The Political Economy of China's Investment in Nigeria: Prometheus or Leviathan?

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Abstract
In the last few years, there has been a significant increase in the number of Chinese businesses operating in Nigeria. The transition to civil rule in 1999 and the eventual consolidation of a liberalized economy by successive administrations have resulted in the signing of several business deals with the Chinese government and Chinese enterprises. In line with the Federalist structure of the Nigerian government, many of these new enterprises have arisen from collaborations between Chinese companies and state and local governments in Nigeria. While central government efforts to shift the economy away from oil dependency have largely failed, state and local governments, at least on the surface seem committed in working with Chinese firms to increase investment in enterprises that will help generate a growth-oriented diversified economy. However, Chinese interests in Nigeria appear to continue to focus on oil extraction and related industries. Among other things, this chapter will look specifically at the construction of a Free Trade Zones in Lagos and Ogun States with emphasis on evaluating the extractive practices within these two zones. The chapter will focus on documenting and assessing the nature and impact of Chinese investment projects in different regions of Nigeria to see if the shapes of Chinese projects are in the image of Prometheus or Leviathan.

Introduction

There has been a growing influence of China globally in the last two decades. One of the major changes that is shaping China's growing economic and political impact is its "Going Out" policy which has led to negotiations and the signing of multilateral and bilateral trade agreements across the globe. These agreements have been brokered through the organization of groups such as the Forum on China-Africa Cooperation (FOCAC), established in 2000 as a meeting point to discuss trade between China and Africa. These kinds of interactions have facilitated growth of economic linkages between China and Africa which have rapidly expanded in the past decade and a half. Trade in 2013 and 2014 exceeded $200 billion which was more than a ten-fold increase compared to ten years before. Loans exceeded $30 billion in 2016 alone up from around $100

million in 2000. Gross lending to the public sector is estimated at $132 billion between 2000-2016 and could amount to as much as 22% of the total Africa debt over that period (SAIS-CARI, 2018).

Foreign Direct Investments (FDI) which was $390 million in 2005 has been in the range of 2-4 billion each year from 2010-2015. It is estimated that FDI stock exceeded $32 billion in 2014 (EOM, 2016). Globally, Chinese aid tends to be small but has expanded from the 500 million to $1 billion range in 2003-06 to the $1.5 to 3 billion dollar range between 2007-16 (SAIS-CARI-2017). Roughly 45% of the total has been going to Africa prior to 2009 rising to 50% after (Pigato and Tang, 2015).

While there is a broad consensus on the growing importance of the relationship between China and Africa, there is much more debate on how to characterize the relationship. Literature on Africa-China's relationship often fall under two broad categories: those who argue that the relationship is a "win-win" for Sub-Saharan Africa and China and those who view the relationship as a new form of imperialism. One particular focal point is the issue of resource exploitation (Adisu, Sharkey and Okoroafo, 2010; Foster, Butterfield, Chuan and Pushak, 2008; Kolstad and Wiig, 2011). Exports from Africa to China have been overwhelmingly in natural resources. Between 2012 and 2017, fuels constituted 62% of the total exports to China (UNCTAD, 2018). Oil alone exceeded 60% of the total between 2002 and 2013 (Pigato and Tang, 2015). Primary commodities, which are raw and unprocessed, accounted for more than 96% of exports to China with only a very tiny 3% in manufactured goods. In contrast, 94.6 % of all imports into SSA from China were in manufactured goods. Moreover, SSA has been running a severe trade deficit with China since 2014 averaging $19.5 billion annually through 2017 (UNCTAD, 2018). Chinese have also been sending an increasing number of workers to Africa. In 2015 there were an estimated 264,000 up from 181,000 in 2011. These figures include Chinese working on Chinese construction contracts in Africa and those sent to work for other enterprises. They do not include informal migrants such as traders and shopkeepers which one source estimated at more than a million (Economist, 2018)

Given these and other trends, there has been a growing literature very critical of Chinese-Africa relations. Some of these literature argue that the relationship have mostly benefited the Chinese (Brookes & Shin, 2006; De Grauwe, Houssa, & Picillo, 2012; Kaplinsky, McCormick, & Morris, 2006) because of its focus on the extractive industries while overlooking how regimes undermine governance through violations of human and democratic rights (Taylor, 2007, Brautigam and Gaye, 2007). China is seen as extractive and exploitative in its relationship with Africa while at the same time contributing to deindustrialization, poverty and underdevelopment on the continent through its flooding of local markets with cheap and sometimes substandard product. Feng et al, (2015) use multivariate regressions to determine the main drivers of Chinese contracts in Africa and find that the most significant model is the one based on resources of the country not a political or economic model. Some like the former head of the Central Bank of Nigeria Sanusi Lamido Sanusi even considers that "Africa is opening up to a new form of imperialism" as China dumps its cheap manufactured goods on the continent and takes raw materials (Sanusi, 2013).[1] Hence China can be seen as a Leviathan, the all-powerful giant monster that devours everything in its path.

[1] The full quote is "So China takes our primary goods and sells us manufactured ones. This was also the

Conversely, there are those who see China as a source of development for Africa (Berthelemy, 2011; Davies, Edinger, Tay, and Naidu, 2008; Creamer, 2010; Thompson, 2005; Wang, 2009, Mlambo et al, 2016). One element emphasized is the role China has played in building infrastructure particularly in "bottle-neck releasing sectors" that are so vital to the structural transformation of Africa (Lin and Wang, 2014). As Brautigam puts it, "Chinese teams have built bridges, hydroelectric power plants, ports, highways and even railroads. Western donors turned away from infrastructure long ago. China listened to what Africans wanted." Even the sale of resources to China should be seen in a positive developmental light "China's huge demand for Africa's commodities is creating new opportunities for African governments to realize the hopes of their people for a better life. Countries that set their house in order… can position themselves to benefit, and those that do not will find their resources continue to be simply a "curse"—with or without China (Brautigam and Gaye, 2007,pp.6,7)". Hence, China should be seen in the spirit of the Greek God Prometheus who brought to humanity the gifts to dramatically improve their livelihoods.

Others take more intermediate positions (Agbebi andVirtanen, 2017). Mlambo et al (2016) argue: "Optimistically the China-Africa relationship presents a great opportunity rather than a threat to Africa but realistically the relationship seems to be benefiting China. Trade imbalances between the two partners, the exportation of substandard goods to Africa from China, China's negligence of issues of governance and human rights, and China's contribution to deindustrialization…An analysis of the China-Africa relations showed that the relationship present both opportunities and challenges for African countries…African needs to be cautious when entering into economic and political ties with China. On one hand, Africa should embrace the opportunities offered by the relationship with the Chinese but on the other hand, it should preserve and promote its interests (p.272)."[2]

One way that to deal with the massive trade deficit in manufacturing goods is to attract Chinese manufacturing capital. Closely linked to this is to establish Special Economic Zones[3] in African countries. Proponents of SEZs argue it could draw on Chinese expertise on managing zones, which have been very successful in China in contrast to SSA where they have generally done poorly for a variety of reasons (Stein, 2012). This could propel SSA on the path of industrialization and move the continent away from aid-dependency. At the First Ministerial Conference of the Forum on China-Africa Cooperation in 2000, China pledged to share its experience with Africa on investment promotion through SEZs. In 2006, China's President Hu Jintao announced the establishment of three to five SEZs in African countries (FOCAC 2006).

essence of colonialism. The British went to Africa and India to secure raw materials and markets. Africa is now willingly opening itself up to a new form of imperialism."(Sanusi, 2013)

[2] The intermediate positions was more or less the position offered by China's special representative on African Affairs, Zhong Jianhua who responded to Sanusi by not contesting his view on the structure of trade relations but argued in time, "I expect a lot of manufacturing will move from China to Africa. This is what Africa wants and it is what we want. I see no loser in this competition".(Zhong, 2013).

[3] There is a rather imprecise usage of language in the names associated with zones in Nigeria and elsewhere. They tend to be spatially defined and separated from the broader political territory and often have incentives to operate and produce within these zones with easier access to the international economy for trade and investment purposes. In this paper terms like Export Processing Zones, Free Trade Zones and Special Economic Zones are used interchangeably. A more detailed investigation of the taxonomy of zone terminology can be found in Stein (2012).

Starting in 2007 Chinese SEZs were established in Zambia, Egypt, Nigeria, Ethiopia and Mauritius (UNDP, 2015). Zone construction tenders were set in 2006 and 2007. By February 2015, there were 8 to 38 companies operating in all but the Mauritius zone which was partly held up due to disputes over compensation for evicted farmers (Tang, 2015, Cowaloosur, 2014)).
In Ethiopia, by 2018, the Chinese run Eastern Industrial Zone completely leased or sold all the land in its 233 ha first phase. There were 79 mostly Chinese companies in the zone with 56 starting operation. The zone produced a wide variety of items including textile and garments, motor assembly, chemical and soap production, pharmaceuticals, building materials including cement, steel products, shoes, aluminum products, and food products for both the domestic and export markets., Employment was estimated at 14,700 workers including 1500 Chinese nationalists. However they were having considerable difficult securing the 167 ha for phase two from the local government partly due to protests from evicted farmers and the price that was demanded for the new land (interview administration office, Eastern Industrial Zone, Aug 25, 2018).

Nigeria had two Chinese zones established one in Lekki in Lagos State and another in Ogun State just north of Lagos   The remainder of the paper maps out the history of Nigerian and Chinese relationships including its economic linkages before turning to a discussion of free trade zones in Nigeria with a specific focus on the two Chinese run zones. A key focal point will be to present the history and assess the nature and impact of the Chinse SEZs in Nigeria.

Nigerian and Chinese Linkages: An Overview

China established diplomatic relations with Lagos in 1971 overcoming the hostility that was associated with Chinese effective support for Biafra during the Nigerian civil war of 1967-70. A delegation visited Beijing in 1972 and signed an open-ended agreement on trade and technical cooperation. Despite the close relations in the 70s, Nigeria asserted its foreign policy independence. For example, Nigeria did not only become a member of the frontline state but also supported materially and otherwise groups fighting for independence in many Southern African countries. For instance, following the 1975 civil war in Angola, Nigeria supported the Soviet-backed MPLA, while China aligned itself with the FNLA, which was also supported by the US and CIA. During the Abacha dictatorship years of 1993-98 when Western aid was again cut off because of the abysmal human rights record of the regime, Nigeria adopted a “Look East” policy which strengthened the Beijing-Abuja alliance and built trust between the two nations.

Cooperation has continued to the present. Since 1999 when democratic elections started, every Nigerian president has visited China. In 2005. China and Nigeria published a joint communiqué with China announcing Taiwan as an unalienable part of the territory of China. In 2015, China endorsed Nigeria’s attempt to become a permanent member of the UN Security Council, while Nigeria supported China’s position in territorial disputes in the Pacific region. China has also provided military support in counter-insurgencies efforts in the Niger Delta (Umejei, 2015, Ramani, 2016).

Good political relations has spilled over into economics (and vice versa). Historically, there were a number of Hong Kong based companies that invested in Nigeria after independence. Some originated in mainland China but moved to Hong Kong after the Communist takeover. Two are

still operating in Nigeria. The Lee Group produces shoes, bread, plastic bags, steel and ceramics. The second WEMPCO, which is controlled by the Tung family is in ceramics, building materials, and the hospitality sector and opened the largest cold-rolled steel milling in Africa in 2015 (Chen et al, 2016.)

In 2006, China and Nigeria signed an MOU on the establishment of a strategic partnership which was the first for an African country. The partnership lead to an oil for infrastructure arrangement where Chinese companies were offered the first access to oil processing licenses. Presidential visits have led to large Chinese loans. President Jonathan's visit to Beijing in 2013 led to a $3 billion loan for infrastructure which included expansion of the airports in Lagos, Kano, Abuja and Port Harcourt. Following President Buhari's visit in 2016, Nigeria was offered an infrastructural loan of $6 billion.

Chinese companies have increasingly been locating to Nigeria. As of 2013, according to the local investment agency there were 208 registered Chinese companies in Nigeria focusing on oil and gas, construction and telecommunication (Umejei, 2015). By 2016, the number registered with the investment agency had grown to 308 though the numbers [4]could be considerably higher (Sun et al, 2017). Chen et al. (2016) surveyed two sources the Nigerian Investment Promotion Council, NIPC and the Chinese Ministry of Commerce (MOFCOM) for the number of Chinese companies approved to invest in Nigeria and found 221and 297 respectively though there was no guarantee they actually invested. 141 listed with MOFCOM were in manufacturing and 92 with NIPC. Only 21 to 30 were overlapping in manufacturing.

Nigeria has also been one of the largest recipients of loans from China. Between 2010 and 2015, Nigeria received the fourth highest amount of loans in Africa from China and the 6th highest over the longer period of 2000-15 (SAIS-CARI, 2018). However, that is likely to have gone up in the wake of the $7.5 billion dollar loan from China in 2017 for the Lagos to Kano and Lagos to Ibadan rails (Adamu, 2017). As of 2011, they were the second highest recipient of FDI after South Africa (Umejei, 2015). Between 1995 and 2017, Nigeria has been the second largest importer of Chinese goods after South Africa. Exports to China have also been in the top five in most years over the same period (UNCTAD, 2018).

Nigerian-Chinese Trade Relations and Textiles

Chinese trade relationship with Nigeria has been severely criticized both in the press and in academic writings. Sansui, the former governor of the Central Bank of Nigeria, stated in 2013 "China takes from us primary goods and sells us manufactured ones. This was also the essence of colonialism,". Others have been equally scathing. Agubamah (2014) writes: "The relationship between Nigeria is not a Win-Win situations as being claimed by China but rather Win-Lose situation as reality shows…Nigeria should be wary of being used as a dumping ground for cheap Chinese exports…".

Umejei (2015) surveys articles from two prominent papers Thisday and Punch for the period Sept to Dec. 2012 along with soliciting views of journalists through a Linkedin "Everything

[4] In May, 2018, Nigeria signed a $6.68 billion contract for the new rail line with the China Civil Engineering Construction Corporation (CCECC).

Journalism Forum" to inquire if the relationship is viewed as one of opportunism or opportunity. He finds a mixed perspective with views that China provides investment and aid, a model for success and a potential partner for development. He also found that writers also depicted China as neo-colonialist in its behavior, exploitative and a dumper of "sub-standard products". Others argued that China was "was not different from other global powers".

A particularly heavy criticism has focused on the claims that Chinese imports have completely undermined the textile sector. Both China and Nigeria have long histories of textile production which dates back to the hand-weaving in the eighteenth century in the Yangtze valley in China under the Qing dynasty and city of Kano under the Sakoko Caliphate which began in 1804. Both were affected by colonialism, foreign ownership and mechanization in the 20th century. In China, cotton textiles rapidly expanded after the nationalization following WWII. In Nigeria, the modern history of textiles began in the 1940s and 50s as part of the textile development scheme centered in Kano and Kaduna with support from overseas capital. The first indigenous factory was commissioned in Kano in 1952. Later a number of factories were opened by the Emir of Kano with the financial support of Lebanese businessmen. Other factories were opened in the 1960s with capital from Britain, Sudan and the Hong Kong based CHA group which provided financial support for United Nigeria Textiles Ltd (UNT).

In the 1980s Nigeria had 175 textile plants employing 250,000 people with many more employed as traders and suppliers of cotton and other inputs including thousands of cotton farmers. It accounted for around 25% of manufactured value added with roughly 35% exported to West African countries. However, production thereafter began to decline while production in China led by FDI in the SEZs dramatically increased.

By 2007, Nigeria had only 26 companies still operating in textiles with employment of roughly 24,000 people. Closures included early plants like the UNT. Growth of Chinese imports was facilitated by the massive influx of Chinese company representatives to Nigeria and Nigerian traders flocking to China. The numbers by 2008 had reached 50,000 Chinese reps in Nigeria and 20,000 Nigerians in China. (Muhammad et al, 2017, Umejei, 2015, Renne, 2015). Muhammad et al (2017) go as far as to call this "Chinese textile imperialism" and blames the decline on the Chinese. "From this healthy state the textile industry began to decline steadily. This was largely due to cheap imports from China"(p.676)

Renne (2015) takes a more nuanced view. Nigerian textile production fell apart in the 80s and 90s due largely to internal problems though illegal cheap Chinese imports might have been present from the 70s. The main source of the decline was poor and unstable leadership which failed to provide consistent supporting industrial policy, decline of infrastructure including the failure to maintain the power grid, and the impact of structural adjustment after 1986 which among other things devalued the currency and made spare parts and modern weaving equipment prohibitively costly.

While Nigerian production declined, the Chinese industry began to prosper after the mid-80s. The initial success of the four SEZs led to their expansion and development of SEZ industrial clusters focusing on textile production in cities in Zhejiang and Hebei provinces. They started importing state of the art equipment and producing high quality textiles in an efficient manner. In

1980, China was the tenth largest producer of textiles. By 1995, the improved equipment, large low wage labor force and modernized infrastructure propelled China to become the largest producer and exporter of textiles in the world. By the late 1990s and early 2000s Chinese textile companies and their representatives had institutionalized new trading practices in Nigeria while fostering the presence of Nigerian trading representatives in China.

What does the data actually show on this and other issues?

Tables One and Two provide data on the general trends in the structure of Nigerian trade with the rest of the world which can be used as a basis of comparison to the China and Nigeria trade relationship. The first table examines the Nigerian structure of exports.

The structure of trade is very important from a development perspective. At least since the work of Prebisch (1950) and Singer (1950), development economists have been aware of the need to increase manufacturing exports and the problems with continuing to rely heavily on unprocessed resource exports. Among other things, manufacturing is subject to increasing returns, is a conduit for the transfer of technology, has higher income elasticities compared with other activities, generate employment, is very tradable, is more heterogenous which can allow for better market segmentation which helps avoid the price volatility of homogenous commodities, and can stimulate extensive backward, forward and demand linkages (Stein, 2013).

What is apparent is the continued problematic dependence of Nigeria on fuel exports and no apparent ability to increase manufacturing exports. Details are provided in Table One which presents the breakdown of Nigerian exports to the world. Fuel continues to completely dominate the export trade. They never fall below 91% of total exports of goods and are back above 96% in 2017. The dramatic decline in exports in dollar terms is driven almost entirely by the drop in oil prices which fell by almost 50% in 2015 compared to 2014 (UNCTAD, 2018).

The percentage of manufactured goods, except for one year stays below 2.5% of the total achieved in 1995. More worrisome is the dramatic decline in absolute dollar terms where manufacturing exports in 2016 fell by nearly 80% compared to 2014 to a level below 2005.

Table One
Nigeria-World Exports 1995-2017 in $ Millions Except Ratios

Year	Exp. Manuf.	Man./Tot	Exp. Fuels	Fuels/Tot	Tot Exports
1995	311	0.025199	11306	0.916059	12342
2000	142	0.00677	20431	0.974064	20975
2005	580	0.012667	43594	0.952063	45789
2006	629	0.010622	57208	0.966107	59215
2007	993	0.014999	63549	0.959868	66206
2008	1757	0.021474	78471	0.959057	81821
2009	1039	0.018311	53794	0.948046	56742
2010	2426	0.027391	81088	0.915545	88568
2011	1825	0.014526	118951	0.946753	125641

2012	1523	0.013278	107461	0.936888	114700
2013	1418	0.013848	96739	0.944717	102400
2014	2294	0.022298	97313	0.945898	102879
2015	1309	0.02507	47681	0.913184	52214
2016	504	0.015327	30139	0.916553	32883
2017	769	0.018109	41017	0.965879	42466

Source: UNCTAD, 2018

The import side is provided in Table Two covering the period 1995-2017 and shows that the continued heavy reliance on manufactured goods which averaged 70.5% in the 2005-2011 period dropping slightly to 65.1% from 2012-17. The other significant import is fuel which is quite extraordinary for a major oil exporter which comprises over 20% of imports in 2016 and 2017. This reflects the very low refinery capacity and the need for Nigeria to import massive amounts of petrol and petrol products. In 2017, for example it was estimated that the country's refining capacity was only 17% of its domestic needs with the rest imported (Reuters, 2017).

Table Two
Nigeria-World Imports 1995-2017 and Trade Bal. in $ Millions Except Ratios

Year	Imp. Manuf.	Imp Man/Tot.	Imp. Fuels	Imp Fuel/Tot.	Tot Imp.	Balance
1995	6540	0.795427	425	0.051691	8222	4120
2000	6390	0.732714	462	0.052976	8721	12254
2005	15635	0.753349	839	0.040426	20754	25035
2006	19114	0.720658	2436	0.091845	26523	32692
2007	23140	0.715147	3071	0.09491	32357	33849
2008	36526	0.731237	6252	0.125163	49951	31870
2009	24561	0.724385	3522	0.103875	33906	22836
2010	32303	0.730259	4999	0.11301	44235	44333
2011	31355	0.559911	7763	0.138625	56000	69641
2012	33502	0.656902	6516	0.127765	51000	63700
2013	35659	0.636768	9865	0.176161	56000	46400
2014	40146	0.6691	9326	0.155433	60000	42879
2015	32405	0.709733	5320	0.116518	45658	6556
2016	22100	0.627948	7493	0.212906	35194	-2311
2017	27480	0.610667	9232	0.205156	45000	-2534

Source: UNCTAD 2018

Table Two also provides the trade balances. We cans see that Nigeria generated large positive balances from 2005 to 2014 which contributed to very health reserves as high as $53 billion in 2008 but still above $45 billion in 2014 (World Bank, 2018). During the period crude petroleum was on average more than three times the 2000 level but fell to less than half the 2014 price from 2015-17 leading to the rapid deterioration in the trade balance into negative numbers (UNCTAD, 2018). How do the general trade accounts for Nigeria compare to the trading relationship with China? Tables three and four provide similar data over the same period of 1995 to 2017.

Table Three

Nigeria-China Exports 1995-2017 in $ Millions Except Ratios

Year	Exp. Manuf.	Man./Tot	Exp. Fuels	Fuels/Tot	Tot Exports
1995	.3	0.005455	53	0.963636	55
2000	.07	0.000348	177	0.880597	201
2005	16	0.030361	491	0.931689	527
2006	11	0.034483	285	0.893417	319
2007	39	0.058824	603	0.909502	663
2008	52	0.095941	433	0.798893	542
2009	63	0.059943	932	0.886775	1051
2010	239	0.180106	958	0.721929	1327
2011	270	0.12987	1497	0.720058	2079
2012	62	0.032074	1599	0.827212	1933
2013	62	0.032856	1623	0.860095	1887
2014	48	0.014674	2703	0.826353	3271
2015	52	0.037901	959	0.69898	1372
2016	31	0.034368	588	0.651885	902
2017	87	0.049014	1300	0.732394	1775

Source: UNCTAD, 2018

We can see that fuels also dominate exports to China though the numbers are not as high in recent years. Generally manufacturing exports have been very tiny in the 1 to 3% of total exports range with the exception of 2010 and 2011 which is likely to have been some re-export of equipment originally manufactured in China. The absolute exports seem to have actually fallen in half in 2016 compared 2012-13 period. Overall, primary commodities completely dominate exports to China and in most years exceed 95% of the total (UNCTAD, 2018).

Table Four
Nigeria-China Imports 1995-2017 and Trade Bal. in $ Millions Except Ratios

Year	Imp. Manuf.	Man./Tot	Imp. Fuels	Fuels/Tot	Tot Imp.	Balance
1995	235	0.975104	.1	0.000415	241	-186
2000	472	0.936508	8	0.015873	504	-303
2005	1807	0.913549	16	0.008089	1978	-1451
2006	2989	0.919975	40	0.012311	3249	-2930
2007	3848	0.931268	9	0.002178	4132	-3469
2008	6605	0.930282	18	0.002535	7100	-6558
2009	4721	0.92189	10	0.001953	5121	-4070
2010	6329	0.930051	7	0.001029	6805	-5478
2011	7312	0.874432	53	0.006338	8362	-6283
2012	9019	0.892617	5	0.000495	10104	-8171
2013	11295	0.908981	6	0.000483	12426	-10539
2014	14212	0.928828	75	0.004902	15301	-12030

2015	10873	0.91593	18	0.001516	11871	-10499
2016	8841	0.935061	7	0.00074	9455	-8553
2017	10507	0.909539	49	0.004242	11552	-9777

Source: UNCTAD, 2018

Table Four looks at the import side of the trade relationship with China. What is striking is the very high dominance of manufacturing which is above 90% of total imports over most of the period and well above the figures of Nigerian import from the rest of the world. What is also striking is the huge trade imbalance in favor of China which is present in every year the table. The imbalance has been extremely high since 2006 and fallen in the range of 75 to 92% of total trade. The contrast with the world figures are striking since Nigeria has been running a trade surplus with most of the rest of the world over most years.

Table Five

Nigeria-China Detailed Structure of Man. Imports 1995-2017 in $ Millions Except Ratios

Year	Imp. Manuf.	Mach.	Mach/Tot Tot. Man	Textiles and Clothing	Tex,Cloth Footwear	Tex&Foot/ Tot Man.
1995	235	59	0.251064	9	16	0.068085
2000	472	133.3	0.282415	53	72	0.152542
2005	1807	590	0.326508	187	235	0.13005
2006	2989	1062	0.355303	168	178	0.059552
2007	3848	1315	0.341736	157	177	0.045998
2008	6605	2748	0.416048	215	263	0.039818
2009	4721	1891	0.400551	194	231	0.04893
2010	6329	2600	0.410807	296	361	0.057039
2011	7312	2990	0.408917	530	613	0.083835
2012	9019	3085	0.342056	813	925	0.102561
2013	11295	3628	0.321204	984	1198	0.106065
2014	14212	4789	0.336969	1745	2045	0.143892
2015	10873	3644	0.335142	1151	1370	0.126
2016	8841	3090	0.349508	1356	1588	0.179618
2017	10507	4748	0.451889	598	720	0.068526

Source: UNCTAD, 2018 (Machinery=Mach and Transp-Road Veh and Other Transpor)

Data is proved in Table 5 on a more detailed representation of the structure of imports with China. What is interesting is the largest import category is machinery which has the potential for technological transfer and the expansion of manufacturing production for the export and domestic markets. Chen et al, (2016) in their survey of Chinese companies and Chinese linked companies in Nigeria report that cost is the major factor in purchasing Chinese machinery though they tend to be less durable. There was some evidence of technological transfer in the support of Chinese suppliers provided in servicing and maintenance.

As discussed above a good deal has been written on the negative impact of the dumping of Chinse textile and clothing exports in Nigeria. What is evident is that clothing and textile imports

even with the inclusion of footwear has not been the dominant part of manufacturing imports into the country. It did not exceed 17% though in all but one year after 2012 it has exceeded 10%. However, there has still been a significant increase both in absolute dollar inports and in the percentage of total manufacturing imports from China. A key question is how do the imports of Chinese textile and clothing compare to overall imports of this group from all countries? At what point, if it all does it become dominant. Before looking at this what do the trends look like in domestic production?

Data on the trends in manufacturing production from the CBN annual report indicate that by 2002 the volume of the production of synthetic fiber based textiles was down by 56% and cotton by 24.1% compared to 1990 (CBN, 2006). By the 4th quarter of 2007 synthetic based textiles fell an astonishing 77.1% below their level of 1990 and cotton textiles were down 27%. In both cases this is prima facie evidence of significant deindustrialization in the sector in line with claims above. The figures in the CBN Annual Report, 2011 show continued problems in the sector with production falling to only 69.1% of the 1990 level in cotton textiles. Synthetic fibers recovering to 41.2% in the 1st quarter, 2011 compared to the 1990.[5]

Table Six

Imports of Chinese and World Textiles and Clothing into Nigeria 1995-2017

Year	China	World	Ch/ World
1995	9	405	0.02222222
1996	5	152	0.03289474
1997	10	229	0.04366812
1998	19	287	0.06620209
1999	38	449	0.08463252
2000	53	382	0.13874346
2001	112	604	0.18543046
2002	68	325	0.20923077
2003	165	526	0.31368821
2004	42	209	0.20095694
2005	187	683	0.27379209
2006	168	425	0.39529412
2007	157	828	0.18961353
2008	215	1454	0.14786795
2009	194	704	0.27556818
2010	296	1170	0.25299145
2011	530	1139	0.46532046
2012	813	1517	0.53592617

[5] The figures in the latest CBN annual reports available (2014 and 2015) combine footwear and textiles hence it is difficult to identify the trends in textiles by themselves.

2013	984	1678	0.5864124
2014	1745	2441	0.71487095
2015	1151	1721	0.66879721
2016	1356	1851	0.73257699
2017	598	1187	0.50379107

UNCTAD, 2018

Table Six provides the details for every year from 1995 to 2017 so trends can be closely analyzed. We can do some comparisons of the role that China played relative to the declines cited in the CBN data. From 1995-2002, Chinese imports were a very small portion of textile and clothing imports averaging 9.8%. Between 2003-07, when domestic production further fell total world imports rose by more than 50% on average. Chinese portion significantly increased to 27.5% of the total. During 2008-11 imports more than doubled compared to the 2003 period. The Chinese portion rose slightly to 28.5%. In the latest period 2012-17 imports again soared by 50% on average per year. During the period Chinese imports dominated and average 62.4% of the total.

How do we interpret this data relative to the claims above of the harmful role of Chinese imports? Clearly the period of the greatest deindustrialization in the textile sector occurred prior to the large surge in imports from China. To suggest as Muhammed et al (2017) do that Nigerian textile production was in a healthy state until the Chinese came along is simply untrue. Clearly the Renne (2015) argument which points to the severe decline in the sector prior to the surge of Chinese imports is accurate. However, it is also clear that Chinese imports have become dominant particularly since 2011. As pointed above, Chinese and Nigerian trading networks have become entrenched in the textile trade.

Renne (2015) argues that one way forward is to get the Chinese to relocate their production to Nigeria. In her view one possibility is in the Chinese run Special Economic zones including the Lekki Free Trade Zone which has plans to expand into textile production and could become a model for a new trade zone focused on textiles in Kano. However she also warns:

> Nonetheless, those seeking to establish export trade zone projects in Nigeria face many challenges. In the case of the Lekki Free Trade Zone in Lagos, there have been delays due to financing constraints and a lack of clarity over partnership terms within the Chinese consortium, misunderstandings between Nigerian partners and the Chinese consortium over funding and infrastructure responsibilities, and local Lekki community members' protests over terms of resettlement…These problems exemplify more general problems with the implementation of Chinese-Nigerian Free Trade Zones, which include miscommunication and a lack of transparency on both sides, as well as distrust by Nigerians about the possibility that economic zones will become Chinese enclaves and be used to bring Chinese goods for resale in Nigeria (p.228).

On the latter point Shin (2013) reported that the Chinese Zhejiang company, Yuemei which used to export textiles to Nigeria decided in 2008 to build a textile focused industrial park and attracted 20 companies by 2013 undertaking complementary activities such as spinning, dyeing, weaving, sewing,

knitting, and embroidery, However, Chen et al (2016) visited the site and contested the claims in Shin's World Bank working paper. In fact Yeumei was renting space in the Calabar Free Trade Zone. Only two Chinese companies had located there. One company embroidering cloth closed after one year in 2011 and the other involved with dyeing textiles ceased operation in 2014. Both stayed through 2014 and were evicted with some suspicions that they were more interested in transshipping products from China without paying duties.

One positive sign is the contribution to manufacturing to GDP has been rising in recent years. In 1980 manufacturing GDP was 9.1% of total GDP. By 2005-10 it had fallen to 6.2-6.5% range. However, by 2014 it reached nearly 10% of GDP before falling back in 2016 to 9.2% (UNCTAD, 2018). Textile, apparel and footwear production has increased its contribution to manufacturing from 9.9% in 2010 to 22.8% in 2016. In nominal value added terms, this sector was responsible for nearly a third of the rise in manufactured GDP and was the second highest contributor to the increase after, food, beverages and tobacco (CBN, 2016). What role did the EPZs or Chinese capital play if any in this expansion of this sector? How much is this a reflection of the increase in the priority of the government and what role is China playing in this?

New Government Measures in Support of Industry

In 2010 Nigeria undertook a renewed effort in supporting industry. Nigeria adopted an ambitious long term development plan, the Vision 20:2020 which focused on propelling the country into the list of the top 20 economies of the world by 2020. The Industrial Sector Specific Action Plan focused on technologically driven and globally competitive manufacturing sector, with a high level of local content and a higher contribution to the GDP. Five sub-sectors were prioritized and included chemicals and pharmaceuticals, basic metal, iron and steel and fabricated metal, food, beverages and tobacco, textiles and apparel and leather footwear along with non-metallic mineral products. Priorities were selected due their ease of developing relative to the country's comparative advantage and because they had the highest potential to provide raw materials for other key industries (Jerome, 2013).

The government also took steps to stem the bottlenecks associated with the importation of industrial inputs which included the establishment of a task force on trade facilitation to encourage compliance with multilateral and regional decisions, reduce down the numerous check points in border areas, and to better harmonize the activities of all government agencies involved in foreign trade. In addition to some efforts to involve the private sector in power generation, the Federal Government inaugurated several financing schemes in support of industry. In 2010, the Federal Government, through its agencies and parastatals inaugurated several financing schemes to unlock the potentials of the industrial sub-sector. Packages included the 100 Billion Naira Textile Intervention Fund (150 Naira/$) and other funds to support power rehabilitation, small and medium size enterprises and a restructuring facility for manufacturing with 200 Billion Commercial Agriculture Credit Scheme, the 300 Billion Naira Power and Aviation Intervention Fund, the 200 Billion Naira Refinancing/Restructuring Facility for the manufacturing sector, and the 200 billion Small and Medium Scale Enterprises Credit Guarantee Scheme. At the end-December 2010, the restructuring/refinancing facility had been fully used and the textile fund had facilitated the re-opening of two textile firms in Kaduna and Kano states. The first recipient was the UNTL which was reopened in December, 2010 after being closed for four years (Madushar, 2010).

In the cement sub-sector, the Federal Government, continued to pursue the policy of backward integration, with the objective of growing local productive capacity and conserving foreign exchange. They revoked all unutilized cement import licences issued between 2002 and 2008, with new licences issued to companies that had demonstrated a visible commitment to local production of cement. The National Sugar Development Council and other agencies continued the disbursement of input loans and credits to members of 40 outgrower associations. (CBN, 2010).

In 2011, the government took further measures which included creating a new Ministry of Trade and Investment to better harmonize domestic and foreign investment and trade policy. To encourage FDI, the Ministry created trade and investment desks in major Nigerian embassies to act as facilitators of investment. This was something done by East Asian countries decades before. They also expanded their vocational training program for entrepreneurs, equipped the Model Skills Training Centre in Abuja, and created three additional Industrial Training Fund offices at Lekki, Lagos State, Warri, Delta State, and Yenagoa, Bayelsa State. Continued emphasis was on stabilizing the power grid through investment in the rehabilitation of generating plants, upgrading transmission lines, and expansion of the distribution network. Expanded power plant capacity was expected to add 4,800 MW to production (CBN, 2011)

In 2013 a new one stop investment center (OSIC) commenced operation to provide investors with a single-window for business investments in Nigeria which included a 24-hour timeline for business registration. The National Enterprise Development Programme (NEDEP) was launched during the year and aimed at generating five million new jobs by focusing on skills acquisition, entrepreneurship training, business development services and access to finance. The program targeted small businesses and is coordinated the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). Exhibitions were held in Lome and Abjuja of more than 100 domestic companies in fachion, food processing, footwear, textile and machines subsectors was aimed at showcasing the quality of domestically-manufactured goods.

In 2014, National Industrial Revolution Plan (NIRP) was launched. Its aim was to expand the country’s industrial capacity through agricultural related industries, metal and mineral processing, oil and gas, construction and light manufacturing. The Federal Government also initiated the National Cotton, Textile and Garment Policy under the NIRP. The policy was aimed at reducing the US$2.0 billion bill on imported textiles and garment. It was also targeted at increasing export earnings of at least US$3.0 billion annually, attracting FDI and expanding the country's seed cotton production capacity from 300,000 MT in 2013 to 500,000 MT in 2015. Policies used in support of the goals were 2-year duty and VAT waivers for textile manufacturing between 2015 and 2019, as well as a 3-year tax holiday.

The textile sector got further support in 2015 with the constitution of a special committee was constituted the country's ailing cotton and textile industry. The Nigeria Investment Promotion Commission (NIPC) partnered with the National Cotton Textile and Garment (CTG) Policy Committee to promote Made- in-Nigeria products. The CBN made committed to providing a concessionary loan, under the Real Sector Support Facility (RSSF), to operators in the sub-sector.

A new Automotive Development Policy (ADP) commenced during 2014 under the NIRP. It raised tariffs on imported cars to 70%. It also provided a 5-year tax holiday on vehicle assembly plants for meeting 25% or greater local content. It also included signing MoUs on three (3) indigenous companies (Peugeot Automobile of Nigeria (PAN), Innoson Vehicle Manufacturers (IVM), and Volkswagen of Nigeria (VON)), their foreign partners and the Federal Government to operate assembly plants for cars, buses and trucks. During the year, PAN and IVM resumed the assembly of vehicles, and VON started assembling Nissan and Hyundai vehicles. Twelve new licences for vehicle assembly was issued in 2015. Imports of cars declined by 63% between January 2014 and 2015. However neighboring Benin saw a rise of 50% in its imports over the same period suggesting the possibility of smuggling across a porous border. Nigeria also signed a 640 billion Naira project with Chinese companies for the construction and rehabilitation of power transmission infrastructure across the country (CBN, 2013, 2014, 2015; Chen et al, 2016).

Jerome (2013) wrote: "A country's industrial policy is the dynamic tool for stimulating and regulating its industrial development process. It is a blueprint detailing the objectives and strategies for optimally attaining the goals of non-primary production, particularly manufacturing, taking into consideration the resource endowment of the country in terms of labour, land, capital, entrepreneurship, international goodwill… Nigeria currently has no coherent national industrialization strategy. Rather, what exist are sectoral plans for sugar, cement and automobiles." (p.4)

While clearly Nigerian support for industry has now gone beyond these sectors into new areas including textiles, there are still questions about the coherency of Nigeria's industrial strategy including the nature and role of Chinese investment. One other area neglected in Nigeria and other countries has been a failure to integrate export processing zone policy into a broader industrial policy strategy (Stein, 2012). The CBNs industrial policy and institutional support section of their annual report (2010-15) does not mention zones anywhere. In line with Renne's (2015) suggestion, can free trade/export processing zones become a center for attracting Chinese capital into textiles and other manufacturing areas? The remainder of the paper will turn to the issue of zones with a focus on the two Chinese run entities in Lekki and Ogun.

Export Processing Zones in Nigeria

Nigeria has a history of free trade zones that dates back to the 1990s. In 1989, the admnistration of General Ibrahim Babangida introduced a Structural Adjustment Program (SAP) as part of his economic and political reform. SAP as an economic policy has as part of its objectives the establishment of Export Processing Zones (EPZ) as a way to attract FDI. Thus, in 1992, a Nigeria Export Processing Zone Authority Act No. 63 was enacted as a continuation of the economic liberalization policy of the Babangida administration. NEPZA was given the responsibility to establish, regulate, license and monitor EPZs and in 1992, Calabar EPZ was created followed by Onne oil and gas free zone in 2007. In 2001, due to the poor performance of the zones (there were only two operating in the country then), Nigeria altered their export focus in the zones to become free trade zones focused on logistics, tourism, commerce, agriculture and ICT. They no longer needed to export 75% of their production but could sell to the domestic market without restriction though custom duties on imported raw material needed to be paid

(Stein, 2008). With the new arrangement, public, private and jointly owned zones became possible.

More importantly, with the expansion of the responsibilities of NEPZA, new regulatory practices in the establishment of EPZs were put in place. The new regulatory practices included a new regime of incentives that guarantees: "complete holiday from all federal, state and local government taxes, rates, and levies; duty free importation of capital goods, machinery/components, spare parts, raw materials and consumable items in the zones; 100% foreign ownership of investments; 100% repatriation of capital, profits and dividends; waiver of all imports and export licenses; waiver on all expatriate quotas; one-stop approvals for permits, operating license and incorporation papers; and permission to sell 100% of goods into the domestic market."…"However, when selling into the domestic market, applicable customs duty on imported raw material shall apply. For prohibited items in the custom territory, free zone goods are allowed for sale provided such goods meet the requirement of up to 35% domestic value addition." In addition the zones guaranteed to "minimize delays in the movement of goods and services" and rent free land during the first 6 months of construction for government owned zones." (NEPZA, 2013).

By 2018, NEPZA lists a dozen active free zones in seven states and 21 which are inactive for various reasons. More than half were established before 2009 but are yet to operate. Five others come under the authority of the Oil and Gas Free Zones Authority of Nigeria (NEPZA, 2018; OGFZA, 2018) which was set up in 2000. Some are converted ports like Warri which became a zone in 2011. The oldest is Onne which started in 1997 (first under NEPZA) and now boasts that it has licensed more than 200 companies to operate in the zone.

Though the literature is fairly limited, it points to a generally underwhelming performance in the zones in Nigeria. Farole (2011) found that EPZ had no real effect on the export structure of the country with only a tiny contribution to non-oil exports (4%). Only 25% of production was destined for exports. The employment generated was lower than all but one of the five African countries surveyed. Only 29% of inputs were locally sourced and only 46% of managers were Nigerian nationals which was the lowest of all countries surveyed. Stein (2012) focused on the Onne Oil and Gas Free Trade Zone found that through 2007, ten years after it started, Onne was mostly being used as a warehouse for oil and gas companies. While there were roughly 7000 jobs generated there was little or no evidence of any processing beyond a cement plant, a pre-cast panel factory and a pipe coating and machine shop.

More recently, Harry (2016, 2018) surveyed 54 randomly selected enterprises in four zones in 2015, Calabar, Onne, Snake Island and Lagos and found minimal local sourcing of materials or technological inputs with an overwhelming focus on labor and assembly. While respondents knew there was value added policy "…the level of variation in the participants' views concerning the minimum value addition policy at the zones suggests that some of them may not be familiar with the actual value addition requirements of their zones"(Harry, 2018,p.169). There were few products exported out of the zone. Nearly 70% of the respondents indicated they exported less than 20% of their production (Harry, 2016).

Chinese SEZs in Nigeria

Lekki Zone

The Lekki Free Zone (LFZ) is located in the Ibeju-Lekki area of Lagos, about 60 km to the east of central Lagos and covers a total area of 16,500 hectares. The governor of Lagos State, Mr. Bola Tinubu first conceived of the idea of a free trade zone in Lekki in 2004 and allocated an initial 1000 hectares for the project. In 2006, the Lagos state government, in partnership with a Chinese consortium, established the LFTZ. The partnership is being managed by the Lekki Free Zone Development Company. In the partnership, China-Africa Lekki Investment Company owns 60%, the Lagos State Government (20%) and the Lekki Worldwide Investment Ltd, a local private investment group owns 20%. The members of the Chinese group are the China Railway Construction Corporation, China Civil Engineering Construction Company, Nanjing Jiangning Economic and Technology Development Company which developed a zone in China, and Nanjing Beyond International Investment and Development Company (a private equity firm) along with the China Africa Development Fund. The 20% ownership by the China-Africa Development Fund (CADF) highlights the importance that the Chinese government attaches to the Lekki Free Zone.

Construction for Phase I began in 2007 though there was a delay due to disagreement between the Chinese and Nigerians on financing and operations. In March 2007 an MOU, negotiated by the Lagos based Social Economic Rights Action Center, SERAC, was signed with nine communities that were displaced by the project. A few communities frowned at the MOU claiming that where they were to be relocated belonged to another community. In an interview conducted in July 2018 a leader of a youth group in the community stated that, "we are not happy with how we are being displaced by this project. They promised us jobs but we have not seen the jobs"[6]. Evictions began in 2009 and still continue till today. Promises made to the communities, many informants said, have not been fulfilled.

The Master Land Use Plan was developed in 2010 in China by the Shanghai Tongji Urban Planning and Design Institute with little or no input from Nigerians. Phase 1 (South West Quadrant), made up of general mixed industries was completed first while construction of the Phase 2 (South East Quadrant) petroleum refinery commenced in 2014. Phase 3 (North West Quadrant) is proposed for workers' housing, while Phase 4 (North East Quadrant) is proposed as a new town providing employment, and commercial, residential, community and recreational activities. The master plan was completed three years after construction began which was contrary to Nigerian law.

In 2010 the China Civil Engineering Construction Company was given the clear leadership in leading the project. The Chinese head of the project was experienced and first came to Africa to work on the Tazara Railroad in the 70s. The deputy director is Nigerian. The approach taken is "one axis, six parks" aimed at light manufacturing, textile production, warehousing, logistics, car assembly and real estate development facilities. In the initial phase, the Chinese consortium committed $200 million to the zone and the local public and private investors, $65 million (UNDP, 2015, Lawanson and Agunblade, 2018).

[6] Interview conducted at the LFTZ, July 2018.

A report by UNDP (2015), indicates that the Chinese government continues to put a high priority in making Lekki successful and there are frequent visits by the Chinese embassy and frequent exchanges between Nigerian representatives and stakeholders from the headquarters in Beijing. It is seen as a gateway to West African countries, which will attract interest, by Chinese companies. A key element is the construction of the long-delayed Lekki deep sea port in the zone which finally began construction in March, 2018. The aim is to complete the $1.5 billion project by 2020 and to build it to a depth of 16 meters which would dramatically exceed the current maximum of 13 meters in existing Nigerian ports and make it competitive with most other ports in West Africa (LFTZ, 2018).

As of April, 2015, there were 20 companies employing a total of only 331 people with a total investment of $12.4 million in areas that include construction, manufacturing, trading and assembling. Another 79 companies were registered and expected to commence within a year. However, as of August, 2018, the website only listed 26 operating enterprise. From interviews in July, 2018, we learned that 22 were operational. All but three were Chinese owned. As we can see in Table 8 of the companies listed as operating in 2015 were listed on the website in 2015 which is an extraordinary high turnover rate. Table 8 also provides the list of the 18 new firms listed. What is quite evident is the absence of a critical mass of companies in any one area which precludes clustering and its potential positive effects (see discussion below). What is also evident is that the number of companies listed is well below the expectations expressed to the UNDP investigators in 2015 when they interviewed key people operating the zone.

Table Seven: Companies Listed as Operating in Lekki FTZ in UNDP, 2015 and New Companies 2018

Companies	Year Started	Type of Operation	Listed Aug. 2018?
Wanhao Doors	2013	Manufacturing	No
MC Lighting	2013	Assembling	No
H & Y FZE	2013	Trading(human wigs)	Yes
Sinotruck FZE	2013	Assembling (trucks)	Yes
Loving Homes	2013	Assembling(furniture)	Yes
Crown Nature	2013	Manufacturing(clothing)	Yes
CCECC	2010	Construction	Yes
CRCC	2010	Construction	No
Rainfield	2013	Manufacturing	No
Candel	2013	Manufacturing(pesticides)	Yes
Cosmos	2013	Manufacturing	No
Rungas	2014	Manufacturing	No
Greengrapes	2014	Manufacturing	No
KKL	2012	Manufacturing	No
Dabu Pump	2013	Assembling	No
Hannover Boton	2015	Assembling(sock ets and switches)	Yes
Ruyat Oil	2015	Manufacturing	No
New Energy	2015	Manufacturing	No
St' Nicholas	2014	Services (Hospital)	Yes
Engee Pet	2014	Manufacturing	No
New Companies			
Zhi Jiang Nigeria		Construction	
Datang International		Furniture	

Huachang Steel and Eng.		Steel Structure	
ZCC Construction		Construction	
Bollore Transp. & Logist.		Telecomm. Prod	
Golden Dream		Baby Diapers and Insect.	
Aslan Nigeria		Furniture	
Asia Africa International		Assembling (trucks)	
Yulong Steel Pipe		Steel Pipes	
Hidier Power		Assembling Generators	
Coral Beach		Real Estate	
RWE Africa LPA		LPG Container	
CNSS		Assembling (mob.phones)	
Jiangsu Geology and Eng.		Construction	
PCCM		Spraying accessories	
Longrich		Cosmetics	
Sunshine Commodity		Houseward	
Henan		Bldg Materials	

Source: UNDP, 2015; LFTZ, 2018

The zone's website claims there are 116 companies in the zone though it would appear that these are mostly still companies that have expressed an interest and registered with the zone. One of the advantages of the zone is it has its own power generation (gas fired power plant started in 2015) and along with the Ogun zone is the only FT zone that can provide power 24/7 (Tang, 2015). As indicated below one other key element is the high level of security and low crime that is prevalent outside the zones. An executive of one the companies in the zone, in an interview in July, 2018 confirmed that one of the major attractions to the zone is the level of security obtainable in the area. The executive whose company started in the zone in 2017 projects a sense of optimism about the zone. When asked if he had started making a profit, he proudly responded with a yes answer while also acknowledging that there are some hiccups. Overall, he is happy with the performance of his company and his Nigerian staff. The zone is a gated community with areas earmarked as living quarters. While some apartments are still under construction, the Chinese expatriates occupied some of the completed housing units.[7]

However for Nigerian workers there was no local housing or transportation to the zone, which was a huge impediment to accessing labor. Companies had to bus labor or provide dormitories dramatically increasing the expenses. There was also no training facilities nearby and no linkages to any vocational training schools anywhere. There were also serious communication issues. The first teams appointed by the Chinese needed translators, no experience building FTZ and "were overwhelmed, with weather condition, with the working environment and working attitude of the locals and they simply did not understand how to deal with the Ibeju-Lekki community" (UNDP,2015, p.30).

The UNDP (2015) team also discovered other issues:

> NEPZA is the main authority…NEPZA is not powerful enough to challenge the entrenched interests of the different bureaucratic agencies that hugely affect the work of the zone developer and invested companies…Delays in port handling of goods for import and export processing, missing acknowledgments of tax exemptions for goods produced

[7] Interview conducted at the LFTZ, July 2018.

> in the zone, and difficulties in the repatriation of capital gains out of Nigeria as well as policy inconsistency have caused some companies to cancel their investments. In terms of policy inconsistencies, regulations imposed by the Central Bank of Nigeria against money laundering, contradicting NEPZA provisions on free capital flows in and out of SEZs, are prominent examples... According to LFZDC Management, it is mandatory to have an entity that has sufficient power to challenge the entrenched interests and that can "bang heads" to reach desired results (pp.29-30)

Disputes with the local community has also overshadowed the project with violent outbreaks and demonstrations that led to the killing of the director of the project in October, 2015. Through 2015 more than 50% of the community had not been compensated for loss of land and crop production contrary to the 2009 agreement. Rates of compensation were ridiculously low. Almost half that were compensated received less than $67. An initial 750 hectares which was to go to the evicted villagers was land already occupied by others leading to tension in the community. Another 375 ha was allocated in 2014, but as of 2015 none had been occupied by the evicted villagers (Lawanson and Agunblade, 2018)

In 2015, total employment created was listed as 551 for the 21 companies surveyed (UNDP, 2015). By July 2018, the workforce had risen to above 1000. Roughly 86 were non-Nigerian (LFTZ, 2018).

Ogun-Guandong Zone, Igbesa.

The Ogun–Guangdong Free Trade Zone is located in Igbesa, Ogun State, 30 km from the Lagos's Murtala Muhhamed international airport and 31 km from Nigeria's main seaport located in Apapa, Lagos. Igbesa is a farming community noted for its proximity to Agbara industrial estate---a private industrial estate established by a businessman, Chief Adeyemi Lawson but was later acquired by the Ogun state government in 1976. Chief Lawson had wanted to create an industrial and residential estate that is very close to Lagos and also accessible to countries such as Republic of Benin, Togo and Ghana in the West African sub-region. The proximity of Agbara town to Badagry, the border town with Cotonou in the Republic of Benin made economic sense considering that the Economic Community of West African States, ECOWAS had been introduced in 1973 to facilitate easy business access for West Africans. The industrial estate thrived for a while until it was devastated by the economic liberalization policies of the 1980s and 1990s that saw the introduction of the Structural Adjustment Program. While Agbara industrial estate thrived, the Igbesa community prospetred in its farming activities while also providing needed support services to those who worked in the industrial estate. Thus, it was not surprising when the Ogun state government, in collaboration with a Chinese consortium, decided to locate a Free Trade Zone in Igbesa.

The original study of the feasibility of the zone was undertaken in China and used successfully in a bid by the Xinguang International Group consortium in 2006. The original suggestion was to locate the zone in Imo State near the Niger Delta. However, for security reasons after some Chinese were kidnapped in Imo state and political reasons (former President Obasanjo was from Ogun State and the former governor of the state was staunchly pro-Chinese) the zone was relocated to Ogun. This delayed the start of the project with construction only beginning in the

first half of 2009. Delays were also caused by the failure of the Ogun state government to provide promised infrastructure.

A total of 100 sq km. were promised for the zone including 40 sq. km allocated for displaced people. The start-up area consisted only of 250 ha (2.5 sq km), though phase one was to cover 20 sq km. in total. By June 2013, there were thirty-four enterprises registered in the zone, coming from Nigeria, China, Lebanon, and India (Chen et al, 2015, Brautigam and Teng, 2013).

Ogun-Guangdong Free Trade Zone was issued with the Certificate of Occupancy for 20 Square Kilometers in January 2008, and the start-up area was nearly exhausted by the end of 2017. In 2017, the erection of perimeter fence for the Second Phase was completed. The most recent data indicates that there were 50 registered enterprises, 26 of which have started operation, with another 12 under construction. There were roughly 4000 Nigerian employed in the zone. The cumulative investment is $325.3 million USD. Main enterprises included Hewang Packing & Printing FZE, Goodwin Ceramic FZE, China (Nigeria) Glass FZE, Sun Ceramic FZE, Winhan Industry FZE, Panda Industry FZE, Green Power Utility FZE, and others. The industries involved included ceramics, packaging, glass, furniture, electricity generation, electrical appliances, steel structures, wigs, and hardware and others (Economic and Commercial Counselor's office, 2018)

Evaluation of the Operation of Chinese Companies in the Zones

A key element of the zones is their potential to attract Chinese manufacturing companies. Chinese FDI has the potential not only to provide employment, expand manufactured exports and increase demand linkages but to contribute more broadly to the structural transformation of the country through technology transfer and spillovers to domestic companies. They are a potential source of for labor skill development and training, entrepreneurship and management upgrading and with the potential to dramatically increase value added. FDI can develop forward and backward linkages which will allow domestic companies to be better integrated into global supply chains. The clustering of firms around a particular industry is a way to concentrate many of these effects. There have been few studies of the impact of Chinese manufacturing companies in Nigeria both inside and outside of zones.

Chen et al, (2016) undertook interviews in July 2014 with a sample of 20 firms including six in the Ogun-Guangdong FTZ and two of the four or five firms that are in Lekki. Chinese firms in Ogun Guangdong FTZ were mostly in light industry including furniture manufacturing, ceramics and paper and packaging. There were also two steel and construction firms in the zone. Two Chinese companies in Lekki were in furniture and light bulbs. There was no evidence of clustering among the Chinese firms in either of the zones or for that matter anywhere in the country. In fact one of the main reasons for the Chinese to come to Nigeria was due to a paucity of competition. Clustering was one thing they directly wanted to avoid because it was seen as a source of potential competition.

One key way that spillovers into the local economy can occur is through joint ownership arrangements with local companies. However, there were very few examples of joint ventures in their study. There were cases where Chinese firms provided a small minority share to local government officials but this was seen as a quid pro quo for political reasons or to access land at

favorable rates. There were virtually no examples of true partnerships with an equitable division of investment, responsibilities, and profits nor were Chinese companies seriously sourcing local suppliers for inputs hence there was little evidence of backward linkages.

Furniture like sofas were banned from being imported in 2004. There was a 35% local requirement content for furniture produced in FTZs to sell their goods to the local market. This was being met with low-value bulk items like wood. However, higher quality and higher value added items like leather was still being imported from China. Steel producers simply used local scrap. In general when used the relationship "seemed shallow". Companies complained of poor local quality of inputs. However no Chinese businessperson interviewed in the Chen et al study had actively invested in upgrading the technology or skills of their local suppliers.

Total employment in the seven companies surveyed in the zones for which data is presented is 1496 or an average of 214 people per firm. However only two firms had above the average. In all the companies employed 84% on average from the local population and 16% Chinese.

Conclusions

The chapter has examined the nature of Chinese and Nigerian economic relationship with a focus on the newly created Chinese Special Economic Zones created in 2006. The paper began with the debates in the literature on the characterization and impact of Chinese growing presence in Africa and the associated expansion in financial and trade relationships. Among other things, there is little doubt that Chinese loans have dramatically expanded infrastructure on the continent. However it has come with the growth of indebtedness.

There is also some question of the nature of trade relations in which China has overwhelmingly exported manufactured goods and imported mostly oil and other primary commodities which are raw and unprocessed. Nigerian relations with China have followed a similar pattern though with worse trade deficits and even higher levels of manufactured good compared to the rest of sub-Saharan Africa.

The paper finally turns to the issue of special economic zones which have been very successful in attracting FDI to China and have been centers for the manufacturing focused transformation of the country. In general Nigerian zones which were organized in 1992 have performed poorly. Two new zones were created in 2006/07 with great fanfare and in the hope that they would draw on Chinese expertise in running zones and attract Chinese manufacturing capital which would the potential to generate jobs, foreign exchange through exports, technological spillovers, management and labor training and forward, backward and demand linkages.

To date the zones have been disappointing attracting a small number of Chinese firms, little employment and few of the other desired effects. Nigerian manufacturing exports have not expanded. There has been a rise in manufacturing portion of GDP which is likely largely the result of government intervention to rehabilitate closed companies.

The government of Nigeria is keen in diversifying their economy and expanding the manufacturing sector and have improved some of their industrial policies. However, to date they have done a poor job of integrating their export processing zone strategy into their approach to

industrialization. To some degree handing management and control of some zones over to the Chinese might look good politically (for China and Nigeria) but is far less important from an economic perspective compared to putting policies in place to attract FDI and domestic investors and to ensure their activities are developmentally enhancing.

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