

## Politics of BRICS: Re-engaging Nigeria-China trade relations and development of manufacturing industries in Nigeria

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### Abstract

*The economic interests and potential shift in global economic power of G7 members, has in the recent time necessitated the bloc, BRICS as it saddles with trade relations among developing countries. As a member, China has stood tall among others in her trade relations with Nigeria as bilateral trade volume between them has reached 7.6% accounting to \$7.2 billion in 2018. Interestingly, the current currency swap deal signed, signals a driving force as China moves in fostering development in Nigeria, especially in the area of manufacturing sector. Thus, it is against this established premise that the paper examined the nexus between Nigeria's trade relations with China and the development of manufacturing industries in Nigeria. Methodologically, the paper appropriated documentary method and data were ostensibly generated through secondary sources of data collection and analyzed in content. The theoretical debate and analyses for the study was anchored on the theory of commercial liberalism. The findings of the study revealed that despite the decline in the nation's Foreign Direct Investment (FDI), at 21.3% which amounted to \$3.5bn in the Second Quarter (Q2), of 2018 due to her tepid growth recovery, Nigeria economy has in the First Quarter (Q1), 2019 recorded 19.8% growth rate with manufacturing sector taking the highest share at 11.03%. The paper strongly recommends that inasmuch as Nigeria drives trade benefits and revenue from Chinese government, there should be swift protectionist policies aimed at shielding infants and indigenous manufacturing industries in Nigeria.*

**Keywords:** Political Economy, industry, International Trade, Foreign AID, Protectionism.

### Introduction

The growing interests of nations and international community have come to revolve around necessities for state existence. Economy as the base upon which other super structures are built has played formidable impacts in launching economic clubs and interests among its member states and country. The idea behind the formation of BRICS as economic club is the phenomenon of vested economic interests and potential shift in global economic power of G7 member countries, coupled with the need to catapult their respective economies to an enviable height and development. As observed from the policy guide, economic objectives of members of BRICS had been extended to other developing countries as a blueprint for economic advancement. It is important to profess that the interplays and intrigues played out by members of BRICS among themselves and emerging economies of African states have become an intense consternation and debate

among scholars. Many policy scientists have come to underscore the economic interests and bilateral trade relations as a new form of colonialism, and scientific imperial practices. While some scholars and apologists have conceived the relations as a product of globalization, and the need to brace it up. Thus, as a member country of BRICS economic bloc, China has in the recent time intensified her trade relations with Africa, especially Nigeria. She has stood tall among others in her trade relations with Nigeria. This is evidenced as bilateral trade volume between Nigeria and China has significantly increased to 7.6% which amounted \$7.2 billion in 2018.

Fundamentally, the Sino-Nigeria trade relations have dated as far back as 1957 through unofficial engagements with Chinese Embassy in Cairo. Although, unofficial as it was, the Egyptian government through the help of Chan Hang Kang, a Commercial officer in charge of Chinese Embassy established trade links with Nigeria and other African countries like Ghana, Ethiopic and Tunisia. According to Nwachukwu (2009, p84, 2017, p128), Nigeria's first official contact with People's Republic of China was in 1960 when China was invited to Nigeria's independence celebration in October 1. In her reservation for the invitation, the Chinese envoys and delegates delivered a landmark congratulatory message from Zhou Enlai, and then late Vice-Premier, Marshal Yi. Accordingly, the Chinese government expressed joy over Nigeria's independence and victory over servitude and colonialism. Thus, in an effort to solidify the established relations, Nigeria reciprocated and paid courtesy visit to People's Republic of China same year. As if the reciprocation was not enough, Nigeria openly supported China's membership into different world bodies. These were against the pro-western policies indoctrinated to Nigeria state against associating with socialist state.

Furthermore, in the wee hours after the long anticipated Cultural Revolution in China and her acceptance into the world body, United Nations, China played significant role that earned her admission into United Nations' Security Council in 1971. The recognition of China as member of United Nation, and as well a member of Security Council, boosted her influence as many countries especially in developing countries of Africa established diplomatic relations with her. According to Rindap (2015, p.11), and Nwachukwu (2017, p.129), China and Nigeria established formal diplomatic relations on 10<sup>th</sup> February, 1971 after signing and formalizing certain ties and documents.

Sequel to the above, successive Nigerian governments had in various times proved herself in maintaining relations with China especially in the areas of manufacturing. Since 1978, the Nigeria-China trade relations have taken snowballing effects, touching areas and sectors of Nigerian economy. These were strengthened by official visit of the then Nigeria military head of state, General Gowon and a six-man delegate led by the then Nigerian Commissioner for Economic Re-construction and Development, Professor Adedeji Adebayo in 1972.

Moreover, following the return to civil and democratic rule in Nigeria in 1999, Chinese trade relations with the former increased to an unprecedented growth rate. It was during

the second term of President Olusegun Obasanjo, between 2003-2007, that both China's President Hu Jintao and Prime Minister Wen Jiabao visited Nigeria, and president Obasanjo reciprocated with two official visits to Beijing (Egbula & Qi, 2011, p4). The assumption into power by Alhaji Musa Yardua as the Nigerian president did not augur well with Nigeria-China trade relations. He cancelled all the deals with Chinese government, especially the oil for infrastructure approach of former president Olusegun Obasanjo, citing case of lack of transparency in the initiative. However, upon his death in May, 2010, President Goodluck Jonathan took over mantle of leadership and renegotiated terms of trade with Nigeria and China. This affirmation led to the signing of a Chinese loan of 1.5 billion US dollar for the development of infrastructure, leading to expansion of Lagos, Abuja, Port Harcourt and Kano airport respectively. The New Chinese loan of 1.5 billion US dollar brought about a total of 15 billion China's investments and in the newly refurbished Lagos-Kano rail line (Edgar 2014, p66).

Furthermore, the current Nigeria-China currency swap deal, under President Mohammed Buhari in 2018, valued at 16 billion Renminbi (RMB), was to provide adequate local currency liquidity to Nigerian and Chinese businesses. The objective behind currency swap deal remains accessibility, as traders from Nigeria and China who operate under the scheme may not need to acquire the US dollar to exchange goods and services between them (allAfrica 2018, p3).

### **Conceptual Clarification**

- **Development**

The concept of development has in the recent time attracted gamut and varied meanings and explanations. The variety in the meaning seems to differ only in the use of semantics, as all perspectives and definitions have adequately lend their credence and supports to the contemporary issues of sustainable development. But, for the purpose of academic, the paper will be logically investigating the scientific enterprise behind development. In its strict term, development means achieving sustainable rate of growth of income per capita to enable nation expand its output at a rate faster than the growth rate of its population (Todaro & Smith 2011, p14., Abada, Okafor & Omeh 2018, p3).

Thus, according to Obikeze & Obi (2004, p.18), development is advancement, a change that would yield tremendous improvement in the overall living standards of a greater number of people in the society. To Lawal & Oluwatoyin (2011, p.238), and Chrisma (1984,p45.), development is a process of societal advancement where improvement in the well-being of people are generated through strong partnership between all sectors, corporate bodies and other groups in the society. Taking a paradigm shift, Riggs (1964), equates development with freedom. He defines development as qualitative increase in the level of autonomy and discretion of social systems. This implies that development is all about improving the lots of people, making progresses and change for better and higher standard of living (Abada et al 2018, p4).

Sequel to the above views by scholars, Dudley (1969, p28) in his early works on development posed deep-seated questions about development. Accordingly, he maintains that:

“The questions to ask about a country’s development are therefore; what has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have decline from high levels, then beyond doubt, this has been a period of development for the country concerned. If one or two of these critical problems have been growing worse, especially if all three have, it would be strange to call the result development, even if per capita income doubled”

The above excerpt depicts that the fundamental variables for development, which include high standard of living against poverty, mass employment against unemployment and equality against inequality are lagging in most third world and emerging countries, which Nigeria is not an exception.

- **Manufacturing Industry**

The concept of industry like every other construct, has refuted diagnosis due largely to differences in scholarship. Despite lag on the definition, authorities in Development Economics and as well Political Economy have conceived its nutshell. Thus, an industry is a group of firms producing similar products, and under separate administration. In this vein, industry refers to those forms of production which use machine and power tools in production. Thus, manufacturing industry refers to industry which converts raw materials to produce finished good, using special machines and equipment. It always operates at secondary production level. As noted, the modern manufacturing is done at a large scale and involves the division of labour (Anyanwuocha 2004, p142).

- **Currency Swap**

The construct of currency swap and swapization in foreign trade has gained academic ground, due largely to vagaries associated with international trade system. Hence, currency swap is a process whereby two countries elect to denominate aspects of their mutual trade on a direct exchange between their respective national currencies, instead of a third-party value standard that is extraneous to them, which in the present global system is the dollar (Allafrica 2018, p.11). It is the exchange of domestic currency by trading partners at predetermined rate conceived by the forces of demand and supply for trade, which minimizes the usage of an intermediary currency especially the dollar (Andohol 2019, p.23 & Andohol 2013, p.11).

Thus, the recent currency swap agreement signed between Nigeria and People’s Republic of China in April 27, 2018 has garnered a lot of perceptions from Nigerians. Accordingly, some people had conceived it as a medium for increasing inter-trade and volume of exchange between Nigeria and China. However, the signing of currency swap deal which amounted to \$ 2.4 billion or N720bn equivalent of Chinese Renminbi (RMB) 16 billion,

will boost trade between Nigeria and China, helps to facilitate trade and direct investment, and safeguarding financial market stability in both countries (Leadership 2018, p4). The implication as noted by allAfrica (2018, p6), traders from the two countries (Nigeria and China), may not need to acquire the US dollar to exchange goods and services between them, and this development will attract significant benefits for traders as Chinese will have their disposal naira liquidity, while Nigeria will also enjoy liquidity in the Chinese RMB.

However, despite cosmetics trade advantages anticipated, currency swap deal between Nigeria and China has in the short run, perceived as neo-colonialism and quest for capitalist expansion. The swap deal as noted by development theorists will affect the growth and development of manufacturing industries in Nigeria as it triggers unrestricted imports, especially the influx of substandard goods in to Nigeria.

### **Methodology**

The paper utilized documentary method. Data for the study were gathered through secondary sources such as official gazettes, books, journal articles, internet sources and newspapers. Data from these sources were analyzed using content-analysis.

### **Theoretical Framework of Analysis**

There are a lot of contending theoretical debates and engagements on the character and nature of international trade. These are not exclusive as scholars have come to question the relations of trade between Nigeria and China, especially in the areas of manufacturing. There are arguments and counter arguments that the trade relations between Nigeria and China have taken potential shifts. The international trade relations and capitalism had been seen to have conceived different theories like dependency approach as propounded by Sam Amir (1970), and Theotonio Dos Santos (1970). Others have perceived it based on the political economy, and purchasing power parity. Thus, this paper adopts the theory of commercial liberalism. The central thesis of commercial liberalism as an economic theory is that it advocates for free market and removal of barriers to the flow of trade and capital as a locomotive for prosperity (Stiglitz 2011,p67 Ezeibe 2015, p73).

The major assumptions and propositions of the theory are:

- That economic interdependence facilitates peaceful relation between states.
- Increase in the high level of trade and investment, and opportunity cost of peace (Norris & Jean-Marc 1996, p85).
- Assumes that the humankind's natural inclination is to cooperate in order to increase prosperity and enlarge individual's liberty under law (Ezeibe 2015, p73)
- That through mutual beneficial exchange, people can benefit, and the problems of capitalism-boom and bust cycles, trade war, poverty, inequality and unemployment can be solve (Ezeibe 2015, p73; Kegley & Wittkopf 2004, p96).



The above theoretical propositions of commercial liberalism captured the dynamics of Nigeria- China trade relations. The trade bond between them is aimed to increase interconnectedness and mutual economic interdependence, established on very peaceful gestures. Importantly, the recent wave of diplomatic relations appear to reasonable extent beneficial as Nigeria aggressively campaign for an increase on Foreign Direct Investment (FDI), and Chinese government earnestly seeking for market for inputs especially raw materials as well as markets for their new finished products in Nigeria.

Furthermore, the Nigeria-China trade relations have in the recent time increased the level of exchange as Nigerian government signed \$2.4 billion currency swap with china. This is aimed at easing the pressure on the external reserves that is predominantly in dollars. The agreement which has been solidify and sealed, will help to boost and improve the easiness and rate of transaction as both countries enjoy liquidity in their respective trading currencies.

### **Literature Review**

The economic cooperation between Nigeria and China has attracted much more attentions and policy objectives as both countries have come to realize innumerable trade benefits and increase in their respective Foreign Direct Investments. However, policy scientists have interrogated the dynamic and character of trade relations that exist between Nigeria and China, attributing it to new form of imperialism. Thus, it is the concern of this paper to appraise and establish link amongst scholars' debates on Nigeria-China trade and its impacts on the manufacturing sector of Nigerian Economy.

- **Nigeria-China Trade Relation and Political Economy of Interests**

The coming of China in Africa in the early 15<sup>th</sup> century and Nigeria in 1957 were conceived as Chinese first attempt in colonizing Africa, and her quest to partake in colonizing Nigeria through its swift and packaged capitalist and imperial practices. Thus, since China chose Nigeria as a trading partner, and the formalization of their respective diplomatic ties, 10<sup>th</sup> February to 16<sup>th</sup> April, 1971, their respective economic growths have grown on unequal parallels. The trade imbalance is glaring as Nigeria becomes a dumping ground for Chinese finished products. Most worrisome is the effect on the ingenious industries which had been forced in to extinction as a result of lack of viability of competition.

However, the problem of trade imbalances and deficits between Nigeria and China is at the detriment of Nigeria. It was in lieu of the perceived deficits and unfavourable balance of trade, that in 1974, the Nigeria government under the leadership of Shehu Yar'Adua visited China to reconsider the balance of trade as it has affected Nigeria's economy to an unimaginable measure. According to Owoye (1986, p31), China pledged to take in to cognizance the identified trading gap, and to convince Nigerians, Chinese increased her purchasing volume in cash crops such as cash nuts, cocoa and palm kernel. It is important knowing that while Nigeria exports to china was doubled; it did not adequately kept pace

with the growth of Chinese exports to Nigeria. As earlier observed, about 87% of Nigeria's exports to China were oil and gas products, and China reciprocated by diversifying her range of exports to include machinery of different sorts, equipment and manufactured products (Egbula & Qi 2011, p24). It is in order to keep abreast and appreciate who enjoy most the trade relations between Nigeria and china, that the table below gives insight

**Table 1: Summary of Nigeria- China Trade, 1990- 2000**

Year	Exports	Imports	Trade Total
1990	44,870,000	1,030,633,000	10,75,503,000
1991	21,073,000	659,302,000	680,375,000
1992	24,619,341	5,448,545.779	5,473,165,120
1993	-	-	-
1994	N/A	N/A	N/A
1995	325,329,674	10,989,908,928	11,315,338,602
1996	39,360,000	5,388,289,053	5,472,659,053
1997	12,671,356,489	39,890,423,116	52,561,789,605
1998	12,233,411.035	40,667,431,116	52,900,842,141
1999	10,671,356,489	39,890,423,259	50,561,779,758
2000	14,125,595,743	25,693,468,606	39,819,064,349

**Source:** Nigeria Bureau of Statistics, (2001)

The table above indicates the trade gap between Nigeria's export and her imports from China. It shows that there were increases in the volume of trade, but at the expense of Nigeria. Thus, between the periods of 1995 to 1997, there were notable remarkable trade deficits on the side of Nigeria as it affected her economic growth and development especially in the area of manufacturing industries. However, it was as a result of the visible trade imbalances, and perceived political economy interest of china at the expense of Nigeria, that forced federal military government to promulgate the Nigerian Investment Promotion Commission Decree No 16, 1995. It was after the promulgation of Decree No 16 of 1995 that trade balances between Nigeria and China took a new leaf.

**Table 2: Summary of Nigeria-China Trade, 2001-2013**

Year	Exports	Import	Trade Total
2001	14,127,160,262	58,595,546,570	72,722,706,832
2002	8,812,197,309	89,138,079,432	97,950,079,432
2003	15,954,209,434	173,917,168,694	189,971,368,128
2004	70,53,578,270	147,913,615,216	218,445,193,486
2005	46,742,407,524	244,653,672,626	291,596,080,156
2006	527,401,740	403,319,768,287	403,847,170,027
2007	111,365,515,522	626,687,599,642	738,053,115,164
2008	31,353,471,339	502,302,250,248	533,655,721,587
2009	40,433,264,233	708,426,254,488	748,859,518,721
2010	239,831,120,731	836,602,143,490	884,433,264,221

2011	138,100,141,614	720,155,260,112	858,255,401,726
2012	137,657,940,115	740,211,667,021	877,869,607,126
2013	138,350,610,451	771,649,389,549	910,000,000,000

**Source:** Nigeria Bureau of Statistics (NBS, 2014).

Table two above shows the summary of volume of trade and relations between Nigeria china, between the periods, 2001 to 2003. It points that the volume of trade between the countries appreciated to an imaginable rate. Basically, in 2001, Nigeria's exports and imports stood at #14,127, 160,262 and #58, 595, 546, 570 respectively which amounted to aggregate trade total volume of #72, 722, 706,832. Likewise, in 2013, exports and imports were recorded at #138, 350, 610, 451 and #771, 649, 389,549 respectively. Even though, the trade aggregate and trade total volume, for the year 2013, recorded at N713, 053, 8429, 79 was totally at disadvantage to Nigeria. The implication remains that inasmuch as Nigeria trades with China, both countries will try to maneuver trade relations and interests at the expense of each other. However, from the table two above, one can easily adjudged the fact that the political economy interest of Nigeria has not been adequately being protected through measurable policies to ensure equilibrium trade between them.

**Table 3: Percentage Trade Complementarily Index between Nigeria and China, 1988-2017**

Year	Nigeria's TCI with China (%)	China's TCI with Nigeria (%)
1988	35.20	40.05
1989	39.33	51.93
1990	38.92	51.54
1991	35.21	48.60
1992	32.71	47.65
1993	30.97	50.48
1994	31.14	51.47
1995	31.24	54.24
1996	31.54	53.39
1997	32.89	54.56
1998	30.61	56.09
1999	30.59	57.83
2001	33.17	59.37
2002	32.51	59.49
2003	31.99	60.33
2004	31.68	63.90
2005	32.60	63.25
2006	33.18	62.92
2006	33.18	63.36
2007	33.40	61.85
2008	34.18	62.88
2009	35.31	61.34



2010	35.42	61.58
2011	35.99	62.29
2012	37.20	62.26
2013	36.93	62.37
2014	35.80	66.11
2015	34.18	65.48
2016	14.45	54.88
2017	13.08	49.52

**Source:**Trade Complementarity Index,(2018)

The above table presents the degree of Nigeria-China trade complementarities, the extent which Nigeria's exports supply met with Chinese imports demand from Nigeria. It is clear from the table that Nigeria's capacity index with trade complementary with China remained low since 1988-2017. This shows the trade gap between Nigeria's export and import from China as her trade index has continued to stagger and fluctuating, increasing in its percentage and at the same time decreases. In 2017, Nigeria's trade complementarity index was recorded at 13.08% against Chinese's trade index of 49.52%. The trade complementarity index gap of 36.44% in 2017 suggests that the balance of trade between Nigeria and China was at the expense of the former. China has always been resolute in her trade with Nigeria, thereby putting in consideration, the political economy of Chinese in trade relations.

- **Sino-Nigeria Trade Implications and Manufacturing Sector in Nigeria**

The dynamics of trade relations between Nigeria and china has taken a paradigm shift since 1999. This was during the tenure ship of former president Olusegun Obasanjo that Nigeria government came up with initiations and polices that would help to diversify the economy from being a monolithic one to a nation that has many avenues for her means of sustenance. It is important to note that it was an era characterized with proactive actions, as manufacturing sector at the time received attentions when Nigeria singed series of trade agreements with China. However, despite government's efforts to diversify the economy, Egbula & Qi (2011, p24)noted that manufacturing sector has remained relatively weak due to much attention paid to oil production in spite of trade agreements with China to diversify the economy.

**Table 4: Showing Trade Agreements Nigeria and China, 2001-2018.**

S/N	Types of agreement	Year
1	Agreements on Trade, Investment Promotion and Protection	2001
2	Agreement for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Tax and Income	2002
3	Agreement on Consular Affairs and Tourism Cooperation	2002

4	Agreement on Cooperation on Strengthening Management of Narcotic Drugs, Psychotropic Substances and Diversion of Precursor Chemical	2002
5	Agreement on South-South Co-operation among China, Nigeria and FAO	2003
6	A Memorandum of Understanding on Investment Cooperation between the Federal Ministry of commerce of Nigeria and Ministry of Commerce in China	2006
7	Economic Cooperation Agreement between Nigeria and Zinguang International Group of China	2007
8	A Memorandum of Understanding on Promotion of Bicameral Economic Cooperation and Partnership between Ogun State of Nigeria and Zhejiang Province of China.	2007
9	Agreement against Fake Products Exported to Nigeria from China	2009
10	Agreement on Defense co-operation	2012
11	Agreement on economic and technical cooperation	2013
12	Agreement on Mutual Visa Exemption for Holders of Diplomatic and Official Passports	2013
13	Agreement on Finance for the Zungeru Power Plant and Airport Terminals	2013
14	Bilateral Currency Swap Agreement	2018

**Source:** Authors' compilation, 2019

Sequel to the above is the need to move away from oil and to diversify the economy. Thus, foreign involvement in manufacturing sector in Nigeria has dated back as far as 1960s when Hongkong and Taiwan investors started business in manufacturing auto parts and textile production respectively. The two manufacturing industries recorded high growth rate in their early stage, but later collapsed gradually. The scenario that led to winding off the companies were attributed to lack in provision of raw materials for textile industry and paucity of infrastructure, coupled with fierce competition by other foreign competitors.

In the recent time, arguments have flown over the space against perceived Chinese's domination of the manufacturing sector in Nigeria. While one school of thought believes it as a welcome development anticipated at a very long time, another school countered it framing it as a new form of imperialism. According to Tajudeen (2013, p18), Nigeria stands to gain from Chinese's growth model, especially in the manufacturing sector. This, he noted will increase the rate of Foreign Direct Investment, (FDI). Likewise, Efem (2019, p24), reiterated that Nigeria's economy has in the First Quarter (Q1), recorded 19.8% growth rate with manufacturing sector taking the highest share at 11.03%. Accordingly, he noted that:

"In 2005, bilateral trade between Nigeria and China reached US\$2.8 billion. That year, China's exports to Nigeria were valued at US\$ 2.3 billion and its imports from Nigeria were estimated at US\$ 527.1 million. By 2010,

Nigeria-china trade was US\$7.700 billion, making, china's fourth biggest African trading partner and second largest Chinese export destination"

The above suggests that despite disparities in the volume of trade between Nigeria and china, the former stands a better chance, driving home high Foreign Direct Investment. However, the identified trade advantages in the area of manufacturing sector had not gone unchallenged. It has been observed serially that the trade deficit between Nigeria and china is at the expense of the former, affecting the pace of economic growth especially, the manufacturing industries of the country. According to Oyeranti, Musibau & Olawale (2011, p19), the presence of Chinese companies in Nigeria have crippled indigenous industries as Nigeria government has resorted in awarding contracts to foreign Chinese industries. The most worrisome is the flooding of Nigerian markets with Chinese products which had forced local industries to retreat, and at the verge of being collapsed. The implication becomes importation of fake and substandard products from China, and dominance of Chinese products locally manufactured in the country. As noted earlier, Nigerian businessmen have accused China of importing inferior products and exploited tariff concessions by dumping cheap goods in the market, and stifle competition. Hence, China has acknowledged the allegations and maintained a stance that Nigeria importers often put pressure upon Chinese suppliers to produce lower quality products in order to reduce price at which Nigerians can afford.

- **Paradox of Bilateral Currency Swap Architecture and Manufacturing Industries**

The trade systems between Nigeria and China have taken paradigmatic shifts in the recent time. This is due largely to the character of politics played out by the members of BRICS economic club. It has been put to notice that the 2007 global financial crisis affected the symbiotic trade relations enjoyed by the members club of BRICS (Brazil, Russia, India, China and South Africa). Thus, the financial crisis coupled with vagaries in the volume of international trade forced member countries to expand tentacle, and engage with developing countries in the area of currency swap. China as a member country of BRICS shifted her currency alliance against the use of US dollar. The policy action of China was to internationalize and promote cross-border use of Chinese currency, the Renminbi (RMB), in order to reduce its reliance on dollar (Chen & Cheug 2011, p21). According to Lin, Zhan & Yin-Wong (2016, p24) China signed her first bilateral RMB local currency swap agreement with the Bank of Korea in December, 2008 and the second one with Honkong in January, 2009.

Moreover, the Nigeria- China Bilateral Currency Swap Agreement (BCSA), was first conceived in 2004, but later adopted after two years of negotiation between the two countries, which commenced during the official state visit of the Nigerian president, Muhamadu Buhari to the People's Republic of China. The official signing of the bilateral currency swap agreement at 16 billion Renminbi or N720 billion for period of 3 years in 2018, has generated a lot of debates as to whose benefits to be derived or otherwise.

According to Central Bank Nigeria (CBN, 2018), the currency swap deal will allow trading between Nigeria and China to be done directly in their local currencies without any need for use dollar, and enabling the Chinese Renminbi to flow freely within the Nigeria banking system. As noted by Jackson, Ehi & Edu (2018, p8) Nigerian manufacturers, small and medium sized enterprises can now import products, raw materials and parts from the Peoples Republic of China, and pay directly with Renminbi obtained from an authorized dealer under the currency exchange seal.

Furthermore, bilateral currency swap between Nigeria and China has been appreciated, as it aims to catapult the Nigerian economy, specifically the manufacturing sector to an enviable height. On the same note, Proshare (2018, p27) noted the economic advantages and impacts of the currency swap architecture. Accordingly, it identified the following:

- That the currency swap reduces the cost of transaction due to the cross- flow nature of the swap.
- It allows Nigeria businessmen to take positions, thereby reducing risk exposure to currency volatility.
- That the People's Bank of China (PBOC), and Central Bank of Nigeria (CBN), are committed to pay-off profile, the condition whereby funds are exchanged at intervals prior to the expiry of contract.
- The possibility of default is less likely, thereby smoothing trade
- The currency swap ensures letter of credits are made more accessible to Nigerian businessmen.
- The currency swap large ensures faster execution of trade by both parties, and
- Serves a means of creating collaboration between both central banks

However, the adjudged trade benefits of currency swap architecture between Nigeria and China have attracted queries as scholars and policy scientists have criticized swap agreement as a new form of colonialism and imperialism. The current dominance of the Nigeria markets with Chinese products attests to the fact that the currency swap deal brings more harm to Nigeria than good, especially in the area of manufacturing industries. The likely competition between imported products from China and the locally manufactured Nigerian goods will be difficult to maintain, as locally manufactured good will seriously struggle with trade variables of price and quality which might favour China.

Sequel to the above, Okurume & Onuoha (2019, p15) averred that if the surge for Chinese imports are not checked, given to appetite of Nigerians for imported goods could affect the government's efforts on trade substitution, stifle domestic production and place local industries in a pitiable and vulnerable condition with attendant effects on job creation. The signed swap deal has also perceived to widen the trade gap with Nigeria and china. The available figures and statistics from Nigeria Bureau of statistics has indicated adequately that Nigeria has recorded a trade deficit of over N6 trillion with China. Out of Nigeria's total import bill of #29 trillion between 2013 and 2016, China alone accorded for N6,41 trillion (NBS, 2017).

## **Findings**

The bilateral trade relation between Nigeria and China is an economic strategy aimed at increasing relationships of duo at international level. The pace of Foreign Direct Investments accruing to both countries has heightened their respective per capita income, and increase in Gross Domestic Products (GDPs). However, despite the recorded slight decline in Nigeria's Foreign Direct Investment at 23% which amounted to \$3.5 bn in the Second Quarter (Q2), of 2018 due to tepid growth recovery, Nigeria economy has in the First Quarter (Q1), of 2019 registered at 19.8% growth rate with manufacturing sector taking the center stage with highest share of 11.03%. However, arising from investigation of the study, the paper discovered as findings:

- That despite increases in the volume of trade between Nigeria and China, the total exports to Nigeria from China amounted to & 75 billion against Nigeria's total export to china, which was registered at \$9.6 billion in the Final Quarter (Q4), of 2018. The indicator here implies lopsided and imbalance terms of trade. The implication becomes Nigeria being designed as economic dumping ground for Chinese manufactured products.
- The currency swap agreement sealed between Nigeria and China enhances flooding of Nigeria markets with Chinese manufactured products. In both short and long runs, currency swap agreement is antithetical to the growth and development of indigenous manufacturing industries.

## **Conclusions and Recommendations**

The paper focused on the appreciation of Nigeria-China trade relations; how it has affected their respective economies. It also explored myriad of views and interests of stakeholders on identified trade gaps between Nigeria and China, and how it has affected or otherwise the development of manufacturing industries in Nigeria. One school of thought argues that re-engaging China with Nigeria especially, after the signing of the bilateral currency architecture is a welcome development that would boost the economy. In the other hand, the second school of through countered the ideas of the former, premising it as a new form of colonialism, characterized with capitalist expansion and imperialism.

However, the findings of the study were able to explicate that despite increase in the volume of trade between Nigeria and China, the total exports to Nigeria from China stood at \$75 billion as against Nigeria's total export to China, which amounts to \$9.6 billion in the Final Quarter (Q4), of 2018, with little or no change in the First Quarter (Q1), of 2019. Also, the currency swap agreement signed between Nigeria and China in 2018 enhances the domination of Nigeria's market, especially in the area of manufacturing sector. It discovered that currency swap deal signed is antithetical to the growth and development of indigenous industries.

Therefore, arising from the findings of the study, the paper recommends as follow:

- The need to adopt protectionist policies, this is aimed at shielding infants and indigenous manufacturing industries in Nigeria from being dominated by foreign and Chinese industries.
- Also, there is need to reflect and revisit bilateral currency swap agreement signed between Nigeria and china. There are facts that the swap architecture is not with Paris club arrangements. The agreement which is at the expense of Nigeria, favours china more, instead of developing Nigeria state.
- The Nigeria government should intensify efforts in realizing the project, "MINE" that is Made In Nigeria for Export. The project worth undertaken as it will double manufacturing outputs to twenty percent (20%), within the next six year with the help of Region Aid Banks, (RABs).

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