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China-Nigeria Economic Relations

AERC Scoping Studies on China-Africa Relations

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General Economic Background

Nigeria's quest for development which has spanned some decades is yet to deliver on the ultimate goal of poverty reduction, despite various plans, programmes, and projects. Analysis of performance on poverty reduction strategy necessarily examines issues in growth and equity simply because growth may be recorded without impacting on the poor. Indeed it is not impossible for growth to have occurred at the expense of equity. Analysis of growth drivers on one hand has identified several factors including macroeconomic environment, political and social environment and investment gap. Some policies are required to attract foreign direct investment and to direct such investment into appropriate sectors.

As a resource-rich country, Nigeria's economic performance has been unfortunately driven by the oil and gas sector to the extent that even progress recorded towards genuine economic development prior to the discovery of oil in commercial quantity has been virtually eroded. In recent time (2000-2005), the GDP growth was about 5.7% and the growth in the non-oil sector which contributed about 5.9% of the GDP. However, the sector dominates the supply of foreign exchange and given that the political economy of the country vested this important resource in the hand of the government it also contributes a large chunk of government revenue.

The decline in the agricultural sector performance has been dramatic since the discovery of oil. The manufacturing sector has not performed even better. A few statistics illustrate the poor performance of the non-oil sector. The share of non-oil sector decreased from about 94% in 1970 to about 52% in 2004. The decrease affected all the sectors (agriculture, industry, and services) but in different magnitude. Agriculture GDP declined from about 41% to about 17% over the same period. The decline in the services sector was from about 45% to about 27% during the period under review. Nigeria's non-oil sector is inefficiently servicing the domestic market as non-oil export is negligible (about 1% of the GDP in 2005).

Table 1.1:
Structure of the Nigerian Economy, 1974-2004 (percent of GDP at current factor costs)

	1970	1980	1990	2000	2003	2004
Oil sector GDP	6.0	29.1	39.3	48.2	44.6	48.2
Non-oil sector GDP	94.0	70.9	60.7	51.8	55.4	51.8
Agriculture	41.3	20.6	29.7	26.3	26.4	16.6
Industry	7.8	16.4	7.4	4.5	4.8	8.7
Services	45.0	33.8	23.6	21.0	24.2	26.5

Source: World Bank (2007)

It has also been recognized that sustainable development of the Nigerian economy rests the diversification of the economy away from oil and gas to non-oil sector and this should be based on the country's abundant resources and comparative advantage. An analysis of constraints to the high performance of the non-oil sectors identifies low productivity as a precursor to low private returns and which in turn lead to low investment. Weak and unreliable infrastructure, macroeconomic instability, microeconomic risks from corruption and weakness of institutions and regulations to guide investment behaviour are the main constraints to high performance of the economy (World Bank, 2007)[1].

[1] World Bank (2007), Nigeria: Competitiveness and Growth (Country Economic Memorandum)

Nigeria's domestic market is vast but very small for modern day technology. Thus, there is the need for seeking favourable external market at regional as well as at global level. Negotiations of the trade agreements are expected to take these constraints into consideration. Indeed, for Nigeria within-the border issues are relatively more important than seeking for more favourable market access conditions. It is in this vein that aid-for-trade concept is more relevant to the country. A critical element in enhancing the performance of non-oil sector as well as ensuring effective supply response to market opening is investment in infrastructure which also in turn enhances private investment. Thus, private investment and investment in the public sector of the economy is one of the factors for ensuring sustainable development.

Hitherto, traditional development partners mainly from Europe and the Americas (U.S. A. and Canada) have dominated trade, investment (in terms of foreign direct investment (FDI)) and grants and financial as well as technical aid to the country. These are governed by various bilateral and regional agreements that exist between these countries and Nigeria. Although Nigeria and these countries have come a long way in their relationship, it is debateable if such has in any significant way assist the country in its quest for development. The relationship appears to be exploitative at least from the trend in the structure and pattern of trade and FDI inflow to the country. This is based on the fact that oil and gas sector dominates the country's exports to the tune of about 98% and FDI inflows to the oil and gas sector accounted for about 40%.

Although Sino-Nigeria relationship dates back to more than three decades, recent developments call for a careful and detailed analysis of this relationship and to this end, we seek to provide analysis of the relationship with respect to investment, trade and aid: To what extent is China different from other exploitative practices? What lessons can we learn from the past in order to make the blossoming relationship produce win-win outcome?

In order to put the study in its proper perspective, Section II examines the cooperation arrangements between Nigeria and China with specific focus on the diplomatic tie, technical assistance, scientific cooperation, economic cooperation and cultural cooperation. Section III presents an overview of investment relations with a view to determining its size, composition and significance. Section IV is on trade relations. Export and import structures as well as the bilateral balance of trade are examined. Section is an attempt at presenting information on aid flow from China to Nigeria and Section VI concludes the report by revisiting the questions raised above.

II Cooperation arrangements

Recent developments in China and Nigeria relationship are not unconnected with the renewed ties between the two giants. Although, China and Nigeria established diplomatic tie in 1972, the last decade has witnessed unprecedented renewed positive and mutually beneficial developments. Indeed between 1999 and 2006 diplomatic visits at the highest level were recorded: two visits in each direction[2] and various visits at other levels. All these visits, no doubt, are precursors to

[2] Chinese leaders who visited Nigeria are as follows: Vice Premier Geng Biao (October 1978), Vice Premier Huang Hua (November 1981), Vice Premier Tian Jiyun (November 1984), Vice Premier Wu Xueqian (March 1990), Vice Premier and Foreign Minister Qian Qichen (January 1995), State Councilor and Secretary General of the State Council Luo Gan (September 1996), Premier Li Peng (May 1997), Special Envoy of President Jiang Zeming, State Councilor Ismail Amat (May 1999), Foreign Minister Tang Jiaxuan (January 2000), President Jiang Zemin (April 2002), and Vice Chairman of the Standing Committee of the National Peoples Congress Han Qide (December 2003). China's foreign Minister, Li Zhaoxing (January, 2006), President Hu Jintao (April 2006)

developments in other facets of the relationship. Bilateral agreements are entered into in the process some of which are listed in Table 1.2

Table1.2: Selected Agreements between Nigeria and China, 2001 to 2006

Type of Agreements	*Year*
Agreement on Trade, Investment Promotion and Protection	2001
Agreement for the avoidance of double Taxation and Prevention of Fiscal Evasion with respect to Tax and Income	2002
Agreement on Consular Affairs	2002
Agreement on Cooperation on Strengthening Management of narcotic Drugs, Psychotropic Substances and diversion of Precursor Chemical	2002
Agreement on Tourist Cooperation	2002
Strategic Partnership Agreement	2005
A memorandum of Understanding on Investment Cooperation between the Federal Ministry of Commerce of Nigeria and Ministry of Commerce of India	2006
Economic Cooperation Agreement between Nigeria and Xinguang International Group of China	2006

Source: Authors' compilation

On diplomatic relations, various exchanges of visits and signed agreements and many Memoranda of Understanding (MOUs) are indicative of the cordial relationship. Besides agreement on consular affairs and strategic partnership agreement featuring mutual political trust, mutual economic benefit and mutual support in international affairs have been signed. Various technical assistance in the military, education and health, and technology have been received from Nigeria. For example an aid of 46 million Yuan to Nigeria for the purpose of purchases of anti-malaria medicines and for training of Nigerian health personnel on malaria control and prevention was granted by China.

Scientific cooperation between the two countries is also experiencing a boom. The relationship in this area has witnessed the launching of NIGERCOMSTAT 1, Nigeria's first communication satellite in early 2007. An MOU on the Provision of National Information Communication Technology Infrastructure Backbone between the Federal Ministry of Science and Technology and Huawei Technologies was signed. Increase in economic cooperation is noticed both in trade and investment both at public and private levels. Renewed cultural cooperation also manifests in various areas. For example, some institutions of higher learning in Nigeria[3] are collaborating with their Chinese counterparts in the area of Chinese culture, innovation, while cultural troupes and students are being exchanged.

The cooperation arrangements between China and Nigeria on different fronts a briefly examined in the preceding paragraphs. Apart from providing alternatives to the traditional focus of government such arrangements opened a new vista for other stakeholders.

The recent waves of diplomatic relations appear to a reasonable extent mutually beneficial. The Nigerian was indeed on an aggressive campaign for FDI and Chinese government was also seeking for markets for inputs especially raw materials as well as markets for finished products. While the diplomatic relationship provides and generates general guidelines in terms of agreements, protocols and Memorandum of Understanding; the cost-benefit analysis of the cooperation arrangements

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Leaders of Nigeria who visited China are as follows: Head of State, Gen. Yakubu Gowon (September 1974), Vice-President Dr. Alex I. Ekwueme (March 1983), Chief of the Army Staff Gen. Ibrahim Babangida (September 1984), Chief of the Army Staff Gen. Sani Abacha (October 1989), Chief of the Defense Staff, General Abdulsalami Abubakar (July 1997), President Olusegun Obasanjo (April 1999, August 2001 and 2005), President of Senate Anyim (December 2001), Vice President Abubakar (July 2002), and Deputy Speaker Nwuche of the National Assembly (July 2002).

[3] Federal Polytechnic, Offa and Nnamdi Azikwe University are currently involved.

depend on several factors including the level of implementation, domestic rules, regulations and institutional arrangements.

Nigeria stands to gain from technical assistance and scientific cooperation given China's advancement in these areas. A well known fact is that Nigerian military have benefited from China's technical assistance form of military training and even supply of military hardware. Health personnel and different categories of patients patronizing public health providers are the main beneficiaries of technical assistance offered by China mainly in the roll-back malaria programme. Nigerian academia have also benefited from the cooperation arrangement between Nigeria and China especially in the area of exchange programmes and promotion of the different culture.

III. Investment Relations

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

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

Trend in Chinese FDI inflow to Nigeria

Available information points to a general upward trend in the inflow of FDI from China to Nigeria. Table 2.1 presents a global picture of FDI inflow to Nigeria from different regions and China from 1999 to 2006. All the regions showed significant increase in FDI inflow from the 1999 level. Thus, the upward increase in the aggregate FDI flows to Nigeria from about $190.61 million in 1999 to about $4169.14 million in 2006 is a joint increase in the levels of FDI by all the regions.

Table 2.1: Foreign Direct Investment in Nigeria, 1999-2006, $ Million

Region/Country	1999	2000	2001	2002	2003	2004	2005	2006
North America	7.35	9.84	12.10	36.16	40.34	4354.14	5166.32	1601.28
South America	1.15	2.96	0.39	0.05	7.14	60.04	24.56	11.76
Asia/Pacific	2.94	5.93	4.45	5.17	1.54	32.12	47.29	39.63
China	0.02	1.08	2.39	0.0	0.05	0.51	1.88	5.50
Middle/Far East	7.41	2.75	10.92	5.30	6.74	23.27	21.22	13.39
Europe	164.95	136.46	98.86	200.24	293.66	2624.30	3084.68	2441.52
Africa	6.79	9.45	8.24	24.30	91.41	173.62	169.04	56.06
	190.61	168.47	137.35	271.22	440.88	7268.00	8514.99	4169.14

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

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

Composition of Chinese FDI in Nigeria

Although, information about Chinese activities in the country points to increasing economic (trade, commerce and investment), social (health and education) and technical relation, the composition of Chinese FDI into Nigeria is fragmented. According to a source: China has set up over 30 solely owned companies or joint venture in Nigeria actively involved in the construction, oil and gas, technology, services and education sectors of the Nigerian economy. Indeed the increased Chinese economic interests in Nigeria can be broadly classified into two: private and public. According to information obtained from the Nigerian Investment Promotion Commission (NIPC), Chinese private FDI is composed of agro-allied industry, manufacturing and communications sectors. On one hand, some of these investments are joint venture mainly between Chinese and Nigerian investors[4]. On the other hand, some are wholly foreign owned either wholly by the Chinese[5] or in partnership with other foreign investors.[6] Some of the Chinese investments have also benefited from investment incentives in the country such as pioneer status and expatriate quotas have been granted to some of these companies (see Table 2.2).

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

The "public" investment and economic activities of Chinese in Nigeria have also gained prominence in recent time. This is not unexpected given the high profile witnessed at the political level (see the introduction to this study). This type of investment spanned different areas of the Nigerian economy and prominent among them are those in oil and gas, construction especially building of infrastructure. Table 2.3 lists some of the Chinese investments and projects in Nigeria. There is the need to distinguish between investment, loan and contracts. This, however, requires further insight to data. Currently available data do not offer sufficient information. For example, a

[4] See table 2.2, Firm number 1
[5] See table 2.2, Firms number 2 to 4
[6] See table 2.2, Firm number 5

further probing of the deal to refurbish the Nigerian railways by the Chinese reveals that it has a soft loan component.

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

Table 2.2: Some Characteristics of Chinese Companies listed in 2005

Company Name	Origin	Nature of Business	Nature of Investment[7]	Level of Investment	Employment Generation
Happy Chef Restaurant Ltd	Chinese & Nigerians	Foods and Restaurant Business	JV	N20million	35
Plas Alliance Company Ltd.	Chinese	Manufacturing of Rubber Bags & Shoes	WFO	N75million	170
Royal Motors Company Ltd	Chinese	Assembling of Motorcycles	WFO	N10 million	1000
Sun Lung Industries (Nigeria) Ltd	Chinese	Manufacture, import, and distribution of all types of telecommunication, electronic goods, telecomm materials, instrument, musical instruments,	WFO	N20 Million	75
ZTE Nigeria Investment Ltd	1 Chinese 1Australian	Production, Sales, Services, Investment related to Telecommunications	WFO	N5 Million	136

Source: NIPC

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

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

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

Chinese firms in Nigeria have been criticized for being “closed” as they hardly employ local experts. There are even submission that they mal-treat their workers. According to a report, the

[7] JV = Joint Venture, WFO = Wholly Foreign Owned

conditions of employment of Nigerians in Chinese firms neither conform with the Nigeria Labour Laws nor to that of the International Labour Organisation (ILO). The Report also alleged that technology transfer from Chinese FDI is insignificant because most of the Chinese firms bring into the country finished products and complete equipment with Chinese technicians. In a nutshell the expected benefits may not be realized. The lesson is for the country not only to design appropriate policies and regulations but also to ensure that these are implemented.

Although some of the Chinese investments are in critical areas of the Nigerian economy especially in infrastructure (telecommunications, water, electricity, housing, etc.) hence they have high social contents. However, there are reservations about the activities of Chinese investors especially those who are engaged in manufacturing. Such complaints include sharp practices such as importation and production of sub standard products, and lack of respect for their workers.

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

Table 2.3: Some of the Chinese Investment and Projects in Nigeria

Description	Value
China National Overseas Oil Company Limited[8] (CNOOC) 45% stake in OPL 246 in Offshore deepwater oil field	$2.7 billion
Controlling shares in Kaduna Refinery	
Modernisation of Nigeria's one-track rail to standard gauge rail (Note: China has loaned Nigeria $2.5 billion to finance the refurbishment of the railway system	$8.3 billion (1st phase)
Financial support to Reliance Telecommunications Ltd. (RelTel) by China's Development Bank facilitated by Huawei Technologies	$20 million
Huawei equipment agreement with GV Telecoms/Prestel	$250 million

III. Trade Relations

Size, Composition and Significance of Exports to China

Nigeria's exports to China are spread over many and varied products which have been classified according to the Standard International Trade Classification Revision 3 (SITC Rev. 3) shown on Table 3.1. These products include food, animals, crude materials, oils, chemical products, and manufactured products. Though the source of data did not show data on Nigeria's exports to China in 1995, data were recorded for 2000 and 2005. In 2000, four broad commodities were exported totaling US$307.3 million, with the main export commodity being Mineral fuel and lubricants which represented US$273.7 million. The next important export in 2000 was crude materials excluding food and fuel which totaled US$33.3 million. The remaining two broad commodities exported to China were quite insignificant with values between US$0.1 million and US$0.2 million. Thus, in terms of Nigeria's exports to China, Mineral fuel and lubricants ranked first, followed by crude materials excluding food and fuel. Beverages and live animals exports rank third

[8] CNOOC is one of the four big oil companies created when China's oil industry was restructured seven years ago. Cited in BusinessDay Africa, January 16 2006.

while manufactured goods rank fourth. In terms of significance of Nigeria's exports to China relative to the world, Nigeria exported more crude materials excluding food and fuel to China as this constituted 61.1%. Mineral Fuel and lubricants which constituted the main exports of Nigeria to China in 2000 was a paltry 1.4% of Nigeria's total world exports. In effect, out of US$20.3 billion total Nigeria's exports, only 1.5% was exported to China.

Nigeria's exports position was more impressive in 2005. The country's exports more than doubled the value in 2000; this accounted for by all the products, from US$20.3 billion in 2000 to US$44.4billion in 2005. In contrast, though exports to China increased to US$526.9 million in 2005, the increase was not as much as that of Nigeria's total exports. The composition of exports to China in 2005 was not very different from that of 2000 but experienced some repositioning of certain broad products. Thus, mineral fuel and lubricants still ranked first followed in ranking by crude materials excluding food and fuel. However, manufactured goods, which ranked last in 2000, displaced food and live animals while two broad products; chemicals, and miscellaneous manufactures, featured in 2005. Also, exports of crude materials excluding food and fuel reduced between 2000 and 2005. The proportion of Nigeria's exports destined for China reduced in 2005 even when the absolute value showed an increase. Nigeria's export to China in 2005 was 1.2% of its total exports which represented a reduction compared to 2000. The export destinations appeared to have been more fairly diversified in 2005, as areas where exports to China was dominant, such as crude materials excluding food and fuel, became insignificant while China gained positions in such other areas as food and live animals, chemicals, manufactured goods and miscellaneous manufactures. In other words, even though Nigeria's exports to China relative to the rest of the world dwindled in 2005, Nigeria exported more varieties of products to China compared to earlier periods.

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

Table 3.1: China's Share of Nigeria's Exports (US$ million)

		1995		2000		2005		1995	2000	2005
Rev. 3		**World**	**China**	**World**	**China**	**World**	**China**	**China's Share of Nigeria's Imports**		
0	Food & live animals	293.9	0.0	205.4	0.2	592.6	1.8	0.0	0.1	0.3
1	Beverages and tobacco	1.7	0.0	1.3	0.0	3.9	0.0	0.0	0.0	0.0
2	Crude mater.ex food/fuel	262.4	0.0	54.5	33.3	304.0	12.6	0.0	61.1	4.1
3	Mineral fuel/lubricants	11189.8	0.0	19950.5	273.7	43054.7	503.9	0.0	1.4	1.2
4	Animal/veg oil/fat/wax	0.1	0.0	2.6	0.0	1.0	0.0	0.0	0.0	0.0
5	Chemicals/products n.e.s	38.6	0.0	8.6	0.0	15.6	0.2	0.0	0.0	1.5
6	Manufactured goods	347.3	0.0	10.0	0.1	255.4	8.2	0.0	0.6	3.2
7	Machinery/transp equipmt	185.9	0.0	70.3	0.0	114.7	0.0	0.0	0.0	0.0
8	Miscellaneous manuf arts	15.7	0.0	9.1	0.0	26.9	0.2	0.0	0.0	0.6
9	Commodities nes	4.4	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0
	Total Export	12339.7	0.0	20312.3	307.3	44369.6	526.9	0.0	1.5	1.2

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

Size, Composition and Significance of Imports from China

Nigeria's total imports increased from US$5.3 billion in 1996 through US$5.8billion in 2000 to US$17.7billion in 2005 (Table 3.2). The dramatic increase of Nigeria's total imports between 2000 and 2005 was also reflected in the country's imports from China which rose phenomenally from as little as US$252million in 2000 to US$2.3billion in 2005. Nigeria imports almost all of the broad categories of products from China. In 2005, imports of machinery and transport equipment ranked first followed by manufactured goods, miscellaneous manufactures, chemicals and food and live animals. In trend terms, the composition of Nigeria's imports has changed quite a bit. In 1996 for example, chemical products imports ranked second only to machinery and transport equipment while in 2000, manufactured products replaced chemicals in second place. Machinery and transport equipment imports thus ranked highest in all the reference years.

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

Table 3.2: China's Share of Nigeria's Imports (US$ million)

		1996		2000		2005		1996	2000	2005
SITC R. 3	**Product Name**	**World**	**China**	**World**	**China**	**World**	**China**	**China's share of Nigeria's imports**		
0	Food & live animals	885.9	3.5	1098.0	12.7	2140.6	29.8	0.4	1.2	1.4
1	Beverages and tobacco	10.8	0.0	34.2	0.3	69.4	0.7	0.0	0.9	1.0
2	Crude mater.ex food/fuel	121.9	1.8	94.0	1.8	120.4	8.9	1.5	1.9	7.4
3	Mineral fuel/lubricants	70.9	0.0	100.8	0.3	2396.7	1.0	0.0	0.3	0.04
4	Animal/veg oil/fat/wax	37.2	0.0	23.3	0.05	64.4	0.04	0.1	0.2	0.1
5	Chemicals/products n.e.s	981.3	59.6	1176.5	46.3	2085.5	174.6	6.1	3.9	8.4
6	Manufactured goods	1031.5	30.7	1095.5	53.8	3297.8	566.0	3.0	4.9	17.2
7	Machinery/transp equipmt	1876.7	66.2	1955.1	98.1	6600.0	1229.7	3.5	5.0	18.6
8	Miscellaneous manuf arts	296.1	23.2	238.4	39.4	948.7	290.1	7.8	16.5	30.6
9	Commodities nes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total Imports	5312.1	185.1	5815.8	252.7	17723.5	2300.8	3.5	4.3	13.0

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

Top 10 Export and Import Commodities

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

Table 3.3: Top 10 Export Commodities (2005)

Product Name	Simple Average Tariff	($ million)	Share (%)	Ranking
Total Trade	9.3	526.9	100.0	
Mineral fuels, oils & product of their distillati	2.5	503.9	95.64	1
Ores, slag and ash.	0.2	7.4	1.41	2
Copper and articles thereof.	3.7	1.9	0.35	3
Cocoa and cocoa preparations.	8.0	1.6	0.31	4
Cotton.	11.4	1.5	0.28	5
Oil seed, oleagi fruits; miscell grain, seed, fru	5.0	1.1	0.22	6
Lac; gums, resins & other vegetable saps & extrac	15.0	0.4	0.08	7
Prepr feathers & down; arti flower; articles huma	17.5	0.2	0.03	8
Tanning/dyeing extract; tannins & derivs; pigm et	8.3	0.2	0.03	9
Pulp of wood/of other fibrous cellulosic mat; was	0.0	0.1	0.03	10

Source: Appendix Table 3.1

In contrast to the nature of Nigeria's top 10 export commodities, the top 10 import commodities from China are all manufactured goods. Top on the list are electrical machinery equipment parts, sound records followed closely by vehicles, etc, as well as nuclear reactors, boilers, machinery and mechanical appliances. Coming at a distant fourth are articles of iron or steel followed by plastics and articles thereof. Organic chemicals and articles of apparel and clothing accessories almost have equal ranking. Included in the lower part of the list are ceramic products as well as inorganic chemicals and radioactive elements.

Table 3.4: Top 10 Import Commodities (2005)

HS Chpt	Product Name	Simple Average tariff	$ million	Share (%)	Ranking
Total	Total Trade	12	2301	100	
85	Electrical mchy equip parts thereof; sound record	11	551	24.0	1
87	Vehicles o/t railw/tramw roll-stock, pts & access	10	437	19.0	2
84	Nuclear reactors, boilers, mchy & mech appliance;	3	257	11.2	3
73	Articles of iron or steel.	19	76	3.3	4
39	Plastics and articles thereof.	13	51	2.2	5
29	Organic chemicals.	5	40	1.7	6
62	Art of apparel & clothing access, not knitted/cro	20	39	1.7	7
67	Prepr feathers & down; arti flower; articles huma	20	31	1.3	8
69	Ceramic products.	19	31	1.3	9
28	Inorgn chem; compds of prec mtl, radioact element	5	30	1.3	10

Source: Appendix Table 3.2

IV. Aid and other relations

Economic relations between Nigeria and China date back to 1971 when the two countries signed the Joint Communiqué on the Establishment of Diplomatic Relations. Currently, China requires Nigeria's oil to fuel its economic expansion while Nigeria seeks Chinese expertise, finance, technology and industrial goods as well as market for its non-oil export. Some technical and financial assistance have been rendered by the two countries to support each other. For instance, during the visit of China President (President Hu Jintao) visit to Nigeria in April 2006, Nigeria and

China signed four Agreements and three Memoranda of understanding (MOUs) on a range of programmes to enhance their economic ties.

Available data show that some of the technical and financial assistance provided by China for Nigeria in recent times are in the areas of health, education, communication and infrastructural development. In the area of health, China supported Nigeria's Rollback malaria programme with anti-malarial drugs and treated mosquito nets worth about N400 million in 2002. In an attempt to further support the programme in 2006, China signed an MOU with government to supply anti-malaria drugs worth N83.6 million.

In the area of education, China signed an MOU in 2006 with the Nigerian government to provide about N670 million for the training of 50 Nigerian officials and medical personnel on comprehensive malaria prevention and control. Further, some educational institutions in Nigeria have established linkages with China with a view to showcasing the Chinese culture, landscape and innovations. For instance, in collaboration with the Chinese Embassy, Abuja, the Federal Polytechnic, Offa organised an exhibition on Chinese Culture and Landscape to advance the cultural bond between the two countries. Similarly, China is working with the Nnamdi Azikiwe University, Awka to provide Chinese language teaching to Nigerian students. Under this scheme, the Chinese government is to fully sponsor the training of the university's staff to study Mandarin in China up to Master's and Doctorate Degrees levels. This scheme is also characterized by frequent exchanges of cultural troupes and students.

In 2006, a memorandum of understanding on the provision of National Information Communication Technology Infrastructure Backbone was signed between the Federal Ministry of Science and Technology and Huwaei Technologies. In order to support infrastructural development in Nigeria, China through its Export Import Bank entered into a financing agreement (of N8.36 billion concessionary export grants) with Nigeria.

V. Summary and conclusion

The China-Nigeria relations as shown in the proceeding sections covered different facets of the Nigerian economy. The recent resurgence in the relationship has been attributed to improve and deliberate mutual efforts at the highest political levels.

Chinese FDI inflows to Nigeria have been on the increase in recent years. A ten-fold increase in the flow of Chinese into Nigeria between 1999 and 2006 was recorded. Compare to other sources of FDI inflows to Nigeria, Chinese FDI inflows are in the range of about 0.13% of the total inflow of FDI in 2006. The investments from China are into manufacturing, oil and gas, telecommunication, building and construction.
Thus, while some of the Chinese investments and activities in the country are directed at addressing critical gap in the provision of basic infrastructure, these are not comparable to the level at which Chinese are seeking Nigeria's oil and gas and other raw materials.

In the area of trade relations, similar recent upsurge was captured by the available data and pieces of information. Nigeria's export to China is dominated by crude oil to the tune of about 95%. In terms of relative share of market, China constitutes only about 1.5% of the value of Nigeria's exports in 2000 and 2005. Nigeria's import from China is more diversified than the imports. Three product groups: electrical machinery equipment; vehicles and nuclear reactors, boilers machinery and mechanical appliances jointly accounted for over 50% of Nigeria's imports from China. The observed structure of trade pattern is inconsistent with the Nigeria's quest to export manufactured or processed products. The need to diversify export products may be an uphill task given China's preference for raw materials and fuel and gas. More worrisome is skewed balance of payments position which has consistently been in favour of China. This suggests the need to examine the structure of tariff and non-tariff barriers facing Nigeria's exports to China. Perhaps more importantly is an analysis of constraints facing producers and exporters in responding fully to market openings.

Although the brief analysis presented in this report points to a similar trend in the general trade and investment patterns with the traditional trade partners there is a strong need to critically examine in details Nigeria-China relationship. The review presented in this paper is general and based on incomplete information. An investigation of some of the issues raised probably by conducting a census of Chinese interest in Nigeria is capable of shedding more light.

Appendix Table 3.1: Export Commodities by HS Chapters

Product Name	Simple Average Tariff	($million)	Share	Ranking
Total Trade	9.3	526.9	100.0	
Mineral fuels, oils & product of their distillati	2.5	503.9	95.64	1
Ores, slag and ash.	0.2	7.4	1.41	2
Copper and articles thereof.	3.7	1.9	0.35	3
Cocoa and cocoa preparations.	8.0	1.6	0.31	4
Cotton.	11.4	1.5	0.28	5
Oil seed, oleagi fruits; miscell grain, seed, fru	5.0	1.1	0.22	6
Lac; gums, resins & other vegetable saps & extrac	15.0	0.4	0.08	7
Prepr feathers & down; arti flower; articles huma	17.5	0.2	0.03	8
Tanning/dyeing extract; tannins & derivs; pigm et	8.3	0.2	0.03	9
Pulp of wood/of other fibrous cellulosic mat; was	0.0	0.1	0.03	10
Coffee, tea, matï and spices.	17.5	0.1	0.01	11
Plastics and articles thereof.	9.7	0.1	0.01	12
Aluminium and articles thereof.	3.8	0.1	0.01	13
Fish & crustacean, mollusc & other aquatic invert	12.0	0.0	0.01	14
Edible fruit and nuts; peel of citrus fruit or me	20.0	0.0	0.01	15
Miscellaneous articles of base metal.	15.3	0.0	0.00	16
Nuclear reactors, boilers, mchy & mech appliance;	9.4	0.0	0.00	17
Miscellaneous chemical products.	6.5	0.0	0.00	18
Salt; sulphur; earth & ston; plastering mat; lime	2.8	0.0	0.00	19
Vehicles o/t railw/tramw roll-stock, pts & access	20.1	0.0	0.00	20
Articles of iron or steel.	9.8	0.0	0.00	21
Tool, implement, cutlery, spoon & fork, of base m	10.3	0.0	0.00	22
Electrical mchy equip parts thereof; sound record	5.4	0.0	0.00	23
Miscellaneous manufactured articles.	25.0	0.0	0.00	24
Optical, photo, cine, meas, checking, precision,	5.0	0.0	0.00	25
Furniture; bedding, mattress, matt support, cushi	20.0	0.0	0.00	26
Prod.mill.indust; malt; starches; inulin; wheat g	35.5	0.0	0.00	27
Soap, organic surface-active agents, washing prep	10.0	0.0	0.00	28
Art of apparel & clothing access, not knitted/cro	16.0	0.0	0.00	29

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

Appendix Table 3.2: Import Commodities by HS Chapters

Prod	Product Name	Simple Average	($million)	Share (%)	Ranking
Total	Total Trade	12	2301	100	
85	Electrical mchy equip parts thereof; sound record	11	551	24	1
87	Vehicles o/t railw/tramw roll-stock, pts & access	10	437	19	2
84	Nuclear reactors, boilers, mchy & mech appliance;	3	257	11	3
73	Articles of iron or steel.	19	76	3	4
39	Plastics and articles thereof.	13	51	2	5
29	Organic chemicals.	5	40	2	6
62	Art of apparel & clothing access, not knitted/cro	20	39	2	7
67	Prepr feathers & down; arti flower; articles huma	20	31	1	8
69	Ceramic products.	19	31	1	9
28	Inorgn chem; compds of prec mtl, radioact element	5	30	1	10
52	Cotton.	17	30	1	11
76	Aluminium and articles thereof.	20	30	1	12
94	Furniture; bedding, mattress, matt support, cushi	18	29	1	13
25	Salt; sulphur; earth & ston; plastering mat; lime	8	27	1	14
90	Optical, photo, cine, meas, checking, precision,	4	26	1	15
30	Pharmaceutical products.	9	26	1	16
83	Miscellaneous articles of base metal.	18	24	1	17
55	Man-made staple fibres.	18	23	1	18
38	Miscellaneous chemical products.	8	22	1	19
10	Cereals	50	19	1	20
42	Articles of leather; saddlery/harness; travel goo	16	18	1	21
96	Miscellaneous manufactured articles.	19	17	1	22
34	Soap, organic surface-active agents, washing prep	17	16	1	23
82	Tool, implement, cutlery, spoon & fork, of base m	13	15	1	24
61	Art of apparel & clothing access, knitted or croc	20	13	1	25
72	Iron and steel.	18	12	1	26
32	Tanning/dyeing extract; tannins & derivs; pigm et	10	10	0	27
66	Umbrellas, walking-sticks, seat-sticks, whips, et	18	7	0	28
21	Miscellaneous edible preparations.	15	7	0	29
59	Impregnated, coated, cover/laminated textile fabr	16	7	0	30
53	Other vegetable textile fibres; paper yarn & wove	20	7	0	31
63	Other made up textile articles; sets; worn clothi	20	5	0	32
91	Clocks and watches and parts thereof.	20	5	0	33
49	Printed books, newspapers, pictures & other produ	9	4	0	34
95	Toys, games & sports requisites; parts & access t	20	4	0	35
60	Knitted or crocheted fabrics.	20	4	0	36
37	Photographic or cinematographic goods.	17	4	0	37
92	Musical instruments; parts and access of such art	12	4	0	38
35	Albuminoidal subs; modified starches; glues; enzy	9	3	0	39
33	Essential oils & resinoids; perf, cosmetic/toilet	16	3	0	40
74	Copper and articles thereof.	12	2	0	41
17	Sugars and sugar confectionery.	15	2	0	42
11	Prod.mill.indust; malt; starches; inulin; wheat g	35	2	0	43
27	Mineral fuels, oils & product of their distillati	6	1	0	44
89	Ships, boats and floating structures.	6	1	0	45

09	Coffee, tea, matï and spices.	10	1	0	46
24	Tobacco and manufactured tobacco substitutes	5	1	0	47
20	Prep of vegetable, fruit, nuts or other parts of	14	1	0	48
79	Zinc and articles thereof.	20	0	0	49
26	Ores, slag and ash.	5	0	0	50
46	Manufactures of straw, esparto/other plaiting mat	20	0	0	51
22	Beverages, spirits and vinegar.	20	0	0	52
57	Carpets and other textile floor coverings.	20	0	0	53
19	Prep.of cereal, flour, starch/milk; pastrycooks'	20	0	0	54
15	Animal/veg fats & oils & their cleavage products;	12	0	0	55
05	Products of animal origin, nes or included.	5	0	0	56
97	Works of art, collectors' pieces and antiques.	20	0	0	57
31	Fertilisers.	0	0	0	58
23	Residues & waste from the food indust; prepr ani	10	0	0	59
13	Lac; gums, resins & other vegetable saps & extrac	5	0	0	60
47	Pulp of wood/of other fibrous cellulosic mat; was	10	0	0	61
93	Arms and ammunition; parts and accessories thereo	20	0	0	62
78	Lead and articles thereof.	15	0	0	63
07	Edible vegetables and certain roots and tubers.	20	0	0	64
80	Tin and articles thereof.	20	0	0	65
88	Aircraft, spacecraft, and parts thereof.	5	0	0	66

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