# Chinese Trade and Investment in Nigeria's Agricultural Sector: a Critical Analysis

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## Abstract

*The fundamental role played by agriculture in development has long been recognized. The recent years have witnessed monumental developmental changes in Nigeria-China economic ties, which have grown astronomically. The paper mainly analyses the nature and volume of Chinese trade and investment in Nigeria's Agricultural sector and its impact on the Nigerian economy. Findings from the paper show that the sector which hitherto dominated the economy especially as a source of revenue soon gave way to crude oil. Chinese trade and investment in Nigeria's agriculture is very low compared to other sectors and have not focused much in the development of the sector in Nigeria. The paper therefore, recommends the need for more engagement of Chinese in trade and investment in the agricultural sector in Nigeria to enhance growth and development of the economy among others. Qualitative and descriptive methods of analyses were employed, drawing largely from secondary sources.*

**Keywords**: Nigeria, China, Agriculture, Development, Trade and Investment

## *Introduction*

Since the early 1990s, China has broadened its relationship with Africa in numerous areas including investment and trade (Haroz, 2011:65). No bilateral China-African relationship is evolving faster than the one between China and Nigeria (Egbula & Zheng, 2011). China has now emerged as Nigeria's major development, trade and investment partner, having taking the place of Europe and North America in Nigeria's development agenda (Etakoh, 2013, Muyakwa, 2009:4).While engagements between Nigeria and China are hardly new, they are now based more on economic ties, trade, investment and finance than on political affinity (Amoako, nd). There is evidence that Nigeria has made some positive improvements which have been highly attractive to foreign investors, especially the Chinese investors (Osakwe, 2012:8). China's increasing presence in Nigeria, and elsewhere in Africa, has spurred much speculation about the nature of the emerging partnership model (Djeri-wake, 2009: 1). China has a growing economy that is hinged on manufacturing activities. Thus, her primary concern with Nigeria from the late 1990's was in line with her desire to secure access to Nigeria's natural resources to fuel her expanding economy. Nigeria-China trade relations revolve majorly around the oil and natural gas sectors. Prior to oil production, which surged after the 1970s, agricultural production was the largest export sector for Nigeria. After the country became a largely oil-intensive economy, the agricultural sector took a back seat. However, it still provides employment to almost 70% of the total working population (Odeh, 2011:217).

Since 2000, China has started to strengthen its agricultural co-operation with Nigeria in trade, investment and other commercial activities. Although agricultural growth has increased in Nigeria in recent years, food security remains a severe challenge. China itself has demonstrated sustainable growth in agriculture, improvement in the livelihood of small-scale famers, and success in reducing rural poverty.

However, China has much to offer Nigeria in terms of lessons learnt from its own success in agricultural growth, alleviating poverty, and achieving the Millennium Development Goal (MDG) 1 in its eradication of extreme poverty and hunger. Indeed, China's involvement in Africa's agricultural sector is already evident with FDI totaling $30 million in 2009. China's official data shows that agriculture was just 2% of its total FDI in 2009. China's economic reform started in the agricultural sector and led to rapid agricultural growth and poverty reduction. Before reform started in 1979, China was an agricultural society, with more than 80% of its population living in rural areas, majority of whom were poor and hunger and poverty were widespread. Its experience in agriculture is perhaps as impressive as it is relevant to Nigeria. China clearly demonstrates that poverty and hunger can be mitigated significantly by empowering agriculture in its economic development. Indeed, the World Bank states that China's agricultural growth was three-and-a-half times more effective in poverty alleviation when compared with growth in other sectors of its economy. Globally, the greatest reduction in poverty occurred in East Asia and the pacific, where poverty declined from 78% in 1981 to 17% in 2005 and the number of people living on less than $1.25 a day declined by more than 750 million. Much of this decline was in China, where poverty fell from 84% to 16% (Sun, 2011:5).

In contrast, agricultural growth in Nigeria has been slow. Smallholder farming accounts for the majority of Nigeria's agricultural production. Poverty in Nigeria is predominantly rural. In Nigeria, agriculture employs 60-80% of the labour force and is home to the vast majority of the poor. The past years have seen minimal gains, and in some cases marked declines in agricultural productivity. Nigeria's solution for eradicating hunger and reaching the MDG 1 remain its biggest challenge. Agricultural investment is imperative for targeting the MDG 1, particularly in Nigeria. China's investment in Nigeria is particularly timely in light of the recent strengthening of China and Nigeria's economic cooperation. Sustainable commercial agricultural production is vital to the well-being of Nigeria's economy and people. After the economic reforms of 2005, the Nigerian government is making efforts to diversify its investment and export profile beyond the oil sector, to other critical sectors like agriculture (Boxmeer, 2014).

The crux of this paper is to critically analyze the nature and volume of Chinese trade and investment in Nigeria's agriculture and the lessons Nigeria should learn in order to achieve rapid socio-economic development. In order to put the paper in its proper analysis, Section II briefly analyzes Nigeria-China bilateral relations. Section III presents an overview of the Nigerian economy with emphasis on agricultural growth and performance. Section IV presents an overview of China's agricultural growth. Section V discusses Chinese trade and investment in Nigeria's agriculture. Section VI examines the impact of Chinese trade and investment on Nigeria's agriculture and section VII ends with the conclusion and recommendations.

## *Nigeria-China Diplomatic and Bilateral Relations*

Nigeria's first contact with China took place in 1960 when a Chinese delegation, on the invitation of the Nigerian government, attended Nigeria's independence celebrations. In February, 1971, Nigeria finally established diplomatic ties with China more than a decade after independence with an understanding to abide by a set of five principles including the signing of the Joint Communiqué on the Establishment of diplomatic relations. Both countries opened embassies in each other's capital within the year. The Chinese government has described this relationship as a "win-win" situation (Atomre et al, 2009:335, Udeala, 2010: 63, Agubamah, 2014:63). China's renewed interest in the Nigerian economy predated the 1999 inauguration of civilian administration. It was the SaniAbacha Government that tactically brought the Chinese closer to Nigeria in 1995 to fill the gap created by isolation of the country by the United States and its Western allies as a result of political crisis (Udeala, 2010: 65). Nigeria-China relations enjoyed a steady growth during the Obasanjo era. President Olusegun Obasanjo visited China twice, first in 1999 and again in 2001 to underscore the importance the Nigerian government attached to its diplomatic ties with China. As a result of these visits, a number of economic, technical, scientific, technological, trade and investment protection agreements were signed by both countries (Abua, 2004, Ogunkola et al, 2008:9-11, Atomre et al 2009:335- 336). In 2001, the two countries signed agreements on the establishment of a Nigeria Trade Office in China and a China Investment Development and Trade Promotion Centre in Nigeria. By 2004, China's trade with Nigeria has gone marginally above $2 billion; a little over 10% of China's total trade with Africa (Egbula & Zheng, 2011:4-5, Marafa, 2014).

In 2006, Nigeria and China became strategic partners. The Intergovernmental Nigeria-China Investment Forum was then founded in 2006. During the Chinese President Hu Jintao and foreign minister's visit to Nigeria in April 2006, the two governments signed a Memorandum of Understanding (MOU) on the establishment of a strategic partnership. Among the major agreements is an Agreement on Trade, Investment Promotion and Protection. Both nations agreed to a four-point plan to improve bilateral relations, a key component of which was to expand trade and investment in agriculture. After President Yar'Adua's death in May 2010, Vice President Goodluck Jonathan assumed the presidency and the relationship began to rebound. At the end of 2010, China declared its new plan for a strategic partnership with Nigeria. One of the key objectives of the new plan was to expand co-operation in areas like agriculture (Ogunkola et al, 2008:9-11, Egbula & Zheng, 2011:4-5). Bilateral trade has grown exponentially since China and Nigeria signed agreement on trade and investment promotion and protection. By 2010, Nigeria had become China's fourth biggest African trading partner, and the second largest Chinese export destination on the continent (Egbula & Zheng, 2011:6). The present official connection established between China and Nigeria through the signing of bilateral agreements presided over by Presidents Goodluck Jonathan of Nigeria and Xi Jinping of China in Beijing took place on Wednesday, July 10, 2013. Nigeria is China's third-largest trade partner in Africa (Nwachukwu, 2013).

## *Overview of Nigerian Economy: Agricultural Growth and Performance*

Nigeria is the single largest entity in West Africa and the most populous black nation in the World. Throughout the 1950's and 1960's and the early part of 1970s, agriculture was the core of economic activities and the main stay of the Nigerian economy, accounting and contributing for about 70% of GDP, employing about the same percentage of the working population and accounting for about 90% of foreign exchange earnings and federal government revenue (Adedipe, 2004, Ezirim et al, 2010: 58 & 59). The country's participation in international trade was informed by the level of economic activities mainly in agriculture. Agricultural commodities dominated the country's export trade, while manufactured items dominated imports (Ezirim et al, 2010: 59). The discovery of oil in the late 1950s brought about the near total neglect of other striving sectors of the economy, like agriculture and manufacturing (Atomre et al, 2009:334). Crude oil became dominant in the Nigerian economy, starting from 1970s and presently accounts for about 40% of GDP, over 95% of foreign exchange earnings, and over 70% of Federal Government revenue source, as well as over 90% of all new investments (Adedipe, 2004, Ezirim et al, 2010: 58). Presently, the oil and gas sector dominate revenue and foreign exchange accruable to the state with very negligible contributions coming from the non-oil and gas sectors like agriculture (Atomre et al, 2009:334). This view takes into account that the agricultural sector, which once boosted of being the country's major source of external revenue and which still employs majority of the population has been officially neglected, buoying the nation's unemployment profile and food insecurity. This is shown in Table 1.

**Table 1: Nigeria's Structural Composition of Gross Domestic Product (in %)**

| Sector | 1960 | 1970 | 1981 | 1990 | 2000 | 2002 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|---|---|
| Agriculture | 65.6 | 44.7 | 34.06 | 26.04 | 26.04 | 48.57 | 34.21 | 32.76 | 32. 00 |
| Crude Petroleum | - | 11.00 | 14.03 | 12.89 | 47.72 | 26.02 | 37.22 | 38.87 | 37.61 |
| Manufacturing | 3.9 | 7.5 | 9.89 | 8.15 | 3.68 | 3.43 | 3.07 | 2.83 | 2.57 |
| Distribution | 12.0 | 12.3 | 13.02 | 12.72 | 11.51 | 11.17 | 13.01 | 12.82 | 14.77 |
| Others | 17.1 | 24.5 | 28.32 | 27.18 | 11.05 | 10.81 | 12.49 | 12.72 | 13.05 |

Sources: FRN 1996: Socio-economic Profile of Nigeria and NBS 2006: National Account of Nigeria.

In 1960s and early 1970s, the major revenue earner was agriculture and since the late 1970s, it has been the oil sector. Agriculture dominated the GDP, but its contribution has reduced gradually over the years since 1960. The ratio dropped from 65.6% in 1960/61 to 32.00% in 2006, as shown in Table 1. Raw materials and consumption goods dominate imports, while primary products dominate exports, contributing over 95% of export earnings, further entrenching the Nigerian economy as import dependent and reliant on crude petroleum as the major export (Ezirim et al, 2010: 62).In the 60s, the non-oil export was responsible for more than 70% of Nigeria export. The whole scenario changed in 1975 and 1992, as the climax of the reversal. It is pragmatically obvious that this trend is still what we are experiencing in the Nigerian economy today (Osabuohiem & Egwakhe, 2007).

Table 2 showed that the decline in the agricultural sector performance has been dramatic since the discovery of oil. The share of non- oil sector (including agriculture) decreased from about 94% in 1970 to about 52% in 2004. Agriculture GDP declined from 41% to about 17% over the same period. Nigeria's non – oil sector is inefficiently servicing the domestic market as non- oil export is negligible about 1% of the GDP in 2005 (Ogunkola et al, 2008:1).

**Table2: Structure of the Nigerian Economy, 1990 – 2004 (Percent of GDP at Current Factor Costs)**

| | 1970 | 1980 | 1990 | 2000 | 2003 | 2004 |
|---|---|---|---|---|---|---|
| Oil sector GDP | 6.0 | 29.1 | 39.3 | 48.2 | 44.6 | 48.2 |
| Non-oil sector GDP | 94.0 | 70.9 | 60.7 | 51.8 | 55.4 | 51.8 |
| Agriculture | 41.3 | 20.6 | 29.7 | 26.3 | 26.4 | 16.6 |
| Industry | 7.8 | 16.4 | 7.4 | 4.5 | 4.8 | 8.7 |
| Services | 45.0 | 33.8 | 23.6 | 21.0 | 24.2 | 26.5 |

Source: World Bank Statistics, 2007.

In 2003, a sharp rise in oil production contributed to a decline in the share of agriculture as percent of GDP dropped from 29% in 2003 to 16% in 2004. 30% of the economically active Nigerian population was employed in agriculture in 2004. Nigeria's economy does not rely heavily on agricultural output, and agriculture's role in the economy has declined steadily. Agriculture contributed 16% of GDP in 2004, down 10% from 2003 (primarily because of the oil boom). Agricultural production and export performance have been poor and show little sign of improvement (USAID, 2006). Despite the various anti-poverty plans, programmes and projects carried out in the country, her development aspirations have largely not been realized as over 54% of the population, according to UNDP 2006 figures, live below the poverty line of $1 a day. Poverty reduction continues to be a challenge in Nigeria. 69 million people or 54% of the population lived below the poverty line in 2004 (Diao et al, 2010). Several agricultural policies and programmes were designed to stimulate the growth and development of the sector since the 1960s such as National Accelerated Food Production Programme (NAFPP), Operation Feed the Nation (OFN), Rural Integrated Agricultural Development Programme (ADP), Green Revolution among others (Akpaeti, nd). But despite these laudable efforts, much has not been achieved in boosting the agricultural sector. Foreign Direct Investment in the sector is also low compared to the mining sector for instance. This is shown in Table 3.

**Table 3: Sectoral Composition of FDIs in Nigeria, from 1990-2001 (%)**

| Year | Mining & Quarrying | Manufacturing | Agriculture | Transport & Communication | Building & Construction | Trading & Business | Services |
|---|---|---|---|---|---|---|---|
| 1990-1994 | 22.9 | 43.7 | 2.3 | 1.7 | 5.7 | 8.3 | 15.4 |
| 1995-1999 | 43.5 | 23.6 | 0.9 | 0.4 | 1.8 | 4.5 | 25.3 |
| 2000-2001 | 30.7 | 18.9 | 0.6 | 0.4 | 2.0 | 25.8 | 21.5 |

Source: Central Bank of Nigeria Statistical Bulletin (1999-2001) (2003).

The extractive sector, between 1990 and 1994, accounted for about 22% of FDIs into Nigeria, with agriculture and the transport and communication sectors trailing behind with as low as 2.3% and 1.7% respectively. Between 2000 and 2001, the extractive sector had risen to 30.7%, while agriculture slumped to a low 0.6%.

### *Overview of China's Agricultural Sector*

In China, agriculture grew at an annual average rate of 4.5%. Agricultural development and reforms was a top priority for their government, from the central to the local units. The steady growth in agriculture and rural economy was significant to the acceleration of China's modernization process.

Since the 1950s, China has taken agriculture as the country's economic base. Analysis shows that between the periods of 1981-2005, China's agricultural sector was transformed from "one characterized by high and variable distortions to one that is relatively liberal." (Huang et al, 2010:13). Funds were made available for farmers' education to ensure appropriate training and also for agricultural research and extension.

China was an early adopter of green revolution research and hybrid rice and was the second country in the world after the United States known for spending on agricultural biotechnology. Agricultural markets were greatly encouraged in China, which prove to be a key factor in the alleviation of poverty in the country. In the 1980s, food interment, production and rural income were a central pillar of the broader economic development agenda. This development enabled a population of about 200 million small hood farmers with each utilizing an average of 0.65 hectares to feed a population of 1.3 billion people (Udoh, 2014).

As a matter of fact, agriculture in China, has contributed greatly to the reduction of poverty in the country. Statistics shows that the incidence of poverty in China has dropped from 31% in 1978, to 20% in 2008. Furthermore, China adopted the land reform policy known as the "Household Responsibility System", a privately leased land use system. The major objective of this strategy was to boost the rural economy and increase farmers' income so that farmers could have the incentive to work and produce more and production diversification could take place. The strategy bore fruit, and food production is greatly enhanced. Agricultural output grew at 7.7% annually. China created the Research & Development Institute and universities focusing on agricultural innovations. They discovered and implemented new models for seeds, fertilizers, and hydraulics. Technology played a crucial role in China's agricultural development. It helped China improve their efficiency of production and maintain sustainable agricultural development. Today, China is the world's largest producer of agricultural products. China's agricultural sector employs over 300 million farmers and produces food capable of feeding 20% of the world population (Udoh, 2014). China undertook its agricultural transformation on a massive scale. The drivers of Chinese reform, focused on smallholders. In China, where land is relatively equally distributed, the reduction in poverty was almost four times higher from GDP growth originating in agriculture than from GDP growth originating in industry or services (Sanghvi et al, 2011). Therefore, the Chinese experience of rapid economic development provides lessons for Nigeria in the area of agriculture.

### *Analysis of Chinese Trade and Investment in Nigeria's Agricultural Sector*

Chinese investment has been extended beyond the extractive sector to agriculture, manufacturing and others. The natural resources sought by China include oil, timber and cotton among others (Xiaofeng, 2009: 245-246). The foremost trade relationship between China and Nigeria in agricultural sector is in the cotton production (Gbadamosi & Oniku, 2009:5-6).Between 2003 and 2009, Nigeria was one of the top destinations for Chinese Foreign Direct Investment, second only to South Africa. China's involvement in Nigeria has since expanded beyond oil (Egbula & Zheng, 2011:3) to include other critical sectors like agriculture. From 2007- 2009, China sent 104 senior agricultural technology experts to 33 African countries including Nigeria to assist in the creation of agricultural development plans. China also organized extensive training on topics including the cultivation of rice and vegetables, fishery management, meat processing, and the use of agricultural machinery. In 2009, China provided training to 568 African agricultural officials and technicians. Subject areas included rural economic reform and development, food production, soil and water conservation and dry cultivation techniques, the development of new cotton varieties, the use of agricultural machinery and continuing education for agricultural teachers (Sun, 2011:19).

China is also increasing investment in Africa's biofuel agricultural products. It is making efforts to diversify its structure of energy resources in transferring from fossil fuel to biofuel production, to mitigate the impact of climate change and to improve environmental conditions. The Chinese government has stated that the country will use minor crops, such as cassava, palm oil and sugarcane, rather than staple food crops to produce biofuel. Accordingly, the Chinese government has accelerated its imports of agriculture-related raw materials for biofuel production from Africa. China is set to increase its agricultural investment in Africa, with the Chinese government encouraging companies to invest (Sun, 2011:12). Chinese enterprises have built numerous agricultural infrastructure and irrigation facilities in Africa. The China Metallurgical Group Corporation (MCC) has reached agreements with 35 African countries in supporting large-scale infrastructure of which 70% of investments are in Nigeria, Angola, Sudan and Ethiopia. Chinese agricultural professionals are helping to establish agricultural demonstration bases in Africa.

China has organized training on issues including the cultivation of rice, vegetables, meat processing, and the use of agricultural machinery (Sun, 2011:17). China's trade with Nigeria is highly concentrated. About 60% of Chinese exports are destined for only six countries including Nigeria. China's agricultural imports have a modest share (Renard, 2011:14-15). As of 2009, Nigeria was the 18th largest recipient of Chinese FDI globally(Manji, 2009: 36).

To help improve African exports as a means to reduce trade imbalances, China introduced duty free status for over 10 major export products (including agricultural goods) of 31 African countries including Nigeria. Furthermore, to build the export capacity, promote development of African economies, and create chances of technology transfer, China has constructed Special Economic and Trade Zones including Nigeria-Guangdong Economic Cooperation Zone among others (Osei-Hwedie, 2012:10).

China is the world's largest cassava importer and Nigeria is the world's largest cassava exporter to China. Nigeria produces 120, 000 tons of cassava annually, of which 5, 000 tones are exported to China. The country hopes to receive #5 billion (about $38 million) from cassava exports every year (Sun, 2011:12). In August 2011, China imported 1.1million metric tons of Cassava chips from Nigeria. In an effort to boost Nigeria's agricultural output, hundreds of Chinese specialists are bringing new techniques and technology to bear (Egbula & Zheng, 2011:3). There was collaboration between a Green life Agriculture Group and Ogun-Guangdong Free Trade Zone based in Beijing in the areas of Agricultural mechanization, training, trade, cassava production, processing and exporting. The Chinese government had been in the forefront of helping Nigeria to diversify its economy by increasing its volume of agricultural imports from the country.

In Nigeria, much progress has been achieved by Chinese experts working with local farmers in the country's 36 states. The cooperation involves fisheries, animal husbandry, crop production and processing. AlhajiGidado Bello, coordinator of the China-Nigeria South-South Cooperation Programme, said the "Chinese experts and their agricultural service stations across Nigeria have boosted technological advancement and led to improved production and income generation. In a village in Nigeria's Kano state, Chinese scientists have joined their Nigerian counterparts in setting up a research base for desertification control (Chenxi & Jianhua, 2012).

The establishment of Chinese infrastructure is valuable for Nigeria's agricultural growth and development because it will aid agricultural production and marketing of agricultural produce. However, in 2006, there was a major surge when China made almost US$5 billion of infrastructure finance assurances to Nigeria which accounts for 70% of China's total guarantees to Sub-Saharan Africa that year (Osakwe, 2012:8). Infrastructural development like good roads and electricity are very essential to the growth and development of the agricultural sector in Nigeria. Over 35 African countries are engaged with China in infrastructure financing arrangements; the largest recipients are Nigeria, Angola, Sudan and Ethiopia. China also has financed $4 billion in investments in road and railway network projects, including the rehabilitation of existing railway lines and the construction of new lines. The main beneficiaries of such projects are Nigeria, Gabon and Mauritania (Renard, 2011:20, Osakwe, 2012:8).

According to the information obtained from the Nigerian Investment Promotion Council (NIPC), Chinese private FDI also include agro-allied industry (Ogunkola et al , 2008:4-6). In the forestry sector, there were 34 investment approvals in 14 countries. Nigeria is one of the top investment destinations for Chinese forestry companies in Africa (Wenbin & Wilkes, 2011). In pursuit of practical confirmation regarding Chinese investment in agriculture, there is an infrastructure financing commitment in OfadaVee Tee Rice Limited in Nigeria. This is a project linking Ogun state and a Chinese firm. The company's equity share are to be owned by the Ogun State government, the federal government and Vee Tee Rice Group with the latter holding the bulk of the shares. The company has indeed designed a capacity of 225,000 tons of rice per day in the last quarter of 2008.The capital outlay is estimated at $2billion. The company is to produce rice which will compete favorably with that from around the world. The local farmers are to source paddy rice to the company that will be processed (de-husking, de-stoning, parboiling, sorting, polish, packaging and marketing) by the company. The large volume of rice imported into the country is a signal of the huge potential demand for the commodity and thus market should not be a constraint to the effective performance of the company (Osakwe, 2012:8-9).

Despite increase in Chinese trade and investment in Nigeria, not much has been achieved in terms of trading and investing in the agricultural sector. Private Chinese investment is primarily in manufacturing and construction. State–owned Chinese companies have concentrated on the oil sector, often linked to infrastructure deals (Robertson & Corkin, 2011: 28-29).

But the agricultural sector has been neglected by the Chinese. Undoubtedly, China's re-engagement with Nigeria was driven by the need to access mineral and energy resources for its growing economy. This explains why its investments, initially, were predominantly in the extractive sector at the expense of non-oil sectors like agriculture (Manji, 2008: 36).Research has shown that the Chinese investment concentrated more in the oil and manufacturing sector with little in the agricultural sector.

The contents of the Chinese trade and different economic agreements with Nigeria have shown that the relationship is partly meant to source raw materials for its growing economy (Gbadamosi & Oniku, 2009:4). For instance, the volume of trade between the two countries in 2009 hit $6.373 billion, in favour of China (Djeri-wake, 2009). But there is a pitfall here which Nigeria has to watch very closely. There is a chronic and growing trade imbalance between the two countries in favour of China.

China's outward FDI to Africa is dominated by a few resource-rich countries including Nigeria. From 2003-2007, over half of Chinese FDI flows into Africa were absorbed by three countries: Nigeria (20.2%), South Africa (19.8%) and Sudan (12.3%) (Renard, 2011:19). In 2006, the bulk of FDI flows involved the mining sector (40.74%), business services (21.58%), finance (16.4%), transport and communication (6.57%), wholesale and retail trade (6.57%) and manufactured goods (4.33%), with the other sectors like agriculture being slightly represented. For instance, agriculture, forestry and fisheries attracted less than 1% of Chinese FDI (Kiggundu, 2008). China's investment in post-2001 stands at over US$ 5billion. These investments are prominent in the oil and gas, telecommunication, construction and manufacturing (Atomre et al, 2009:335- 343), at the expense of the agricultural sector. See as indicated in the table below:

**Table 4: Sectoral Distribution of some Chinese FDI in Nigeria 2007-2008**

| | | | | | |
|---|---|---|---|---|---|
| Year | 2007-2008 | 2007 | 2007 | 2008 | 2008 |
| Sector | No. of firms | Capita in Million (N) | Employment | Capita in Million (N) | Employment |
| Oil, quarrying and Mining | 5 | 82 | 95 | 30 | 80 |
| Manufacturing | 15 | 160 | 6455 | 30 | 365 |
| Agriculture | 2 | - | - | 12650 | 100 |
| Building and Construction | 5 | 115 | 853 | 20 | 40 |
| Trading | 14 | 78 | 433 | 62 | 140 |
| Services | 7 | 17 | 670 | 30 | 210 |
| Lumbering and Timber | 1 | 10 | 80 | - | - |
| General | 11 | 128 | 1310 | 44 | 800 |
| Total | 60 | 590 | 9896 | 12866 | 1735 |

Source: Nigerian Investment Promotion Council (NIPC), 2009.

From the above distribution of Chinese FDI, it can be observed that agriculture carries the lowest share in terms of the number of Chinese firms operating in the sector which only contributes to low capital and employment. In 2007-2008, only two firms are operating in the agricultural sector. In 2007, the firms could not offer any employment to Nigerians while in 2008; the firms invested about 12 million naira and employing only 100. This is an indication that the Chinese under invested in the agricultural sector. Investment relations between China and Nigeria are also tilted in favour of China. While Chinese investment in raw materials in Nigeria has contributed to good performance, Chinese investment in agriculture shows little sign of expansion in agricultural activities. Furthermore, Nigeria has relatively little investment in the Chinese economy, while China participates in almost every aspect of the Nigerian economy. Worse still, Chinese investments in the agricultural sector contribute little to employment generation in Nigeria because they are capital intensive, while Nigeria has abundant labour, mostly unskilled.

### *Impact of Chinese Trade and Investment on Nigeria's Agriculture*

In reality, China-Nigeria relations can be characterized as a double-edged sword, with both positive and negative impact. China has become the world's largest importer of several agricultural commodities to feed it ravenous economy. China's high demand for agricultural-processing and livestock-feed industries could place pressure on domestic supplies of corn (maize) (Sun, 2011:12). The growing trade in cotton has leveraged the growth of cotton production in Nigeria with a contribution of 10% to the West Africa's export of cotton to China (Gbadamosi & Oniku, 2009:5-6).

The establishment of Chinese infrastructure is valuable for Nigeria because it will aid agricultural production and marketing of agricultural produce (Renard, 2011:20, (Osakwe, 2012:8). The contribution of the OfadaVee Tee Rice Limited Company in Nigeria to food production and foreign exchange savings is commendable. The backward linkage of the company is important for the economy in terms of employment generation and rural livelihood. The current prediction is approximately 30, 000 farmers who are to supply paddy rice to the company. Other beneficiaries include transporters and traders of the raw materials and finished products (Osakwe, 2012:8-9). China's investment in agricultural research and development (R&D) in Nigeria could facilitate Nigerian agricultural growth and development leading to poverty reduction.

FDI has a lot of advantages including augmentation of domestic capital, transfer of technology, knowledge and skills, promotion of competition and innovation, creation of employment or employment generation and enhancing export performance (Ogunkola et al, 2008:4-6). Although agriculture is still only a small part of the China-Nigeria trade and investment, China's economic and technical cooperation in agriculture is contributing to increased production and productivity at a time when the Nigerian government spending and assistance from OECD donors is declining. Chinese investment has also contributed to local job creation and bolstering the agricultural sector, which suffers from chronic lack of funding. Nigerian economy benefits from the expanded availability of lower prices of consumer goods (Renard, 2011:23), for example, rice importation by Nigeria and also export of log timber.

However, Nigeria's bilateral trade relationship with China after several years shows that the most discernible pattern in this relationship is still lopsided. It is observed from the trade data that this unequal economic relation is in great disequilibrium and to China's advantage. It means that despite the increase in trade and investment volume between the two countries, the bilateral economic relations have favoured China, thus creating a feeling of lopsided distribution of the benefits from the bilateral trade (Bukarambe, 2005). A dispassionate analysis shows that it is mostly one way traffic of raw materials to China and finished goods to Nigeria, an equation that replicates a similar one the West has with Africa. We are once more being confined to consumerism rather than production, which ought to accelerate growth, development and advancement (Azaiki, 2006:50) Crude oil has replaced agricultural commodities as Nigeria's dominant export to China (Udeala, 2010: 74). Thus there should be considerable potential for African economies like that of Nigeria to benefit from exporting agricultural products to China. While many of the current policies being pursued are likely to benefit Nigeria and significantly contribute to economic development in some areas, the strategies seem to neglect agriculture. A robust agricultural development remains to be seen.

Tariffs are another obstacle to trade in agricultural products. While Chinese goods such as agricultural machineries and transport equipment face relatively low tariffs, many of Africa's processed and semi-processed goods including coffee, cocoa and cashews are subject to high tariffs (Broadman, 2008: 102). Tariff escalation on processed goods blocks opportunities to increase value-added exports. Discretionary import prohibitions, especially for agricultural products, also constrain Nigeria's export. The type of development that is being floated through Chinese investment is not one that is unique or differs with Nigeria's other development partners. Like all other investments they cause environmental hazards, displace local producers, challenge labour rights and displacement of communities (Muyakwa, 2009:11). Other apprehension is that of the realities of technological transfer and job creation for Nigerian citizens. Chinese firms in Nigeria (including those in the agricultural sector) hardly employ local experts. China takes our primary goods (particularly agricultural raw materials) and sells to us manufactured ones, which means that this relationship equips the Chinese with more technological skills and leaves us with none (Agubamah, 2014: 68-69).

### *Improving Agricultural Productivity in Nigeria through Cooperation with China*

Nigeria can cooperate with China in many ways to increase agricultural productivity. A policy focus on agriculture is necessary to improve the welfare of Nigerian rural populations who, despite rapid urbanization, continue to be economically and politically significant. Although its demand for agricultural products is high, China's foreign trade and investment in agriculture is relatively low. But Chinese provision of economic and technical cooperation is much needed given the withdrawal of Nigerian traditional donors from the sector. Technical assistance programmes, such as one implemented by the Chinese in China is much needed by Nigeria. Enhancing technologies and pledging support to farmers, as China did during its periods of food insecurity, would be a critical step to advancing Nigeria's Green Revolution.

China's investment and economic cooperation could improve Nigeria's agricultural productivity thus easing Nigeria's food security problem. China's contribution to the development of Nigeria's agriculture should focus on deepening the understanding in Nigeria of China's own framework for agricultural development and food security and the sharing of technology, technical and financial support for agricultural development. The Chinese experience in agricultural research and development policies, institutions and management, especially for high yield crops, would be useful to Nigeria's agricultural producers. In this regard, projects such as those of China-African Development Fund should be replicated because they will introduce advanced Chinese industrial technology, including cheaper machinery such as tractors.

## *Conclusion and Recommendations*

In conclusion, the paper analyses the nature of the Nigerian economy with a view to considering those issues that are pertinent in diversifying the economy and avoid over-reliance on oil. Nigeria which claims to be the giant of Africa is undoubtedly backward in the area of agricultural development which ought to be the cornerstone for national development. Chinese quest for resources in Nigeria has resulted to increasing levels of investments, particularly in the extractive sector at the expense of the agricultural sector. Chinese trade and investment in the agricultural sector in Nigeria is substantially low as China concentrates more in oil or extractive sector, manufacturing and construction. Nigeria's agriculture need revolution and lessons can be drawn from a country like China, whose impressive agricultural achievement has raised hundreds of millions of peasants from rural poverty. In view of this, Nigerian government can borrow a leaf from the achievement and success story of China in agricultural development efforts.

Furthermore, there is an urgent need for Nigeria to diversify its economy and develop its monumental agricultural potentials. Nigeria should go beyond the dependence on the petroleum sector and move towards a more diversified economy as a vehicle for obtaining a sustained economic development. The government should place greater emphasis on agricultural and human capital development and this should be a major component in all trade agreements. There is the need for greater Chinese trade and investment in Nigeria's agricultural sector. Many of China's specific approaches to increasing agricultural productivity and food security should be adopted which may help more of the poorest people to greatly improve their daily lives. The government should improve the lot of small scale farmers. Value should be added to exports of agricultural products, which is the cornerstone of the Agricultural Transformation Agenda thereby making growth more inclusive and offering a high potential for job creation, increased income and poverty reduction. Agriculture should be a top priority in the country and there must be proper administration, void of corruption and misappropriation of funds mainly for agricultural development. Agricultural policies should be adequately and properly implemented. Government should substantially increase its budgetary allocation to the agricultural sector. There is a need for more partnerships between farmers, government, NGOs, local business and Chinese multinational corporations to accelerate Nigeria's commercial agricultural growth. Nigeria should learn from the successes and failures of other states' relations with China and their policies towards developing the agricultural sector, while learning from their own experiences. More Chinese private investments are highly needed in the Nigerian agricultural sector. The Chinese government should encourage Chinese enterprises to give preferences to Nigerian agricultural goods with a view to addressing a trade balance between China and Nigeria. Efforts should be made to constantly increase and improve co-operation between China and Nigeria in agriculture. Government should initiate comprehensive agricultural reform policies and programmes and such reform as it was the scenario in China should target the rural population where agricultural activities take place.

Nigeria should prioritize the agricultural sector in its development and poverty reduction efforts. Nigeria should seek to reduce this vast trade imbalance by increasing its non-oil exports like agricultural produce to China.

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