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CHINA'S FOREIGN DIRECT INVESTMENT IN NIGERIA: A STRATEGIC MOVE FOR NIGERIA OR A DISASTER WAITING TO HAPPEN?

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Abstract
'Made in China' is a label printed on many products that enter the Nigerian market. Imports from China account for a significant 27% of Nigeria's total imports. Between January 2018 and September 2021, Nigeria imported goods worth over 19.12 trillion naira from China. Meanwhile, Nigeria exported only N2.09 trillion worth of commodities to China, resulting in a trade deficit of N17.03 trillion. As China continues to deeply embed itself in Nigeria's economy, its benefits grow exponentially. Nigeria remains mostly a recipient, having shifted its relations from the West to China. Can Nigeria truly claim it has experienced a major growth surge? This paper examines China-Nigeria relations to evaluate whether partnering with China is sensible. While China has undertaken major projects in Nigeria—including roads, railways, China towns, and free trade zones—these relations are still unequal and heavily favour Nigeria. The paper concludes that China-Nigeria relations are not solely responsible for Nigeria's economic struggles. Instead, mismanagement of funds, weak compliance systems, poor governance, and administrative shortcomings are driving Nigeria's economic downturn and losses. It is recommended that Nigeria strengthen its relationship with China through skills transfer agreements, enabling locals to be trained in advanced skills to boost Nigeria's manufacturing sector. If the Nigerian government listens to the calls from academics, economists, and social analysts to rethink its strategy with China, it might prevent Nigeria from being branded too soon with the label - 'Made in China'.

Keywords: Foreign Direct Investment, China-Nigeria Relations, Africa, Economy, International Trade

1. Introduction

The economy is the foundation upon which national strength rests, influencing security, currency stability, living standards, and global competitiveness. Stronger economies naturally attract top talent and investment. In today's liberalized trade environment, nations and corporations strategically channel investments into foreign markets to secure both immediate and long-term benefits.

Foreign Direct Investment (FDI) is a key means of gaining a foothold in another country's economy. It involves acquiring a significant ownership stake-or complete control-of a foreign company or project, typically to expand operations into new regions. Unlike simple stock purchases, FDI establishes deeper, more enduring ties between economies, fostering stability and integration in the global market.[1]

Nigeria first made contact with China in 1960 when a Chinese Delegation, on the invitation of the Nigerian Government, attended Nigeria's Independence Celebrations[2]. However, Nigeria and China did not establish diplomatic ties with one another until February 1971, when both countries opened embassies in each other's capital cities. Since 1971, China-Nigeria's bilateral relations have developed rather slowly until recently when Nigeria has experienced a surge in Chinese investments in the country.

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[1]OECD Library, Foreign Direct Investment <https://www.oecd-ilibrary.org/finance-and-investment/foreign-direct-investment-fdi/indicator-group/english_9a523b18-en> accessed 22 October 2024.
[2] A Ogunsanwo, *China's Policy in Africa*, (London: Cambridge University Press, 2008) 23-28.

Nigeria-China bilateral relations have eight core objective thrusts. They include a guaranteed supply of raw minerals and agricultural materials for China in exchange for forex, creation of a market for Chinese goods in Nigeria's markets and vice versa, obtaining land for agricultural purposes, and gaining Nigeria's support for China's interests in the international scene. This support is given in exchange for technical support and loan facilities for Nigeria. Relations with China provide a credible alternative to Western exploitation of Africa[3]. The question therefore is whether China's investment model is in any way less exploitative than Western models. This will be thoroughly considered in the body of this paper.

Since the establishment of diplomatic ties in 1971 and strategic partnership in 2005, the all-round, wide-range and high-quality bilateral cooperation between China and Nigeria has been a pace-setter for China-Africa cooperation. In 2018, Nigeria signed the Belt and Road cooperation agreement with China. From then on, with the joint efforts of both sides, Nigeria has become China's biggest contractor market, second largest trading partner and major investment destination in Africa. Major projects such as Lekki Deep Sea Port, Zungeru Hydroelectric project, Lagos-Ibadan train route, Abuja-Kaduna rail line, Abuja-Keffi-Lafia-Makurdi road dualisation, as well as several airport terminals, undertaken by Chinese enterprises, have been completed or are progressing smoothly[4].

Relations between Nigeria and China appear to benefit Nigeria so far. However, Nigeria has experienced significant losses due to unfulfilled oil deals with China caused by changes in government. The main question this paper explores is whether China's foreign direct investment (FDI) in Nigeria provides long-term benefits or presents risks to Nigeria's economy, infrastructure, and sovereignty. Many Nigerian citizens and stakeholders fear that, given the rising debt to China and limited repayment options, Nigeria could become essentially a colony of China and remain a sovereign state only in name. This research will examine these concerns by weighing the advantages of relations with China against its potential costs.

2. China's FDI in Africa: A Background

China's transformation from extreme poverty to one of the world's leading developing economies has drawn the attention of many African countries. Several nations are beginning to see China as a development model and an alternative source of trade and financing beyond Africa's traditional investment partners.

Trade relations between China and Africa date back to the first emperors of the Second Century B.C. However, it was only until the establishment of the Peoples Republic of China in 1949 that China took a serious interest in other developing countries[5].

In its post-colonial period, China sought to extend its influence in other developing countries and export the communist revolution. While economic relations were established, political domination wasn't as successful. For example, China signed an economic and technical cooperation agreement with Guinea in 1960, a year after independence; subsequently provided an interest-free loan of $20 million to Ghana, the first African country to establish diplomatic relations with China; and recognised Mali upon independence and sent a trade mission the following year. These three countries were close to China politically[6].

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[3] T Ian, *China's Oil Diplomacy in Africa* (London: Routledge, 2006).
[4] 'Belt and Road Initiative: China- Nigeria Relations. BRI: A Path towards Common Development and a Blueprint for China-Nigeria Cooperation' (by H.E. Cui Jianchun, Chinese Ambassador to Nigeria), 27/10/2023. <http://ng.china-embassy.gov.cn/eng/zngx/cne/202310/t20231027_11169250.htm#:~:text=In%202018%2C%20Nigeria%20signed%20the,major%20investment%20destination%20in%20Africa.> Accessed 25 October 2024.
[5] Richer, Ph. (2008) 'L'offensivechinoiseenAfrique (The Chinese Offensive in Africa)', Karthala, Paris.
[6] M Renard, *China's Trade and FDI in Africa*, African Development Bank Working Paper Pg 6-7, Series, No 126- May 2011, <https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Working%20126.pdf> accessed 26 October 2024.

Relations with China offered a number of advantages compared to western countries, as China: (i) demanded fewer conditions on providing assistance; (ii) granted assistance at very low rates, repayable over a very long period; and (iii) offered training to professional and technical personnel[7]. Some of the reasons behind China's investment in Africa include resource security, market expansion and diplomatic influence. China is one of the most populous countries in the world. In the wake of its economic and military explosion, it requires a lot of resources that cannot be sourced from within hence the need for bilateral and multilateral relations with other countries. Furthermore, Africa's growing consumer markets and middle-class present opportunities for Chinese products, services, and infrastructure projects. Finally, Foreign Direct Investments are a tool for expanding geopolitical influence in Africa through investment in infrastructure, trade and aid.

The major sectors of investment are infrastructure, mining, energy, manufacturing, and agriculture. Chinese investments have led to the construction of roads, railways, bridges, and ports across Africa. The Mombasa-Nairobi Standard Gauge Railway in Kenya and the Addis Ababa-Djibouti Railway are prominent examples. China has also invested heavily in mining, particularly in mineral-rich countries like the Democratic Republic of Congo (DRC) for cobalt and Zambia for copper. In modern-day relations, China is diversifying its investment beyond resources to include technology, telecommunications, and fintech sectors in countries like Nigeria and Kenya.

3. China's Global Investment Strategy

There are three ways in which Chinese investment differs from typical norms and practices: a. Chinese investment is relatively, though not entirely, concentrated in poorly governed regions; b. China generally does not follow global standards of environmental and social protections; and c. China remains relatively closed to foreign investment in many sectors, unlike its partners in both the developed and developing worlds. Examining these three norms closely, one would see that China is very strategic and, the writer might add, 'extremely calculated' in its investments. By focusing on poorly governed regions, China avoids many bureaucratic, regulatory, and legal hurdles. Many of these countries face financial troubles or economic crises. In a country like Nigeria, where inflation exceeds 30% and keeps rising, government spending is excessive (with little lasting benefit for its citizens), and living standards are very low, any foreign investment is highly welcomed-regardless of future consequences or terms. Moreover, since China does not adhere to global standards for environmental and social safeguards, it can often avoid accountability for human rights violations and environmental damage. For example, numerous loan apps in Nigeria, many of which are Chinese in origin, make borrowing extremely easy for Nigerians, with astronomical interest rates that increase the longer repayment is delayed. When someone defaults, these companies go to great lengths to recover their money, including sending pictures of the debtor to friends and family and labelling them as criminals. This shows how ruthless foreign companies can be when not properly regulated. Lastly, and perhaps most strategically, China remains largely closed to foreign direct investment (FDI).

Importantly, China has managed to grow with little to no foreign input, raising questions about the overall impact of large-scale FDIs. By staying closed to FDI, China owes no one anything and manages its resources efficiently-even with one of the largest populations in the world, second only to India, with nearly 1.5 billion people as of July 2024.[8]

4. Africa as an Investment Destination

Is investing in Africa a good investment decision? The answer is a resounding 'Yes'. Up till now, Africa remains the most profitable region in the world. Africa's profitability can be linked to a

[7] Ibid.
[8] Worldometer, 'Countries in the World by Population (2025), <https://www.worldometers.info/world-population/population-by-country/> accessed 14 January 2025.

variety of reasons first of which is its accessibility and openness to foreign investments. Many African nations are open to and encourage foreign investments. This is so for many reasons. Although Africa is blessed with argic, natural and human resources, many African countries lack the technical expertise and structure to fully harness these resources hence the need for foreign input. Another reason for openness to foreign investment is the lack of enough financial capability due to currency fluctuations and economic difficulties. As a result, getting foreign exchange becomes a priority.

Another reason for Africa's profitability has to be the huge potential Africa has as a market for goods and services and even recruitment due to its teeming and youthful population. This can be directly contracted with the aging population of other regions. Africa's population is expected to quadruple form 1l.19 billion in 2015 to 4.39 billion by 2100[9]. With a median age of 19 years and 650 million persons between 0- 17 years as at 2022, the African population is very youthful indeed[10].

A report by the UN Conference on Trade and Development states that between 2006 and 2011, Africa had the highest rate of return on inflows of Foreign Direct Investment: 11.4%. This is compared to 9.1% in Asia, 8.9% in Latin America and the Caribbean[11]. Some foreign companies benefiting from bumper profits in Africa include Sonatrach in the Oil and Gas Sector with a turnover of about $33.2 billion, MTN Group in the telecommunication sector with a turnover of $10billion both in 2017.

Africa's growing and youthful population accounts for an abundance of labour. Cheap labour holds high potentials for labour- intensive industrialization, low production costs and other benefits that make the cost of doing business on the continent worthwhile. The hourly wage in Africa is less than 50 cents (for example, its $0.27 in Mozambique, $0.34 in Nigeria and $1.62 in Morocco) compared to $10.49 in UK, $7.25 in the USA and $6.57 in Japan[12]. While this might be favourable to employers, there is a need to raise rates so as to encourage the youths to get involved in legitimate enterprises, reduce migration and improve the economic position of the citizenry.

In Africa, the Agriculture and extractive sectors are the backbones of the national, regional and global value chains. Africa hosts 60% of the world's uncultivated arable land. In 2015, the continent produced 13% of global oil, up from 9% in 1998. The growth trend of oil and natural gas production between 1980 and 2012 was amazing: from 53.4 billion barrels to 130.3 billion barrels for oil; for natural gas, from six trillion cubic meters in 1980 to 14.5 trillion cubic meters in 2012. As of 2012, Africa also controlled 53.9% of the world's diamond resources[13].

Some advantages of FDIs in Africa include- economic growth, human capital development, exchange rate stability, and technology transfer amongst others. Creating jobs is one of the most obvious immediate impacts of FDIs. Generally, FDIs boost the manufacturing and services sectors which in turn creates jobs and helps in reducing continental unemployment rates. Increased employment translates to higher economic power of the citizen hence improving the economy of the country in question.

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[9]A Odusola, 'Investing in Africa is sound business and a sustainable corporate strategy', UNDP, <https://www.un.org/africarenewal/web-features/investing-africa-sound-business-and-sustainable-corporate-strategy> accessed 14 January 2025.
[10]Saifaddin Galal, 'Demographics of Africa - Statistics & Facts, Statista.com, 28th March 2024, <https://www.statista.com/topics/7928/demographics-of-africa/#topicOverview> accessed 14 January 2025.
[11]Odusola, (n 9).
[12] A Halidu, 'Assessment of Nigeria in The Forum on China-Africa Cooperation (FOCAC)', *IOSR Journal of Humanities And Social Science* (2021) 26(8) 45-52.
[13] Halidu (n 12).

Human capital development and technology transfer work hand in hand in that FDIs cause an increase in the technical and overall skillset of the citizens of the recipient nations through the transfer of technology and other highly specialized information and skills. Finally, the flow of FDI into a country translates into a continuous flow of foreign exchange, helping a country's Central Bank maintain a prosperous reserve of foreign exchange which results in stable exchange rates[14].

Disadvantages of Africa as an FDI destination include political instability and insecurity, high risk investment and poor regulatory structure. All three points boil down to one thing- high risk investments. In Africa, there is poor governmental organization and planning in many countries and as a result, there aren't strong structures to safeguard investments, changes in government can occur suddenly causing investors' monies to go down the drain. These and a general instability in many countries make Africa a high-risk destination albeit profitable.

5. Analysis of China's FDI in Nigeria

Having explored the historical underpinnings of Chinese investment in Nigeria in the introduction to this paper, it is imperative at this point to examine the current state of Chinese FDI in Nigeria especially since the Forum for China-Africa Cooperation (FOCAC) of 2006 under the Olusegun Obasanjo regime. The FOCAC was originally inaugurated in 2000 as a partnership platform between China and all 53 African states excluding Eswatini. The FOCAC is one of the most far-reaching economic partnerships that one country- China has with a basically the entire African continent[15].

In 2006, FOCAC held a Summit in Beijing from 3rd to 5th of November which included the participation of heads of states and governments of 35 African countries including Nigeria. Since its inception, Nigeria has benefitted greatly from economic cooperation between itself and China[16]. One benefit is that there has been an exponential surge in the Chinese investment in Nigeria totalling billions of US dollars in recent times. Specific statistics are given below.

However, before exploring this further, it is important to note that the Nigerian government has long recognized its need to diversify its economy. This became even more glaring since the deep recession of 2013- 2014 in which oil prices dipped severely. This recession was followed by the rapid devaluation of the naira in 2014 and heavy depletion of foreign reserves in a bid to defend the exchange rate[17].

Before the recession, the Federal Government of Nigeria introduced several economic policies to promote domestic manufacturing prominent among which is the National Industrial Revolution Plan (NIRP) as an avenue to move away from exports to a stronger non- oil export base. According to a publication by the Nigerian Federal Ministry of Industry, Trade and Investments, citing President Ebele Goodluck Jonathan (2013), industrialization is essential to move Nigeria from being

[14]Research FDI, '16 Advantages and Disadvantages of Foreign Direct Investment' <https://researchfdi.com/foreign-direct-investment-advantages-disadvantages/> accessed 14 January 2025.
[15]S Ze Yu, 'What is FOCAC? Three Historic Stages in the China-Africa Relationship, LSE Blog', <https://blogs.lse.ac.uk/africaatlse/2022/02/03/what-is-focac-three-stages-the-new-china-africa-relationship-trade-economics/> accessed 16 January 2025.
[16] Halidu, (n 12)
[17]Y Chen, 'Africa's China: Chinese Manufacturing Investments in Nigeria in the Post-Oil Boom Era and Channels for Technology Transfer', Working Paper Series, China- Africa Research Initiative (CARI), No. 36, April 2020, <https://africa.isp.msu.edu/files/3516/3625/3858/WP_36_Chen_Manufacturing_Nigeria.pdf#:~:text=HISTORICALLY%2C%20NIGERIA%20HAS%20EXPERIENCED%20SEVERAL,stronger%20tendency%20towards%20direct%20investment> accessed 16 January 2025.

a supplier of raw materials alone and a major importer of manufactured products to an industrialized nation[18].

Some of the opportunities that lie in industrialization of Nigeria include the potential that Nigeria has to become the number one industrial nation in Africa or at least amidst the top 10. Also, it is an avenue to diversify the economy, build up labour intensive sectors and to produce locally for domestic consumer market leading to foreign exchange savings. Apart from these attractive opportunities, certain threats to Nigeria's oil dependent economy were also identified including discovery of oil and gas in large quantities all over the world and the rising competition as other countries industrializes. Several challenges were identified including poor financing, inconsistency in policy and a shortage of industrial skills. To round up this SWOT analysis, strengths such as a 53 million strong (as at 2013) labour force, large market and abundant raw materials were pointed out[19].

The NIRP remains Nigeria's first comprehensive, integrated and strategic roadmap to industrialization. The NIRP seeks to increase foreign direct investment by developing the industrial sector in Nigeria. The impact of the NIRP however remains to be seen[20]. Apart from the NIRP, President Goodluck Jonathan also introduced the 2014 automotive policy which was an attempt to boost domestic car assembly plants by raising import duties on fully assemble cars from 10 to 35 percent which has considerable success in encouraging international auto manufacturers to open assembly plants in Nigeria, it however was not very successful in encouraging domestic car assembling[21].

Between 2013 and 2021, Chinese FDI in Nigeria is estimated at 7.5 billion USD. According to the World Bank, Nigeria-China trade in products increased from about USD 1.2 billion in 2003 to USD 13.7 billion in 2019. Nigeria's trade with the United States in the same period declined from USD 11.5 billion to USD 7.5 billion. Within the same period, Chinese investment in Nigeria increased from USD 24.4 million to 123.27 million. Nigeria became one of the top five Chinese investment destinations in Africa- after Kenya, The Democratic Republic of Congo, South Africa, and Ethiopia in 2020[22].

Chinese development finance has led to a rise in debt. According to the Nigerian Debt Management Office, Chinese loans to Nigeria stood at about 10 percent (USD 3.3 billion) of the total external debt (USD 33.3 billion) at end-December 2020.[23]While this appears manageable in terms of the total external debt portfolio, China is Nigeria's top bilateral lender with 80 percent of the bilateral loans – which includes loans from France (USD 494 million), Germany (USD 184 million), Japan (USD 80 million), and India (USD 37 million)[24].

Some of the top China- Nigeria investment schemes include China Town in Lagos, the Kajola Specialised Railway Industrial Free Trade Zone, Ogun Guangdong Free Trade Zone (OGFTZ),

[18]Nigerian Federal Ministry of Industry, Trade and Investments, Nigeria Industrial Revolution Plan -NIRP, March 2014, <https://nationalplanning.gov.ng/wp-content/uploads/2020/12/Nigeria-Industrial-Revolution-Plan.pdf>accessed 16 January 2025.
[19]DMO, 'Nigeria's External Debt Stock as of December 31, 2020, in Millions of USD.' 31st December 2020,<https://www.dmo.gov.ng/debt-profile/external-debts/external-debt-stock/3489-nigeria-s-external-debt-stock-as-at-december-31-2020/file>accessed 16 January 2025.
[20]ibid
[21] Chen (n 17).
[22]SAIS-CARI, 'Data: Chinese investment in Africa.'2020 <http://www.sais-cari.org/chinese-investment-in-africa> accessed 16 January 2025.
[23]DMO, (n 19).
[24]O Adagbo, 'How China lost Nigeria' The Diplomat, August 25, 2020, <https://thediplomat.com/2020/08/how-china-lost-nigeria/>accessed 16 January 2025.

Lekki Free Trade Zone (LFTZ) and the Ofada Vee Tee Rice Limited[25]. A few of these investments are discussed below.

China Town in Lagos is located on the Ketu- Oworonshoki expressway specifically in Oshodi, Lagos State. There are about one hundred and twenty shops in this market and seventy- five percent of these shops is owned by Chinese. The market deals in products such as textiles and apparels, lace, toys, electrical appliances and artwork. The Kajola Specialised Railway Industrial Free Trade Zone. This FTZ is a joint venture of the Ogun State Government and the Chinese Civil Engineering Construction Company (CCECC). The value of CCECC's investment is estimated at $775 million naira. The project is aimed at facilitating the flow of FDI inflow to the state and to industrialize the state[26].

The Ogun Guangdong Free Trade Zone (OGFTZ), is a tripartite project of two Chinese companies- Guangdong Xinguang, International of Guangdong Province in China and the Ogun State Government. The cost of the project is estimated as $500 million. Upon its conclusion, the FTZ will be made up of about 100 firms engaged in light to medium manufacturing activities such as ceramic processing, furniture construction, footwear and rubber production, hardware, and household appliances. In addition, the development of the host community is expected to be positively enhanced. Two related projects are in this direction: - a $700,000 primary school project; and - dualisation of the road linking Igbesa (the FTZ site) to Badagry express way[27].

Having examined the extent of Chinese investment in Nigeria, it is apparent that China's FDI is indeed expansive and voluminous. China has invested so much into Nigeria and would expect huge returns on investment. The question that arises here is whether Nigeria is able the cost of this huge investment and concurrent debt burden. What are the implications of this investment for Nigeria? Is Nigeria's action in moving away from US investment to Chinese investment not synonymous to jumping from frying pan to fire. Finally, what is the legal implication of China's FDI, are the agreements and treaties in question establishing China- Nigeria relations enforceable? If yes, to what extent. These questions are going to be addressed in the concluding part of this paper.

6. Benefits and Risks Associated with China's FDI in Nigeria

China's FDI presents significant opportunities and benefits for Nigeria:

a. **Infrastructure Development**: Large-scale projects funded by Chinese investment have significantly improved connectivity and facilitated trade, contributing to Nigeria's economic growth. A prominent example is the Lagos-Ibadan Railway, a $1.5 billion project financed and constructed by the China Civil Engineering Construction Corporation (CCECC), which has greatly enhanced transportation and trade efficiency for Nigerian citizens.
b. **Technology Transfer:** Partnerships and joint ventures with Chinese firms have the potential to introduce advanced technology and expertise to local industries. Notable examples include Innoson Motors, which collaborates with Chinese firms to enhance its technological capabilities, and Huawei's ICT Training Centers in Nigeria, which play a crucial role in developing local expertise in telecommunications and information technology.
c. **Job Creation:** Although often criticized for favoring Chinese labor, these projects have also created opportunities for Nigerian workers.

[25]O A Oyeranti and others, 'The Impact of China-Africa Investment Relations: The Case of Nigeria, AERC Collaborative Research China - Africa Project', <https://aercafrica.org/old-website/wp-content/uploads/2018/07/NigeriaPB8.pdf> accessed 17 January 2025.
[26]A Sotunde, 'Nigeria to give China Oil Rights for Investment, Reuters, April 26, 2006, <https://www.nbcnews.com/id/wbna12497463> accessed 17 January 2025.
[27] Ibid.

d. **Diversified Investment**: Chinese investment has targeted sectors beyond oil, aligning with Nigeria's strategic goal of economic diversification[28].

Despite these benefits, there are critical concerns that must be addressed to evaluate the impact of Chinese FDI:

i. **Debt Sustainability:** Nigeria's external debt burden has risen sharply, with a significant portion attributed to Chinese loans tied to infrastructure projects. The repayment terms often include clauses that may be challenging if Nigeria's economy does not meet growth expectations. As of 2020, Nigeria owed China $3.1 billion, representing nearly 4% of its total public debt. Concerns arise from repayment terms that might strain Nigeria's economy if revenue projections fail, particularly in sectors like oil-dependent infrastructure projects[29]
ii. **Resource-Backed Loans:** Some Chinese investments are structured in such a way that resources such as oil or minerals are used as collateral, leading to concerns about economic sovereignty and long-term impacts on the country's wealth. Taking into consideration the event of Angola entering a series of oil-backed loans with Chinese lenders to fund post-war reconstruction. While these deals provided infrastructure, they tied Angola to long-term oil exports, which limited its ability to leverage future revenue streams for broader economic needs . Similar arrangements have been made with the Nigerian Government, where Chinese investments in the oil and gas sector involve repayment tied to oil revenues. For example, in a 2006 deal, China was offered preferential rights to Nigerian oil blocks in exchange for infrastructure financing.[30]
iii. **Quality and Transparency Issues:** Reports of substandard project execution and unclear contractual terms have raised questions about accountability and oversight. Reports of poor execution plagued the Lagos-Ibadan railway, with substandard facilities and safety issues at station sites. This raised concerns about the overall quality of projects financed and constructed by Chinese firms.
iv. **Economic Dependence:** A heavy reliance on Chinese investments may tilt economic and political leverage, limiting Nigeria's ability to diversify its partnerships and adopt an independent foreign policy. As the host of the only Chinese overseas military base, Djibouti, a classical reference for African countries, has become highly reliant on Chinese investment for ports and infrastructure. This has led to concerns about losing economic independence and increased geopolitical leverage for China in the region. Heavy reliance on Chinese loans for infrastructure creates dependency that limits Nigeria's ability to diversify its investment sources. For instance, strategic projects like power plants and railways often tie the Nigerian economy closely to Chinese policies and economic strategies.

7. Comparative Case Studies

A foreign direct investment (FDI) is ultimately neutral in character. This means that it is neither good nor bad, depending on how it is utilized alongside other factors. This also means that an FDI can either be successful or fail. Usually, FDIs can be a combination or success for parties involved. An FDI can be successful in specific areas and yet fail in others. An FDI can also be successful to the investor and a failure to the recipient and vice versa.

Since China's FDI in Nigeria is still ongoing, it might be too early to evaluate its success or otherwise. However, there are existing examples of FDIs which have either succeeded or failed. By examining successful FDIs, the principles that made these FDIs successful can be examined and

[28]C Yunnan and others, 'Learning from China? Manufacturing Investment and Technology Transfer in Nigeria', Working Paper, No. 2016/2, <https://www.econstor.eu/bitstream/10419/248130/1/sais-cari-wp02.pdf> accessed 17 January 2025.
[29]Sultan Majeed Al-Ali,Chinese Investment in Nigeria: An Evolving Partnership Despite Skepticism, Trends Research and Advisory, 2nd August, 2022, <https://trendsresearch.org/insight/chinese-investment-in-nigeria-an-evolving-partnership-despite-skepticism/> accessed 17 January 2025.
[30]Sotunde (n 26).

broken down to see how Nigeria can emulate these strategies for a successful FDI. Failed FDIs are useful in knowing what to steer clear of.

7.1 Successful FDI's

The top ten recipients of FDI worldwide by the end of 2020 were the United States, the Netherlands, Luxembourg, China, the United Kingdom, Hong Kong SAR, Singapore, Switzerland, Ireland, and Germany[31].

Looking at the United Kingdom, the UK is one of the foremost countries in Europe regarding its ability to attract FDI (second only to France and directly ahead of Germany). Here are some facts about FDI in the UK.

- The UK recorded 985 Foreign Direct Investment (FDI) projects in 2023, up 6% from 2022 and ranking it second in Europe
- The UK saw its share of Europe's inward investment market grow to 17.3%, up from 15.6% in 2022
- UK FDI growth driven by resurgence in digital investment, securing over a quarter (27%) of all European tech projects last year[32].

One of the UK's biggest investors is the United States (US). In 2022, the USA was the single largest investor in the UK, with investment of £31.0 billion, up from £17.1 billion in 2021[33]. Overall, FDIs in the United Kingdom have been a success. They have helped to create jobs and engender economic growth in the UK. Industries such as automotive, life sciences, aerospace and biotech have seen a notable increase in job opportunities[34]. The UK's economy is also improving (albeit slowly) despite the general global economic crunch. Challenges to the success of FDIs include competition and post covid issues. While competition for foreign investments remains fierce, a few industries are still reeling from the shock of COVID-19[35].

The above demonstrates that FDIs can be beneficial when channelled resourcefully and efficiently. If you owe to own, expend investments on infrastructure and capital project than in due time, the investments will yield returns. If a country, however, continues to owe and spends investment/loans on expenditure, then the country will experience little progress and a tremendous increase in the national debt burden.

7.2 Disaster Scenarios

Foreign Direct Investment in a country can either be successful or a failure. It is worthy of note that FDIs in a country are usually not a 100% failure or success but a combination of both. For example, the US may have over 500 FDIs in Nigeria. Out of the 500 investments, 450 might be successful and the remaining 50 fail. Therefore, in the same country (in this case, the US), company A's investment may be successful and company Q's investment might fail. Furthermore, company Q in

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[31] C Sánchez-Muñoz and others, 'The World's Top Recipients of Foreign Direct Investment', IMF Blog, 16th December 2021, <https://www.imf.org/en/Blogs/Articles/2021/12/16/the-worlds-top-recipients-of-foreign-direct-investment> accessed 21 January 2025.

[32] R Joyce, 'Foreign Direct Investment: UK's Project Total Grows as Europe's Falls, EY news, 11th July 2004, <https://www.ey.com/en_uk/newsroom/2024/07/foreign-direct-investment-in-uk-grows-as-europe-declines> accessed 21 January 2025.

[33] Matthew Ward, Foreign Direct Investment Statistics, House of Commons Library Research Briefing, 9th December 2024, <https://researchbriefings.files.parliament.uk/documents/CBP-8534/CBP-8534.pdf> accessed 21 January 2025.

[34] L Johnson and others, 'Billions in Foreign Investment Sees Thousands of New Jobs across the UK', Gov.uk, 27th June 2023, <https://www.gov.uk/government/news/billions-in-foreign-investment-sees-thousands-of-new-jobs-across-the-uk#:~:text=The%20automotive%20sector%20has%20seen,have%20created%2010%2C263%20new%20jobs.> accessed 21 January 2025.

[35] Eve Collyer Merritt, 'Attracting More Foreign Direct Investment to the UK', House of Lords Library, 2nd September 2024,<https://lordslibrary.parliament.uk/attracting-more-foreign-direct-investment-to-the-uk/#:~:text=The%20UK%20achieved%20a%20strong,and%20prosperity%20in%20the%20future.> accessed 21 January 2025.

the US, may invest in Nigeria and fail woefully yet be extraordinarily successful in Cote d'Ivoire and vice versa.

An FDI may succeed or fail for many reasons including economic climate, market entry strategy and level of competition in the recipient nation. All over the world, there are examples of failed FDIs and we shall be examining a few of them. Hailo a U.K. based taxi finding app expansion from Europe into North America failed because it just couldn't compete with the established taxi hailing companies- Uber and Lyft. Before expanding to Noth America, Hailo had very healthy revenues and over 2.5million registered passengers in Europe. After examining the pros and cons the cab hailing company decided to pull out of North America in October 2014, shutting down its operations in Washington, Chicago, Boston, Montreal and Toronto[36].

In China, Mattel a doll manufacturing company hoped to infiltrate the Chinese market with their Barbie dolls by setting up shop in Shanghai's retail district in March 2009. However, Mattel was met with a stiff rebuff due to a culture slash. In Chinese culture, educational and skill building toys were the in thing and the Barbies were seen as a distraction and therefore Mattel's business in China tanked. In about two years, the 36,000- square-foot Barbie store was shut down[37]. What went wrong? Differing consumer preferences, conflicting regulations, local competition and competing business preferences led to the failure of these FDIs.

8 Future Projections

China- Nigeria relations are based on the following set of five principles agreed upon by Nigeria and China in 1971 to wit- i. mutual respect for each other's sovereignty and territorial integrity; ii. mutual non-aggression; iii. non-interference in each other internal affairs; iv. sovereign equality and; v. peaceful coexistence[38].

In a recent conference, the Chinese Ambassador to Nigeria, GuXiaojie, proudly declared that "Nigeria is China's number one engineering market, number two export market, number three trading partner and major investment destination in Africa"[39]. In recent testimony, the Chinese Ambassador to Nigeria, Ambassador Cui Jianchun, stated in 2021 that the trade volume between his country and Nigeria was $20bn in 2020, despite the coronavirus pandemic. Nigeria exclusively imports more from China than from USA and India combined, with little exports in return[40].

China only imports unprocessed agricultural items like cotton and timber and mineral like crude oil from Nigeria. China has added mechanical and human expertise and investment capital to its list of exports to Nigeria, with over 200 Chinese companies operating in Nigeria. The China Civil Engineering Construction Corporation is almost exclusively in charge of rehabilitating Nigeria's railway system[41].

The China National Petroleum Company (CNPC) and the China National Petroleum and Chemicals Corporation (CNPCC) are getting juicy projects and making enviable inroads into Nigeria's deep water oil fields. China National Overseas Oil Company (CNOOC) won a 45% stake in OPL 246 in Nigeria's Akpo oil field. In that deal, CNOOC is to have 70% of the profit whilst Nigeria's NNPC

[36]A Seale, 'Seven Epic Cases of Companies That Failed Internationally, Touch point by Firmex', <https://www.firmex.com/resources/blog/seven-epic-fails-by-businesses-that-tried-expanding-into-foreign-markets/#:~:text=Hailo%20gives%20up%20in%20North,%2C%20Boston%2C%20Toronto%20and%20Montreal> accessed 21 January 2025.
[37]'Can Barbie conquer China?' <https://www.bbc.com/news/business-30210261> accessed 21 January
[38]O G Uwa and others, 'Nigeria-China Economic Relations: Matters Arising, *Global Journal of Political Science and Administration* (2022)10 (3) 42-54.
[39]B T Akinterinwa, 'Africa today's Conference on Nigeria-China Relations and Implications for Nigeria's Foreign Policy Concentricism'. This Day May, 8. accessed 21 January 2025
[40]Uwa (n 38)
[41]U Ohanu, 'China-Nigeria Relations' accessed 21 January 2025.

goes home with 30%. Chinese National Petroleum Corporation (CNPC) was awarded the license for four oil blocks-OPL 471, 721,732 and 298; in return, CNPC was to help rehabilitate the Kaduna refinery estimated to cost $2billion[42].

China's investments in Nigeria are substantial. According to a report issued by the Chinese embassy in 2019, Nigeria hosts 70 construction, 40 investments and 30 trading Chinese companies. In 2018 alone, Chinese companies were awarded 175 construction contracts in Nigeria, worth $17 billion USD, some of these projects directly employed a significant number of young Nigerians[43]. Despite all these investments of China in Nigeria, the relation between the two countries (Nigeria and China) is asymmetrical and lopsided one, as China gain more than Nigeria gain in the long run as billions of US Dollars flows through the tin-tanks of Nigerian economy consequently, leading to unbalance of trade, balance of payment issues, national debt, among others. Nigeria Exports to China was US$1.77 Billion during 2020, according to the United Nations COMTRADE database on international trade[44].

Though, Exports to Nigeria in China decreased to 2034320 USD THO in December from 2151824 USD THO in November of 2021 according to National Bureau of Statistics of China recently released in 2022. Trade data gleaned from the National Bureau of Statistics (NBS) and analysed by The Guardian show that Nigeria has spent N19.12 trillion on imported commodities from China in less than four years – from January 2018 to September 2021[45].

Economists have seen the deepening Chinese influence in the local market as a huge drain and cost on the ailing domestic economy as imports constitute leakages on any economy. Sadly, Nigeria's trade relations with China reflect the widespread imbalance the Southeast Asian country is known for. Within the referenced period, Nigeria exported a paltry N2.09 trillion worth of commodities to China, putting the trade deficit at N17.03 trillion. In each of the quarters in the four years, China accounted for 27 per cent of Nigeria's total imports, leading the country's second top trading partner, India, and other top trading partners with a wide margin, in each of the years[46].

With the above data, it is apparent that China- Nigeria relations will continue to be skewed in favour of China with the national debt burden on the rise. The China- Nigerians relations are slowly compromising the national integrity on sovereignty of Nigeria. Resources in Nigeria are being exploited; the Chinese have also embarked on the creation of small settlements of mini-Chinese towns exclusively for their citizens. Furthermore, Nigerian citizens accused Chinese companies severally of human rights abuses and reneging on their corporate social responsibilities to their host communities. There is therefore need for the Nigerian government to re-strategize its position in its relations with China and exercise caution[47].

9 Conclusion and Recommendations

Conclusion

Earlier in this paper, the writer asked the following questions. Is Nigeria able to cope with the cost of this huge investment and concurrent debt burden. What are the implications of this investment for Nigeria? Is Nigeria's action in moving away from US investment to Chinese investment not synonymous to jumping from frying pan to fire? Finally, what is the legal implication of China's

[42]M Mbamalu, Dangote, Chinese firm. The Guardian, 27 .2015.
[43]Uwa (n 39)
[44]Ibid.
[45]'Gulf widens as Nigeria spends N19tr on Chinese goods in 45 months '<https://guardian.ng/news/gulf-widens-as-nigeria-spends-n19tr-on-chinese-goods-in-45-months/>
[46]Uwa (n 39)
[47]O E Ibiam and others, 'Emerging Trends in Sino-Nigeria Relations: Implications for new Economic Development Options', *African Journal of Politics and Administrative Studies* (AJPAS) (2024) 17(1) 293-323,.

FDI in Nigeria? Are the agreements and treaties in question establishing China- Nigeria relations enforceable? If yes, to what extent?

Nigeria has entered into certain agreements with China. They include: Agreement on Trade, Investment Promotion and Protection2001, Agreement for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Tax on Income 2002, Agreement on Co-operation on Strengthening Management of Narcotic Drugs, Psychotropic Substances and Diversion of Precursor Chemical 2002, Memorandum of Understanding on a Strategic Partnership 2006, and the Memorandum of Understanding on peace co-operation 2010.

Is Nigeria able to cope with the cost of this huge investment and concurrent debt burden?
While Nigeria might be able to cope with the immediate costs of its relations with China. It is definite that the long-term implications are not going to be funny. Over time, the neocolonialism, oppression and unfair advantage complained about by Nigeria against the West might just become more burdensome in its relations with China.

Is Nigeria's action in moving away from US investment to Chinese investment not synonymous to jumping from frying pan to fire?
So far, Nigeria's economy has continued to take a turn for the worse. While Poor leadership and mismanagement are the culprits behind this economic crisis, getting more investment and loans from China is not the answer either. In fact, opening up Nigeria to investment and taking out huge loans, is synonymous to pouring water into a basket as these loans are being used on expenses and therefore not worth it. Furthermore, China's failure to comply with international best practices and human right abuses make them a worse option as an investment partner in many respects.

What is the legal implication of China's FDI in Nigeria?
China's foreign direct investment (FDI) in Nigeria has legal implications related to the Nigerian Investment Promotion Commission (NIPC) Act, contractual agreements, and domestic legislation.
Nigerian Investment Promotion Commission (NIPC) Act

a. The NIPC Act allows foreign investors to own up to 100% equity in Nigerian subsidiaries.
b. The NIPC Act also lists prohibited businesses that apply equally to Nigerians and foreigners.

Contractual agreements

a. The applicable law that governs a transaction is subject to the contractual agreement between the parties.
b. Nigerian courts will respect the choice of law made in the contractual agreement, as long as it wasn't made in bad faith or contrary to Nigerian public policy.

Domestic legislation

a. Domestic legislation controls tax, immigration, and bankruptcy matters, regardless of the agreement of the parties.
b. Nigerian law governs the document creating security over assets in Nigeria.

Bilateral investment treaties

- Foreign investors may be able to claim further protection under bilateral investment treaties signed between their home jurisdiction and China.

Are the agreements and treaties in question establishing China- Nigeria relations enforceable? If yes, to what extent?
One major rule of International Law is- *pactasuntservanda* meaning *all agreements are binding*. To this end, every treaty freely entered into by Nigeria with China is binding upon both countries in accordance with the terms agreed upon.

Recommendations

Nigeria can enhance its position in its relations with China by adopting a strategic, mutually beneficial approach that prioritizes long-term national interests. First, Nigeria should diversify its exports to China beyond crude oil, leveraging its vast agricultural potential, solid minerals, and manufactured goods. By doing so, it can reduce its trade imbalance and create new revenue streams. Second, Nigeria should focus on negotiating more favorable terms for Chinese investments and loans. This includes prioritizing projects that align with Nigeria's development goals, such as infrastructure, technology transfer, and industrialization. Transparency in these agreements is crucial to avoid debt dependency and ensure accountability.

Third, fostering skills transfer is essential. Nigeria can insist on provisions in agreements that mandate the employment and training of local workers in Chinese-led projects. This will help develop indigenous capacity and reduce reliance on foreign expertise.

Furthermore, Nigeria can strengthen its institutions to ensure that agreements with China are effectively implemented and monitored. Establishing joint commissions for oversight and dispute resolution can promote fairness and mutual respect.

Diplomatically, Nigeria should deepen its engagement with China through cultural exchanges, educational partnerships, and people-to-people diplomacy. These initiatives can help build trust and understanding, ensuring the relationship transcends mere economic transactions.

Finally, Nigeria must engage with regional partners in Africa to present a united front in dealings with China, leveraging collective bargaining to secure better terms. By adopting these strategies, Nigeria can transform its relationship with China into a true partnership that fosters sustainable growth and national development.