Opinion — Nigeria-China Relations: Sovereignty and Debt-Trap Diplomacy

https://www.e-ir.info/2020/08/24/opinion-nigeria-china-relations-sovereignty-and-the-debt-trap-diplomacy/

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The existential relations between Nigeria and China have been driven largely by an infrastructure-led investment strategy based on the classical Keynesian theory of economic growth, which has taken firm roots in Nigeria's development agenda. This incongruent relationship has ushered in an era of close diplomatic ties, particularly against the backdrop of the President Mohammadu Buhari's administration's singular desire for loanable funds for road and rail infrastructure deficit.

Undoubtedly, the substantial and unprecedented surge in China's growing influence and her pledge of low interest concessionary loan portfolio to Nigeria in the last five years or so is in line with the Buhari Administration's shuttle diplomacy. Nevertheless, it has generated apprehensions about the sustainability and repayment viability of such debts. Thus, the current debate on sovereignty waivers or clauses is an appropriate ground for public outrage.

This article explores the strategic partnership between Nigeria and China and advocates a retooling of Nigeria's international economic relations against the backdrop of the delicate balance between infrastructure development strategy, national interest and corporate accountability expected of government officials, on the one hand, and China's questionable trade policies and practices, on the other hand.

Indeed, Nigeria has become the beautiful bride in the choppy waters of concession loans politics. However, in the face of the growing influence and dominance of China in Nigeria's domestic affairs, there is a growing perception that the renewed relationship and friendship between the two countries is being driven solely by China's need for raw materials and petro-energy.

The Nigeria Debt Management Office (DMO) dashboard shows a total China debt profile of USD 3.121 billion (N1,126.68 billion at USD/N361) as of March 31, 2020. However, an assessment of the concession loans portfolio, the debt profile and the Gross Domestic Product (GDP) ratio, according to the Debt Management Office (DMO), calls into question the streams of borrowing for projects without commensurate performance milestones on ground.

These loans are driven by three broad terms and conditions: robust infrastructure project returns, engagement with Nigeria's International Monetary Fund (IMF) office in the context of debt sustainability profiling, and loans streamlining in line with the development aspirations of the Nigerian state. Nevertheless, the exact frameworks, terms and conditions are wearing a veil of concealment and there is little transparency in the way the loans are being managed. The strategic incentives and the driving force of China's inroads into the so-called Nigeria's development agenda are masked with conspiratorial rhetoric by politicians and their opaque collaborators. Sadly, the Chinese government and their centralised state lending institutions (like the EXIM banks) are driven essentially by economic and transactionary motives.

The Debt Management Office (DMO) must be interrogated to unveil the weak institutional and agreement frameworks foisted on us by the Exim banks and their archangels at China's Ministry of Foreign Affairs. The process of the packaging and operationalisation of the loans are inherently corrupt and breed inefficiencies that have favoured capital flights and labour loss from Nigeria. The cost – social benefit frameworks are not in the public domain for proper evaluation.

Admittedly, the Chinese investment strategy across Africa has left wishy-washy perceptions of China-Africa relations. The financial distress suffered by Ethiopia and Djibouti Chinese railways and road corridors and the Mombasa-Nairobi rail lines construction is a sad testimony of the unwholesome debt traps orchestrated by overzealous politicians who undermine the letter and the spirit of the loan agreements entered into in the name of strategic partnership.

While Nigeria's political sovereignty may not be in doubt with regard to the framework and terms of agreement of the Chinese loans, nonetheless their debt-trap conditions cannot be over-emphasised, particularly given the mistaken belief created by the Chinese wonder bank model that does not disclose the fundamentals of commercial and trade interests in the design and marketing of such products to Nigerian government officials.

From a customary international law perspective, one of the grave diplomatic consequences and foremost drawbacks of the low-interest concession loans to Nigeria is the transferability of assets and takeover by China without the options of activating the municipal imperviousness, protection mechanisms. The ultimate responsibility of bearing the debt burden without full disclosure is suspect, most especially in the critical assessment of social profit during conception of such ambitious development projects for political reasons devoid of sound economic reasoning. Therefore, critical lessons from other jurisdictions in Africa must be well read by the legislative and executive arms of government to avoid such pitfalls in Nigeria.

Furthermore, in today's highly competitive globalised world, there are many reasons why Nigeria should tread on the part of caution. First, countries are constantly reviewing their foreign policy objectives in line with their domestic realities. Second, as the global trade war escalates, the global north will continue to look for countries with weak legislative and ethical frameworks to prey on and make unscrupulous profits in the name of foreign direct investment (FDI). Third, the diplomatic field of play is light years ahead of when diplomatic particulars were predominately limited to government-to-government administrative duties. Going forward, while career and non-career diplomats still perform traditional tasks, they should be pivotal to high-level planning with responsibilities for consulting with top political appointees to chart strategic direction and shape key policies in external relations. More importantly, the legislative arm of government in Nigeria must understand the new and evolving ecosystem of international relations.

Curiously, as the loans provided by China continue to impact Nigeria's infrastructural development, the polemic of immunity waivers, challenge of trade misinvoicing (which is a method of moving money illicitly across borders through falsification of values and volumes in the international transaction of goods and services) must be interrogated. Loan instruments coming from China could be compromised and manipulated in pricing, appropriate custom duties, over-invoicing of equipment and construction items to benefit their home country in spite of the assurances from the DMO. Further, the opacity and secrecy of China's development loans also call to question the issue of integrity and transparency in the negotiation processes. According to the Global Financial Integrity Research (2008-2017), there was over US$8.7 trillion value gap between what the global north reported as the value of imports and exports in trade with the global north. This gap or mismatch translates into potential revenue losses as high as US$1.5 trillion to the global south.

Significantly, the call by civil society and other public accountability groups in Nigeria to embark on high-level dialogues concerning the practicability of all customs departments publicly posting all trade transaction details online so that civil society, academics, researchers and journalists can analyse them is a welcome development.

Lastly, the national assembly, regardless of their reputational challenge in the public domain, has a chance to seize on an important opportunity in their oversight function to unlock some of the malpractices in external borrowing, particularly from China and other external lenders of last resort, and constantly review the partnership with a view to balancing the development equation. The time is now!

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