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Chinese Investments in Nigeria and the Political Economy of Trade, 1999 - 2019: A Leadership Perspective

Kialee Nyiayaana^a and Jackson T.C.B Jack^b

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^a Department of Political Science, University of Port Harcourt, Nigeria.

^b Department of Sociology and Anthropology, Faculty of Social Sciences, Federal University, Otuoke, Bayelsa State, Nigeria.

jackjt@fuotuoke.edu.ng

ORCID: <https://orcid.org/0000-0003-4326-8544>

Corresponding author: kialee.nyiayaana@uniport.edu.ng



Abstract

This article explores the nature and patterns of Chinese-Nigeria trade relations between 1999 and 2019 through the theoretical prism of leadership. The period 1999-2019 captures the rising trends in investments and trade relations between China and Nigeria and the latter's efforts at liberal democratization. It raises questions about how the nature of the leadership process conditions economic developments and as well shapes the nature of trade and investments between both countries. Although the article is not necessarily comparative, it demonstrates how the contrasting character of the internal leadership process throws up inclusivity, accountability, productivity and development in China, and exclusion, opportunistic behaviour and underdevelopment in Nigeria. The article thus argues that leadership is dialectically connected to the political economy of development and trade in both China and Nigeria. Drawing on historical and statistical data relating to Chinese Foreign Direct Investments, aid/loans to Nigeria and Chinese-Nigeria trade patterns, it explains that economic relations between both countries are characterized by unequal exchanges in favour of the Chinese state. The major contention of the article is that while Nigeria does benefit from Chinese trade, loans and investments in terms of job opportunities and infrastructural developments, such benefits further deepen Nigeria's underdevelopment and dependence on China as a result of the extractive behaviour of Nigeria's political leaders. Nevertheless, a better developmental outcome is possible in Nigeria through transformational leadership that leads to profound changes in policies, institutions and values of accountability.

Keywords: Leadership, Foreign Direct Investments, Trade, Loan, Political Economy, China, Nigeria.

1. INTRODUCTION

Since the 1960s, African states have remained investment destinations for foreign capital from Western Europe, North America and, more recently, China. The increasing interest in Africa by the world's leading economies is a function of its significant contributions to the global economy. Africa is rich in mineral resources and constitutes a huge market where China is now an emerging dominant player. The 'Going Out' policy of the Chinese government is a contributory factor in its increasing global economic and political influence and penetration in Africa. This is well illustrated in the effective use of multilateral organizations such as the Forum on China-Africa Cooperation (FOCAC) by the Chinese state to secure

bilateral and multilateral trade agreements in the continent. In fact, through the instrumentalities of the FOCAC, which was established on October 10, 2000, Chinese investments in Africa, particularly annual Foreign Direct Investment (FDI), rose from \$75m in 2003 to \$2.7bn in 2019.¹ China-Africa bilateral trade has increased steadily over the past 16 years with an estimated trade value of \$185bn in 2018 and \$192bn in 2019 respectively with Angola as the largest exporter to China and Nigeria as the largest importer of Chinese goods.² Also, Chinese aid and loans to African governments have increasingly defined Chinese-Africa relations, and between 2000 and 2019, over 1,141 loan

¹ SAIS-China Africa Research Initiative (2021). Data on China-Nigeria economic relations. Available at <https://www.sais-cari.org/data> [Accessed 17 July 2021].

² Ibid

commitments worth \$153bn were signed between African governments and China.³

Moreover, with a population of over 200 million people, Nigeria is increasingly becoming a hub for Chinese investments. This is evident in its multi-sectoral penetration in the oil and gas industry, agriculture, construction and infrastructure. China has invested well over \$16bn in Nigeria's oil and gas industry. For instance, in July 2005, PetroChina Limited signed a \$800m deal with the Nigerian National Petroleum Corporation (NNPC) to purchase 30,000 barrels of crude oil per day for a year. China has also established Special Economic Zones (SEZs) in Lagos and Ogun states while also providing credit facilities, technology and expertise for the construction of airport terminals and railway projects across the country.

In all, Chinese presence in Africa and Nigeria is well established. However, the debate amongst scholars is the question of whether the nature of Chinese-African relationships are mutually rewarding. Some schools of thought view the relationship as a 'win-win engagement' while others characterize it as a 'zero-sum engagement' of Chinese imperialism. The first school of thought which is referred to as the '*Optimistic or Balanced Development School*', holds that China is only pursuing its economic interests in the contemporary economic world order by fostering a sound development partnership with Africa. This partnership could be better understood when viewed from the perspective of the '*South-South cooperation*' mantra.⁴ China's role in this partnership is to share its experiences on modernization by providing assistance to Africa with technical expertise, developing managerial capacities and industrial technology to harness Africa's vast natural resources. The relationship according to this school of thought is guided by mutually agreeable principles including equality of partners and reciprocal respect hence a win-win for both parties. This position has been reinforced by the argument that Chinese foreign policy in Africa is largely

based on unconditionality and non-interference unlike Western foreign policies. For instance, China's foreign aid policy has been adjudged to be significantly different from those originating from Western donors as there is a conspicuous absence of political strings attached to Chinese aid which are usually not tied to stringent conditions which may interfere with the affairs of African governments. Proponents of the optimistic school have strongly argued that China's increasing investments and trade relations with Africa have engendered development and structural transformation across the continent. This is particularly evident in areas of infrastructural development such as construction of roads, ports, bridges, railways and hydroelectric powerplants,⁵ as well as investments in Special Economic Zones which is said to have improved value chains in Africa.⁶ Chinese investments are said to have diversified African economies,⁷ increased economic growth especially in the construction and manufacturing sectors, built managerial skills and encouraged labour mobility.⁸

Conversely, the second school of thought referred to as the '*Pessimistic or Neo-Colonial School*', holds that China-Africa relations are largely characterized by an unequal relationship resulting in a zero-sum engagement. China is perceived as a power bloc in severe competition with Africa's traditional cooperation partners (the Global North) to gain access to Africa's vast natural resources. The proponents of this view hold strongly that the sudden rise in China's economic penetration of Africa is propelled by the same historical forces that led to the colonization of Africa by Western capitalist countries, which include the availability of cheap raw materials and the prospects for huge returns on investment particularly from raw material exploitation.⁹ Hence, China's rapid industrialisation and increasing demand for energy and raw materials,¹⁰ have created incentives for expansion of economic and political ties with Africa, thereby becoming the new

³ Acker, K. and Brautigam, D. (2021). *Twenty Years of Data on China's Africa Lending*. Briefing Paper, no 4., 2021, China Africa Research Initiative, Johns Hopkins School of Advanced International Studies.

⁴ Mhandara, L. Manyeruke, C. and Nyemba, E. (2013). Debating China's New Role in Africa's Political Economy. *African East-Asia Affairs* 2, pp. 79 – 101.

⁵ Lin, J. and Wang, Y. (2014). "*China-Africa Co-operation in Structural Transformation: Ideas, Opportunities, and Finances*". WIDER Working Paper, No. 2014/046.

⁶ Brautigam, D. and Xiaoyang, T. (2014). 'Going Global in Groups': Structural Transformation and China's Special Economic Zones Overseas". *World Development* 63, pp. 78–91.

⁷ Diaw, D. and Lassoua, A. (2013). "Natural Resources Exports, Diversification and Economic Growth of CEMAC countries: On the Impact of Trade with China". *African Development Review* 25 (2), pp. 189-202.

⁸ Calabrese, L. and Xiaoyang, T. (2020). *Africa's Economic Transformation: The Role of Chinese Investment*. Synthesis Report, DFID-ESRC Growth Research Programme (DEGRP).

⁹ Rocha, J. (2007). "A New Frontier in the Exploitation of Africa's Natural Resources: The Emergence of China" in Manji, F. and Marks, S. (eds), *African Perspectives on China in Africa*. pp. 87-105.

¹⁰ Klare, M.T. (2008). *Rising Powers, Shrinking Planet: The New Geopolitics of Energy*. (New York, Metropolitan Books).

colonial power on the continent. For the neo-colonial school, the China-Africa relationship has mostly benefited China as it is characterized by unequal trade relations due to China's focus on exploitation of extractive industries. For instance, while 95% of exports from Africa to China are primary products including unprocessed raw materials, mineral resources and crude oil, 94.6% of all imports from China were in manufactured goods resulting in a severe trade deficit of about \$19.5 billion annually since 2014.¹¹

On several fronts, China has been described as contributing to poverty and underdevelopment on the continent as Chinese investments undermine local industrialization by flooding local markets with cheap and substandard products,¹² prevalence of substandard labour relations, deficient safety rules, and poor environmental protections,¹³ while deemphasizing democratic governance from African governments.¹⁴ Interestingly, recent studies have shown that whereas Western investments favour a better governance environment, the share of Chinese foreign investment in Africa is higher in states with weaker governance institutions.¹⁵ In addition to the above, the radical argument has been further stretched to suggest that China is not only concerned with controlling Africa's resources and market, but it is pursuing a subtle form of colonialism devoid of any form of coercion, thereby creating little or no resistance from the African governments. This strategic move, is most evident with the over 800 Chinese firms operating on the continent with corresponding importation of Chinese manpower and subsequent increase in the number of Chinese living on the continent which rose from 100,000 in 1990 to over one million people as of 2011.¹⁶

Drawing on the two dominant arguments that characterize the literature, this article focuses on the nature of Chinese-Nigeria trade and economic partnerships since 1999 and highlights the role of

leadership in understanding the peculiarities of Chinese imperialistic strategies on the African continent. It adopts a leadership conceptual framework that emphasises the centrality of mutuality of interests between leaders and followers towards achieving shared goals. This approach argues that leadership and how it translates into specific outcomes occurs at different levels of society and amongst different actors: state and non-state. Accordingly, rather than a leader-centric focus that highlights almost exclusively the activities and behaviour of the leader, this article conceives leadership as an interactional and complex phenomenon.¹⁷ The implications of this theoretical framework are that the agency and role of various actors in the leadership process matter in explaining the nature of trade relations between China and Nigeria including the divergent development outcomes between the two countries.

Following this introduction, which has situated the significance of the article within the broader literature on China-Africa economic relations, the second section explores the historical dynamics in the development of Chinese-Nigerian economic relations, dating back to the period of the oil boom in the 1970s. Section three analyses the lopsided nature of China-Nigeria economic relations through the prism of leadership theory while section four interrogates the nature of China's economic investments in Nigeria and the character of the trade relationships between both countries based on empirical and statistical data. In section five, the political economy of China-Nigeria trade relations is critically examined, arguing that the logic of the imperialistic strategies of China has implications for Nigeria's long-term sustainable economic development. The concluding section demonstrates the implications of the current China-Nigeria economic relationship for both countries and proffers policy solutions for a mutually beneficial partnership.

¹¹ Adunbi, O. and Stein, H. (2019). *The Political Economy of China's Investment in Nigeria: Prometheus or Leviathan?* In Oqubay, A. and Lin, J. (eds.) (Oxford University Press).

¹² Giovannetti, G. and Sanfilippo, M. (2009). "Do Chinese Exports Crowd-out African Goods? An Econometric Analysis by Country and Sector". *European Journal of Development Research* 21 (4), pp. 506-530.

¹³ Brooks, A. (2010). "Spinning and Weaving Discontent: Labour Relations and the Production of Meaning at Zambia-China Mulungushi Textiles", *Journal of Southern African Studies* 36 (1), pp. 113-132; Aidi, H. (2018). *China's Economic Statecraft in Africa*. Policy Brief, August 2018, PB-18/25, OCP Policy Centre.

¹⁴ Taylor, I. (2007). "Governance in Africa and Sino-Africa Relations: Contradictions or Confluence?" *Politics* 27 (3), pp. 139-146; Brautigam, D. and Gaye, A. (2007) "Is Chinese Investment Good for Africa?" Available at http://www.cfr.org/publication/12622/is_chinese_investment_good_for_africa.htm [Accessed 17 July 2021]

¹⁵ Chen, W. Dollar, D. and Tang, W. (2018). Why Is China Investing in Africa? Evidence from the Firm Level. *The World Bank Economic Review* 32 (3), pp. 610-632

¹⁶ Alden, C. (2009). *China in Africa: Partner, Competitor or Hegemon?* (New York, Zed Books)

¹⁷ Burns, James MacGregor (1978). *Leadership*. [New York: Harper & Row]; Murphy, Albert J. (1941), 'A Study of the Leadership Process'. *American Sociological Review* 6 (5), pp. 674 - 687.

2. HISTORICIZING CHINESE - NIGERIAN ECONOMIC RELATIONS

China's diplomatic relations with Africa date back to the 1950s. China delivered its first aid package to Africa in November 1956, when it offered Egypt about 20 million Swiss Franc in aid. By 1960, the first developmental project initiated by China in Sub-Sahara Africa was completed in Guinea, i.e., the construction of a cigarette and match factory, and by 1975 China constructed the Tanzania-Zambia railway with a zero-interest loan of US\$526.9 million.¹⁸ The turn of the oil boom in the 1970s and the corresponding rise of Nigeria as the leading economy in Sub-Saharan Africa led to the establishment of Chinese diplomatic relations in 1971 with the country. By 1972, Nigeria signed an open-ended agreement on trade and technical cooperation in Beijing with the Chinese government and this heralded the beginnings of the 'Look-East' policy of the Nigerian government as an alternative to Western development aid.¹⁹ With China becoming a net importer of crude oil in the 1990s, trade cooperation between China and Nigeria increased and since the return to democracy in 1999 every Nigerian President has visited China. For instance, in 2013, President Goodluck Jonathan's visit to Beijing led to a US\$3 billion infrastructural loan for expansion of airports in Port Harcourt, Abuja, Kano and Lagos. Similarly, President Muhammadu Buhari secured an infrastructural loan of US\$6 billion during a visit to Beijing in 2016. Nigeria has increasingly become a leading trade and development cooperation partner with China over the last two decades. In 2006, both countries signed a Memorandum of Understanding (MoU) on the establishment of a strategic partnership which was characterized by an oil for infrastructure arrangement, the first of its kind for an African country. In the same year, the Chinese government announced its commitment to finance five Economic Cooperation and Trade Zones (ECTZs) aimed at attracting Chinese investments into Africa, with two of these zones now located in Lekki, Lagos state and Igbesa, Ogun state in Nigeria.

On the political front, diplomatic relations between China and Nigeria have seen some productive exchanges. China endorsed Nigeria's quest for permanent membership in the United Nations Security Council in 2015, while Nigeria reciprocally threw its weight behind China in its territorial disputes in the

Pacific region. Both countries have also maintained good military relations, as China has provided military support in counter insurgency operations in the country. For instance, in January 2019, the Chinese government made a commitment of US\$720 million in military equipment and training in support of Nigeria's war against terrorism in the North-East. But, on balance, and as argued in subsequent sections, Chinese-Nigerian economic relations are historically skewed to favour the former. While several factors may contribute to this imbalance, we argue that the nature of the internal leadership process in each national context offers an insight into the nature of economic relationship between the two countries.

3. THE ROLE OF LEADERSHIP IN THE DYNAMICS OF CHINESE-NIGERIAN ECONOMIC RELATIONS

Leadership theoretical approaches to explaining social phenomena have largely been influenced by the leader-centric perspective. Consequently, in most cases, the unit of analysis has been the leader rather than the leadership process and the indices for measuring leadership effectiveness revolve around outcomes, the traits of the leaders and results.²⁰ Consistent with this prevailing framing, leadership is often conceived as individuals in positions of authority in which the charisma of the leader is a critical variable determining the leadership outcome in terms of failure or success. Clearly, the variables of trait, charisma and leadership outcomes are important measures of leadership effectiveness. In China, it is indisputable that 'Deng Xiaoping's transformative reforms in the 1970s and 1980s were a critical turning point in China's industrial developmental trajectory'.²¹ Also, other well acknowledged prominent leaders of China who have charted the way forward for the economic and political advancement of the Chinese state include Mao Zedong and Zhou Enlai. This suggests that charismatic leaders are important in the study of leadership effectiveness and their linkages to socio-economic and political developments.

Nevertheless, a leader-centric analysis is defective in many ways. It does not tell the whole story or provide a better understanding of the relationships that define the leadership process in which the role of followers is as

¹⁸ Aidi (2018).

¹⁹ Adunbi and Stein (2019).

²⁰ Olonisakin, Funmi (2015). "Re-Conceptualising Leadership for Effective Peacemaking and Human Security in Africa." *Strategic Review for Southern Africa*, 37 (1), pp. 122-151.

²¹ Naughton, Barry (1993). "Deng Xiaoping: The Economist." *The China Quarterly* 135, pp. 491-514.

important as the leader. Indeed, such theoretical approaches are misleading in that they ignore the complementary role of the followers in achieving mutual goals. As it has been argued, the interaction of followers with leaders produces a "symbiotic relationship" that "binds leader and follower together into a social and political collectivity".²² Even as a state-led capitalist model with some form of extractive political and economic institutions, Chinese internal leadership process throws up inclusivity, accountability and mutuality of interests between the leaders and the followers. As it has been argued, harmony of interests mediates the relationship between leaders and followers and it is the foundation of leadership effectiveness in China.²³ This is well illustrated in several ways, such as the Chinese creation of domestic institutional structures that combine top-down state-led development with bottom-up entrepreneurial private capital accumulation, within which (and regarding both of these top-down and bottom-up processes) the followers are an indispensable factor for success.²⁴ Similarly, despite the authoritarian and paternalistic leadership styles and practices that characterize the communist system, several Chinese political leaders have been visionary to the extent that historically, leaders had demonstrated a nationalistic vision and a developmental state orientation that connect national policies to the aspirations of the followers (i.e. Chinese citizens).²⁵ Indeed, until its transformation to state-led capitalism in the 20th century, Chinese communism had sought to create an equal and self-reliant society in which the people constitute both the means to, and ends of social and economic development.²⁶

Clearly, the communist visions of equality aimed at promoting an egalitarian society in China have been altered by economic and market reforms since the 1970s with implications for evolving tendencies towards neoliberalism and social inequality. Nevertheless, the

social characteristics of China since the market reforms of 1979 reflect "a large entrepreneurial population, a large middle class, a relatively prosperous population, high levels of literacy, and rapid urbanization".²⁷ More fundamentally, the transition to state-led capitalism dictated the movement away from an order-based hierarchical planning system to the extent that the Chinese state is also emerging as "a bargaining system," especially in the economic realm.²⁸ Consequently, in the emergent private companies in China, the need for leaders and managers to embrace the interactional model of leadership that connects leaders' vision of the companies to the employees' aspirations in such a way that promote motivation, efficiency and productivity has arisen.²⁹

On the contrary, in Nigeria the leadership process has been historically exclusionary to the extent that leadership outcomes appear to be institutionally structured to favour political leaders at the expense of both the state and citizens in two major ways. First, the political class in Nigeria is characterized by a perpetual struggle to capture state power for private gains. This has been the case since political independence in the 1960s. In fact, some scholars have argued that Nigeria is an effective illustration of the post-colony as espoused by Achille Mbembe where social and economic policies are formulated to serve the interests of the political class.³⁰ This leadership attitude reinforces primitive accumulation tendencies that find expressions in some extant rules, laws and regulations in Nigeria. An illustrative example amongst others is the institution of the 'Immunity Clause' in the Nigerian constitution. The clause provides that state executives such as Governors and the President cannot be probed and prosecuted for corruption allegations while in office. It can be argued that the existing legal frameworks act as incentives for political leaders to perpetuate corrupt practices at the expense of Nigerian citizens, especially in a political

²² Burns (1978). p 452.

²³ Lau, Wai Kwan Elaine (2012). "A Study of Effective Leadership in the Chinese Context"

Paper presented at the Academy of Management 2012 Annual Meeting, Boston, MA.

²⁴ McNally, Christopher A. (2012) "Sino-Capitalism, China's Reemergence and the International Political Economy." *World Politics* 64, (4), pp. 741-76.

²⁵ Farh, J.L and Cheng B.S (2000). A Cultural Analysis of Paternalistic Leadership in Chinese Organisations. In: Li J.T. Tsui A.S. and Weldon E. (eds) *Management and Organizations in the Chinese Context*. (London: Macmillan). p. 94.

²⁶ Weisskopf, Thomas E. (1975). China and India: Contrasting Experiences in Economic Development. *American Economic Review, American Economic Association* 65 (2), pp. 356 - 364

²⁷ Bachman, David (1992). The Limits on Leadership in China. *Asian Survey* 32 (11) pp. 1046 - 1062.

²⁸ Ibid, p. 1056

²⁹ Wang, Lake, James, Kim Turnbull, Denyer, David and Bailey, Catherine (2014). Western Views and Chinese Whispers: Re-thinking Global Leadership Competency in Multi-National Corporations. *Leadership* 10 (4), pp. 471 - 495.

³⁰ Nicholas, Omoregbe Olanije, Kehinde, Oladele Joseph, Imhonopi, David, and Evbuoma Idowu Kikelomo (2016). Good Governance and Leadership: Pathway to Sustainable National Development in Nigeria. *Journal of Public Administration and Governance* 6 (1), pp. 35 - 49.

context where the executive arm of government wields so much power.

Second, abuses of power by political leaders cannot be effectively checked by the followers. The near absence of democratic and strong state institutions is a key factor on one hand. On the other, political corruption, opportunistic behaviour and primitive accumulation tendencies undermine the role of the followers in local governance processes. This is particularly the case in public policy formulation and implementation. For example, in several privatization programmes since the indigenization policies of the 1970s, what has happened in Nigeria is that under the guise of privatization of state-owned companies, public wealth has been transferred to the ruling political elites and their cronies rather than the masses. In fact, since the transition to democracy in 1999, leader-follower interactions in Nigeria are exploitative to the extent that the Nigerian people have been emasculated from leadership and governance processes. The case of the relationship between the National Assembly and the Nigerian people in the promulgation of laws is germane here. Each year in Nigeria, the leadership of the National Assembly ensures that a budgetary allocation of 25% of the recurrent national expenditure goes to its 469 members, an allocation that enables each Nigerian Senator or member of the House of Representatives to earn about US\$60,205 and US\$36,123 a month respectively. Ironically, the national legislators enacted a National Minimum Wage Law in 2018, which provided that a Nigerian civil servant on grade level one earns US\$43 per month.

This inequality has been further compounded by a persistent rise in unemployment and poverty in the country. Yet, commodity prices like rice, cooking gas and petrol increasingly remain out of reach of citizens. There are also issues of rising insecurities like terrorism, banditry, kidnapping and herder-farmer conflicts, secessionist violence, oil theft and associated violent activities, all of which have been linked to leadership failure.³¹ These various security threats are pervasive throughout the country and have continued to escalate since the era of democratic rule. In fact, for some, rather than democracy promoting the expansion of people's

freedoms and in turn empower the development process as argued by Sen,³² the opposite has been what Ake³³ described as the democratization of disempowerment since 1999. What this suggests is that the priorities of Nigerian leaders in the last 23 years of democratic rule did not connect to the needs and aspirations of their followers, in a sense, mutuality of interests between leaders and followers has been severely constrained.

Interestingly, the followership which has suffered from the burdens of elite dictatorship and leadership abuses have often supported unaccountability in the leadership process. It is not uncommon to observe in Nigeria that corrupt leaders end up being dignified by their followers with social honours such as chieftaincy titles, a practice that is widespread throughout the country. This kind of followership behaviour corresponds to what has been described as destructive consenting behaviour,³⁴ which broadly relates to notions of ineffective and uncritical followership. To this end, corruption and its detrimental development outcomes in Nigeria are consequences of leadership failure. Whilst China has certainly had its own serious corruption issues over the past decades, it has not taken the overwhelmingly extractive form that ignores the needs and expectations of followers in contradiction to any developmental ambitions, as in Nigeria. China's overarching nationalist vision and developmental state orientation that connects policies to the aspirations of followers has remained dominant and, in fact, much of the corruption that has occurred has been enabled from the financial success of that approach rather than to its direct detriment.³⁵

4. CHINESE ECONOMIC INVESTMENTS AND TRADE RELATIONS WITH NIGERIA SINCE 1999

Based on empirical data sourced from the School of Advanced International Studies' China Africa Research Initiative (SAIS-CARI) domiciled at the John Hopkins University School of Advanced International Studies, the nature of Chinese-Nigeria economic relations can be

³¹ Fasakin, Akinbode, (2017). "Leadership and National Security: An Interrogation of the Boko Haram Violence in Nigeria". *African Security Review* 26 (1), pp. 87 - 108.

³² Sen, Amartya (1999). *Development as Freedom*. (Oxford: Oxford University Press).

³³ Ake, Claude (1994). *Democratization of Disempowerment in Africa*. Issue 1 of CASS Occasional Monograph, Malthouse Press: Centre for Advanced Social Science, Port Harcourt, Nigeria.

³⁴ Grint, Keith (2008). Wicked Problems and Clumsy Solutions: The Role of Leadership. *Clinical Leader* 1 (2), pp. 11 - 25.

³⁵ Kim, Daniel S., Yun Li, and Domenico Tarzia (2018). Value of corruption in China: Evidence from anti-corruption investigation. *Economics Letters* 164, pp. 112-116; He, Zengke (2000). Corruption and anti-corruption in reform China. *Communist and Post-Communist Studies* 33(2), pp. 243-270.

understood in three broad thematic areas of Foreign Direct Investment, trade, and loans.

4.1. Foreign Direct Investment (FDI)

Chinese investments in Nigeria have grown over the last two decades owing to the country's huge domestic market, growing middle class and its strategic position as a gateway to neighboring West and North African economies. Chinese investments in Nigeria accounted for 2.1 % of FDI contributions between 2000 and 2008. This contribution, however, rose to 24 % as of 2011, making China the fastest-growing and largest single source of FDI to Nigeria.³⁶ According to official statistics from China's Ministry of Commerce (MOFCOM), 297 Chinese firms were approved and operational in Nigeria as of 2016, while the Nigeria Investment Promotion Commission (NIPC) puts the figure at 221.³⁷

The Chinese have invested in Nigeria's manufacturing sector especially through the establishment of the Chinese sponsored Special Economic Zones in the country. The Lekki Free Zone (LFZ), located in Ibeju-Lekki (about 60 km east of Lagos) and covering an area of 16,500 hectares, was established in 2006. The LFZ houses 100 companies with 21 operational, of which 19 are Chinese companies engaged in light manufacturing, textiles, logistics, warehousing and assembling.³⁸ ³⁹ The LFZ is managed by Lekki Free Zone Development Company (LFZDC) made up of the China-Africa Lekki Investment Company (based in Beijing) with 60% shareholding; the Lagos State Government with 20% shareholding; and the Lekki Worldwide Investment Ltd with 20% shareholding. Investment by the management, i.e., Lekki Free Zone Development Company, was US\$265 million; while total investments by the companies amounted to US\$156 million.⁴⁰ The total employment created by the 21 companies as of 2015 was 551, but by July 2018 this had risen to over 1000.⁴¹

The Ogun-Guandong Free Trade Zone, located in Igbesa, Ogun State, houses 50 registered enterprises, 26

of which have started operation, with another 12 under construction.⁴² The zone has a cumulative investment of US\$325.3 million with main enterprises including Hewang Packing & Printing FZE, Goodwin Ceramic FZE, China (Nigeria) Glass FZE, Sun Ceramic FZE, Winhan Industry FZE, Panda Industry FZE, Green Power Utility FZE. Others include Vindax Tissue and Hewang Cardboard, as well as Far East Steel and Flying Horse.⁴³ The zone is predominantly known for light industry, electricity generation, electrical appliances, furniture, ceramics, glass, packaging, steel structures, wigs and hardware. It is estimated that roughly 4000 Nigerians are currently employed in the zone and more investors are moving to Ogun due to its relatively lower taxes when compared to Lagos.

Besides Ogun and Lagos, Chinese presence has also been reported in Calabar Free Trade Zone where 9 out of 27 enterprises operating in the zone are Chinese including Bao Yao Group which produces iron rods and billets, as well as First Automotive Works in China which produces appliances, automobiles and heavy-duty trucks.⁴⁴ In the South Eastern city of Newi strong trade partnerships exist between local traders and industrialists and the Chinese, while firms from other Asian countries like India, Lebanon, Singapore, Malaysia and Korea appear to be more common in Onitsha.

The Agricultural sector has also increasingly become an investment destination for Chinese firms. The Green Agricultural West Africa Ltd (GAWA) is leading Chinese investments in the agricultural sector in Nigeria.⁴⁵ The GAWA was formed by China Geo-engineering Construction Overseas Corporation Nigeria (CGCOC), a Chinese engineering contractor corporation founded in 2002. The CGCOC in the year 2006 obtained 2,025 hectares of land on a 99-year lease from the Kebbi state government and established GAWA which is situated in Warra, next to Kainji reservoir where it currently grows 400 hectares of rice during the rainy season and 100 hectares of rice in the dry season. In 2008, the company made seed production its primary

³⁶ Shen, X. (2013). "Private Chinese Investment in Africa: Myths and Realities". World Bank Policy Research Paper 6311.

³⁷ Chen, W. Dollar, D. and Tang, W. (2018). Why Is China Investing in Africa? Evidence from the Firm Level. *The World Bank Economic Review* 32 (3), pp. 610-632.

³⁸ Adunbi and Stein (2019).

³⁹ United Nations Development Programme (2015). "If Africa Builds Nests, Will the Birds Come? Comparative Study on Special Economic Zones in Africa and China" Working Paper Series, no 6.

⁴⁰ Ibid.

⁴¹ Adunbi and Stein (2019).

⁴² Ibid.

⁴³ Chen, Y. Sun, I.Y. Ukaejiofo, R.U. Xiaoyang, T. and Brautigam, D. (2016). *Learning from China? Manufacturing, Investment, and Technology Transfer in Nigeria*. Working Paper 2, January, 2016, China Africa Research Initiative, Johns Hopkins School of Advanced International Studies.

⁴⁴ Chen, et al (2016).

⁴⁵ Jiao, Yang (2014). Chinese Agribusiness Entrepreneurship in Africa: Case Studies in Ghana and Nigeria. The John Hopkins School of Advanced International Studies, China Africa Research Initiative. Policy Brief No. 6.

business goal after it went into a partnership with another Chinese firm, Yuan Longping High-tech Agriculture Co. Ltd. In addition to seed production, the company has diversified into other areas including supply and installation of agricultural processing equipment, agricultural trade, and international trade in agricultural equipment as well as research and breeding for hybrid rice, maize and millet brought from China. The GAWA runs a model where it sells its rice seeds to Kebbi state government who in turn subsidizes the seeds for registered local farmers who are trained by GAWA on seed production and storage. GAWA would buy back the rice from participating local farmers, and then processes and packages them for the local market. Other Chinese investors in the agricultural sector include ZJS International with investment in Kwara state, Wems Agro operating in Ondo state, and Great Northern Agribusiness Ltd., subsidiary of Lee Group, operators of Gagarawa Sugar Complex, Gagarawa, Jigawa state.

In light of the foregoing data, it is evident that Chinese investments in Nigeria are multi-sectoral spanning a wide geographical spread. A critical analysis of Foreign FDI stock from China between 2003 and 2019 indicates that there has been a steady increase in the number of Chinese investments in Nigeria. Figure 1 revealed that as of 2003, Chinese FDI stock in Nigeria was only a meagre US \$31.98 million. By 2013, the FDI stock significantly rose to a whopping US \$2.146 billion, and as of 2019 it rose to US \$2.194 billion.

Furthermore, an analysis of the gross annual revenue of Chinese companies engaged in construction projects between 1998 - 2019 revealed that as of 2019, Nigeria ranked second only behind Algeria amongst the top 5 countries with the highest gross annual revenues for Chinese companies in Africa.⁴⁶ The data as shown in figure 2 indicates that Chinese companies have increasingly been engaged in construction projects in Nigeria over the last two decades and correspondingly their annual revenues have significantly increased.

⁴⁶ SAIS-China Africa Research Initiative (2021). Data on China-Nigeria economic relations. Available at <https://www.sais-cari.org/data> [Accessed 17 July 2021].

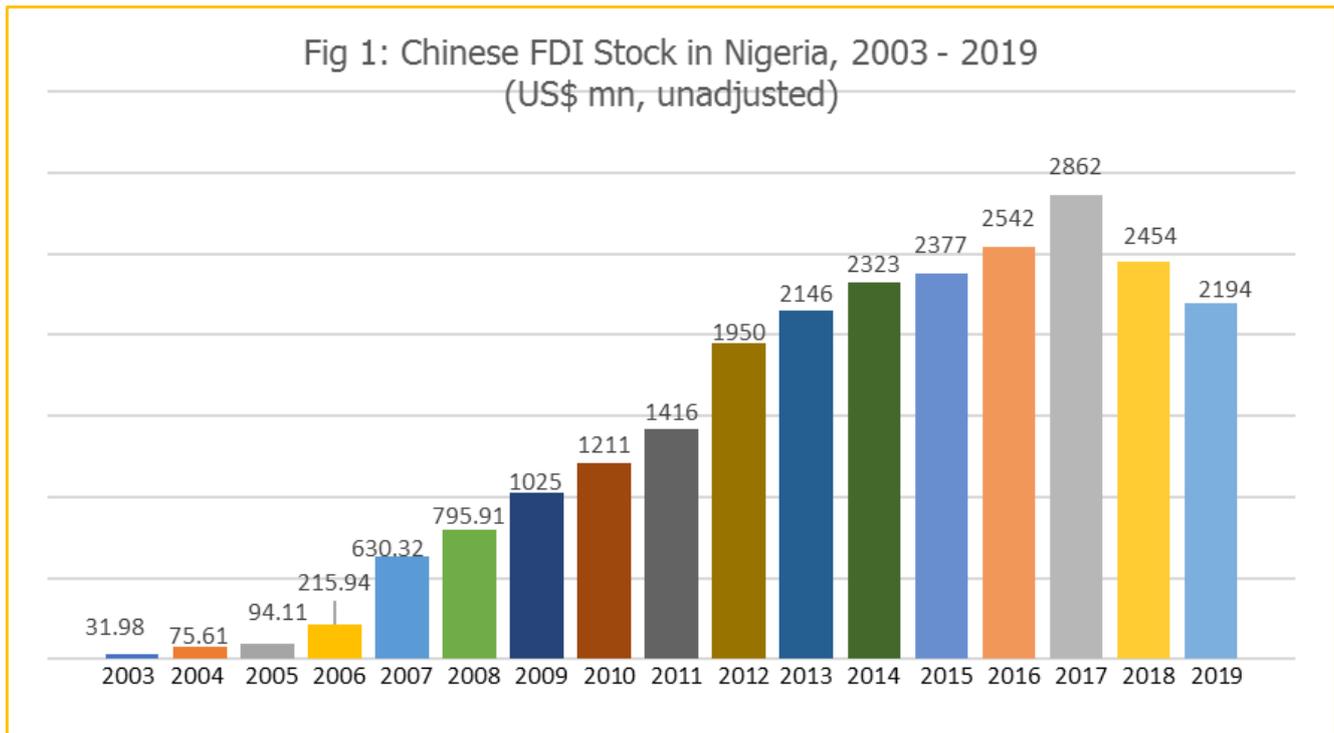


Figure 1 Chinese FDI Stock in Nigeria, 2003-2019 (US\$ mn, unadjusted)
Source: Computed by Authors based on SAIS-CARI data as on January 8, 2021.

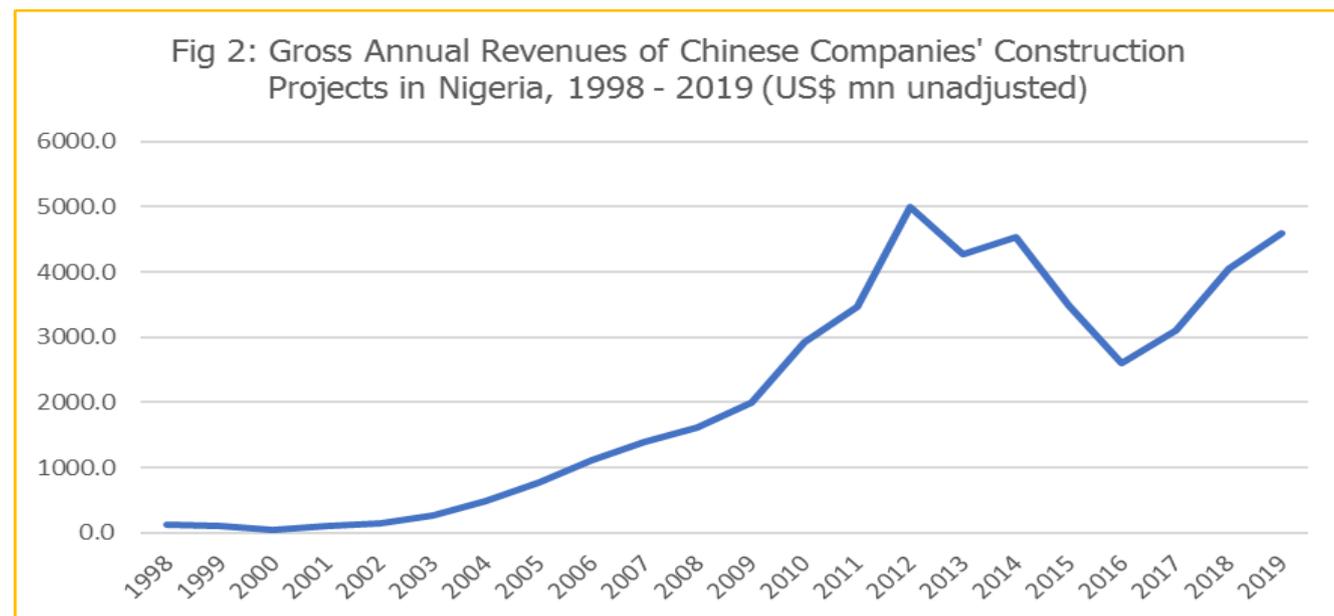


Figure 2 Gross Annual Revenues of Chinese Companies' Construction Projects in Nigeria, 1998-2019 (US\$ mn, unadjusted)
Source: Computed by Authors based on SAIS-CARI data as on January 8, 2021.

The foregoing suggests an increase in Chinese FDI stock in Nigeria over the last two decades. The penetration of Chinese firms by means of an ever-increasing sectoral portfolio of investments has brought with it increasing numbers of Chinese nationals working and living in Nigeria. The importation of manpower hence becomes an integral part of Chinese economic investments in the country. Arguably, the Chinese have

in recent times constituted a larger chunk of foreign expatriates' population in the country. As of 2019, Nigeria ranked third behind Angola and Algeria

amongst the top 5 countries with Chinese workers in Africa.⁴⁷

Furthermore, the data in figure 3 takes critical account

risen between both countries within the period 1992 to 2019. The data indicates that trade relations between both countries was relatively low in the 1990s. As of



Figure 3 Number of Chinese Workers in Nigeria, 2009-2019

Source: Computed by Authors based on SAIS-CARI data as on January 8, 2021.

of the number of Chinese nationals working in Nigeria over the last decade which has also increased. The data indicates that, in 2009, the number of Chinese nationals working in Nigeria was 5,796 people. Within a decade, this number has more than doubled to 12,199 as of 2019.

Drawing from the foregoing analysis, the average FDI stock from China has increased significantly across multiple sectors in Nigeria. This is also accompanied by an increasing number of Chinese workers living and working in Nigeria over the last decade. This phenomenon could have implications for local manpower development as Chinese nationals compete for jobs with locals in Chinese owned companies and other sectors of the economy. This will in turn amount to increased capital flight from Nigeria to China through expatriate fees and remittances, thereby stiffening local industrial development and technology transfer.

4.2. China - Nigeria Trade

Nigeria has remained China's largest trade partner in Africa and as shown in figure 4 the volume of trade has

1992, Nigeria's imports from China stood at US \$90.99 million while exports to China stood at US \$5.96 million, rising to US \$548.78 million and US \$ 307.30 million respectively by the year 2000. By 2001, the signing of a Bilateral and Investment Promotion and Protection Agreement between both countries led to an increase in bilateral trade relations.⁴⁸ Trade relations between both countries improved gradually and by 2008 total trade value rose to US \$7.275 billion and reached a peak of US \$18.05 billion in 2014. The total trade value however declined in the subsequent years to US\$14.94 billion and US\$10.62 billion in 2015 and 2016 respectively. The decline in bilateral trade between 2015 and 2016 has been attributed to the Nigerian government's policy on reducing importation of foreign manufactured goods.⁴⁹ This policy notwithstanding, trade between both countries flourished in the subsequent years with an increment in total trade value to the tune of US\$13.777 billion and US\$15.359 billion in 2017 and 2018 respectively and by 2019, the total trade value peaked to the tune of US\$19.286 billion.

The composition of China-Nigeria trade relations reveals that while Nigeria has remained China's biggest

⁴⁷ SAIS-China Africa Research Initiative (ibid).

⁴⁸ Ibrahim, K.H. and Sari, D.W. (2019). Nigeria-China: An Examination of Recent Bilateral Trade

Relations. *International Journal of Applied Research in Social Sciences* 1(5), pp. 172-184.

⁴⁹ Ibid

market on the African continent with Chinese imports primarily consisting of 90% manufactured goods, chemicals, machinery and transport equipment, Nigeria's exports to China have been severely impacted by weakness in commodity prices since 2004. Ironically, Nigeria's exports to China have been dominated by fuel exports accounting for 83% of total exports, while manufacturing exports to China from Nigeria merely accounts for 1 to 3% of the total exports to China.⁵⁰

in 2001 to 8.51% in 2016.⁵¹ This has been accompanied by a perpetual decline in trade balance since 2013 resulting in negative balance of trade in 2015 and 2016.

4.3. Chinese Aid/Loans to Nigeria

Chinese aid and loans to Nigeria have increasingly become a feature of Chinese-Nigerian economic relations. According to observers, Chinese financiers

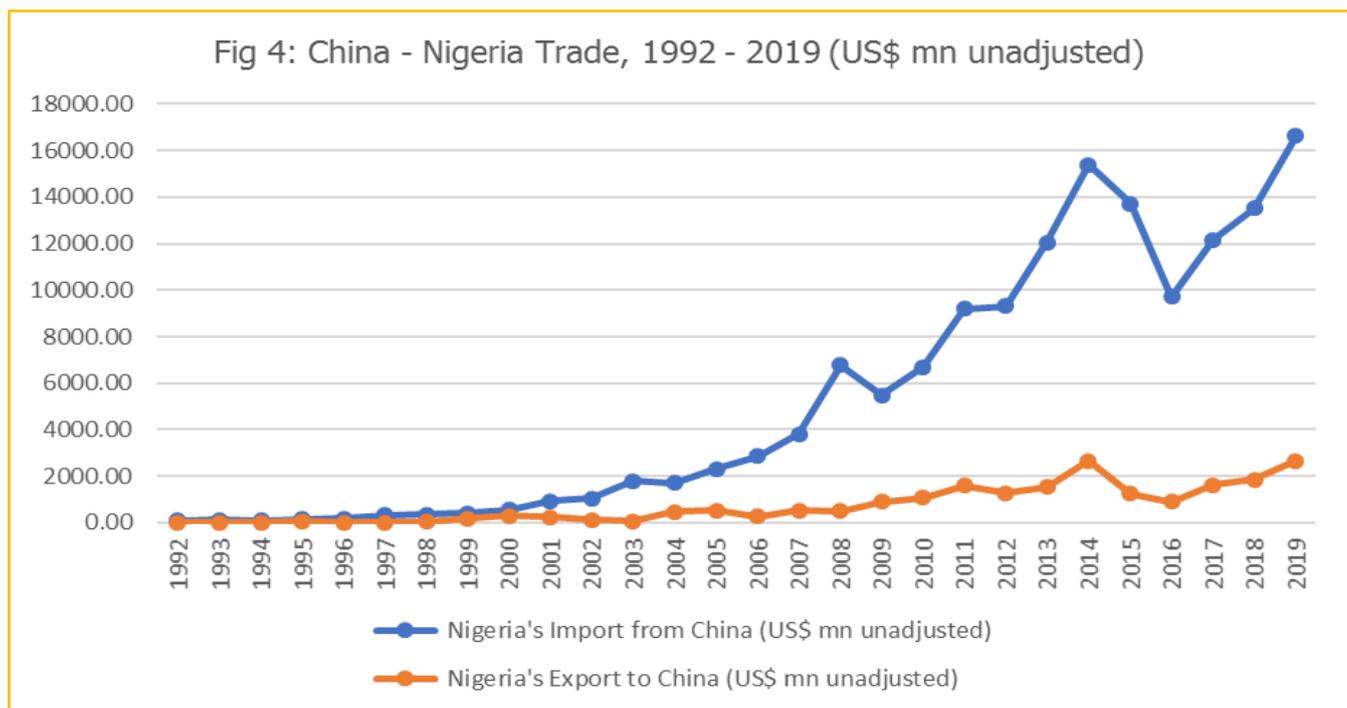


Figure 4 China-Nigeria Trade, 1992-2019 (US\$ mn, unadjusted)

Source: Computed by Authors based on SAIS-CARI data as on January 8, 2021.

The foregoing analysis indicates that China-Nigeria trade relations are characterized by a huge trade imbalance that favours China. This has continued over the years as imports from China far outweigh Nigeria's exports to China. The trend in figure 4 showed that while the value of Chinese imports is increasing and was at a peak of US\$16.634 billion in 2019; the value of Nigerian exports to China are ever decreasing with a peak of US\$2.658 billion in 2014. This indicates a rather negative trend in the balance of trade between both countries as the share of Nigeria's exports to its total trade with China worsened with a decline from 19.85%

have signed 1,141 loan commitments worth US \$153 billion with African governments between 2000 and 2019.⁵² Nigeria ranks number 5 amongst the top African borrowers from China and between 2010 and 2019, the country has borrowed a total of US\$5.6 billion, with an average of US\$620 million per year.⁵³ Available data indicates that China has become the biggest official bilateral lender to Nigeria with China constituting 79% of debt by official bilateral lenders.⁵⁴ On its part, the Debt Management Office (DMO) of Nigeria reported that as of March 31, 2020, Nigeria's Total Borrowing from China was US \$3.121 billion representing only 3.94% of the

⁵⁰ Adunbi and Stein (2019).

⁵¹ Ibrahim and Sari (2019).

⁵² SAIS-China Africa Research Initiative (2021).

⁵³ Acker, K. and Brautigam, D. (2021). *Twenty Years of Data on China's Africa Lending*. Briefing

Paper, no 4., 2021, China Africa Research Initiative, Johns Hopkins School of Advanced International Studies.

⁵⁴ Brautigam, D. Haung, Y. and Acker, K. (2020). *Risky Business: New Data on Chinese Loans and Africa's Debt Problem*. Briefing Paper, no 3., 2020, China Africa Research Initiative, Johns Hopkins School of Advanced International Studies.

country's Total Public Debt of US \$79.303 billion.⁵⁵ The statistics from the DMO also indicates that as of March 31, 2021, with regards of external sources of funds, loans from China accounted for only 11.28% of External Debt Stock of US \$27.67 billion. Furthermore, the terms of the Total Borrowing of US \$3.121 billion from China as of March 31, 2020 according to the DMO are concessional loans with Interest Rates of 2.5 % per annum, Tenor of 20 years and Grace Period (Moratorium) of 7 years. Going forward, a critical examination of Chinese annual loans to Nigeria from 2000 to 2019 as presented in figure 5 revealed that between 2000 and 2001, Nigeria recorded zero loans from China. By 2002, the annual loan value from China to Nigeria rose to US \$390 million, and between 2003 and 2005 the country recorded zero loan from China. By 2006, the loan value rose to US \$200 million and as of 2013 and 2016, the loan value from China peaked to US \$1.584 billion and US \$1.728 billion respectively. The loans from China have however witnessed a significant decline as the value dropped to US \$880 million and US \$550 million in 2018 and 2019 respectively.

Furthermore, focusing attention on what and how loans gotten from China are utilized, data from the Debt Management Office (DMO) of Nigeria, showed that US \$3.121 billion worth of loans from China were tied to projects. A total number of 11 projects were identified as of March 31, 2020 (see table 1). Also, examining the sources of Chinese loans to Nigeria between the period 2000 to 2019 revealed that in 2000 only three Chinese lenders financed 14 projects in Africa with an average value of just US\$ 10 million, however by 2019 over 30 Chinese lenders have committed loans to Africa with an average of 71 projects per year, at an average value of US \$180 million.⁵⁶ The four largest providers of Chinese credit to the African continent include⁵⁷:

- a. China Eximbank (China's official export credit agency, and largest bank offering government subsidized foreign aid accounting for 56% of all loans in Africa and over 91.87% of loan to Nigeria amounting to US \$6.185 billion since 2000).

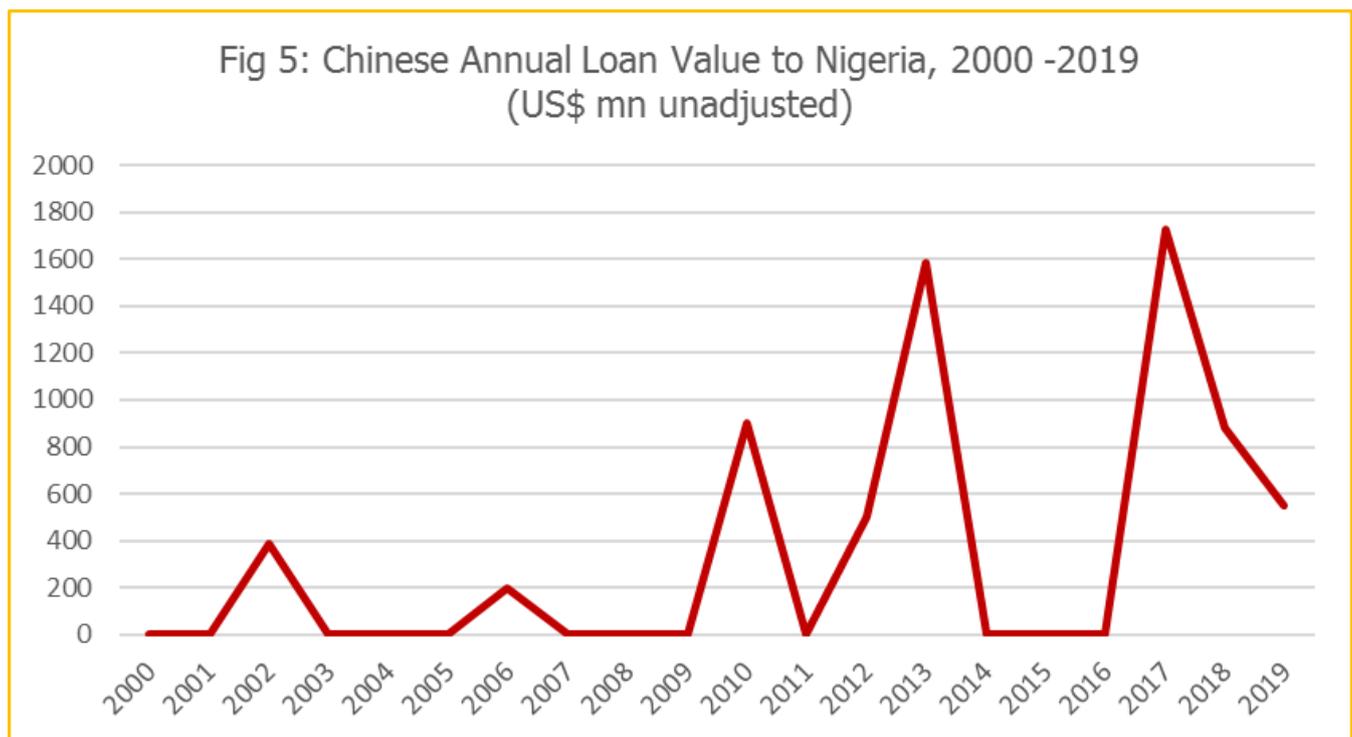


Figure 5 Chinese Annual Loan Value to Nigeria, 2000-2019 (US\$ mn, unadjusted)

Source: Computed by Authors based on SAIS-CARI data as on January 8, 2021.

⁵⁵ Debt Management Office of Nigeria (2020). Facts about Chinese Loans to Nigeria. Available at <https://www.dmo.gov.ng/facts-about-chinese-loans-to-nigeria> [Accessed 17 July 2021].

⁵⁶ Acker and Brautigam (2021).

⁵⁷ Ibid

- b. China Development Bank (“hybrid” combining policy bank and commercial bank characteristics, and accounts for 24% of all loans since 2000).
- c. Industrial and Commercial Bank of China (ICBC).
- d. Bank of China (BOC). The ICBC and BOC are strictly commercial banks and have so far lent at smaller volumes to African countries.

loans are project-tied supposedly with a view to improving infrastructural development in transport, power, communication, and the water sectors. However, most of these infrastructural projects are constructed by Chinese companies relying heavily on imported Chinese technology and manpower thereby undermining local content development.

Table 1 Status of Loans Obtained from China Exim as of March 31, 2020, Amounts in Millions of \$USD

S/N	Project Description	Loan Amount	Agreement Date	Terms and Conditions				Amount Disbursed		Payment		Amount Outstanding
				Interest Rate (p.a.)	Grace Period	Maturity Date	Tenor	Amount	Percentage	Principal	Interest	
1	Nigerian National Public Security Communication system Project	399.50	20-Dec-10	2.50%	7 Years	21-Sep-30	20 Years	399.50	100.00%	76.83	84.92	322.67
2	Nigerian Railway Modernization Project (Idu-Kaduna Section)	500.00	20-Dec-10	2.50%	7 Years	21-Sep-30	20 Years	500.00	100.00%	96.15	74.52	403.85
3	Abuja Light Rail Project	500.00	7-Nov-12	2.50%	7 Years	21-Sep-32	20 Years	500.00	100.00%	19.23	60.63	480.77
4	Nigerian ICT Infrastructure Backbone Project	100.00	5-Jan-13	2.50%	7 Years	21-Sep-32	20 Years	100.00	100.00%	0.00	9.38	100.00
5	Nigerian Four Airport Terminal Expansion Project (Abuja, Kano, Lagos, & Port Harcourt)	500.00	10-Jul-13	2.50%	7 Years	21-Sep-34	20 Years	455.28	91.06%	0.00	40.58	455.28
6	Nigerian Zungeru Hydroelectric Power Project	984.32	28-Sep-13	2.50%	7 Years	21-Sep-33	20 Years	518.24	52.65%	0.00	19.28	518.24
7	Nigerian 40 Parboiled Rice Processing Plants Project (Fed. Min. of Agric & Rural Dev.)	325.67	26-Apr-16	2.50%	7 Years	21-Mar-36	20 Years	0.00	0.00%	0.00	0.00	0.00
8	Nigerian Railway Modernization Project (Lagos-Ibadan Section)	1,267.32	18-Aug-17	2.50%	7 Years	21-Sep-37	20 Years	759.84	59.96%	0.00	19.11	759.84
9	Nigeria Rehabilitation and Upgrading of Abuja-Keffi-Markuru Road Project	460.82	18-Aug-17	2.50%	7 Years	21-Sep-37	20 Years	80.64	17.50%	0.00	1.84	80.64
10	Nigeria Supply of Rolling Stocks and Depot Equipment for Abuja Light Rail Project	157.00	29-May-18	2.50%	7 Years	21-Mar-38	20 Years	0.00	0.00%	0.00	0.00	0.00
11	Nigeria Greater Abuja Water Supply Project	381.09	29-May-18	2.50%	7 Years	21-Mar-38	20 Years	0.00	0.00%	0.00	0.00	0.00
Total								3,313.50		192.21	269.68	3,121.29

Source Adapted from Debt Management Office (2020), available at <https://www.dmo.gov.ng/facts-about-chinese-loans-to-nigeria>

Lastly, we turn our attention to the sectoral distribution of Chinese loans in Nigeria between the period 2000-2019 utilizing our data sets.⁵⁸ It was discovered that 58.5% of Chinese loans were invested in the transport sector amounting to US \$3.934 billion, while 18% was invested in the power sector amounting to US \$1.214 billion. The communication sector accounted for 17.7% (US \$1.193 billion), while the water sector accounted for only 5.78% valued at US \$389.09 million. Drawing from the foregoing analysis, we can deduce that Chinese

4. IMPLICATIONS OF CHINESE-NIGERIA TRADE RELATIONS: DEPENDENCE OR MUTUAL INTERDEPENDENCE?

In the context of the foregoing and as already shown in the preceding sections, there is no doubt that Nigeria benefits from Chinese trade and economic relationships, specifically in respect to aid, loans and investment. Nevertheless, deeper analysis suggests that these benefits may be described as incidental rather than byproducts of strategic partnerships in trade and economic investments designed to advance both Nigeria

⁵⁸ SAIS-China Africa Research Initiative (2021).

and Chinese development aspirations in a mutually sustainable and beneficial way. Instead, the lopsided nature of Nigeria's economic and trade relations with China highlights the dynamics of imperialism, dependence and exploitation. These dynamics are expressed in different ways such as the reproduction of Nigeria as a rentier state dependent on oil amidst huge debt burdens. In relation to rentierism, some collaboration contracts between China and Nigeria, for example, are specifically designed to secure oil for a guaranteed price. There are also the oil-for-infrastructure projects, which underpinned President Olusegun Obasanjo's early foreign policy in the late 1990s towards China and has been sustained by subsequent political leaders in the country.⁵⁹

Moreover, the expansion of Chinese investments into other sectors of the economy like textile and agriculture, as well as the flooding of sub-standard goods into the Nigerian market undermines the productive capacities of local industries, thus impacting negatively on Nigeria's progress toward sustainable long-term socio-economic and industrial development. The most affected sector has been the textile industry, which had relatively developed in the Northern Nigerian cities of Kano and Kaduna in the 1950s where Nigerian and Chinese textile manufacturers, workers and traders collaborated in production as well as in training.⁶⁰ The reasons for the decline of textile production in Nigeria include but are not limited to the inability of successive Nigerian political leaders to provide basic infrastructure as well as the perpetual reliance on outdated manufacturing equipment and technologies by Nigerian textile manufacturers, both of which constrain competition and ultimately reinforce dependence on Chinese textiles.⁶¹

Furthermore, it is pertinent to note that Chinese companies that operate in Nigeria using their own workers hardly transfer technical and managerial competencies to their Nigerian counterparts. Studies analyzing the infrastructural development contracts executed by Chinese companies in Nigeria have shown that a conspicuously neglected aspect of these projects is knowledge transfer.⁶² Some have ascribed this trend on the imperialistic attitude of foreign companies to knowledge transfer and indigenous capacity building,

leading to the signing of Executive Order 5 into law in 2018 by the President Muhammadu Buhari.⁶³ The law provides that the respective ministry, government department or agency responsible for the award of contract should give priority to foreign companies with demonstrable and verifiable intention for indigenous capacity development prior to the award of such contracts. The overall goal of the law is to build in-country capacity in all contracts and projects that have science, engineering and technology components so as to advance indigenous skills and innovations in the promotion of national development. Disappointingly, the inability of Nigerian leaders including those in charge of the ministries of science and technology to implement Executive Order 5 has enabled Chinese companies to get away with the transfer of technology component of the contract terms. More so, the pervasive corruption in Nigeria's public sector provides a fertile ground for Chinese companies to undermine Nigeria's development while executing contracts through corrupt practices in collaboration with complicit public officials thereby strangulating good democratic governance.⁶⁴

Finally, with regard to the issue of debt burdens and the logic of Chinese imperialism, it is important to note that the biggest trade-off Nigeria faces in its trade relations with China is debt-trap diplomacy.⁶⁵ The nature of this debt-trap diplomacy relates to the unhealthy dependence on China as a development funder; while also leaving Nigeria in a much weaker negotiating position and vulnerable to having its strategic assets being seized, should it default on loan repayment. In 2018, the House of Representative(s) Committee on Treaties, Protocols and Agreements drew attention of Nigerians to a legal clause, Article 8(1) of the agreement reached with China by the Ministry of Transportation on behalf of Nigeria for a loan of US \$500 million for the Nigerian Railway Modernization Project. According to the House Committee, the clause waives Nigeria's sovereign immunity and thus constitutes a threat to the long-term interests of the country. The Committee, therefore, invited the then Minister of Transportation, Mr Chibuike Amaechi for clarifications. Interestingly, while the Minister explained and defended the loan agreement and the clause, he cautioned the legislators that the public outcry against

⁵⁹ Pay, V.N. and Nwosu, E. (2020). China's Engagement with Africa: Promoting Rentierism? A Case Study of Sino-Nigerian Economic Relations. *Asian Affairs* 51 (2), pp. 347-364.

⁶⁰ Renne, Elisha P. (2015). "The Changing Contexts of Chinese-Nigerian Textile Production and Trade, 1900–2015. *Textile* 13 (3), pp. 212-233.

⁶¹ Renne (2015).

⁶² Ihua-Maduenyi, Maureen (2019). Chinese projects: Succor for Nigerian Artisans, Pain for Professionals. *Punch*, December 20, 2019 Available at <https://punchng.com/chinese-projects-succour-for-nigerian-artisans-pain-for-professionals/> [Accessed 8 May 2021].

⁶³ Ihua-Maduenyi (2019).

⁶⁴ Taylor (2007).

⁶⁵ Pay and Nwosu (2020).

the clause across the country and the parliamentary oversights were most likely to affect China's decision to continue with the loan. Some analysts interpreted the Minister's advice to mean that the legislators should look the other way so that Nigeria can get more Chinese loans and sign more agreements rather than conduct their due diligence. Reuben Abati explains further that Amaechi is not alone in the rush to obtain loans from China.⁶⁶ In his words, 'many African leaders are like that and as they engage China, they fail to look at the sub-text' and this raises the 'bigger question about Sino-Africa relations, and the place and conduct of African leaders within that matrix.' Moreover, given their economic vulnerability and lack of transparent leadership, African leaders end up sinking their countries into deeper debt-traps and Chinese imperial control as Djibouti and Zambia effectively illustrate. Apparently, Nigeria seems to be treading this path of debt trap syndrome.

In the 2022 national budget proposal, the federal government of Nigeria projected borrowing US \$15 billion to finance its capital expenditure, and much of these loans are expected to come from China. Indeed, with 8.5% of its total debt burden arising from Chinese loans, Nigeria is under pressure both at home and abroad to discontinue borrowing in order not to mortgage the future of the country to China. Nigeria's external debt profile currently stands at US \$32.9 billion. The incumbent President Muhammadu Buhari's leadership has steadily plunged the country into a debt crisis since 2015, especially with his infrastructure loans from China. Incidentally, the infrastructural development projects are also undertaken by Chinese companies in ways that bear close resemblance to the European colonial projects in Africa in terms of facilitating Chinese access to natural resources.⁶⁷ In this sense, Chinese loans remain potential and significant sources of debt-traps and neocolonial strategy of domination.

But, like other issues in China-Africa relations, the claim of debt-trap diplomacy has generated diverse arguments. Some scholars⁶⁸ have argued that Chinese loan conditions such as waiving of the sovereignty of the borrower is not obnoxious and exploitative. Rather, it is a process of securing loan repayments and the nature of framing this conditionality by the West and Western media more or less highlights anti-Chinese sentiments and propaganda. Hence, it is posited that "the story of Chinese lending is far more complicated, interesting and potentially developmental than it is currently portrayed".⁶⁹ On the contrary, others insist that China has a deliberate strategy of using debt to extract unfair or strategic concessions, thereby entangling the debtor nation in a web of debt relationships.⁷⁰ As noted earlier, Zambia and Djibouti are cases in point. With 57% dependence on Chinese loans and with very poor performance, Djibouti is rated as the worst hit country in Africa facing high debt distress amongst others: Kenya (27%), Zimbabwe (25%), Zambia (26%), Cameroon (32%), and Ethiopia (32%) and the Republic of Congo (45%).⁷¹ The other aspect of the structural contradictions of Chinese debt burdens in Africa is the emerging potential control of strategic national assets by China. Zambia, for example, faces accusations of China potentially holding degrees of influence over its National Broadcasting. It is reported that there is significant media influence of contents control by the Chinese Star Times TV provider in Zambia. Star Times is a subsidiary of the Chinese owned TopStar that has the licence to distribute TV signals in the country. The Media Owner Association of Zambia has accused TopStar of prioritizing Chinese foreign contents to promote China's soft power in Zambia. It is this kind of discrimination in programming that some analysts like Reuben Abati have described as a strategic attempt to control the souls and minds of Zambians.⁷² Outside of Africa, another widely cited case is the Chinese takeover of the Sri Lankan Sea port at Hambantota.

⁶⁶ Abati, Reuben, (2018). Nigeria and Chinese Loans. Available at <https://www.reubenabati.com.ng/index.php/component/k2/item/17052-opinion-nigeria-and-chinese-loans-reuben-abati> [Accessed 25 June 2021]

⁶⁷ Pay and Nwosu (2020).

⁶⁸ Brautigam, D. (2020). "A critical look at Chinese 'Debt-Trap Diplomacy': The Rise of a Meme." *Area Development and Policy* 5 (1) pp. 1 – 14; Mawdsley, E. (2008). Fu Manchu versus Dr Livingstone in the Dark Continent? Representing China, Africa and the West in British Broadsheet Newspapers. *Political Geography* 27, 509–529.

⁶⁹ Brautigam (ibid). p. 12

⁷⁰ Abati (2018).

⁷¹ Dynamic, B.Mukete. (2021). "Chinese Loans to Africa: Trap or Treasure?" in Jane Golley, Linda Jaivin, Sharon Strange (eds) *Crisis*, ANU Press, p.245.

⁷² Abati, Reuben. (2020). Nigeria and Chinese Loans, Premium Times Opinion, 4th August, Available at <https://opinion.premiumtimesng.com/2020/08/04/nigeria-and-chinese-loans-by-reuben-abati/> [Accessed 22/09/21]; Abati, Reuben. (2018). Nigeria and Chinese Loans. Available at <https://www.reubenabati.com.ng/index.php/component/k2/item/17052-opinion-nigeria-and-chinese-loans-reuben-abati> [Accessed 25 June 2021]; China's contentious stake in Zambia's broadcast media, Deutsche Welle (DW),

We argue that the leadership lens adopted in this article helps clarify some of the nuances in the foregoing debate. Starting with China, the nature of loan agreements, by and large, reflects the commitment of Chinese leaders to the pursuit of strategic national interests that are not purely economic, but are also closely linked to China's emergent position in the international system and broad geopolitical ambitions in Africa. Using its Belt and Road Initiative, China appears set to fill a vacuum created in Africa by Western stringent conditions for accessing bilateral and multilateral loans. By offering alternative financing and loans with very low interests to African states, most of which are not creditworthy, the Chinese seek to break the monopoly of Western dominance in the continent and expand their influence. In Nigeria, such influence has gone beyond loan agreements that touch on sovereign rights to an increasing ubiquity of Chinese presence in Nigerian lives.⁷³ In fact, "the Chinese have now taken over a rather complicated business chain in the country from manufacturing to retail, including internet services, hospitality, car sales and ride hailing services. All of these are byproducts of visionary leadership in China and the determination for Chinese expansionism through the maximization of its national interests in trade relations with Nigeria. On the flip side, the contrary has characterized the Nigerian experience where the state has been privatized by opportunistic political leaders who milk the state dry for personal aggrandizement. The inherent corruption in the public sector and amongst political elites have made it difficult for Nigeria to have purposeful leadership that pursues a common future. This is further worsened by the lack of well-defined political ideology and developmental agenda thereby making the leadership process exclusionary of the aspirations of the followership. In the 1970s for instance, imports from China were considered relatively inferior and sub-standard. Today, Nigeria depends heavily on Chinese imports, including project financing primarily because of the widening gaps between Nigerian leaders and their followers in the articulation and pursuit of national interests. The leadership analysis applied here does not focus upon, and resultantly does not ascribe fault or praise to, individual leaders (as can happen within a more person-centered individualistic discussion on leadership). Instead, it has focused on the dynamic leadership process between leaders and followers within the given contexts across time, which has resulted in wildly divergent development outcomes for Nigeria and China

as well as imbalanced trade relations between the two countries.

5. CONCLUSION

China has, since the end of the Cold War, deepened its economic ties with Africa and it is gradually evolving as one of the continent's largest trading partners and sources of FDI. In Nigeria, Chinese direct investments are spread in the leading sectors of the economy and have increased significantly, particularly since 1999 when the country transitioned to liberal democracy. In the last decade, China, for example, has invested well over \$16 billion in the oil sector. Similarly, Chinese credits, which account for 80% of its bilateral loans to Nigeria, find expressions in infrastructural developments such as the Lagos-Ibadan and Abuja-Kaduna railway projects, the new airport terminals in Abuja, Port Harcourt and Kano and the Zungeru 700-Megawatt Hydro-power plant. How have these Chinese investments, and more broadly, China-Nigeria relations been analyzed, interpreted and understood has been a central issue in both policy and scholarly literature.

This article contributes to our understanding of China-Nigeria trade relations from a leadership perspective. The main argument is that the nature of the internal leadership process shapes the development trajectories of both countries and the nature and character of their foreign trade. In the case of China, nationalistic vision of the leaders has continued to connect to the aspirations of the followers in the Chinese society as evident in several economic and investment opportunities in Africa and Nigeria where the Chinese people benefit from both foreign exchange and employment opportunities. Indeed, as the analysis of the historical and statistical data shows, this is the case in relation to Chinese investments, aid and loans to Nigeria. Accordingly, the logic of Chinese external trade and policy strategies in Nigeria are directed at maximizing Chinese national interests in favour of the Chinese people.

In contrast, in the Nigerian context, mutuality of interests between leaders and followers to achieve common national goals, be it economic, political, cultural or trade has been farfetched. The leadership process is inherently exclusionary to the extent that it is structured to favour ruling political elites whose major preoccupation is to capture the state for private gains rather than advance the interests of their followers. This

05/05/2019. Available <https://www.dw.com/en/chinas-contentious-stake-in-zambias-broadcast-media/a-49492207> [Accessed 18/09/21]

⁷³ Abati (2018).

character of leadership has had consequential implications for the institutionalization of systemic corruption, which is effectively illustrated by the provision of the immunity clause in the national constitution. Moreover, since corruption has a negative impact on economic growth and technological innovations,⁷⁴ Nigerian leaders are constrained in their attempt to develop Nigeria's industrial capacity to transform its rich natural resource endowment and human capital for the production of goods and services to attract diverse sources of foreign exchange. For instance, successive political leaders and leaders of the oil industry in Nigeria prefer to export crude oil overseas for refining rather than developing local refining capacity. This is also the case with the dependence on oil at the expense of developing other sectors of the economy to generate foreign exchange. Accordingly, the country has remained a mono-cultural economy, dependent on oil exports in its trade relationship with China and the rest of the world for foreign exchange earnings. Given this, Nigeria suffers from the oil curse and the rentier state syndrome, which the China-Nigeria trade policy of oil for infrastructural development projects strategically reinforces.

Overall, while Nigeria benefits from Chinese trade and economic relationships, such benefits appear to be incremental rather than strategically advancing both countries in mutually rewarding and sustainable partnership in the long run. For this to happen, there is need to reconceptualize the notion and practice of leadership in Nigeria so that national aspirations and citizens' interests will intersect to influence and shape development and trade policy goals.

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