationalize Chinese firms into global chains. Chinese government concessional loans are disbursed by China Exim Bank, currently one of the largest such institutions in the world. According to World Bank estimates, China Exim Bank has disbursed over US\$ 12.5 billion for large-scale infrastructural projects in Sub Saharan African alone, although China Exim Bank's official reported figures are much less. More than 80 percent of these in terms of value were to resource-rich African countries, such as Angola, Nigeria, Zimbabwe and Sudan. According to the China Exim Bank's concessional loan requirements, Chinese contractors must be awarded the infrastructure contract financed by the loan. Furthermore, in principle no less than 50 percent of the contract's procurement in terms of equipment's, materials, technology or services must come from China (Lucy Corkin, Christopher Burke and Martyn Davies, 2008). China's development programs in Nigeria is centered on large scale construction, technical support and training (Brautigam, 2011) rather than the OECD implemented programs aid at promoting donor's objectives, China's aid goes directly into infrastructural development in Nigeria (Condon, 2012).

The role of China's special economic zones (SEZs) located in Nigeria and on the African continent in promoting structural transformation was discussed in-depth by Bräutigam and Tang (2011). In this illustrative case-study, Tang (2010) provides some evidence under what conditions Chinese enterprises can have a positive and long-lasting impact on local employment creation in Angola and the Democratic Republic of Congo (DRC). In contrast, other studies point to the potentially negative consequences of intensified Chinese competition faced by local African firms in industries such as clothing, furniture or shoes (Giovannetti & Sanfilippo, 2009; Kaplinsky & Morris, 2009a, 2009b).

As posited by (Ayantunji Gbadamosi, Ayodele, C. Oniku, 2009) The economic and diplomatic relationships between China and each Sub-Sahara African nation has been largely determined by their positions regarding the sovereignty of China relatively to the nation of Taiwan. Historically, China has enjoyed the support of many Sub-Sahara African nations on this issue and other diplomatic issues, and this has greatly been responsible for the ties between it and some African nations like Nigeria. For instance, the independent African nations largely voted for China to obtain one of the five permanent seats on UN Security Council in 1971 on the recognition of "One China" to the detriment of Taiwan; China secured 26 votes of African nations out of the 76 votes that sealed its election into the council (ECOWAS-SWAC/OECD, 2006).

The win-win principle in the FOCAC agreement illustrates the mutual benefits for China and the trade partners in the Sub-Sahara Africa in the new economic relationship. In the light of this, it primarily shows that, as the Chinese companies carry out the raw materials exploration, commensurate compensation and development would be carried out in the local areas or the nation at large, in other words, a win for china and a win for Africa governments. Thus, China is seen to be extending goodwill to develop constructive trade relationships (Pang, 2003 in Taylor, 2004). On a larger scale, the implication of the win- win principle is to create an economic cooperation and a new international diplomatic and economic order that strengthens a long-undermined South-South relationship (Shinn, 2007). Also, the intent is to create accessibility to African exported products in the Chinese market and vice-versa, and to create economic cooperation in other spheres of economy like agriculture, technology and infrastructural development.

Chapter 3 Nigeria and china economic and political relationship analysis

3.1 Economic relationship analysis

As the largest economy and the most populous country in Africa, Nigeria provides a wide range of profitable business and trade opportunities for large Chinese companies and small and medium-sized entrepreneurs. Nigeria is the gateway to the markets of the economic community of West African States (ECOWAS) with a population of over 500 million people and the Chinese government has strong incentives to ensure that Nigeria's rapidly expanding middle class continues to buy goods made in China. The country also gives access to huge energy resources as a strategic hedge against over reliance on Middle East energy imports, the Chinese government hopes to maintain access to Nigeria's important oil and gas reserves to a certain extent in the long term.

Nigeria is the third largest foreign direct investment host country in Africa, second only to Egypt and Ethiopia. Nigeria is one of the most promising growth poles in Africa, attracting a large number of investors in oil and gas, energy, construction and other fields. Nigeria has attracted large inflows of funds from US companies, including Uber, Facebook and other giants, as well as emergency payments and meltwater groups, meanwhile China has invested heavily in the country, mainly in industries such as textiles, automobiles and aerospace.

Nigeria intends to diversify its economy from oil by creating a competitive manufacturing sector, which will help integrate into global value chains and increase productivity.

Nigeria economic environment has been highly positive since it became a democracy in 1999, the country is one of the world's four best performing markets in 2012 with a 35.45% gain and it was the biggest and most dynamic frontier economy in Africa with Gross Domestic Product (GDP) at par with global capital like Hong Kong and Singapore. However, the country is face with some constraint of slow progress in building consensus around key fiscal reforms and continued security problems in the far North of the country. Despite the integration of international capital markets, FDI story of Nigeria today is dominated by the oil industry, which was not so until the late 70's when there was a widespread of FDI presence in the economy. (Oji-okoro Izuchukwu.2014). Decades of political instability, endemic corruption and economic mismanagement further reduced Nigeria's ability to attract and retain FDI.

Table 1; Major Chinese companies in Nigeria

COMPANY	SECTOR	STAFFS	INVESTMENT FIELD
SINOPEC	OIL AND GAS	373,375	The right to operate plot 646629 and plot 2 of Nigeria Sao Tome joint development zone.
CNPC	OIL AND GAS	1.6 MILLION	License for OPL 471721732298.
SEPCO	POWER CONSTRUCTION	19,756	Papalanto power plant
CCECC	CONSTRUCTION	70,000	Lekki free trade zone and other game village construction.
CSCEC	CONSTRUCTION AND REAL ESTATE	121,500	Refinery
CNOON	OFFSHORE PETROLEUM	21,000	45% interest in OML 130.
HUAWEI	TELECOM	51,000	Internet and mobile
ZTC	TELECOM	85,232	CDMA, mobile

Source; Nigerian investment promotion council

3.2 Analysis of political relationship

Nigeria political frame work is that of a federal, presidential, representative Democratic republic, in which executive powers are exercised by the Government, legislative powers are held by the real Government and the two chambers of the legislature; the house of representative and the house of senate. Despite the difference in political structure China and Nigeria are highly complementary in economic structure, China is willing to assist Nigeria break the development bottleneck of infrastructure, capital and talent shortage through investment and construction, preferentially transfer suitable and required labor-intensive industries and advantageous production capacity to Nigeria, while Nigeria is happy to learn to improve its production technologies and managerial know-how and simultaneously develop its infrastructures with the help of china's partnership.

Moreover, China does not only buy mineral resources from Nigeria anymore, it has invested heavily in the Agricultural sector which has laid a foot-map for Nigeria agricultural suppliers to be integrated into the global chain by exporting finished agro products to china.

In this way, China Nigeria investment cooperation can form a virtuous circle. It is expected that China and Nigeria economy will maintain stable growth for a long time in the future, which will create a favorable macro environment for continuously deepening China and Nigeria investment cooperation and consolidating the China Nigeria community of interest towards a community of common destiny.

The Dialogue on China's initiated Silk Road project of international cooperation otherwise known as the "Belt and Road," or by its full name of "Silk Road Economic Belt" and the "21st Century Maritime Silk Road," outlined by Chinese leader, President Xi Jinping in 2013 has been one of the most outstanding campaigns to global public in recent times. Seeking to foster global connectivity through massive overland, maritime and digital infrastructures across the globe, it attempts to revamp the spirit of the ancient silk roads through which commerce and culture flourished at the same time ideas, crafts and people inter-mingled to generate one of history's recorded outstanding civilizations. At the behest of the Chinese leadership, a reconstruction of the spirit of the ancient Silk Road in contemporary time to drive an inclusive global development and build a community of shared future for mankind is a major thrust of the Belt and Road initiative. As a strategy of connectivity across countries and within countries, the Belt and Road would spawn an elaborate network of land, rail and maritime transport arteries and industrial clusters along its now inclusive global routes.

According to Mr. Lin Jing of the Chinese embassy in Nigeria, while responding to journalists on the outcome of the FOCAC summit said Nigeria officially signed into the belt and road initiative during the 2018 FOCAC meeting, he reiterated that the initiative would further boost the infrastructural agreements between Nigeria and China, especially in areas of transportation as well as information and communications technology.

Nigeria is a developed market for Chinese technology, and an increasing number of Chinese industries are relocating to Nigeria in search of wider opportunities to further the Belt and Road Initiative, build infrastructure facilities, transfer skills and create jobs. The Chinese People's Association for friendship with Foreign Countries has been taking measures to ensure the peoples of the two countries deepen their interactions. More than 70,000 Nigerians arrived in South China's Guangdong province in 2016 alone for business, tourism, education and healthcare. Guangdong is the hub of Nigerians in China and more Nigerians live in Guangdong than in any other Chinese province. (source; Nigeria consular general in Guangdong province)

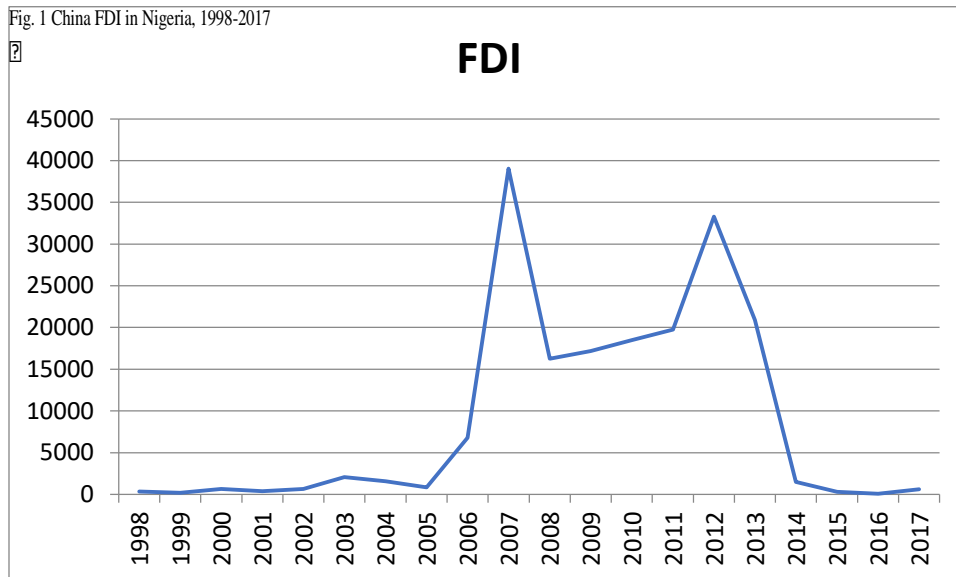
There is no historical burden on China Nigeria relations, although during the Nigerian civil war there were rumors of China's support for the Biafra succession group but this was soon overlooked after the defeat of Biafra and the signing of bilateral agreements in 1971, Since then there have been a high degree of political and mutual trust between the two countries.

Since 2013, China Africa summit and high-level mutual visits have become more frequent, and the comprehensive strategic partnership of cooperation has been advancing steadily. The previous summit of the Forum on China Africa cooperation, was held in Beijing in September 2018, injected new and strong impetus into the development of China and Nigerian cooperation.

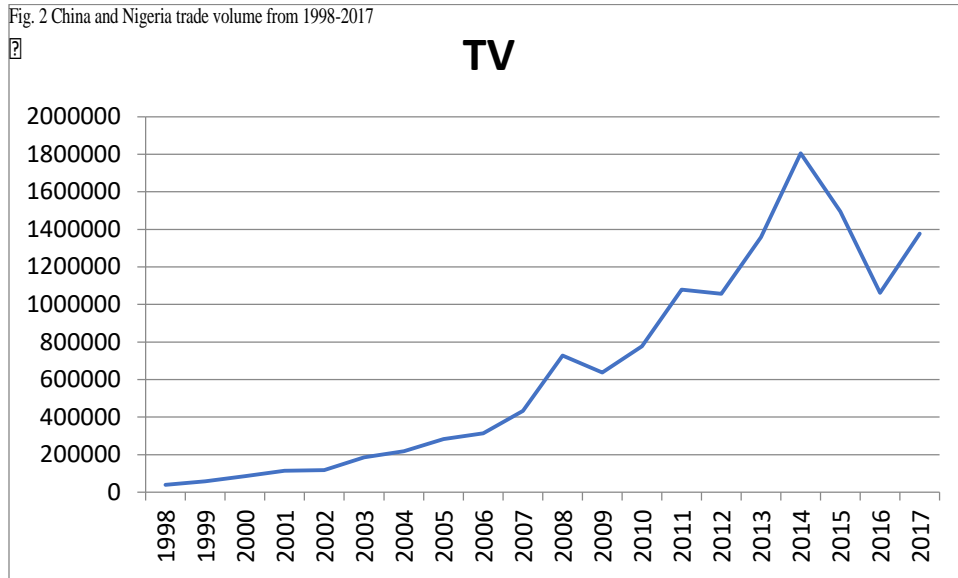
There have been lots of complimentary political decisions and similarities in the policies of china and Nigeria the past decade, with china's "expansion" policy and Nigeria "encouragement" to external investments, corporation and no political interference development. Nigeria with its large population looks forward to a similar development model as that of china especially Nigeria been the country with the highest index to trust and accept Chinese in Africa.

Chapter 4 Analysis of China's investment and financing in Nigeria and its problems

4.1 Total amount analysis

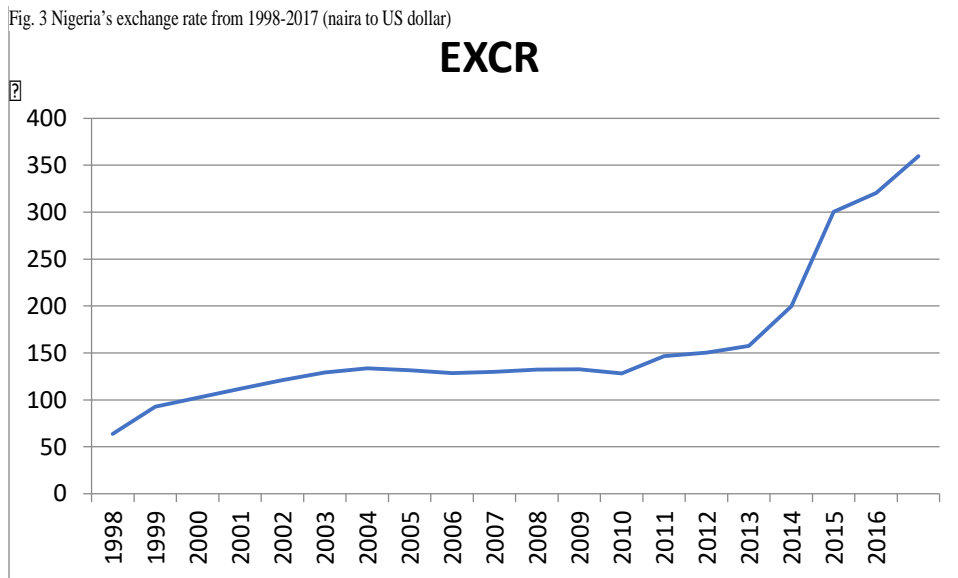


Although there is no specific time trend for China's direct investment in Nigeria, it can be observed that after 2014, China's investment in Nigeria decreased significantly, this can only be explained by the decline in oil prices and the election of president Buhari into power, May 2015. The president whose main objective was to kick corruption out of Nigeria seemed not to be popular at attracting investments from China.

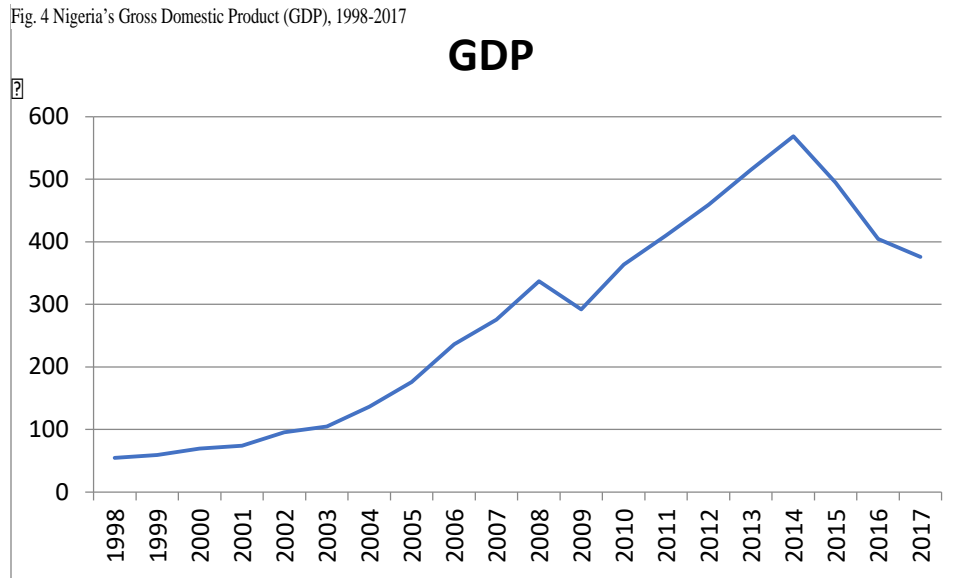


The trade volume between Nigeria and China continues to increase, indicating that Nigerians' consumers purchasing power is on the increase.

As for trade volume, Zhao Xiaoliang, Consul General of the Republic of China in Lagos, revealed that in 2017, bilateral trade volume between China and Nigeria was nearly 14 billion US dollars, an increase of 29.7% over the previous year, and Nigeria continued to become China's third largest trade partner in Africa. He said that from January to May 2018, bilateral trade between China and Nigeria reached US \$5.8 billion, an increase of 7.3% over the previous year, indicating that China Nigeria economic and trade cooperation has great potentials.



As shown in the figure above, Nigerian foreign exchange rate is closely related to crude oil prices, a phenomenon known as “The Dutch disease”. The exchange rate fell by almost 50% in mid 2014 when oil prices soured and continued to worsen as a new Government came in place in the midst of economic difficulty.



As can be seen from the figure above, Nigeria's GDP has grown by 7% annually in the past 10 years. Although the decline of crude oil price after 2014 still lead to economic recession, this is due to the single structure of crude oil dependence in the economy

4.2 project analysis

4.2.1. Infrastructure construction

Table 2; Major Chinese infrastructural aid in Nigeria

YEAR	PROJECT	TYPE OF LOAN
2002	Modernization of small scale farming through construction of 3000 small dams, training of 500 experts and technicians and 10,000 Nigerians on how to build and control small dam.	ODA
2004	\$100 million for the third phase of national rural telephone project that covered over 150 local governments.	OOF
2006	Guangdong Xinguang International and CCECC invested in light rail transit from Nnamdi Azikiwe international airport to Abuja city center and murtala international airport in Lagos.	ODA Credit for trade and investment
2007	CCECC and Nigeria ministry of transport signed a contract worth \$8 billion for the implementation of the Lagos-Kano railway modernization project.	OOF
2007	Hydroelectric project awarded \$1.46 billion civil work and steel hydraulic structure for mambilla dam to generate 2600MW in Taraba state for 60 months, however the project was increased to 3,050MW, total cost \$5.7 billion, the design was completed in 2012. 75% project cost from China	OOF
2009	Exim bank and counter funding \$309 (15%) million by Nigerian government.	OOF
2009	\$50 million on the development of lekki free trade zone to encourage trade and cooperation across various industries.	OOF
2009	Construction of 4 rural primary schools in katsina, Kaduna, Ogun, and Federal capital territory FCT worth N107.4 million.	OOF
2012	Nigeria government made available 4.85 hectares of land for building of National staff hospital in Abuja, China provided 150 bed facility worth N12.5 million. Project commence 2010 and was completed 2012.	OOF OOF
	China's CGC signed MOU for houses construction and water distribution in FCT, Abuja	
	China gave \$30.6 million concessional loans with over 8 years' repayment period for the digitalization of state media cooperation.	

Infrastructure construction is the biggest highlight of China's investment and financing in Nigeria. Nigeria, in cooperation with the Chinese government and private construction companies, has built a modern light rail connecting the territory of the federal capital and the north central part (built by a Chinese company loaned by the Export Import Bank of China), as well as four new airport terminals (Lagos, Abuja, Enugu and Asaba).

At present, the most critical challenge faced by Nigerian investment environment is the lack of power supply and it has invested in the following power generation projects: 450 MW Azura power plant, 700 MW zungeru hydropower plant, 240 MW AFAM power plant, 40 MW kashimbilla power plant, 215 MW Kaduna power plant, 40 MW Gurara power plant, 29 MW Dadin Kowa power plant and 10 MW Katsina wind power plant, some of which have been completed, put into operation and added to the national grid. All of which are built in collaboration with Chinese firms. More loans have been negotiated and are being drawn, such as the \$3.5 billion facility for the Mambilla Hydro Electricity Power project (Total cost of project \$5.7 billion including all taxes, with 85% funding from the china EXIM bank and 15% Nigerian federal Government.)

4.2.2. Oil development

SINOPEC and CNPC are the major Chinese extraction companies operating in Nigeria, both been major players in the Nigerian oil and gas industry having a personnel strength 373,375 and 1.6 Million respectively. They both have licensing for operating oil blocks in Nigeria. During 2006, Nigeria and China signed an oil for infrastructure development plan with oil blocks allocated to China in exchange for infrastructures that are grossly inadequate in the country (Alabi *et al.*, 2011; Bing and Ceccoli, 2013; Taylor, 2006). However, president Umar Musa Yar' Adua (2007-2010) had no progress with Sino-Nigeria bilateral ties before his death at in May 2010.

China came into the Nigeria oil and gas industry, with a deal of launching the Nigerian satellite in 2006. (Taylor 2007, 2014) By bilateral relations Nigeria granted three Chinese SOE's oil field permits. The first Chinese company to enter Nigeria was the china petroleum and chemical corporations (SINOPEC) in 2004. China National offshore corporation (CNOOC) and China National Petroleum corporation (CNPC) arrived in 2006 (peg, 2012). Nigeria is rich in oil, gas and mineral resources, which is its main source of income while China is the world's largest importer and consumer of commodities outside the united which has since stopped purchasing Nigerian crude. China's investment in Nigeria's oil and mineral resources will help drive the commodity production and export, and promote the economic development of both sides.

4.2.3. Financial industry

At the end of 2015, the Export Import Bank of China, as one of the shareholders, set up the first batch of China Africa production capacity cooperation fund with a capital of 10 billion US dollars. China Development Bank funded the establishment of China Africa Development Fund and developed the "special loan for the development of small and medium-sized enterprises in Africa" product. Also, Signed April 27, 2018, between the central bank of Nigeria & the People's Bank of China for a 3-year period which is renewable on acceptance to both party is to promote "bilateral trade and direct investment, and safeguarding financial market stability in both countries." the RMB naira swap deal, which is worth 15 billion Renminbi or 720 billion Naira equivalent to \$2.4 billion, making trade between the two countries less reliant on the US dollar.

Alipay, Tencent, WeChat mobile payment and other businesses have also entered the African market, and are expected to continue to increase market share.

4.3 problems of Chinese investment and financing

4.3.1 Nigerian problems

Nigeria's investment risk can be examined from many aspects, such as political; the country lacks a continues development plan and policy, this effects the investment environment as a change in government can mean a shutdown of all projects awarded by the outgoing regime, for example the oil for infrastructure agreement that was cancelled by president Yar 'Adua when he assumed office in 2007.

Corruption lead tax evasion; As a country, Nigeria does not reap half the potential of economic activities taking place due to tax evasion as regulators are corrupt and prefer to accept personal offers.

Low efficiency of government parastatals; the poor planning ability of government departments, the continuous corrupt rent-seeking behavior of officials and individuals affect the efficiency of investment and even endanger the safety of investments.

Inadequate and obsolete technology; National security system which has made banking regulations like risk assessment difficult and bank lending minimal to entry level businesses.

Tight Financial regulations; while trying to curb corruption of top officials, small and medium scale enterprises pay the lost by facing such restrictions as inability to get foreign exchange for foreign trading and investment activities.

Conflict; Internal conflicts keep the country divided in fashions that hinders proper intra-national investments, the crisis of herders and farmers in the central region, the succession movement in the southeast, Boko Haram in the far north and the belligerence in the Niger Delta have made investment unstable.

Macro-economic vulnerability; At the macro-economic level, Nigeria's economic vulnerability still exists; imperfect infrastructure such as transportation and power, mismatched upstream and downstream industrial chains, single economic structure, insufficient foreign exchange income and reserve capacity, and high debt risk will increase the cost and risk of China's investment in Nigeria.

Depreciating currency; regularly devalued currency makes commodity prices on the international market too high for the public and strict foreign exchange control has kept on empowering shadow banking which is the only means available in the rural parts of the country.

Unskilled labor; In terms of labor, although the labor cost is low, the quality of human resources is also low, lacking of technical and management talents. Enterprises need to invest more money to train employees which eventually will increase their investment costs.

Family ownership of land; Land ownership is a very serious problem for foreign entities investing in Nigeria especially those in agriculture, as lands are usually owned by families and it is divided in little pieces and would take a combination of a whole community to get a tangible size of land which will raise eyebrows if a foreign company is directly involved as this could be seen as a land grab.

Public security Bureau; Nigeria labor and immigration departments are also raising thresholds for foreigners with a view of protecting local labor and small and medium scale enterprises while they should be more encouraging to enhance exchange of technology and managerial skills.

4.3.2 Chinese problems

There is currently no information about any Chinese companies operating in Nigeria been listed in the Nigerian stock exchange commission, this is an issue that hinders Nigerians from investing in them and been a part of the decision making to encourage a more “win-win” partnership.

China's external policies are secretive to the host country's executives and general public, making it often difficult to get the complete trust and support of stake holders for example once again I will refer to the oil for infrastructure arrangements that was cancelled by Nigerian president Yar'Adua in 2007 due to lack of transparency on the Chinese part.

At the Enterprise Level, the problem of homogeneous Competition Among Various Industrial Parks and Economic and trade Cooperation Zones Built by Chinese Enterprise's in Africa has Become More Prominent, and the even Vicious Competition Among Enterprise's has Appeared, damaging at the image of China.

Labor unions also complain about working conditions in Chinese companies, where they say Nigerian workers are poorly paid and rarely rise to management level. Chinese companies have been accused of flouting labor laws and discouraging unions. Chinese companies deny discrimination against Nigerian workers, arguing that salaries for both Chinese and Nigerian employees are not low, but in line with pay rates in Nigerian manufacturing companies. Chinese aid pattern of building infrastructure and getting other jobs done themselves is clearly misunderstood as a means for Chinese companies to sell their products overseas and eventually a debt trap for African nations, this panic is a big obstacle to Chinese stake in Nigeria like in the case of the oil for infrastructure agreement.

4.3.3 Third party problems

Western media and propaganda influences the world to a great extent, and Some Western politicians, business people and media figures, view China's investment in Nigeria in terms of cold war thinking and zero-sum game, and even try their best to slander and attack China's investment in Africa through various issues such as environmental protection and labor standards.

Europe and America have been the traditional donors in Africa, also their aid patterns are different from the Chinese model, but it seems like China's presence have reduced their bargaining power with African leaders so they currently release more cash loans and grants to encourage repulsion of Chinese built infrastructures under the quote "Chinese infrastructures are substandard".

Emerging and developing countries such as India, South Korea, Singapore, Brazil, Turkey, Russia, Iran, Saudi Arabia and the United Arab Emirates have also increased their investment in Africa, making investment in Nigeria and other Africa countries more challenging as they have more bargaining power and have own interests to protect.

PART 5 CONCLUSION

5.1 suggestions for Nigeria

Nigerian should develop coherent and stable industrial development policies independent from unstable political agendas which makes investment decision making difficult for incomers and to protect investors from risk of political divisions.

Nigeria should develop an advance technological approach towards the collection of taxes in other to curb corruption within the relevant agencies so as to increase internal earnings to reduce over dependence on crude oil revenue and increase its foreign reserves in the advent of a fall in crude oil prices the economy would be more shock resistant.

The middle class is the power of capitalist society, which should be the most concern of policy makers, it should establish human capital, overcome language and cultural barriers, and promote the transfer of corporate knowledge to public and middle-class finance. To achieve this more efforts should be given to risk assessment models, national identity management and technology improvements.

Strengthening project construction is usually a measure of "social production". We should make use of the large network driven by social technology to create new wealth, reduce excessive dependence on government work and encourage entrepreneurship.

Nigeria should focus on its engagement with China and how to adapt to the overall context of international engagement, while at the same time having the opportunity to strike a balance between Western and Chinese aid. However, it is important to understand how each type of assistance benefits and which sectors have successfully implemented the strategy. China's experience as a disciplined society can well curb corruption in Nigeria, while the commitment of the United States to human rights and transparency can curb power abuse in Nigeria.

Nigeria should encourage China to establish joint venture partnerships to expand the Chinese market and ease obtaining land and other rent seeking behavior and exploitation of foreigners by local. This will increase investment in a world-class business model and public management that will build qualified enterprises.

The federal government also needs to invest in resources from China to improve the investment environment, develop human resources to support investment, and establish necessary development banks to provide necessary financial assistance for startups.

It is time for Nigeria to invest in China's import demand to reduce its trade deficit with China and reduce dependence on oil and gas revenues.

The Nigerian investment promotion council should corporate better with the public security bureaus and immigration to do more about the ease of business and working permits for Chinese technicians and business men who want to exploit the Nigerian market.

Nigeria should also invest more in training its labor force towards a more technological work force that can suit the needs of foreign investors to reduce the importation of competent labor from overseas.

Finally, Nigeria should bring together officials, economists, businessmen, scholars and various diaspora organizations to discuss how to optimize the ideas and perspectives of Chinese and Western finance in order to comprehensively combat brain drain. In this selection, trend analysis should be strictly followed, as it will lead Nigeria to use FDI to recover foreign funds, rather than requiring more foreign aid assistance.

5.2 suggestions for china

The listing of Chinese enterprises on the Nigerian stock exchange is conducive to localization, Chinese enterprises will be closely linked with Nigerians who buy shares, raise funds, expand the company's scale and share profits.

It is suggested that China should train Nigerian talents to provide other empowerment benefits for the citizens of aid benefiting countries so as to set a correct understanding of the model of cooperation.

China's expansion policy in Nigeria is of great significance. It is suggested that China should open its foreign policy to avoid misunderstanding its intentions.

China should open up its financial sector to ease the transfer of payments to Chinese enterprises operating overseas in order to obtain more detailed information on overseas direct investment as against the alternative means of moving capital.

Chinese aid tying model may be very effective as a means of participating in host countries and knowing the strength and weaknesses of certain industries so as the open doors for Chinese investors to come in while creating the key infrastructures to support their investments.

China should henceforth analyze large-scale projects in Africa to avoid failed or unprofitable investments which could lead to failure of host country's ability to pay back, as western propaganda is suggesting that this is china's plan towards Africa.

Chinese investors should take advantage of the open market policies in the non-oil sectors of Nigeria and come in with less ease and lower taxes and enjoying other benefits which has been listed in previous sections of this paper.

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