

China-Nigeria Infrastructural Development Strategies: An Assessment of the Investments of Chinese Companies and Implications for Nigeria's Development Prospects

Erunke Canice Esidene, Atsiya Pius Godiya and Yahaya Abubakar Sadiq

Department of Political Science, Nasarawa State University, Keffi

Corresponding author: erunke@gmail.com

Abstract

The core objective of this paper is to examine the nexus between investments of the Chinese companies and how that can enhance infrastructural development relations in view of the increasing role of Chinese companies' investment trajectory. The study is particularly hinged on the examination of investment drive of the Peoples Republic of China in Nigeria and the extent to which some of these efforts could affect development in the country. Recent studies by experts have indicated increasing Chinese company's investments by way of trade, finance, telecommunications, infrastructural development and expansion, among others. The fundamental question that has permeated scholarly debates for an umpteenth time is whether there is corresponding change and/or development in the nation's economy or not. This study is an exploration of existing works of scholars in the broader discipline of China-Nigeria economic development interface. The study is a desk survey, and hence, employs vast majority of secondary sources as method of investigation. Essentially, the secondary sources include relevant existing research materials obtained from referred journals, monographs, books and archival sources. Findings have revealed that in spite of enormous Chinese companies' investment in Nigeria, development has hardly improved. Further research investigations show that the nation's internal contradictions orchestrated by corruption and high-scale complicity by the power elites have had stunting effects on development in Nigeria in virtually every facet of the nation's landscape. The paper sums up with suggestions as panacea that could drive the anticipated developmental process of the Nigerian state in the 21st century and beyond.

Keywords: Infrastructure, Relations, Investment, Companies, Development.

Introduction

The quest for international partnership, trade and investments, mutual economic cooperation and infrastructural development by the Chinese government in Africa, and particularly Nigeria is of enormous interest to this study. Thus, the ever-increasing interest in infrastructural development and expansion that has taken place over time, and indeed, is still taking place has brought to the fore the question of whether or not such gestures are meant to drive home investment opportunities and infrastructural expansion alike.

Odutola (2020) indicated that Nigeria has approximately over 200 million people, and having a growth rate of 2% per annum. Again, in the global ranking index, the Nigerian economy can be said to be the seventh (7th) largest economy in the world, while the nation represents well over 70 percent of global market gateway in sub-Saharan Africa. This kind of economic pedigree, no doubt, has endeared the

country to several countries of Europe, America, and Asia. China falls directly under the last category as a South East Asian state with enormous foot print in investments in Nigeria. From what Odutola has said, China has since taken advantage of the expansive market structure in Nigeria, and hence, mobilized large-scale investment drives in the nation. For the avoidance of doubt, quite a number of Chinese companies, investment and international entrepreneurs have taken a centre stage in their quest to partner with the Nigerian government for the purposes of infrastructural development.

As mentioned earlier, the presence of major manufacturing Chinese companies can be found in critical areas of the Nigerian economy, ranging from automobile, textiles, furniture production, consumables, iron and steel production, oil and gas, construction, Financial Technology (FinTech) and several other areas in Information and Communication Technology

(ICT), among others.

According to Daniel and Maiwada (2015), since the twilight of the 1990s, China has broadened its economic relationship in Africa which could be seen in multiple investment opportunities as well as trade. Buttressing the standpoint of Daniel and Maiwada (2015) on the many expeditions carried out by China in Africa, and particularly Nigeria, Raji and Ogunrinu (2018) noted that while China, for an umpteenth time, has been relating to Nigeria in form of trade and investment, the Nigerian state has equally benefited from China by the exploration of trading opportunities from China. What this means is that the relationship between the two nations (China and Nigeria) has literally taken place in form of a two-way traffic.

From the works of Raji and Ogunrinu (2018) averred that the Sino-Nigeria relations essentially forms the basis for the whole idea of economic intercourse between the two countries as earlier stated. Thus, the whole essence of the Sino-Nigeria relations point to the fact that each of the nations has taken advantage of existing comparative economic fortunes for their mutual benefits and survival. While China requires the rich natural endowments of Nigeria such as solid minerals, oil and gas, agricultural produce, etc, Nigeria on the other hand takes advantage of the growing population of its people and market to sell its finished products. It has been argued from various quarters that as a result of Nigeria's enormous population, natural endowments, both human and capital, Chinese investments have become common place. Report has it that well over 200 Chinese companies are currently domiciled in the country, making Nigeria the largest entity for what is called Foreign Direct Investment (FDI). It is for this singular reason that economic experts have alluded that of the over \$26.5 billion investment capacity in Africa, 15 billion of it is located in Nigeria alone.

In this study, we shall examine Chinese company's activities in Nigeria in the context of infrastructural development relations between the two countries, and then demonstrate the extent to which this relation has impacted on the Nigerian economy in terms of development.

Conceptual Clarifications

For the purpose of this study, the following concepts are examined.

Infrastructure

The concept of infrastructure is used to mean any form of material and public capital such as road networks, airports, telecommunication facilities, health, among others (Buhr, 2003). Infrastructure could also be used to mean a system of public works of a nation-state or geo-political entity, and involves the expenditure of resources such as personnel, building, equipment, etc.

Investment

Investment is a concept that is generally seen or heard in most business environments. It refers broadly to the art of allocating resources, for example, money into financial schemes, shares or property with the sole aim of generating immediate or future gains or profits (Soanes & Stevenson, (2008) cited in Hwang and Cheng, (2010).

Infrastructural Development

Infrastructural development refers to all forms of investment drives of government in terms of cost, application of skills, personnel and other critical superstructure necessary to stimulate economic sustenance and growth. This involves adopting the right kind of innovation, technology and material resources as necessary conditions to steer up socio-economic development (Erunke, 2022).

Company

The concept of company means any legal entity established by individuals or groups for the sole purpose of engaging in, and operating a business outfit (Jasperson, Drury & Kenton, 2021).

Theoretical Framework

The main thrust of this study is on the extent of Chinese company's investments and how that feat could deepen infrastructural development initiatives. In order to clearly justify this standpoint, this study adopts economic cooperation and dependency theory as a point of departure. From the writings of Nye and Keohane (1994) cited in Raji and Ogunrinu

(2018), argue that international economic relations is synonymous with cooperation and interdependence. The expectation in the context of this mutual intercourse is to distribute gains to all parties involved in the relationship using the principle of equity, fairness and justice. What this means is that each of the parties in question, whether weak or strong, have equal stakes in the economic distribution scheme of things.

On the other hand, the thesis of dependency presupposes that a vast majority of economic fortunes and resources tilts in favor of developed metropolitan entities such as advanced nations or great power nations. When this happens, Third World Countries (Nigeria inclusive) tend to be at the receiving end. To be sure, most scholars that have written on dependency, for instance, Raul Prebisch, Hans Singer, Walter Rodney, Paul Baran, among others. All of these experts have criticized the nature of unfair international economic relations between Third World economies on the one hand, and those of the developed countries on the other. Essentially, this theory emerged as a reaction to the modernization school of thought, with the latter opting for more or less unified stages of growth and development as template for the development and expansion of less developed nations.

This is what has come to be known as Rostow's stages of development and it include development pathways in form of acceptability of Foreign Direct Investment (FDI), transfer of innovations and technology and international market integration and/or globalization. To the dependency theorists such as Walter Rodney, Claude Ake, Samir Amin and many others, underdevelopment is only propagated by developing nations as a yardstick for continuous exploitation and subjugation of poorer countries of the world. They further argued that every nation of the world had developed at different times in relation to their respective historical peculiarities and/or trajectory (Rodney, 1972).

Relating the theory to our main concern, it can be adduced that the economic relationship between Nigeria and China over time has been relatively unequal. This relationship is better explained in the context of dependency and inequality. This assertion can be said to be true when we consider that for several decades and

still counting, the Nigerian market has practically been flooded by Chinese goods – electronics, home appliances, hard wares, computer accessories, hospital equipment, mobile phones and several industrial equipments running into billions of US dollars. It is not out of place to say that not even a single industry owned by the Nigerian government is domiciled in China at the moment. This is the point of relevance where we are able to see the imbalance in a relationship amongst political entities that are said to be operating in international economic scheme of things.

This theory is important because it exposes the inherent lapses in international economic cooperation discourses, and hence, shows the enormity of what is realistic from mere theoretical postulations. However, this theory has been criticized because it has failed to explain the internal dynamics of weaker nations. The contradiction here finds expression in the system of operation of power politics which has continued to create conducive environment for irregularities to fester. This is opposed to what is obtainable in developed climes such as China, where corruption is taken as serious crime against the state, and hence, punishable by available extant laws and regulations.

Chinese Company's Investments and Development in Africa: Insights from Nigeria

According to Agbebi (2019), Chinese investments in Africa generally can be seen in the broader areas of investment, international trade and what has come to be known as foreign aid. Records from various sources have indicated an exponential increase in Chinese company's investments in the African continent in form of Foreign Direct Investment (FDI). For example, in 2016, the Chinese-Africa investment was peaked at around US\$40 billion. This volume of investment, to Atkins, Brautigam, Chen and Hwang (2017) and the China Africa Research Initiative (CARI) (2013) represents over 97 percent of investments recorded in the period before 2016. As earlier noted in the course of this study, Africa appears to have become a choice investment destination for Chinese companies for a number of reasons.

First is the enormity and size of domestic

market (there are more buyers who are able and willing to buy from China); availability of cheap labor (where young and vibrant men who are either out of employment or idle are readily available to work), and several other pertinent endowment factors (Chen, Dollar & Tang, 2015). Evidence has also shown that Chinese companies have very large investment stakes in African countries such as Kenya, Ethiopia, Uganda, Tanzania and of course, Nigeria. In all of these countries, Chinese companies have been in operation either in the service sectors or natural resource sectors. As earlier pointed out, Chinese companies have grown in the area of telecommunications, and a good number of Chinese telecom giants such as Hauwei and ZTE have had their presence felt markedly around the continent.

These companies are said to have established more than 40 Third Generation telecommunications networks across several locations in the African continent. Taking this argument forward on Chinese company's interest in Africa, IDE-JETRO (n.d), an Institute of Developing Economies research hub, has pointed out that Chinese drive for expansion of the telecom service sector in Africa is viewed against the backdrop of her multi-dimensional engagement. This kind of engagement, it has been noted, serves to broaden its global standing, counter western influences of unipolarity as well as provide resources to feed its teeming industries back home.

Thus, apart from construction outfits as well as energy production and mining, the telecom sector has become of the four strategic pillars that underpins China's economic expansion and development as well as veritable tool to challenge any form of western hegemony. We can therefore say here, and unequivocally, too, that the Chinese telecom is an umbrella economic development strategies whose larger interest is for the acquisition of foreign technology, military applications, satellite development programmes as well as breaking grounds into new global market opportunities. This is not to say however that there are no other Chinese companies in Africa apart from Hauwei and ZTE. Other companies that have major shares in the African continent include, but not limited to Holley, Jiangsu, Yongyuan, King Dear, China-Africa Cotton, StarTimes, Huajian,

Transsion Holdings, among several others.

Chinese Companies' Investments in Nigeria: Implications for Development

From the classic works of Uchendu (2021), there seem to exist a formidable and enduring relationship between Nigeria and China in terms of investments. Chinese company's investment in the Nigeria economy is quite phenomenal. To Uchendu, investments in infrastructures such as the ones carried out by Chinese companies over time in Nigeria have the capacity to liberate the country out of the clutches of poverty.

To be sure, the Nigerian government currently plays host to several Chinese companies. They include 70 of the companies in the construction sector, 40 in the investment sector and 30 others in trade sub-sector. Uchendu (2021) went further to state that in 2018 alone, a total of 175 construction contracts were awarded to Chinese companies worth about \$17 billion US dollars. These contracts were said to have generated employment opportunities for the unemployed army of idle Nigerian youths. To many avid observers, maintained that ever since the signing of diplomatic ties between Nigeria and China in the early 1970s, the mutual relationship between the two countries have continued to deepen. Again, during the Beijing Summit of 2018 under the auspices of the China-Africa Cooperation (FOCAC), the Nigeria government, again, signed a Memorandum of Understanding (MoU) with the government and people of China. This MoU gave rise to the Belt and Road (BRI) Initiative and further strengthened the relationship.

Research investigations have proved that the MoU has produced greater and visible results by way of infrastructural development in Nigeria. For instance, mention has been made of notable BRI projects such as the Abuja-Kaduna standard Gauge rail line connecting Abuja, the nation's capital to the city of Kaduna in Kaduna state. Kaduna, no doubt, is viewed as the trade centre and transportation hub for the nation's North West geo-political zone of Nigeria. Again, there is the Lagos-Ibadan Standard Gauge line connecting Lagos, Lagos-Kano railway, believed to link the nation's two most viable commercial nerve centers in Nigeria.

Besides, there are infrastructural development in the area of airport such as the Abuja, Kano and Port-Harcourt international airstrips. These airports, no doubt, connect the nation and the rest of the world for more robust international commercial engagements.

The current debate among intelligentsias is the fact that modern infrastructural development (such as the ones being done by Chinese companies) is an indication of socio-economic advancement. They can be seen in form of roads network, bridges, sea ports, air ports, railways, and power plants for energy generation and transmission; dams for the supply of water, either for industrial or domestic uses, and telecommunications, respectively. The rating of a nation's development is therefore synonymous with the state-of-the-art infrastructure availability.

In the area of railway construction and delivery, evidence shows that the China Civil Engineering Construction Company (CCEC) for example, has delivered a total stretch of 712km of rail lines in Nigeria in recent times. The enormous economic values that accrue to the Nigerian economy due to this giant feat can only be imagined. Not only has Chinese companies' investments facilitated infrastructural development, the investments have given rise to the nation's access to capital and technical expertise needed for further development.

On the aspect of economic development, Chen (n.d) has insisted that out of the 218 Chinese companies registered in Nigeria, 128 of the companies into manufacturing have had tremendous economic impact on the nation's Gross Domestic Products (GDPs). A typical example of economic development and expansion is the about 30 kilometers industrial

layout in Lagos, the Lekki Free Zone (LFZ). This is a tripartite industrial hub where a MoU was entered into by Nigeria and China through the Sino-Nigeria investment and trade agreements. The Free Trade zone, when completed, will assist in the field of energy resources and infrastructural development.

From the writings of Chen (2020), Chinese companies have made significant in-roads in Nigeria's infrastructural development. According to Chen (2020), the Lekki free zone is located east of Victoria Island, Lagos. The company, findings reveal, has been the brain behind the stability in price of gas as well as electricity supply. To Chen, other companies such as Yulong Steel and Yafei Semi-Knock Down (SKD) with their exploits in the production of consumables such as household wares namely, mops, slippers and other products, have improved an employment generation to a greater or less extent.

Again, in Ogun State of Nigeria, several Chinese companies namely, Goodwill Ceramics, Hewang Cardboard and Snowsea Freezers have made viable marks in infrastructural expansion and development. Some of these companies manufacture essential building and construction materials ranging from furniture, steel pipes and rivets (iron or rubber head used to fasten two pieces of metals together). There are a number of other Chinese investments in places like the Calabar Free Trade Zone (FTZ). However, a large chunk of these investments are more pronounced in states like Ogun and Lagos, and they cover a number of critical sectors such as construction, furniture, food and beverage, cardboard and plastic packaging as well as assembly plants line. The table below depicts the aforementioned.

Table 1.1: Showing the Investments of Chinese Companies in Nigeria by Sector

Sector	Sub-Sector	Observations	Select Firms & Locations
Construction materials	Ceramics	Mostly tilling, 7-8 firms	WEMPCO (owned by Tung Group) Goodwill Ceramics (Ogun FTZ) Time Ceramics (Benin FTZ)
	Steel	Steel bars, pipes, rods, and beams	Far East Steel (Ogun FTZ) Panda Steel (Ogun FTZ) Baoyao Steel (Calabar FTZ) Yongxing Steel (Benin FTZ)
Furniture		10-20 firms, most factories in Ogun state	Discovery Furniture (Ogun FTZ) Winghan Furniture (Ogun FTZ) Lifemate Furniture (Ikeja)
Food & Beverages	Drink & Beverages		Viju Milk (Ogun State) Cway (Ogun State)
	Food	Snack cakes	Gudy Foods
Cardboard & Plastic Packaging		10-20 Chinese firms	Hexing Packaging (Ogun FTZ) Hewang Cardboard (Ogun FTZ)
Assembly Line Plants	Shoes		
	Household Appliances	White good & small electronics	Skyrun International (Calabar FTZ)
		Freezer assembly plant	Snowsea (Ogun FTZ)
	Vehicles	SKD trucks & vehicles	Sinotruck – 20% of Nigerian market (Lekki zone) Yafei Trucks (Lekki zone) FAW (Calabar FTZ)

Source: Chen, V. (2020) p.12

Challenges to Chinese Companies' Activities in Promoting Development

While Chinese companies and investors have attempted to bolster the Nigerian economy through rapid industrial expansion and development, a number of factors congeal to mitigate these ambitious efforts. They range from the nature of the Nigerian political economy, micro-economic challenges and policy summersaults, among others.

On the political economy angle, Chen (2020) claimed that political instability and corruption are uppermost. This finds expression in frequent change of government structures and policies. Again, corruption is another big challenge. A Chinese investor was once quoted as saying that:

Corruption is a big issue in the Nigerian business environment... If you want to do things the legal way, others don't, and they will make it difficult for you (emphasis added) (2020, p.22).

Added to this, there is mutual suspicion between firms and government agencies. This is solely due to the inordinate behaviors of government

agencies such as Standards Organizations as well as other environmental agencies. These bodies pressure Chinese companies with too many obnoxious tax and fine regimes. This practice seems disturbing, and hence, serves as inconveniences to the companies.

There is also the fear of insecurity amongst the investors. In Nigeria, the rising cases of kidnapping for ransom has recently shifted to big time Chinese and other seasoned expatriate investors. Aside from this, there is the fear of security costs associated with kidnapping and other criminal acts.

Moreover, there is the challenge of poor quality roads infrastructure. Most roads in Nigeria, if not all are death traps. Poor and low quality road network constitutes huge problems to the movement of containers and ceramics in and out of production sites, especially around Apapa, Lagos main land and Ogun state. This is coupled with the cost of inland transportation, custom clearance and raw materials sourcing, among others.

On the micro-economic level, there is the problem of fluctuation of foreign currency to the Nigerian naira, especially the US dollars. Critics have argued that the global economic

crises coupled with the decline in prices of oil in the international market are all problematic. The harsh exchange regime, no doubt, had deterrent effects on investments in the country. Most companies who relied heavily on foreign industrial inputs had to raise prices of finished goods to be able to keep afloat, a situation that has since added up to the worsening inflationary trends in the country.

Conclusion

This study has examined Chinese companies' infrastructural development initiatives in the context of infrastructural development and expansion in Nigeria. The research examines critical concepts that underscore the discussion under consideration. The paper adopted the cooperation and dependency theories as a point of departure. Several listed and/or registered Chinese companies were examined, especially those in the construction and manufacturing sub-sectors. In the end, the study found that even though, significant in-roads have been made by the companies as part of the MoU signed and entered into by the government, the prevailing internal contradictions such as political economy of corruption, macro-economic policies and the likes, have constituted huge albatross to the sustenance of this laudable objectives. What is left to be done by the government and other critical stakeholders in the wake of this challenge is to rise to the occasion and ensure that these challenges are effectively managed and mitigated. This is the focus of the next section on recommendations.

Recommendations

In view of the obvious challenges and the discoveries that have been made in the findings of this study, the following suggestions and recommendations for effective investment moves by Chinese companies for the purpose of infrastructural development and expansion in Nigeria suffices.

First, there is need to tackle corruption and corrupt tendencies in Nigeria headlong. As an emerging economy, conscious efforts must be made to redeem the nation's image by dealing vigorously with those found to be engaged in corrupt practices, irrespective of the social status of the people involved in this menace.

Again, there is need to fix critical infrastructures in Nigeria. The nature and condition of roads network in the country do not allow or free movement of goods and services. Government should be determined and ready to make huge budgetary allocations for fixing of moribund roads, while rails should be properly secured to assist in this direction. There is also the need to checkmate the dollar-naira parity. Government should encourage exportation activities to other countries of the world. This way, the requisite volume of foreign exchange needed to complement locally available currencies will be readily made available.

Government, again, should decide to grant tax holidays to firms and companies operating in Nigeria with Chinese origin. This is part of the mutual respect and benefit incorporated in several MoUs earlier signed by the two countries. When this happens, Chinese companies will be encouraged to stay on, engage in more investment drive, consolidate on infrastructural development and build a stable, reliable and enduring economic system for the nation. This, no doubt, will serve as source of attraction not only to Chinese companies, but also to other would-be investors from around the world.

References

- Agbebi, M. (2019). Exploring the human capital development dimensions of Chinese investment in Africa: Opportunities, implications and directions for further research. *African Studies*, 54(2). Pp.189-210. Available at: <https://doi.org/10.1177/0021909618801381>.
- Atkins, L., Rautigam, D., Chen, Y., & Hwang, J. (2017). Challenges from and opportunities from the commodity price slump. *Economic Bulletin No.1*, CARL-China Africa Research Initiative. Available at: <https://static1.squarespace.com/static/5652847>. Access July, 11.
- Buhr, W. (2003). What is infrastructure? Researchgate: Available at: <https://researchgate.net>
- CARI-China Africa research initiative (2018) The United States and China: What does the data say? Available at <https://static1.squarespace.com/static/5652847>
- Chen, W., Dollar, D. & Tang, H. (2015). Why is China investing in Africa? Evidence from firm level. Report, Brookings Institute. Available at:

- <https://www.bookings.edu>
- Chen, Y. (2020). "Africa's China": Chinese manufacturing investments in Nigeria in the post-oil boom era and channels for technology transfer. China-Africa Research Initiative. Working paper.No.36
- Hwang, ., & Cheng, J.F.L. (2010). Definition of investment: A voice from the eye of the storm. *Asian Journal of International Law*, 1(1).
- IDE-JETRO (n.d). Institute of developing economies. Japan External Trade Organization (JETO). Available at: www.ide.go.jp
- Jasperson, H.D., Drury, A. & Kenton, W. (2021). Company. investopedia. Available at: <https://www.investopedia.com>
- Odutola, A. (2021). How the Chinese are taking over Nigeria's economy. nairametrics. Available at: <https://nairametrics.com>
- Raji, S.A. & Ogunrinu, A. (2018). Chinese investment and its implications for Nigeria's economic security. *Razilian Journal of African Studies*, 3(6) pp.123-142.
- Rodney, W. (1972). How Europe underdeveloped Africa. Bogle-L'Ouverture Publications.
- Soanes, C., & Stevenson, A. (eds) Concise Oxford English dictionary. Oxford: Oxford University Press.
- Uchendu, M. (2021). A reminiscence on Chinese strategic cooperation for development in Nigeria: *The Guardian*. December 27. Available at: www.guardian.ng