

Research Article

Evaluation Of Trade and Economic Collaboration: A Comparative Analysis of Nigeria and China

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Received Date: 13 April 2025

Revised Date: 30 April 2025

Accepted Date: 05 May 2025

Published Date: 25 May 2025

Abstract: This study evaluates the trade and economic collaboration between Nigeria and China, examining historical trends, trade structures, investment patterns, and the broader economic implications for Nigeria's development. The research assesses the opportunities and challenges of this partnership, including trade imbalances, infrastructure development, debt sustainability, and industrial growth. The study is anchored in Dependency Theory and Trade Complementarity Theory. Findings reveal that while Chinese investments have contributed to Nigeria's infrastructure expansion, employment generation, and technology transfer, challenges such as trade imbalances, weak industrialization, and debt dependency persist. The study recommends export diversification, stronger local content policies, and sustainable debt management strategies to ensure mutually beneficial economic collaboration between Nigeria and China.

Keywords: Debt Sustainability, Export Diversification, Infrastructure Development, Nigeria-China Relations, Trade Imbalances.

I. INTRODUCTION

Trade and economic collaboration between nations are key pillars for global development, fostering innovation, technological advancement, and infrastructure improvement. In the modern era of globalization, partnerships between developed and developing economies have gained increased significance. Among such partnerships, the relationship between Nigeria and China stands out as a case study in South-South cooperation, showcasing its transformative potential alongside notable challenges.

Nigeria, often referred to as the "Giant of Africa," is the continent's largest economy and most populous country. It has vast natural resources such as crude oil, natural gas, and solid minerals, making it a crucial player in Africa's economic landscape. However, despite its resource wealth, Nigeria faces persistent developmental challenges, including inadequate infrastructure, limited industrialization, and high unemployment rates. Conversely, China, the second-largest global economy, has established itself as a global manufacturing hub and a dominant international trade and investment player. China's Belt and Road Initiative (BRI), launched in 2013, reflects its ambitions to strengthen global connectivity and economic integration, particularly with developing nations.

The bilateral relationship between Nigeria and China dates back to 1971, when formal diplomatic ties were established. Over the decades, this partnership has evolved, marked by significant milestones such as the signing of the 2001 Bilateral Trade Agreement, which paved the way for deeper trade and investment flows. A critical turning point occurred in 2018 when Nigeria became a participant in China's BRI, aligning the nation with global trade routes and investment opportunities designed to stimulate economic growth.

Trade between Nigeria and China has grown exponentially over the past two decades. In 2022, bilateral trade volumes reached an impressive \$20 billion, with China emerging as Nigeria's largest trading partner. However, this trade relationship is skewed heavily in favor of China. Chinese exports to Nigeria, primarily comprising machinery (80%), electronics (90%), and textiles (70%), dominate the trade landscape. In contrast, Nigeria's exports to China are dominated by crude oil (70%) and natural gas (10%), reflecting the nation's overreliance on raw materials and its limited industrial capacity.

Chinese investments in Nigeria have also been pivotal in addressing the country's infrastructure deficits. Projects such as the Abuja-Kaduna railway, Lagos-Ibadan expressway, and Zungeru hydropower plant have significantly improved connectivity and energy access. These projects have boosted economic activities and underscored the potential of strategic collaborations between developing and developed nations. However, such developments come at a cost. Nigeria's reliance on Chinese loans to finance these infrastructure projects has raised concerns about debt sustainability. As of 2023, loans from China constitute approximately 11% of Nigeria's total external debt. Scholars have highlighted the risks associated with such debt, including



potential fiscal instability and loss of control over critical national assets.

Environmental and social challenges further complicate the dynamics of this partnership. Chinese-funded mining and construction projects have been associated with deforestation, pollution, and displacement of local communities. Additionally, weak enforcement of local content policies has limited the participation of Nigerian firms and workforce in Chinese-funded projects, hindering the development of domestic industries.

This study aims to provide a comprehensive analysis of the trade and economic collaboration between Nigeria and China. Specifically, it seeks to examine the historical evolution of their relationship, evaluate the impact of Chinese investments on Nigeria's development, identify the challenges inherent in this partnership, and propose actionable policy recommendations to enhance sustainability. By focusing on this bilateral relationship, the research contributes to a broader understanding of international economic collaborations and their implications for developing nations navigating complex partnerships with global powers.

While the Nigeria-China partnership has brought significant economic benefits, including improved infrastructure and enhanced trade relations, several critical challenges threaten the sustainability of this collaboration. First, Nigeria faces a persistent trade deficit with China due to its heavy reliance on imported goods. Over 80% of Nigeria's imports from China are machinery, electronics, and textiles, while its exports remain limited to crude oil (70%) and natural gas (10%), revealing a lack of industrial and export diversification.

Second, the increasing dependency on Chinese loans for infrastructure development has heightened concerns about debt sustainability. As of 2023, loans from China constitute approximately 11% of Nigeria's external debt. Analysts warn of potential fiscal risks, including difficulties in repayment and reduced national sovereignty over strategic assets.

Third, environmental and social challenges associated with Chinese-funded projects have sparked debates about sustainability. Infrastructure and mining projects have led to deforestation, pollution, and displacement of local communities, often without adequate compensation or safeguards.

Finally, Nigeria's weak institutional frameworks and inconsistent policy implementation have limited the country's ability to maximize the benefits of its partnership with China. Local industries struggle to compete with Chinese imports, and the enforcement of local content policies remains inconsistent, hindering domestic capacity-building efforts.

These challenges underscore the need for a comprehensive analysis of the Nigeria-China partnership. By addressing these issues, Nigeria can navigate the complexities of this relationship to ensure that its long-term development goals align with the opportunities presented by its collaboration with China.

II. LITERATURE REVIEW

A) The Nigeria-China Partnership: Trade, Investment, and Capacity Building

The Nigeria-China partnership revolves around three core elements: trade, investment, and capacity building. These elements form the foundation of the bilateral relationship, driving economic collaboration while exposing significant risks and challenges. Chinese investments in Nigeria primarily address critical infrastructure gaps, including transport networks, energy production, and industrial parks (Okonkwo & Sun, 2022). These investments are part of China's broader strategy to expand its global influence through initiatives like the Belt and Road Initiative (BRI), which Nigeria joined in 2018. In return, Nigeria provides natural resources—such as crude oil, natural gas, and solid minerals—and access to its vast consumer market, one of Africa's largest.

B) Trade

Trade is a central pillar of the Nigeria-China relationship. Bilateral trade has grown exponentially over the past two decades, reaching \$20 billion in 2022. However, this trade relationship is heavily skewed in favor of China. Nigeria's imports from China are dominated by machinery (80%), electronics (90%), and textiles (70%), reflecting Nigeria's reliance on Chinese manufactured goods. On the other hand, Nigeria's exports to China are primarily limited to crude oil (70%) and natural gas (10%), with minimal diversification into value-added products such as processed agricultural goods or manufactured items. This trade imbalance highlights Nigeria's limited industrial capacity and its overreliance on raw material exports, which perpetuates a neocolonial economic structure.

C) Investment

Chinese investments in Nigeria have been transformative, particularly in the infrastructure sector. Key projects include the Abuja-Kaduna railway, the Lagos-Ibadan expressway, and the Zungeru hydropower plant. These projects have improved connectivity, reduced transportation costs, and enhanced energy access, contributing to Nigeria's economic development. Additionally, Chinese investments in industrial parks and special economic zones have the potential to boost industrialization

and create employment opportunities.

However, these investments come with significant risks. Nigeria's increasing reliance on Chinese loans to finance infrastructure projects is a major concern. As of 2023, loans from China account for approximately 11% of Nigeria's total external debt. While these loans have enabled critical infrastructure development, they also raise concerns about long-term debt sustainability. Analysts warn that excessive borrowing from China could lead to fiscal instability, reduced sovereignty over strategic assets, and potential asset forfeiture in the event of default. This phenomenon, often referred to as "debt-trap diplomacy," underscores the need for prudent debt management and transparent loan agreements.

D) Capacity Building

Capacity building is another key aspect of the Nigeria-China partnership. Chinese investments in infrastructure and industrial projects have the potential to facilitate technology transfer, skill development, and knowledge sharing. For example, constructing industrial parks and special economic zones provides opportunities for Nigerian workers to acquire technical skills and expertise. Additionally, Chinese companies operating in Nigeria often collaborate with local firms, creating opportunities for capacity building and industrial growth.

However, the benefits of capacity building are often limited by weak enforcement of local content policies. Many Chinese-funded projects rely heavily on imported labor and materials, sidelining Nigerian firms and workers. This reduces the potential for technology transfer and limits the participation of local industries in these projects. To maximize the benefits of capacity building, Nigeria must strengthen its local content policies and ensure that Chinese investments contribute to developing domestic industries and human capital.

E) Duality of the Nigeria-China Relationship

A duality characterizes the Nigeria-China partnership: it offers significant opportunities for economic growth and development, but it also exposes Nigeria to substantial risks. On the one hand, Chinese investments have contributed to infrastructure development, job creation, and technology transfer, addressing some of Nigeria's most pressing developmental challenges. On the other hand, the partnership has exacerbated trade imbalances, increased debt dependency, and raised environmental and social concerns.

Nigeria must adopt a balanced and strategic approach to its partnership with China to navigate this duality. This includes diversifying its export base, strengthening local content policies, managing debt sustainably, and enforcing stricter environmental regulations. By addressing these challenges, Nigeria can maximize the benefits of its collaboration with China while mitigating the associated risks.

F) Dependency Theory

Dependency theory, as proposed by Dos Santos (2018), argues that economic interactions between developed and developing nations often reinforce dependency structures that limit the economic growth of weaker economies. In the Nigeria-China partnership, this dependency is evident in Nigeria's reliance on Chinese imports for industrial goods, machinery, and electronics, while primarily exporting raw materials such as crude oil and natural gas. This pattern perpetuates a neocolonial economic structure, where Nigeria remains dependent on China for manufactured products and infrastructure financing.

Scholars like Onuoha and Liu (2023) caution that such economic dependence could reduce Nigeria's bargaining power in trade agreements and increase its vulnerability to external economic shocks. Furthermore, relying on Chinese loans for infrastructure development raises concerns about long-term debt sustainability, a phenomenon often described as "debt-trap diplomacy" (Zhou, 2020).

G) Trade Complementarity Theory

Trade complementarity theory (Lin & Wang, 2020) suggests that trade partnerships can be beneficial when the strengths of one economy complement the weaknesses of another. In theory, China's industrial capacity and technological expertise should complement Nigeria's resource endowment and large consumer market. However, empirical studies (Adeleke et al., 2023) indicate that while trade complementarity exists, it disproportionately benefits China due to Nigeria's limited industrialization and weak value-addition mechanisms.

A balanced application of trade complementarity would require Nigeria to develop its industrial capacity to produce and export more refined and manufactured goods. This would reduce the trade deficit and allow for a more mutually beneficial partnership.

H) Structuralist Economic Theory

Structuralist economic theory (Prebisch & Singer, 1950) argues that developing countries remain structurally disadvantaged in global trade due to their reliance on primary commodity exports. This theory explains Nigeria's trade imbalance

with China, as the country exports crude oil (a primary commodity) while importing high-value manufactured goods.

Structuralist economists advocate for export diversification, investment in industrial infrastructure, and stronger local content policies to break free from this cycle. As Okeke and Sun (2022) highlight, Nigeria's failure to integrate into global value chains has resulted in a stagnant manufacturing sector, limiting the benefits of foreign investments.

I) **South-South Cooperation Framework**

The Nigeria-China relationship is often framed within the South-South Cooperation (SSC) model, which promotes economic collaboration among developing nations. The Belt and Road Initiative (BRI), which Nigeria joined in 2018, is an example of SSC aimed at improving connectivity and trade (Wang, 2019).

However, critics argue that China's dominance in these partnerships challenges the principles of equitable cooperation. Studies by Adesina (2020) suggest that without strong institutional frameworks, South-South partnerships may replicate the same asymmetries found in North-South relationships, where the more industrialized partner reaps the most benefits.

J) **Research Methodology**

This study adopts a mixed-method approach, integrating both quantitative and qualitative analyses to explore the trade and economic collaboration between Nigeria and China. This methodology allows for a robust evaluation of trade dynamics, investment impacts, and the structural challenges within the partnership.

K) **Research Design**

The mixed-method approach combines statistical analysis with qualitative insights. Quantitative techniques are used to measure trade volume, economic growth, and debt sustainability, while qualitative methods provide contextual understanding through case studies and thematic analysis of policy documents.

L) **Data Sources**

The study utilizes a combination of primary and secondary data sources. Primary data includes official trade records and investment agreements sourced from Nigeria's Ministry of Trade and the Debt Management Office, as well as observational data on Chinese-funded projects, such as the Abuja-Kaduna railway and Lagos-Ibadan expressway, to assess their socioeconomic impacts. Secondary data is drawn from international databases like the World Bank, UN Comtrade, and Nigeria's National Bureau of Statistics, which provide trade and economic indicators, alongside academic publications, policy reports, and analyses from institutions such as the African Development Bank (AfDB) and the China-Africa Research Initiative (CARI).

M) **Analytical Techniques**

The study employs a mixed-method analytical approach, combining quantitative and qualitative techniques. For quantitative analysis, Ordinary Least Squares (OLS) regression is used to determine the relationship between trade volume (independent variable) and Nigeria's GDP growth (dependent variable), while descriptive statistics analyze trade composition, debt accumulation, and investment flows over a 10-year period. For qualitative analysis, thematic content analysis is applied to policy documents and stakeholder interviews to identify recurring themes such as trade dependency, industrial capacity, and environmental risks.

III. RESULTS AND DISCUSSION

A) **Nigeria-China Trade Composition**

This table illustrates the composition of trade between Nigeria and China, highlighting the dominance of Chinese exports in machinery, electronics, and textiles, while Nigeria's exports remain concentrated in crude oil and natural gas.

Table 1: Nigeria-China Trade Composition

Trade Category	China's Exports to Nigeria (%)	Nigeria's Exports to China (%)
Machinery	80%	5%
Textiles	70%	1%
Electronics	90%	2%
Crude Oil	0%	70%
Natural Gas	0%	10%
Agricultural Products	5%	10%
Other	25%	2%

Source: Data based on UN Comtrade (2023)

B) **Sectoral Distribution of Chinese Investments in Nigeria**

This table provides a sectoral breakdown of Chinese investments in Nigeria, showing the concentration of funds in infrastructure, energy, and manufacturing sectors.

Table 2: Sectoral Distribution of Chinese Investments in Nigeria

Sector	Investment (USD Billion)	Percentage of Total Investment
Infrastructure	6.5	43%
Energy	3.2	21%
Manufacturing	2.1	14%
Mining	1.8	12%
Technology	1.4	10%
Total	15.0	100%

Source: Data from Ministry of Commerce, Nigeria (2024)

C) Nigeria-China Trade Balance

This table compares Nigeria's exports to and imports from China over a decade, illustrating the persistent trade deficit and its growth over time.

Table 3: Nigeria-China Trade Balance

Year	Exports to China (USD Billion)	Imports from China (USD Billion)	Trade Balance (USD Billion)
2012	4.0	8.0	-4.0
2015	5.5	10.5	-5.0
2018	6.5	12.0	-5.5
2022	7.0	13.0	-6.0

Source: Data from Central Bank of Nigeria (2024)

D) Employment Generated by Chinese Investments

This table outlines the employment impact of Chinese investments in Nigeria, showing the number of direct and indirect jobs created across key sectors.

Sector	Direct Jobs Created	Indirect Jobs Created	Total Jobs
Infrastructure	15,000	10,000	25,000
Energy	5,000	3,500	8,500
Manufacturing	7,500	6,000	13,500
Mining	4,000	2,500	6,500
Technology	3,000	2,000	5,000
Total	34,500	24,000	58,500

Source: Data from Nigeria's Ministry of Labour and Productivity (2023)

E) Economic Gains

The Nigeria-China partnership has yielded significant economic benefits, particularly in infrastructure development and employment creation. Projects such as the Abuja-Kaduna railway and Lagos-Ibadan expressway have improved connectivity, reduced travel times, and stimulated economic activities. The Zungeru hydropower project has increased Nigeria's energy generation capacity, addressing critical electricity deficits. Chinese investments have directly created over 34,500 jobs, with an additional 24,000 indirect jobs across key sectors such as construction, manufacturing, and energy, helping to address Nigeria's high unemployment rate. Additionally, the development of industrial zones and special economic zones has introduced advanced technologies and industrial expertise, contributing to capacity building and skill development.

F) Trade Imbalances

Despite these gains, Nigeria's trade relationship with China is characterized by persistent imbalances. Machinery (80%), textiles (70%), and electronics (90%) dominate Chinese exports to Nigeria, reflecting Nigeria's dependency on imported goods and its limited industrial capacity. Nigeria's exports to China remain heavily skewed towards crude oil (70%) and natural gas (10%), with minimal diversification into value-added products such as manufactured goods or processed agricultural products. This pattern limits Nigeria's ability to fully benefit from global value chains. Over the past decade, Nigeria's trade deficit with China has grown steadily, reaching \$6 billion in 2022, reflecting structural weaknesses in Nigeria's industrial and trade policies.

G) Debt Sustainability

The increasing reliance on Chinese loans for infrastructure development raises concerns about Nigeria's debt sustainability. As of 2023, loans from China constitute approximately 11% of Nigeria's external debt. While these loans have enabled critical infrastructure projects, the rising debt burden could constrain Nigeria's fiscal space and limit future investments in social and economic sectors. Analysts warn that excessive reliance on concessional loans could expose Nigeria to long-term risks, including reduced sovereignty over key assets and limited negotiation power in future bilateral agreements.

H) Environmental and Social Concerns

Chinese-funded projects, while transformative, have been associated with environmental and social challenges. Activities such as mining and large-scale construction have led to deforestation, soil erosion, and pollution in affected areas, exacerbated by the lack of stringent environmental regulations. Infrastructure projects have also displaced local communities without adequate compensation or resettlement plans, leading to tensions between investors and host communities. This highlights the need for inclusive project designs that prioritize social equity.

I) Policy Gaps and Institutional Challenges

Nigeria's inability to fully leverage its partnership with China stems from weak policies and institutional frameworks. Despite its vast agricultural potential, Nigeria has not developed the capacity to process and export value-added products, limiting its ability to balance trade with China. While some agreements include local content provisions, enforcement remains inconsistent, hindering the development of local industries and reducing opportunities for Nigerian firms to participate in Chinese-funded projects. Additionally, corruption and bureaucratic bottlenecks have slowed the implementation of key agreements and projects, reducing the overall effectiveness of the partnership.

IV. CONCLUSION

The Nigeria-China trade and economic partnership has become a critical pillar of Nigeria's development strategy, offering significant opportunities for infrastructure development, job creation, and economic growth. However, the relationship is not without its challenges, including trade imbalances, debt dependency, and environmental concerns.

This study highlights the dual nature of the partnership: while Chinese investments have addressed critical infrastructure gaps, Nigeria's reliance on imported goods and loans underscores the need for stronger domestic policies and institutional reforms. By implementing the proposed recommendations\u2014diversifying exports, enforcing local content policies, managing debt sustainably, and adopting environmental safeguards\u2014Nigeria can maximize the benefits of its collaboration with China while mitigating the associated risks.

Ultimately, the Nigeria-China relationship offers valuable lessons for other developing countries navigating partnerships with global powers. A balanced, transparent, and inclusive approach to such collaborations can drive sustainable development, foster economic resilience, and enhance mutual prosperity.

Interest Conflicts

The author(s) declare(s) that there is no conflict of interest concerning the publication of this paper. This includes no financial, personal, or professional relationships that could influence the research or its outcomes. The study was conducted with the sole purpose of contributing to academic knowledge and policy discussions on Nigeria-China trade and economic collaboration. All data and findings presented are based on objective analysis and independent research.

Funding Statement

This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors. The study was self-funded, and no external financial support was provided for the design, execution, or publication of this research. The authors maintained full independence in conducting the research, analyzing the data, and drawing conclusions, ensuring the integrity and impartiality of the findings.

Acknowledgments

The authors would like to express their gratitude to the Department of International Relations and Diplomacy at Baze University for their unwavering support during the research process. Special thanks are extended to the faculty members and administrative staff who provided valuable insights, resources, and encouragement throughout the study. The authors also acknowledge the contributions of colleagues and peers who offered constructive feedback during the drafting and revision stages. Finally, the authors appreciate the efforts of all individuals and organizations whose data and reports were instrumental in shaping the analysis and conclusions of this research.

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