Belt and Road Initiative: Analysis of Possible Effects on Nigeria’s Economy

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Abstract:

The Belt and Road initiative is an important attempt by China to sustain its economic growth, by exploring new forms of international economic cooperation with new partners. Even though the B&R project is not the first attempt at international cooperation, it is considered as the best as it is open in nature and does not exclude interested countries. This review raised and answered three questions of how the B&R project will affect Nigeria’s economy? How will it affect the relationship between Nigeria and China and what could go wrong? The review concluded that Nigeria can only benefit positively from the project.

Keywords: Nigeria, China, New Silk Road, Belt and Road, OBOR, B&R

1. Introduction:

The One Belt One Road (OBOR) initiative also called Belt and Road (B&R) was initiated by President Xi of China in Autumn 2013 and (Huang, 2016) considered it as the largest project of the century which involves building a network of railroads and shipping lanes linking itself with more than 70 countries across Asia, Africa, Europe, and Oceania. The authors in (Voulgarakis, Mary, & Papageorgiou, 2017) explained OBOR as a development strategy proposed by China, which aims to foster the economic cooperation and connectivity among countries.

Since the initiation of the OBOR project, China has invested at least $900 billion (£635 billion) towards it mainly in infrastructure, transport and energy, causing it to draw attentions from scholars, commentators, government and communist; focusing on the political, economical and also the social outcome.

Nigeria as a nation depends on china’s produce to boost their economy. According to (Wikipedia, n.d.), China is considered to be one of Nigeria's closest allies and associate. China is also one of Nigeria's most highly regarded and important trading and export partners. According to a 2014 BBC World Service Poll, 80% of Nigerians view China's influence positively, with only 10%
expressing otherwise, thereby making Nigeria the most pro-Chinese nation in the world.

This work will aim at reviewing what China considers as the largest project of the 21st century and its likely effects on Nigeria’s economy by answering three questions: how will it affect Nigeria’s economy? How will this affect the relationship between Nigeria and China? And also, what could go wrong?

2. Literature Review:

The author in (Ma, 2018a) stated that Belt and Road is not all about transportation, because China-Central Asia natural gas pipeline system runs through countries like Kazakhstan, Turkmenistan, and Uzbekistan, just to highlight some advantages. This is also evident in (Hu, Liu, & Hu, 2017) who viewed the project from a global health perspective and concluded that the project provides a common platform to improve the capability of handling regional public health emergencies through epidemic information sharing, exchange of preventive and interventional methods, and training health professionals.

Even though the OBOR project is not the first attempt at international cooperation, it is considered as the best yet as it is open in nature and does not exclude interested countries.

A lot of researches has been done with focus on the possible effects of the OBOR project with respect to different countries. See for example, (Papava, 2017) and (Charaia, Papava, & Wang, 2018) focused on the likely effects on Georgia, (Botta, 2013) focused on the importance of the project for Argentina, (Jennings, 2018) considered what Japan can possibly benefit from the project, (Casarini, 2016) focused on the possible effects on all of Europe.

The framework of the OBOR was discussed in (Huang, 2016) and the author stated that the purpose of the Belt & Road Initiative is to promote regional economic development, through creation of win-win cooperation and joint prosperity by attempting to understand and trust, and also, strengthen communication and friendship among countries. Research in (Zeng, 2017) discussed the advantages belt and road initiative can have on firms.

The authors in (Voulgarakis et al., 2017) highlighted the aims of the project as (i) Improving regional infrastructure (ii) Increasing regional economic policy coordination (iii) Markets integration (iv) Encouraging cultural ties to build support for the broader project. Even though the advantages seem too good to be true, various researches have shown that a lot of problems are associated with the OBOR project.

The author in (Tekdal, 2018) discussed the problems that can affect the ambition of the project. An institutional framework of the OBOR initiative was discussed in (Ahmad, Cheng, & Cheng, 2017) that focused on related problems like: The potential issues with the legal form/structure, ownership, capitalisation, decision-making process, and governance of China-led institutions meant to finance OBOR-related projects, and also the challenges to the OBOR transit routes arising out of inter-regional and international rivalries. Among the possible problems that may accompany the OBOR initiative, the authors in (Vinokurov & Tsukarev, 2017) discussed the possible effects on Road transportation, (Wang, 2016) discussed the likely effects of the OBOR project on China’s political relationship with the United States of America (USA). All these works shows that the OBOR project has a possible effect on all participating countries.

The Countries that haven’t joined Belt and Road have also profited from the OBOR project for example, (Ma, 2018b) stated that western multinationals like General Electric and Caterpillar in the US, and DHL in Germany, have all signed trade agreements to build Belt and Road projects. (Botta, 2013) who focused on B&R in Argentina emphasized that from the geopolitical point of view, the development of infrastructure and communication projects will allow Argentina to reach Eurasia through Europe (the Euro-Atlantic and traditional route) or through the Pacific route.
Therefore, OBOR will become the link between China and Europe that will allow Argentinean products to reach Eurasian countries, mainly the states of Central Asia and Caucasus through both routes, and also proposed a strategy to win new markets and emphasized that new markets will generate new partners and the interactions will lead to new perspectives.

3. Relationship between Nigeria and China:

The earliest relationship between Nigeria and China can be dated back to the 1960s (Agubamah, 2014) while the modern relationship between both countries was discussed in (Utomi, 2008), and the author traced it back to the early 1990s and attributed the beginning of the relationship to the production of low-sulfur crude oil that offered developing markets that was open to international investment, which attracted the Chinese. This relationship with China secured various joint-venture contracts with Nigerian oil companies that were exchanged for low-interest loans and targeted development projects, which allowed the volume of trade to rapidly increase from 1.3 billion naira in 1990, to 5.3 billion in 1996, to 8.6 billion. Nigeria benefited from China even before the birth of the B&R project, this is apparent from the Three hundred and thirty five million (325 Million Naira) debt cancellation that was signed by the then Chinese Vice Foreign Minister, Qiao Zonghuai in 2003 (Hurley, Morris, & Portelance, 2018). Now, the B&R project intends to build a 1,042km coastal railway worth Twelve (12) billion Dollars in Nigeria, which will connect Calabar to the Eastern part of the country, passing through Ten (10) states.

The authors in (Olugboyega, Oyeranti, & Adetunji, 2010) discussed five (5) evidences of China-Nigeria relationship and listed Kajola Specialised Railway, Ofada Vee Tee Rice Limited, China Town in Lagos, Lekki Free Trade zone, Ogun Guangdong Free Trade zone. The authors also emphasized that all economic agents tends to benefit from China’s investments in Nigeria.

In view of the relationship between Nigeria and China, the authors in (Olawale & Abiodun, 2008) listed some agreements that have been reached between both countries and listed (i) The agreement of trade, investment promotion and protection which was agreed in 2001, (ii) Agreement for the avoidance of double taxation and prevention of Fiscal evasion with respect to tax and income, 2002 (iii) Agreement on consular affairs, 2002 (iv) Agreement on the fight against narcotics 2002 (v) Agreement on Tourist cooperation, 2002 and various other Memorandum of understanding that have been agreed by both countries.

(Olawale & Abiodun, 2008) also tabulated some investments and projects in Nigeria.

<table>
<thead>
<tr>
<th>Description</th>
<th>Value ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China National Overseas Oil Company Limited8 (CNOOC) 45% stake in OPL 246 in Off-shore deepwater oil field</td>
<td>2.7 billion</td>
</tr>
<tr>
<td>Modernisation of Nigeria’s one-track rail to standard gauge rail (Note: China has loaned Nigeria $2.5 billion to finance the refurbishment of the railway system)</td>
<td>8.3 billion</td>
</tr>
<tr>
<td>Financial support to Reliance Telecommunications Ltd. (ReTel) by China’s Development Bank facilitated by Huawei Technologies</td>
<td>20 million</td>
</tr>
<tr>
<td>Huawei equipment agreement with GV Telecoms/Prestel</td>
<td>250 million</td>
</tr>
</tbody>
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Studies in (Oyeranti & Babatunde, 2011) revealed that the major characteristic of Chinese investment in Nigeria is its concentration in a few sectors that are of strategic interest to China. In addition, the work showed that the engagement with China has some advantages and disadvantages. The author concluded that there is need to ensure implementation of laws and regulations in Nigeria and to ensure compliance by the Chinese investors.
China’s investment in political and commercial terms in Nigeria was also discussed in (Taylor, 2007).

The relationship between both countries is apparent from a study in (Ododa, 2012) that concluded that the role China is currently playing in the development of Nigeria warrants that Chinese languages be taught in Universities in Nigeria. This led to the opening of two institutes in Nigeria; one in Nnamdi Azikwe university, Zaria and the other in the University of Lagos (Mcdowell, 2012).

The relationship between Nigeria and China does not only deal with investments and importations into Nigeria, because China also imports goods from Nigeria. This is evident in (Dailytrust, 2018) where China asked Nigeria to expand exports into the country as it plans to import products and services worth more than ten trillion dollars in the next five years. The Economic and Commercial Counsellor of the Chinese Embassy in Nigeria, Mr Zhao Linxiang, said expanding exports to China would boost Nigeria’s economy and balance the trade between both countries. Data collected from (OEC, n.d.-b) shows the export value from Nigeria to China between 1995-2016 rising up to almost $2Billion, and also Nigeria imports from China, estimated at $13Billion.

Figure 1: Export value from Nigeria to China between 1995-2016 (OEC, n.d.-b)

Figure 2: Nigeria imports from China (OEC, n.d.-c)
4. B&R’s Possible Effect on Nigeria:
The proposed plan to build a 1,042km coastal railway worth Twelve (12) billion Dollars which will connect Calabar, the capital of Cross river state to the eastern part of the country, passing through Ten (10) states is the main focus of the Belt and Road project in Nigeria. How will this affect Nigeria’s economy? How will this affect the relationship between Nigeria and China? What could go wrong? These are the questions that this work will attempt to answer.

a. How will this affect Nigeria’s economy
The ultimate goal of the project is to connect the whole of the world to China, which will mark the ascension of China as a global force. The transport sector in Nigeria consumes 80% of the country’s oil products, road transportation being the major culprit (Oni, 2010). The road transport domination is caused by the deterioration of other mode of transportation such as the rail system, evident from the decline in number if rail passengers from 14million to less than 1million between 1980-2005 (AfDB, 2007). This led to the increase in the number of motor vehicles in the country thereby causing noise pollution, emission of CO₂, environmental pollution, robbery and road accidents. As terrible as these may seem, research in (Gujba, Mulugetta, & Azapagic, 2013) shows that the number of motor vehicles in Nigeria will double before year 2030 which will finally deplete our ozone layer.

The development of a sustainable Rail system through the B&R project will immensely reduce the number of Road transport users, which tentatively will reduce noise pollution, environmental pollution, aid faster movements, reduce the number of road accidents that occurs in those parts of the country, ensure travellers are secured from robbery attacks and also reduce the rate at which the ozone layer is depleted.

The success of the B&R project will allow more investors to come into Nigeria to invest in other sectors; this will lead to more economical developments.

b. How will this affect the relationship between Nigeria and China?
The B&R initiative can only affect the China-Nigeria relationship positively. According to (Weidong, 2015), the idea of the belt and road initiative is to promote orderliness and free flow of economic factors and well-organized allocation of resources that allows the participating countries to achieve economic policy coordination and jointly
building an open, inclusive, and balanced regional economic cooperation architecture.

A win-win situation occurs for both Nigeria and China, even though (Indiatoday, 2016) believes a win-win situation between China and any country will later be a WIN-win situation and eventually become a WIN-lose situation, with China reaping all benefits. But considering the potential benefits of the project, a win-win situation is almost certain, unless something goes wrong.

c. What could go wrong?

The author in (Giacché, 2017) believes that financial instability in China, large scale financial crisis, and also the “so called arc of instability” could affect the project negatively, this may be true. But what could go wrong in Nigeria?

There is a reason why India opposes the belt and road project, according to (Indiatoday, 2016), it is believed that the B&R project is strategic and political agenda which remains opaque. What happens if the B&R project turns out to be a strategy for the Chinese to gain control over the railway system in Nigeria, what happens if the after the completion of the project, the Chinese contractors do not return to China thereby adding to the over one hundred and ninety million population of Nigeria with insufficient resources.

All though these are mere assumptions, B&R project will affect Nigeria positively.

5. Conclusion:

Review shows that Nigeria stands to benefit from the B&R project and it is highly unlikely that China has ulterior motives in building the railway in Nigeria, as both countries depend on each other in a way. The B&R initiative will affect Nigeria’s economy positively, the project will affect the China-Nigeria relationship positively, and also the chances of something going wrong with the project in Nigeria are mere speculations.

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