

The Chinese Investments in Africa: Opportunity or Threat to the African States? Case of Nigeria

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Abstract :

This paper aims at analyzing the role of Chinese FDI in Africa, with a focus Nigeria as an applied model because it is one of the major benefiter of such investment. In so doing, the study relies on the comparative analytical method based on the available statistics and numbers on the size and distribution of Chinese investments compared to the traditional partners, such as USA and EU. Findings show that the Chinese investments developed the infrastructure, promoted trade, and fostered economic growth. However, they raised challenges regarding foreign indebtedness, low economic diversity, and risks of economic dependency. Besides, the Chinese presence in Africa is an opportunity to boost

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growth and update if good local policies and a good debt management are put in place to ensure sustainable benefits.

Keywords : China; Africa; Foreign Direct Investment; Nigeria;
Economic Cooperation; Debt, Sustainable
Development.

Jel Classification Codes : F21, F35, F59, O19, O24, O55, Q32, H63.

1. INTRODUCTION:

Africa has witnessed many changes in its international relations in the last decades, as the relations with the traditional partners, including USA and EU, has decreased while emerging powers, particularly China, have built strong relations and alliances with many African states, mainly Nigeria that attracts Chinese investments, which were estimated at 1.8 billion USD in 2022 compared to 75 billion USD in 2005 thanks to its geostrategic location, natural resources, and demographic boom (China Africa Research Initiative, 2022). This question has, recently, raised much debate due to the effects of the Chinese investment policy and the restructuration of the Chinese-African relations. In the era of Mao Tse Tung, the relations were political and diplomatic par excellence. However, with the arrival of Deng Xiaoping to rule, China developed big economic interests in Africa.

Such huge financial investment raises many questions and worries. In this context, some governments and economic sectors see this cooperation as a historical chance to bridge the infrastructure gaps, take advantage of new techniques, and accelerate the economic development. On the other hand, some others show clear worries towards the agreements' conditions, the indebtedness, and the increasing Chinese influence on the political

decisions of the recipient states. Regarding Nigeria, the relations with China have developed since the start of the 21st century, witnessing several bilateral agreements in vital sectors, such as infrastructure, industry, and technology transfer (Nwanko & Okoye, 2023). These agreements were culminated with big investment projects that fostered development in some regions and, at the same time, raised questions about benefit sharing, contracts' transparency, and the penetration of Chinese imports to the local industry.

Problematic:

Although many studies focus on the advantages of the Foreign Direct Investment FDI for the hosting economies, the empirical data, mainly in Africa, are not conclusive. Based on what was said, we raise the following problematic, "***Do the Chinese investments represent an opportunity for sustainable development in Africa or a new 21st century model of dependency?***". To answer this question, we shall take Nigeria as a focal point and examine the phenomenon from an academic perspective.

Aims of the study:

This study aims at finding out whether the Chinese FDI in Africa is beneficial for both parties, and whether China exploits the African resources and creates an African dependency on its economy. Due to the wide scope of the study, we decided to focus on Nigeria instead of providing an incomplete general view. In this context, Nigeria and China are giants in their continents and target leadership and reaching the top 20 world economies. Besides, Nigeria is the most populated in Africa and China is the most populated in the world. In addition, both are likely to exchange benefits. Our study shall allow for a better understanding of the trend, size, and nature of the Chinese FDI in Africa.

Methodology:

We conducted a descriptive study on the Chinese FDI in Africa based on literature review and databases, including that of World Bank, the Chinese Ministry of Commerce MOFCOM, United Nations Conference on Trade and Development UNCTAD, the Forum of Chinese African Cooperation FOCAC, China Africa Research Initiative CARI, United Nations Commerce Trade UN Comtrade, and other data from secondary institutions and authors due to the difficulty of access to, and unreliability of, Chinese governmental data. In this context, MOFCOM has been annually publishing investment statements since 2004 based on the

definitions and principles suggested by World Bank and UNCTAD. However, many scholars, such as Peters (2013, p. 204), doubt the transparency and reliability of statements due to the strict governmental censorship that obstacles foreign investment, and to the control on private companies. In addition, (Donaubauer, López y Ramos, 2017, p.3) point to evidences on a wide gap between the actual and reported Chinese FDI flows. Therefore, it is necessary to be careful when analyzing the Chinese FDI.

Structure:

After introduction, the paper is divided into three chapters. The first sheds light on the history of the increasing relations between China and Africa. The second deeply discusses the Chinese FDI in Africa, the investment sectors, the size and development of FDI, and the reactions of the African states. The third focuses on the relations between China and Nigeria, which receives the highest Chinese FDI in Africa. The paper shall provide a better understanding of the contribution of the Chinese FDI to the late economic development in Africa, and of the Nigerian capacity to run the Chinese funding. Finally, the study presents the main conclusions.

2. The Historical Development of the Chinese-African Relations (1958 - present) :

We can divide the path of the Chinese-African relations into 04 phases that witnessed ideological, economic, and strategic changes.

2.1. 1958 -1978 :The Ideological Diplomacy and Cooperation Between the Southern States:

This phase witnessed ideology and pragmatism (Obuah, 2012). In this context, China had focused its diplomatic efforts on the then newly independent states that allied with the Chinese Communist Party. China provided material and technical support to other states, such as interest-free loan to fund Tazara Railroad between Tanzania and Zambia, to recognize its sovereignty over Taiwan, despite the refusal of the World Bank, Britain, Japan, and USA (Brautigam, 2009).

2.2. 1979-1986: Stagnation and Redirection :

The Chinese initiation of reforms and openness after the Cultural Revolution decreased its interest in Africa and shifted attention towards relations with the advanced states to transfer technology and seek international recognition; this weakened its presence in Africa.

2.3. 1987-2000: The Strategic Return and Economic Expansion :

Under the increasing demand on energy and the lack of agreements with the Western forces, China reactivated its relations with the African states that suffered the African Tragedy (Leys, 1994). In this context, it promoted for policies to foster the internationalization of the state companies, such as the establishment of the Chinese National Petrol Company and the Chinese Export-Import Bank to finance the investment projects. At the same time, an extensive diplomatic frame was established through bilateral agreements, high-level visits, ministries and organizations establishment, and debts exemptions, leading to FOCAC in 2000. In this regard, the Chinese government pledged to clear all the debts of 156 African states within two years, with a value of 1.3 billion USD. In addition, Africa made a clear advance in harmonizing the laws and incentives to attract FDI, such as unifying the investment laws, simplifying the foreign investment systems, and founding investment promotion agencies.

2.4. 2001-Until now : The Golden Age (strengthening the strategic partnership) :

The golden age dates back to the first decade of the 21st century thanks to the “Going Global/ Going Out” policy (2000-2005),

which was launched in 1999 to increase the Chinese share in the international trade (Pautasso, 2012). This led China to join WTO in 2001 and expand in Africa to secure raw materials and find new markets for its surplus. This period was culminated with FOCAC in 2006, which had been founded 06 years in a meeting that held 35 presidents of African states.

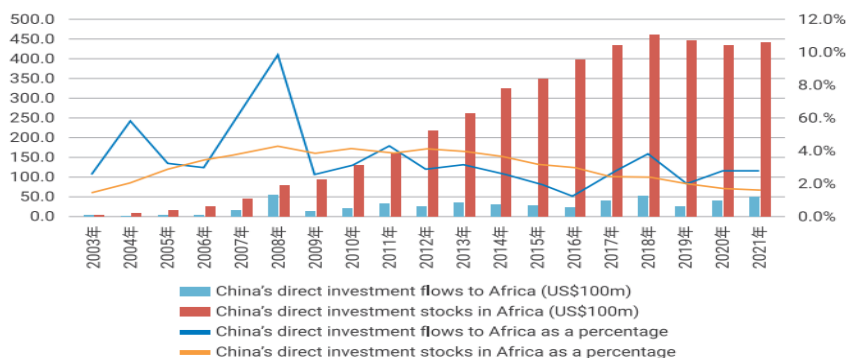
In that period, the bilateral trade witnessed a huge development. For example, in 2001 to 2006, the African exports increased to 40% annually, from 4.8 billion USD to 28.8 billion USD. In the same period, the incomes redoubled 04 times to reach 26.7 billion USD. Under the increase of oil and metal prices due to the international demand, including the demand in China (Wang, 2007), Africa reemerged as an ideal commercial partner. In this context, to consolidate the mutual trade, China launched special preferential tariff treatment and custom exemptions for the underdeveloped states. On the other hand, the African political support was remarkable and important in the UN meetings and in other occasions, such as in choosing Peking to host 2008 Olympics. In addition, Africa turned towards a big regional economic integration, such as the African Continental Free Trade Area AFCFTA, which attracted more Chinese investments.

3. The Chinese investments in Africa :

3.1. The overall situation :

In general, the Chinese FDI in Africa had witnessed fluctuations and changes since the 1980s, as shown in figure 01. In this context, FDI in Africa witnessed a clear increase in the 1990s thanks to the liberation of the capitals movement in the African states. Then on, the investment kept witnessing a sharp increase, which reached its peak at 58 billion USD in 2008. Then, it decreased with 2.4% for the first time within 05 years due to the global crisis. The decrease went on between 2013 and 2016, and aggravated in 2017 and 2018. The decreased peaked at 5.4 billion USD and coincided with joining Belt and Road Initiative BRI. However, the situation improved in 2019, before Covid-19, and refreshed in 2020 despite not reaching the statistics of 2018. FDI flows exceeded 4.9 billion USD in 2021, with an annual increase of 18%, and made up of 2.8% of the overall Chinese FDI. The Chinese FDI in Africa made up 1.6% of its overall FDI, with a slight increase to 44.19 billion USD.

Fig.1. Chinese FDI in Africa (2003-2021)



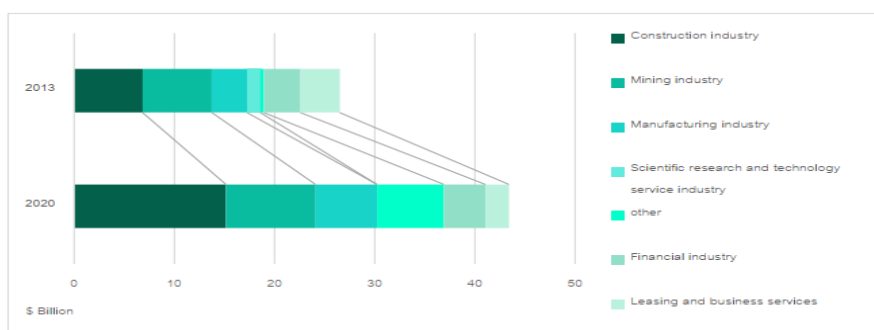
Source: Statistical Bulletins of China's Outward Foreign Direct Investment over the years

3.2. The main investment sectors :

Thanks to some available data, which do not cover the whole continent, we managed to identify the main sectors of the Chinese investment in Africa. Since the late 1990s and start of 2000s, the Chinese companies invested in industry, which was a source of employing the African unskilled labor force. According to data from 1999 to 2006, the main investment sectors in Nigeria were food, industry, telecommunications, and infrastructure. Regarding Kenya, from 2000 to 2006, 90% of investment was in industry and services. As for Sudan, the statistics from 2006 to 2007 show that the Chinese companies invested in construction (26%), plastic production (19%), and machines and household appliances (16%).

According to data from MOFCOM, the Chinese investments in Africa increased from 26.19 billion USD in 2013 to 43.4 billion USD in 2020. In 2020, the Chinese FDI mainly focused on construction (35%), mining (21%), manufacturing (14%), and financial industry (10%).

Fig.2. The main sectors of the Chinese FDI in Africa (2013-2020)



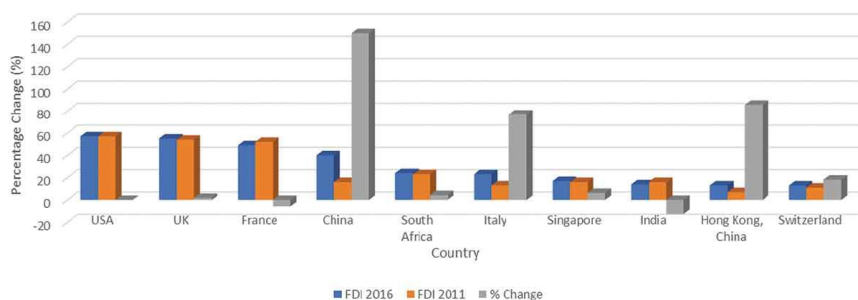
Source: Ministry of Commerce of the PRC 2022

Investment in construction witnessed an increase in the last years, as China is the only state that can allocate big funding to wide range infrastructure projects and has the sufficient experience. Besides, China is a main importer of the African metal materials. Therefore, it invests in mining and construction to facilitate access to these resources.

3.3. Comparison: the Chinese FDI VS US and EU FDI :

We can naturally ask why the US and EU investments in Africa did not increase unlike the Chinese. The economic African-European relations date back to the colonial period in the 18th and 19th centuries. In the end of the 19th century, Africa was almost fully divided by the great European powers, including UK, France, Portugal, Germany, and Belgium, which still invest in Africa today, mainly France (which is the biggest EU economic partner for Africa) (Stein,. P, & Uddhammar, E., 2021). However, their FDI is less significant compared to the Chinese (Donou-Adonsou, F., & Lim, S. 2018). FDI annual outflows to Africa witnessed an increase since 2003; however, they are still small compared to investment in other regions.

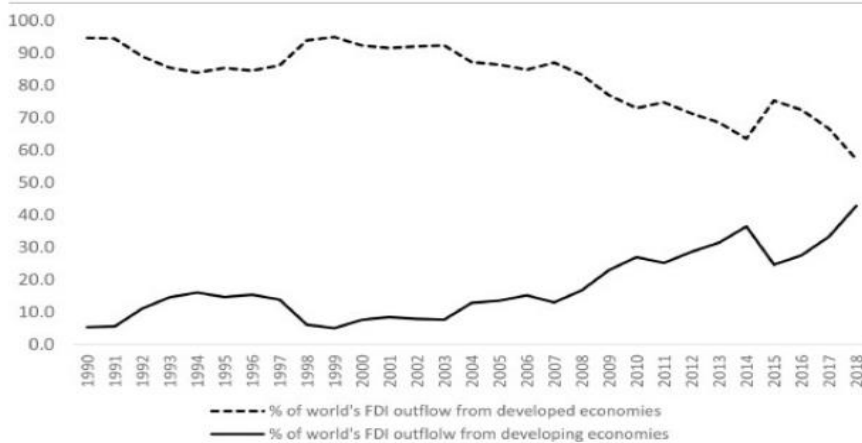
Fig.3. The comparative distribution of FDI flows in Africa (2011-2016)



Source : Data for the graph was obtained from UNCTAD

The Chinese FDI differs than the American or European on many sides, as the Chinese comes from state owned companies while the European and American come from private companies. In this regard, while the European and American investments aim at maximizing profits, the Chinese targets long-term goals (Stein, P., & Uddhammar, E. 2021). The Chinese FDI allows for a bigger increase in the African GDP, yielding mutual benefits for the African populations and Chinese investors. In addition, the US and German FDI is very beneficial, unlike the French. In fact, although France maintains good relations with its ex-colonies, the Chinese FDI has a bigger influence on the living standards in Africa (Donou-Adonsou, F., & Lim, S. 2018). Internationally speaking, FDI from the advanced economies witnessed a decrease in the last three decades contrary to the underdeveloped states (Hu, D., You, K., & Esiyok, B. 2021).

Fig.4. The rate of advanced states and underdeveloped states' FDI



Source: Hu, D., You, K., & Esiyok, B. (2021). Foreign direct investment among developing markets and its technological impact on host: Evidence from spatial analysis of Chinese investment in Africa. *Technological Forecasting and Social Change*, 166, 120593.

The increase of Chinese FDI decreased that of the traditional partners, mainly USA and Germany, because Africa had diversified its economic partners in the last 20 years and Peking wanted to confirm its international presence. In this regard, Peking provides preferential tariff loans and investments and Africa easily accepts them because the contracts with China lack articles on human rights and government transparency, unlike contracts with USA and EU. In addition, the Chinese companies outperform the EU and US companies because they are government-supported (Dounou-Adonsou, F., & Li, S., 2018). Between 2013 and 2020, the US FDI

in Africa has intensively decreased from 60.42 billion USD to 47.5 billion USD. The mining sector made up 60% of the overall investment and, then, decreased to 41%. However, as seen in figure 04, the US investment in mining in Africa was the main US investment in Africa in 2020, as it made up 41% of the total investment; i.e., almost the double of the Chinese investment, which was estimated at 21% during the same period.

Fig.5. Composition of US foreign direct investment in Africa by industry, 2013 vs. 2020

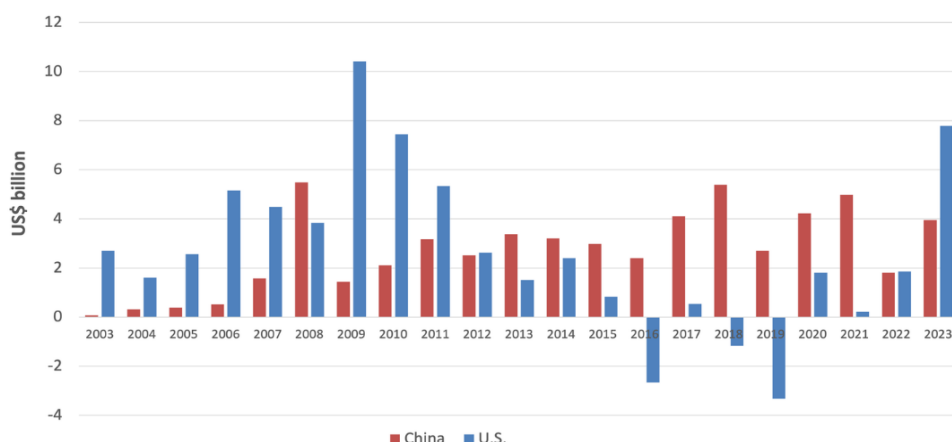


Source : Bureau of Economic Analysis [Bea] of the USA.

USA is the first investor in Africa. In 2023, its FDI was 3.96 billion USD, with an increase from 75 billion USD. Figure 06 shows that in 2023, the overall US FDI in Africa was estimated at

7.79 billion USD. Besides, Niger, South Africa, Angolan Morocco, and Congo were the first 05 African states to attract the Chinese FDI while Nigeria, South Africa, and Egypt were the best destinations of US investment. Nevertheless, we must point that more than half of the US FDI flows are not declared (China Africa Research Initiative, 2024).

Fig.6. Chinese FDI vs. US FDI to Africa , Flow

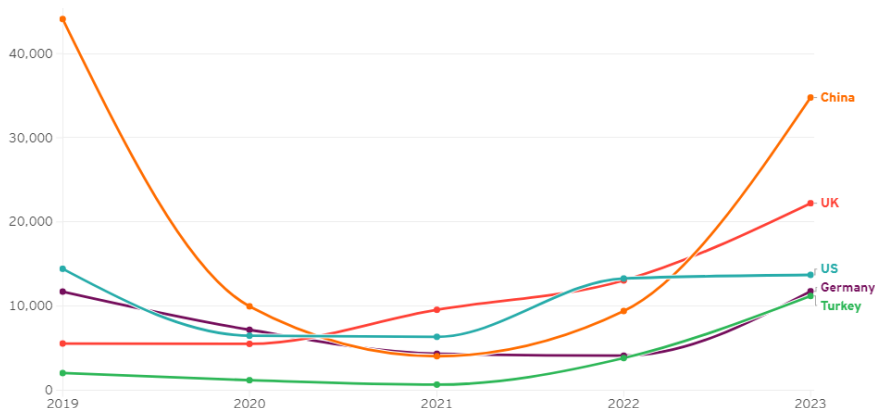


Source : China Africa Research Initiative 2024

The biggest investors, mainly China, UK, and USA, respectively, were the main states to create jobs and projects. This shows the African attraction in many sectors. In this context, FDI created 194.000 job opportunities in Africa in 2023. Besides, China recorded the highest rate of job creation thanks to FDI, with an increase of 270% compared to 2022. In addition, more than

102.000 jobs were created thanks to the Chinese FDI in Africa in the last 05 years, making up 15% of the total FDI related jobs in Africa (Africa Attractiveness Report, 2024).

Fig.7. The top source countries of FDI sourced job creation in Africa from 2019, to 2023



Source : Africa Attractiveness Report 2024

https://www.ey.com/en_nl/foreign-direct-investment-surveys/why-africa-fdi-landscape-remains-resilient

3.4. The reactions of African states towards the Chinese FDI and goals :

The Chinese existence in Africa was highly welcomed by the leaders and elites, as they hope that China would ensure the future economic growth of the continent thanks to its own experience since the era of Mao, which witnessed poverty, to its present huge

development (Ayodele, T., & Sotola, O. 2014). Moreover, China provides development funding and loans with very easy conditions, and even interest-free loans; therefore, it is a substitute for World Bank and IMF. It has cleared some past debts and repeatedly called the others to clear the African debts. In 2000, after FOCAC, China cleared 1.2 billion USD of the African debts and exempted 25 African states from fees on products. Then in 2005, it cleared 260 million USD debts for Congo, Ethiopia, Mali, Senegal, Togo, Rwanda, Guinea, and Uganda (Cellamare, D., & Baheli, N. 2013).

Besides, the African public opinion expressed a positive attitude towards the Chinese FDI and development mode. According to McCauley Pearson e Wang, the African citizens chose the Chinese development model out of a list that included also the US, French, and British models (McCauley, J. F., Pearson, M. M., & Wang, X. 2022). China aims at exporting its economic development model, which completely differs than the Western. According to its philosophy, the loans help Africa build a wealth and achieve self-sufficiency and independence, even from China. In addition, China sees Africa as a good market for its products and a new region for growth opportunities. The African support to China allows it to become a global major force that amounts up to USA and EU (Dounou-Adonsou, F., & Li, S., 2018).). Moreover, China wants to

impose itself as the main supporter for third-world development through its companies that operate in Africa (McCauley, J. F., Pearson, M. M., & Wang, X. 2022).

The Chinese investments come from private and public companies, especially that privatization has increased in the last years, paving the way for more investment opportunities in the private sector. The state-owned companies target economic, diplomatic, and political goals while the private target only profits. In Africa, three types of companies dominate the scene; most are small private companies working on industry and retail, state-owned companies that work in the fields of infrastructure and natural resources, while the third type covers medium-sized companies that invest in industry, telecommunications, and wholesale.

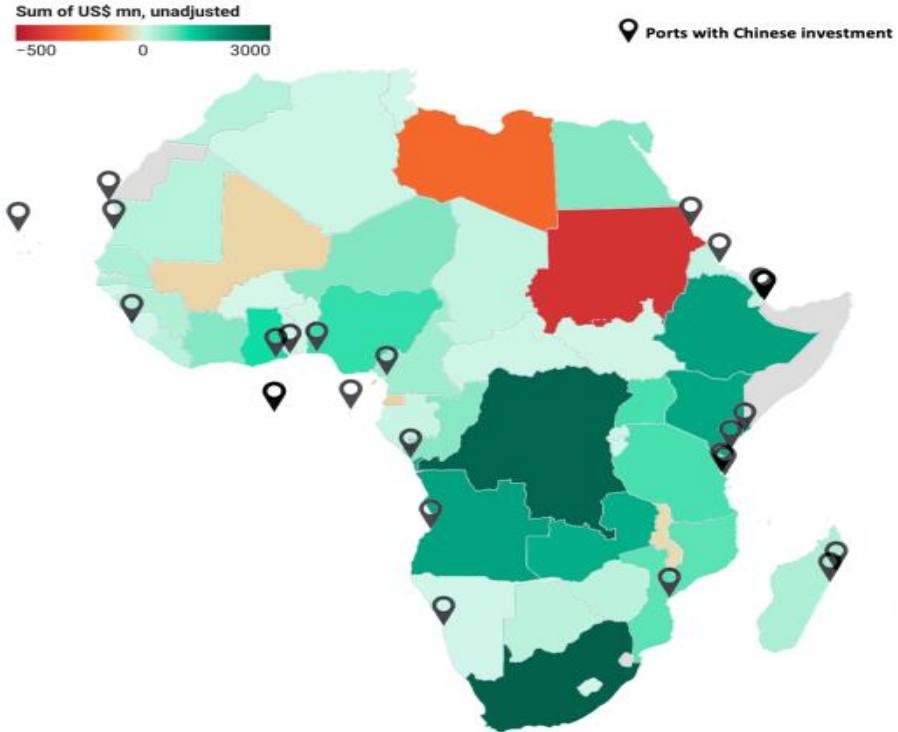
The Chinese investments are concentrated in the coastal regions thanks to their ports. In addition, China invests in linking projects, such as the railroads that link the coastal regions and ports to the internal and far regions. In this regard, Western observers expressed worries that China would misuse its influence on the ports to achieve its strategic interests, such as transporting raw materials and labor force, military goals, and controlling and hindering the foreign movement (Lokanathan, V. 2020). Despite

the prevailing fears, most Africans show a positive attitude towards cooperation with China, as polls of Afrobarometer in 2021 showed that 63% of the Africans believe that the Chinese political and economic influence on their states is positive while only 14% see the opposite. The same applies to the US influence on Africa, as 60% of the Africans see it positively while 13% do the opposite (Selormey, E., & Sanny, J. A. N. 2021).

3.5. The scope and benefits of Chinese FDI in China :

The increase of the Chinese FDI flows into Africa (i.e., the annually measured FDI) is really interesting, as they did not exceed 75 billion USD in 2003 and, then, redoubled 70 times in 2008 to reach 5.5 billion USD. After the economic crisis of 2009, China resumed its investment in Africa, which reached 4.2 billion USD in 2020.

Fig.8. Chinese FDI Flow to African Countries 2015-2020



Sources : The Statistical Bulletin of China's Outward Foreign Direct Investment published by China's MOFCOM. The 2020 data is obtained from MOFCOM via the CEIC database.

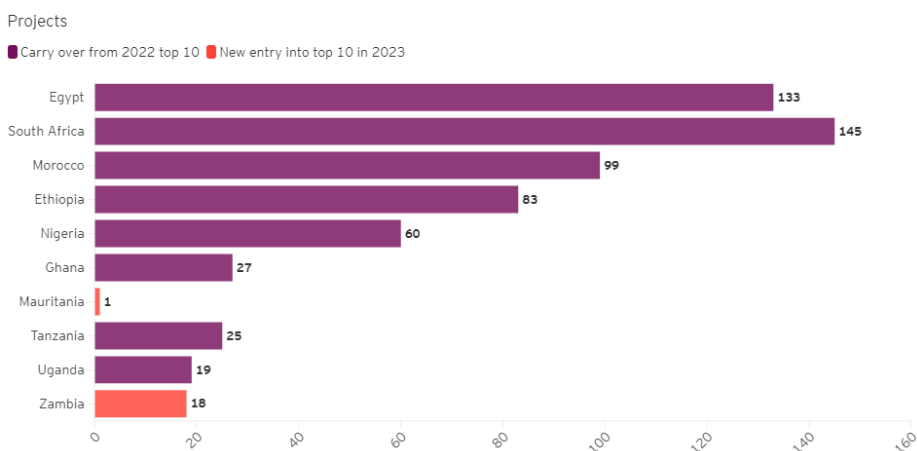
Although the Chinese FDI in Africa represents a small share of the Chinese overall FDI, its economic benefits were high. In 2007, the African economy increased with a rate of 5.8% thanks to this investment, which proved its efficiency more than the Western and

showed the decrease of the traditional partners' importance. In 2008, the GDP growth in the south African Sahara reached 9.8%, marking the highest rate in the last decade (Akhtaruzzaman, M., Berg, N., 1 Line, D., 2017). In this context, Joshua Eisenman, from the University of Notterddam in USA, states that different factors motivate China to invest in Africa, as gain is basic for all companies, including the state-owned, and that the Chinese local market saturation pushed its government to think of foreign markets.

In addition, the Chinese government encourages breaking the commercial barriers in some states through foreign investment. Thus, investment in Africa allows China to take advantage of international and regional trade agreements and develop its advanced techniques and production methods; one of the best examples is the Chinese co-investment with British Petroleum in the deep maritime oil area in Angola. Moreover, the foreign investment is supported by the Chinese government and targets diversifying the risks (Joshua Eisenman, 2020). Historically speaking, the African states that received most of the Chinese investments were South Africa, Congo, Angola, Zambia, Ethiopia, and Ghana. Together, these states represent 49% of the Chinese FDI; 13% of this investment is directed to South Africa and Congo

(Stein, P., & Uddhammar, E., 2021). However, in 2023, the main destination was Kenya, Congo, South Africa, Ethiopia, and Nigeria (China Africa research initiative, 2025).

Fig.9. The African States That Received Most Of The Chinese Fdi According To The Declared Projects, The Capitalist Investment, And The Created Jobs (2022-2023)



Source: Africa Attractiveness Report 2024

https://www.ey.com/en_nl/foreign-direct-investment-surveys/why-africa-fdi-landscape-remains-resilient

With the increase of the African-Chinese economic and commercial relations, the Chinese investment diversified and highly accelerated industry in African, not only supported its economy. The Chinese companies aim at fostering and improving the industrial system in Africa and investing in the infrastructure

and the new industries. The main Chinese investments in Africa are limited to specific fields. In 2020, the construction sector got the lion's share, with a rate of 35% of the total investments. Then, we find mining with a rate of 21%, followed by other sectors, such as industry, financial services, leasing, and services. Moreover, the investment is not equally distributed on the African states. For example, in 2020, 63% of FDI was devoted to only 10 states, namely South Africa, Congo, Zambia, Ethiopia, Angola, Nigeria, Kenya, Zimbabwe, Algeria, and Ghana. This focus on a small number of states means that the remaining states get only 380 million USD for each, which represents half of the amounts received by each of those 10 states (Fu, Y., 2021).

China invests in fields the Western states do not fund, such as big infrastructure projects like hydroelectric dams. In addition, China is the source of the biggest and best dams' construction companies, such as Sinohydro, Power China Resources Limited, and China Huaneng Group. In total, 12 dams' construction companies operate abroad and receive funding from big Chinese companies, such as the Chinese Export and Import Bank. In this context, building hydroelectric dams is very expensive and requires skilled labor force. Therefore, China is the only state that can launch such projects (Tan-Mullins, M., Urban, F., & Mang, G.

2017). It launched projects in Asia, Africa, South America, and Africa. For instance, we find dams, or plans to build dams, in Sudan, Congo, Ethiopia, Cameroun, and Ghana.

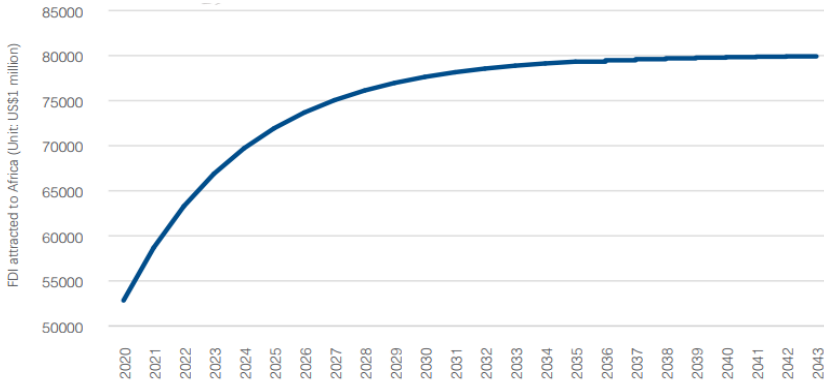
The Chinese ongoing demand on the African metals, including copper and aluminum, increased the prices and earnings for the African states. Besides, China expressed its will to train the African labor force professionally and to export high-quality products and tools (Ayodele, T., & Sotola, O., 2014). In addition, Africa imports low-cost products from China, including machines, transportation means, industrial products, crafts, phones, computers, etc). These products satisfy the needs of the limited-income classes. Despite this premise deals with Africa as one entity, it is necessary to consider the fact that the exports, imports, and investments are unequally distrusted in Africa, as South Africa is the biggest importer from China, followed by Egypt, Nigeria, Algeria, and Benin, while Angola, South Africa, Sudan, and Congo are the exporting parties. Aside from South Africa that imports and exports, the other states suffer imbalance with China. In this regard, in 2012, the Chinese FDI in Africa made up 50% of the total investments in Africa (Donou-Adonsou, F., & Lim, S. 2018).

China and its African partners recognize the need to foster cooperation to ensure the sustainability of the new investments.

“China-Africa Cooperation Vision 2035” that was adopted in the 08th ministerial forum of FOCAC, held in November 2021 in Senegal, states that China commits to invest extra 60 billion USD in Africa by 2035, with special focus on agriculture, industry, infrastructure, environment, digital economy, and blue economy (China-Africa Cooperation Vision, 2035).

Based on the data of 2022 and on ARIMA model, figure 07 shows predictions about the ability of Africa to attract FDI in the upcoming decade. In this context, estimates show that the FDI rate shall increase to reach 78.559 million USD. We notice variances in the capacities of the African states to attract FDI, as South Africa, Egypt, Nigeria, Congo, Morocco, Ghana, Ethiopia, Senegal, Mozambique, Gabon, Algeria, Uganda, and Kenya attract the biggest Chinese FDI in Africa (China-Africa Business Council, 2024).

Fig.10. Predictions about FDI in Africa



Source: China-Africa Business Council 2024

4. The case of Nigeria

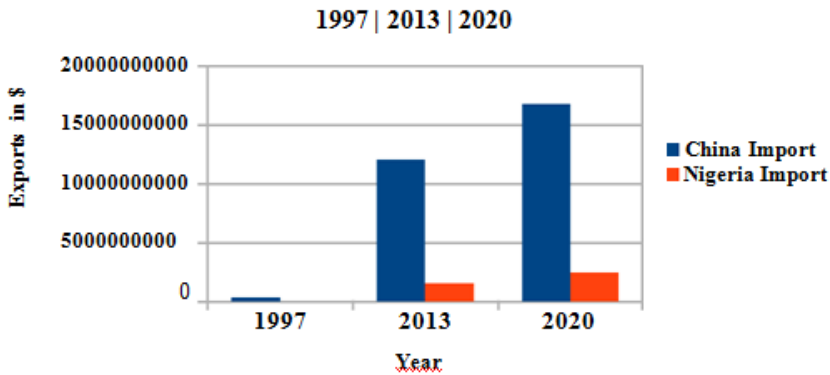
Nigeria is located in the Western Center of Africa and has the biggest economy in the continent. It has been witnessing a big demographic growth since 2023, reaching 223 million inhabitants (World Bank, 2023). Estimates show that by 2050, Nigeria would be the 03rd populated state after China and India (Giovanni Carbone, 2019).

4.1. The history of the Nigerian-Chinese political and economic relations :

Although the historical trade and development partners of Nigeria had been European and North American states, China has entered the scene since 1970 (Oyeranti, O. A., Babatunde, M. A., Ogunkola, E. O., & Bankole, A. S., 2010). The Nigerian-Chinese relations have started in 1971, when General Gowon, the then president of Nigeria, visited China in 1972 and the Chinese PM, Li Peng, visited Nigeria in 1977. In 1993, General Sani Abacha visited China after a bloody coup to seek support and escape an international isolation. China was happy to deepen its relations with Nigeria, which was under an international isolationism after Tiananmen campaign (Izuchukwu, O. O., & Ofori, D., 2014).

Moreover, the tight relation between the two parties yield plausible economic outcomes, as the bilateral trade reached 35 million USD in 1989, 327 million USD in 1997, and 13 billion USD in 2013 (Agubamah, E., 2014). The recent statistics show that the bilateral trade reached 19 billion USD in 2020, with no change than 2019 due to Covid-19. Although these numbers seem big, the trade balance between the two states shows a big gap.

Fig.11. The Nigerian-Chinese bilateral trade: exports



Source : Author's Computation from UN Comtrade Statistics

We notice a complementary relation between the two states because the weak Nigerian infrastructure requires big investments and experiences, which may come only from China whose construction is very developed and has witnessed an outward expansion in the late years. In addition, the Chinese economic development increasingly needs raw materials, including oil; therefore, Nigeria is a good source (Oyeranti, O. A., Babatunde, M. A., Ogunkola, E. O., & Bankole, A. S. 2010). Nigeria had better handle the gap by increasing its oil exports to China and reducing the low-cost Chinese imports, mainly textiles that devastated, according to the Nigerian unions, the Nigerian textiles sector. In fact, 175 Nigerian textile companies employed 250.000 workers in

the 1980s. However, in 2007, the number decreased to 26 companies employing 24.000 workers due to the increase of the Chinese imports (Adunbi, O., & Stein, H., 2019).

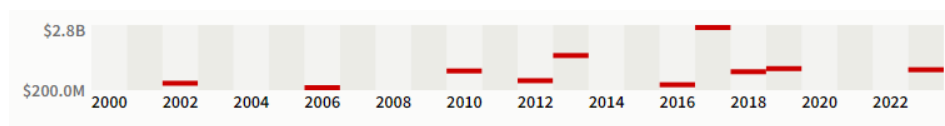
Nigeria is one of the fast African developing states in construction. However, the materials used are Chinese materials that include no technology or skills. Currently, China imports raw materials from China and exports the final products. Thus, we face a situation of neo-colonialism, just as what we saw from the big European powers in the 19th and 1st half of the 20th centuries. In this regard, the Nigerian Central Bank's ex-governor, Sanusi Lamido Sanusi, indicted China of using Nigeria as a landfill to dispose of its low-cost exports. Besides, Nigeria gets most of its loans from China. Between 2015 and 2020, the debts increased with 163% to reach 86 billion USD; 9.7% was owed to the Chinese Export-Import Bank Chexim. In addition, Nigeria owes China 4.1 billion USD. According to Joseph Ajibola, economics teacher at the University of Lagos, the Chinese debts raise no issue for Nigeria because these loans aim at fostering the state growth, not at consumption. However, Pr. Matthew Odedokun fears difficulties in paying back the debts in case the oil market declines, and expresses worries about the future governments' policies, which may focus

on paying back the debts instead of executing the economic development projects (Okpi, A., 2021).

4.2. The Chinese loans and FDI in Nigeria :

China has been providing wide range loans to Africa. For instance, Nigeria got 25 loans, mainly in the last century. Between 2000 and 2023, China granted Nigeria loans of 9.6 billion USD; 25% of them was in 2017. The recent loan was in 2019 from Chexim and the Chinese Development Bank. These loans are devoted for transportation sector to build a port and 04 airports. Furthermore, in 2023, China Development Bank granted Nigeria a 973 million USD loan to found Lagos-Kano Railway (1400 Km).

Fig.12. Chinese loans to Nigeria (2000-2023)

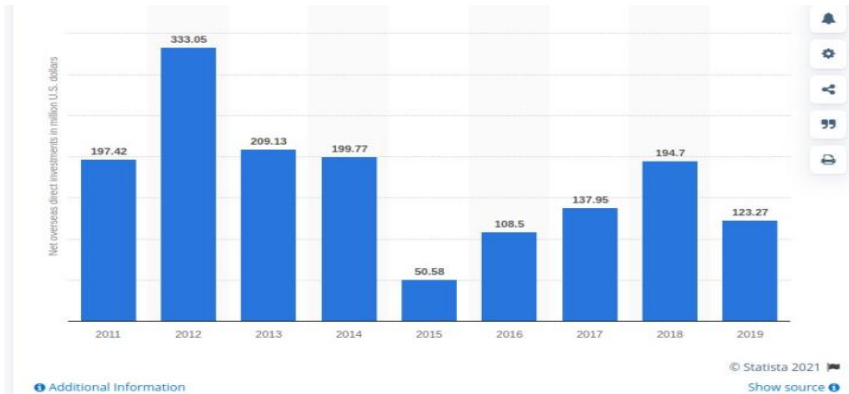


Source: Chinese Loans to Africa (CLA) Database, 2024. Boston University Global Development Policy Center.

The Chinese state-owned companies are the biggest investors in Nigeria in collaboration with local companies. In 2013, Nigeria hosted 208 Chinese companies. Then in 2016, the number increased to 308. Since 2011, Nigeria turned into the 02nd biggest recipient of the Chinese FDI in Africa after South Africa, as FDI

was estimated at 333 million USD in 2012 and decreased to 50 million USD in 2015 before recovering in 2018 to reach 194 million USD (C.Textor, 2019).

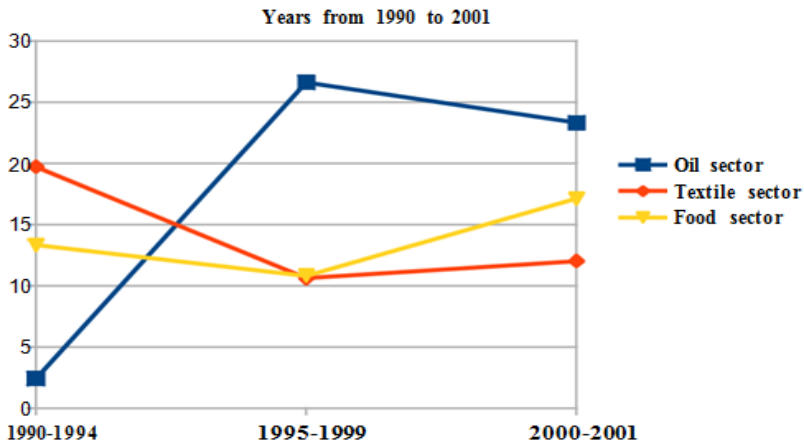
Fig.13. The annual Chinese FDI flows to Nigeria (2011-2019)



Source : C. Textor, Annual FDI flows from China to Nigeria 2011-2019. statista.com

According to the African Economic Research Consortium, the main investment sectors in the start of the 2000s (2000-2001) were oil, foods, and textile (Ajayi, S. I., 2008).

Fig.14. The Chinese FDI in Nigeria according to the main investment sector

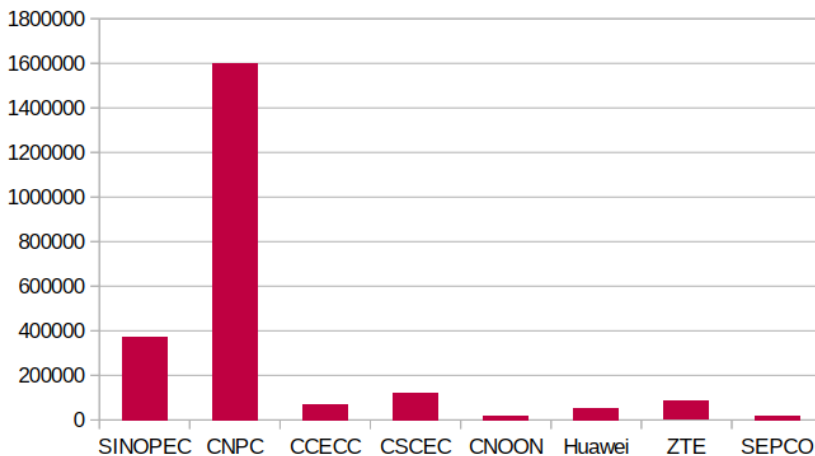


Source : S. Ibi Ajayi, Foreign Direct Investment in Sub-Saharan Africa: Origin, Targets, Impact, and Potential. African Economic Research Consortium, 2006

Figure 14 shows that the investments in oil have highly increased from the 01st to the 02nd half of the 1990s. Despite the big oil reserves and the big investments, Nigeria still imports fuels, showing that refining sector did not sufficiently develop to cover the Nigerian fuels needs. Most of the Chinese companies in Nigeria work in oil, gas, construction, technology, and services. According to the Nigerian Investment Promotion Council, the Chinese private investments focus on industry, telecommunications, and agricultural products. According to (Oyeranti, Babatunde, Ogunkola & Bankole, 2010), the Chinese private companies in Nigeria invested mainly in agricultural food

industry, industry, and telecommunications. Nevertheless, the public sector and the state-owned companies' investments and the mixed projects focus on mining.

Fig.15. The main Chinese companies in Nigeria and the number of workers



Source: Izuchukwu, O. O., & Ofori, D. (2014). Why South-South FDI is booming: case study of China FDI in Nigeria. *Asian Economic and Financial Review*, 4(3), 361.

The main Chinese companies in Nigeria are CNPC and SINOPEC oil and natural gas companies. They employ almost 02 million workers (1.6 million are in CNPC alone). Besides, we find SEPCO Company for electrical energy foundations (power stations), CCECC for foundations, and ZTE for telecommunications (Izuchukwu, O. O., & Ofori, D. 2014).

4.3. Views, advantages, and critical issues about the Chinese existence in Nigeria :

According to Daniel Ofori and Oji-Okoro Izuchukwu from Wuhan University, the Chinese FDI in Nigeria implies challenges and advantages. The advantages include increasing the capitals, exports, and imports, and technology and skills transfer; despite the low rate. In addition, the challenges manifest in the Chinese low-cost products' invasion of the Nigerian local markets, which increases unemployment in Nigeria. The Nigerian workers in the Chinese companies reported mistreatment, bad working conditions, and disrespect of the Nigerian and International Labor Organization laws. Despite this, scholars point that FDI played a vital role in increasing the Nigerian GDP between 1990 and 2010 and confirm the need to develop a skilled human capital to manage the investment inflows, launch an outlook policy, and achieve the maximum profits from FDI.

The strong development of the bilateral trade helped maintain good relations. In 2014, the Nigerian President, Goodluck Jonathan (2010-2015), visited China and made agreements with the Chinese government on a loan of 105 billion USD to develop some infrastructure projects, mainly airports. In addition, in FOCAC 2018, the Nigerian President, Muhammadu Buhari, insisted on the important

partnership with China in developing the Nigerian economy and completing the major infrastructure projects. Besides, Buhari argue that the debts raise no real risks for Nigeria, as some debts are automatically paid, and Nigeria can pay the Chinese debts thanks to the Nigerian wisdom and good administration (Shanban, A., 2018).

In 2021, Muhammadu Buhari received the Chinese Foreign Minister, Wang Yi, in Aboja. 2021 was an important phase for the two states, as it marked the 50th anniversary of their mutual diplomatic relations. Both parties confirmed their good relations, trust, and cooperation. In addition, Wang Li expressed his state's readiness to cooperate with Nigeria against Covid-19, and thanked the Nigerian administration for helping China. However, the situation is not ideal as it seems because the Nigerian workers do not participate in the Chinese infrastructure projects, which prefer the Chinese labor force. Besides, the Chinese low-cost products, mainly textiles, caused unemployment in Nigeria. According to Dr. Edgar Agubamah, the Nigerian politics teacher, Nigeria still sees China as a protector and strategic ally although the Chinese companies do not comply with the local labor laws and mistreat the workers. He adds that the bilateral relations are vital and should be well managed. Furthermore, Nigeria should invest in technology to make efficient negotiations with China.

5. CONCLUSION :

Our study shows the dual nature of the Chinese FDI in Africa. Although this FDI makes up a small share of the Chinese FDI, it has a disproportionately strategic effect on Africa, mainly on dealing with infrastructure issues. The Chinese state-owned companies are supported by different banks, such as Chexim and CDB, and can invest in high cost sectors, including transportation, energy, and mining, which are usually avoided by the Western investors. This funding model achieved palpable results, including technology transfer, infrastructure expansion, and job creation; thus, it provides alternatives for the traditional Western funding mechanisms. Nevertheless, focusing these investments in the states that have many resources and low institutional frames raises worries about their sustainability.

The comparison with the traditional partners, such as USA and EU, shows that China provides more flexible conditions without direct political restrictions. Despite the attractiveness of these conditions, they imply risks on the financial sustainability and reliance on raw materials. Besides, the aspects of the historical similarity between the current Chinese participation and the previous resource-based interventions of other global powers raise fears about a new dependency instead of a structural transformation. Despite the questions of debts accumulation,

limited economic diversity, and long-term structural deficits, Nigeria benefits of the Chinese FDI and witnesses a good economic and infrastructure development.

In general, our findings show that the Chinese existence in Africa marks a structural contradiction, as it represents a palpable opportunity to accelerate and foster economic development and integration and, at the same time, raises structural, political, and economic issues that require local strategies to maximize the benefits and minimize the weaknesses. In so doing, the African states should :

1. Foster the institutional and regulatory frames to ensure transparency, accountability, and fair distribution of benefits.
2. Strategically negotiate the investment agreements, including the local content requirements, technology transfer items, and debts sustainability guarantees.
3. Diversify the investment partnerships to avoid excessive reliance on one party, and encourage competitive conditions.
4. Foster the regional cooperation through organizations, such as the African union, to coordinate the investment strategies and exchange the best practices.
5. Methodologically monitor the social and environmental effects and ensure compliance of the wide range projects with the sustainable development goals.

In the end, our findings deny all the excessively optimist or pessimist narratives, as the Chinese FDI is neither a magical solution to the African development issues nor an exploitative power. Its success requires African governance, strategic planning, and negotiations, not only Chinese policies.

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