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Product Dumping: A Focus on Nigeria – China Trade Relations

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Abstract: *The trade relation between Nigeria and China has grown tremendously over the years. However, the issue of product dumping seems to have smeared the positive gains recorded by the two countries. The objective of the study is to assess the trade relationship between Nigeria and China with emphasis on product dumping from 1999 to 2019. Hence, attempt was made to answer the following research questions: (i) why have Nigeria become a dumping ground for Chinese products? and (ii) what are the effects of Chinese product dumping on Nigerian economy? Documentary research method was adopted for the study. Qualitative data were analyzed using qualitative descriptive analysis while quantitative data were analyzed using simple arithmetic and percentage. Findings indicate that Nigeria is a dumping ground for Chinese products because Nigeria is on the weaker side of the Bilateral Trade Relations with China and it adversely affects Nigerian economy.*

Keywords: Product, Dumping, Trade, Economy**,** Nigeria-China.

1.1 INTRODUCTION

Nigeria-China trade relations, involve the exchange of the goods and services between the two countries based on their diplomatic ties. The exchange is defined by the principle of global trade liberalization, a liassez-faire approach in which little or no restriction is placed on the movement of goods and services across borders. The implication is that technologically developed countries like China have productive capacity advantage over less developed countries like Nigeria that specialize in the production of primary products (raw materials), and stand the risk of their economy being a dumping ground for the finished products of the developed countries. In the case of Nigeria and China, it is not just about the dumping of Chinese products in Nigeria markets but of its substandard and inferior quality and the consequent human and material damage. According to Mansi (2012:14), "the term dumping is employed, most often, even in careless business language to signify selling the same commodities at different prices in different markets, the deriving motive being profit maximization". Furthermore, Mansi reiterates that the term was applied persuasively to describe almost any situation in which goods were sold abroad at cheap prices, irrespective of the cause of the cheapness, the insinuation being that the goods were unwanted in their country of derivation and were exported only to get rid of them.

Recently, Nigeria Customs and Excise Department reported the seizure of 30 trailer loads of contraband goods and the extent of gross violation of Nigerian import and export laws by Chinese traders in various "china town" in Nigeria (Gbadamosi & Oniku, 2009). This development according to them is antithetical to the economic development of Nigeria. Malone (2008), observed that "China in its desperate attempt has found Africa as a new market and perfect destination to sell its cheap and shoddy products due to poor and non-existent health and safety rules and framework in many countries in the continent". This singular development according to Tull, (2006), "has led to closure of many textile firms in the region and the industry experiencing high unemployment rate in recent times". The need for insistence on Chinese firms to obey the import and export regulations cannot be compromised in order to achieve sustained economic growth, and to prevent the syndrome of 'robbing Peter to pay Paul i.e. losing what we gain in one sector to deficit in another sector (Gbadamosi, & Oniku, 2009). The phrase "product dumping" best describes the nature and features of Chinese products that flood our economy because of their quality and routes through which thet are introduced into the country.

From the above understanding, it is obvious that dumping occurs mainly in international trade relations and used to connote price discrimination in international trade. Dumping has its own effects on the importing and exporting countries respectively. The effect on the importing country is that the consumers of the products in the importing country will likely seek a sustenance since there will be lowest prices for the products or goods imported. In addition, there is the tendency that the local industries or domestic industries may be adversely affected, especially if they are producing or manufacturing the same products imported. On the other hand, the exporting countries will likely encourage dumping since it provides them with the opportunity to sell off their products and earn more revenue. Moreover, it gives the exporting country the opportunity to flood the markets of other countries with various kinds of goods. The trade relation between Nigeria and China is currently at this stage.

Prior to 1999, the trade relation between Nigeria and China was either not pronounced or non-existent. Nigeria leaned more to the West for trade and economic relations. Formal diplomatic ties between the two countries came into being in 1971, barely a year after the end of the civil war. However, it was not until Obasanjo's return to power in Nigeria in 1999 and the start of China's new orientation to Africa in 2000 that relation between the two countries began to measurably deepen. This relationship was principally based on the understanding to respect each other's sovereignty and territorial integrity. In 2001, "the two countries signed agreements on the establishment of a Nigeria trade office in China and a China investment Development and trade promotions centre in Nigeria" (Bukarambe, 2005).

Sequel to the preceding development, "the volume of trade and investment between the two countries increased tremendously. The volume of trade reached USD 17.7 billion in 2010" (Egbula & Zheng, 2011). Evidences of the trade relationship between Nigeria and China are crystal clear and can be seen in every Nigeria market, where Chinese products have become dominant. Furthermore, "there is Chinese presence in our railway reconstruction and rehabilitation. Nigeria's communication satellite system, NIGERSAT, was designed, built and funded by the Chinese" (Ogunkola, et al, 2008). Thus, Nigeria offers China both a market for its goods and vast supplies of untapped resources, including oil. Be that as it may, how beneficial Nigeria's trade relation with China is to Nigeria's economy has attracted divergent views. Whilst some opine that the relationship is a springboard for Nigeria to develop and compete in the world market, others view it as lopsided in favour of China, since the Chinese use Nigeria markets as dumping grounds. According to Ayola (2013) in Akor (2014), "The present competitiveness indicators of the Nigerian economy exhibit acute inability to accommodate the pressure of globalization and trade liberalization being exploited by China". The two countries are on different steps of the development ladder. According to Vanguard Reporters (2012),

> *"The increasing menace of dumping of products from China into the Nigeria market is seriously undermining the competitiveness of the Nation's already distressed manufacturing sector. China's staggering population of about 1.6 billion needs new trading routes for industrial goods, and Nigeria as the most populous black nation with the capacity to easily absorb many of these goods, is an obvious target by the Chinese authorities. Investigation revealed that products from China are heavily subsidized for export which makes it possible for them to be sold at much cheaper rates in Nigeria than similar products that are manufactured locally in the country".*

The aim of this study is, therefore, to explore the trade relationship between Nigeria and China with emphasis on product dumping.

LITERATURE REVIEW

2.1 Product Dumping

According to Dale in Mansi (2012), "The origin of the word 'dumping' is uncertain. Its usage by the early nineteenth century had come to mean the act of throwing down in a lump or mass, as with a load from a cart, and it was then a natural extension to apply the word to the disposal of refuse and to describe as a dumping ground, a market for the disposal of surplus stock". During this time according to Dale, "Dumping was used in the English language trade literature to illustrate loosely a situation in which goods were sold cheaply in foreign markets". Today, however, "the term is used intentionally to signify the practice of price discrimination in international trade" (Mansi, 2012).

Dumping is, in general, "a situation of international price discrimination where the price of a product when sold in the importing country is less than the price of that product in the market of the exporting country" (Gupta, 1997). Article V1 of the General Agreement on Tariffs and Trade (GATT) defines dumping as "introduction of products of one country into the commerce of another country at less than the normal value of the products". Dumping "is legal under GATT (World Trade Organization) rules unless its injurious effect on the importing country's producers can be established. If injury is established, GATT rules allow imposition of anti-dumping duty or tariff" (Business dictionary, 2012). To the GATT definition, "dumping involves two elements: when a product is sold in another country below a given price and when this causes substantial injury to an established industry or significantly retards the establishment of a domestic industry". According to Chand (2014), "dumping is an international price discrimination in which an exporter firm sells a portion of its output in a foreign market at a very low price and the remaining output at a high price in the home market". Haberler (1936), defined dumping "as the sale of goods abroad at a price which is lower than the selling price of the same goods at the same time and in the same circumstances at home, taking account of differences in transport cost". For Viner (1923), "dumping is price discrimination between two markets in which the monopolist sells a portion of his produced product at a lower price and the remaining part at a high price in the domestic market".

Dumping, therefore, "addresses a price discrimination i.e. adopting a lower price for export markets as compared to prices in domestic market rather than pricing decisions taken on commercial consideration in accordance with the normal business practices" (Gupta, 1997). To understand the meaning of dumping fully, the sub concepts of normal values, ordinary course of trade, like products and injury are briefly explained below:

Normal Value: The term 'normal value' "refers to the comparable price of the like product in the domestic market of the exporting country" (Free Trade Area of the Americas, 2022 & World Trade Organization, 2022).

Ordinary course of trade: Transactions between buyer and seller, not related to each other, at arm's length i.e. price being the sole consideration for sale or considered as being in the ordinary course of trade.

Like product: "Like product means a product which is identical i.e. alike in all respects to the product under consideration (ie. exported product) or in the absence of such a product, another product which although is not alike in all respects, has characteristics closely resembling those of the product under consideration" (World Trade Organization, 2022). Like product, thus: means a product of like quality.

Injury: In spite of an affirmative determination of the existence of dumping, no action can be taken against the dumped imports unless the dumped imports can be shown to have caused a material injury to the domestic industry. Article VI of the GATT 1994 "disapproves of dumping if it causes or threatens material injury to an established industry or materially retards the establishment of a domestic industry" (Gupta, 1997). Gupta, further, reiterates that the determination of injury is to be based on positive evidence and objective examination of both the volume of the dumped imports and the effect of the dumped imports on prices in the domestic market for like products; and the consequential impact of these products on domestic producers of such products.

Domestic Industry: The term domestic industry "refers to domestic producers of like products as a whole or to those of them whose collective out-put of the products constitute a major proportion of the total domestic production. In calculating the major proportion, authorities may exclude producers who are either related to importers or are themselves importers" (Gupta, 1997). Furthermore, "an anti-dumping action can be taken against dumped imports only if the domestic industry suffers a material injury and there is a link or nexus between the dumped imports and the injury to the domestic industry" (The Unite Nations, 2003 & Gupta, 1997).

2.1.1 Types of Product Dumping

1. Official dumping: This occurs when products have a tax exemption or subsidy that allows them to be sold at a much lower price. An instance of official dumping, according to Guerrero (2022), "is the introduction of Spanish black olives into the American market". This situation as Guerrero remarked "has already caused the filing of several complaints due to prices that are only possible due to European Union subsidies. It is a legal and transparent process, but it creates problems for local companies".
2. **Sporadic or intermittent dumping:** Manufacturers practice sporadic dumping to do away with excess stock. "It is adopted under exceptional or unforeseen circumstances when the domestic production of the commodity is more than the target or there are unsold stocks of the commodity even after sales" (Chand, 2022). Sporadic dumping is aimed at liquidating excess stocks that may arise occasionally.

3. Predatory dumping: It "involves sale of goods in overseas markets at a price lower than home market price. This is selling at a loss to gain access to a market and eliminate competition" (Accountlearning, 2022). A clear example, according to Guerrero (2022) "is the barrage of Chinese products in multiple international markets**,** through physical stores, portals and (online) marketplaces such as AliExpress. The arrival of products at prices well below the cost value caused bankruptcy and the closure of multiple companies across various sectors". After the competition is eliminated, "the company becomes a monopolist. Monopoly position is then used to increase the price. Anyway, there is a disadvantage that former competitors may rejoin the market because of high profit margins" (Accountlearning, 2022).

4. Social dumping: According to Guerrero (2022), "in social dumping a law obliges brands and retailers to reduce the price of certain products as they are considered essential goods for citizens. This occurred with masks and antigen tests in various countries during the COVID-19 pandemic". Guerrero described social dumping as very different from predatory dumping.
5. Persistent dumping: According to (UGC Papers 2, 2019), **"**Persistent dumping, as the name implies, is the most permanent type of dumping. It involves consistent selling at lower prices in one market than in the rest of the markets. This practice is based on the fact that markets vary in terms of overhead costs and demand characteristics. In persistent dumping, the firm may use marginal cost pricing abroad while using full cost pricing (covering fixed costs at home) in domestic market". "Japan, for example, sold consumer electronics at high prices in its own country. This is because it has no foreign competition, but lowered prices in the U.S. market in order to maintain market share" (Accountlearning, 2022).

6. **Reverse dumping:** Viner in Chand (2022), described reverse dumping as the type of dumping in which the foreign price is higher than the domestic price. This, according to Viner, is done to turn out foreign competitors from the domestic market. When the product is sold at a price lower than the cost of production in the domestic market, it is called reverse dumping.

2.1.2 Historical Background of Nigeria – China Trade Relations

Formal diplomatic ties between Nigeria and China were established in 1971 when the two countries signed the Joint Communiqué on the Establishment of Diplomatic Relations. Trade relations between Nigeria and China have grown in the last decade from the limited and intermittent contact to an increasingly complex and expansive business engagement. Thus, "the volume of trade between the two countries grew at low levels until rapid growth in 1993 turned China from a net exporter of crude oil to the second-largest importer of crude oil in the world" (Utomi, 2014). Due to the "nature of Nigeria oil (sweet, low-sulfur crude) which China found to be very good, the volume of trade rapidly increased from 1.3 billion naira in 1990, to 5.3 billion naira in 1996 and 8.6 billion naira in 1998" (Akoh, 2014, and Utomi, 2014).

Following Nigeria's return to democracy in 1999 and China's new orientation toward Africa in 2000, the trade relations between the two countries became more involving. Hence, the trade relations between Nigeria and China grew tremendously over the years. However, the negative issue of product dumping seems to have smeared the positive gains recorded by the two countries. Available data shows that from less than USD 2 billion in 2000, it went up to USD 18 billion ten years later. According to Jaiyeola (2022), "Nigeria's import from China rose by 183.91 per cent from N530.98bn in the first quarter of 2018 to N1.51tn in Q1 2022". "Between the years 2003 and 2009, Nigeria was a top destination for Chinese Foreign Direct Investment (FDI) on the continent, second only to South Africa. China's attractions are clear: Vast Energy reserves and a large domestic market of more than 180 million inhabitants with growing disposable incomes" (Mbamalu, 2013). For Nigeria, "incentives lie in China's successful economic transformation, its capacity to deliver large-scale infrastructure projects and more importantly, its ability to finance them" (Egbula and Zeheng, 2011). Egbula and Zeheng, further, noted thus:

> *"While China's involvement in Nigeria was initially driven by its vast demand for energy resources, it has since expanded far beyond oil. China's public and private companies are making forays into Nigeria's manufacturing and information and communication technologies sectors. They are developing two special economic zones within Nigeria and are building new rounds, railways and airports across the country. China is also known for its policy of offering unconditional aid – what she calls – "cooperation" – to help in reaching development goals. In an effort to boost Nigeria's agricultural output, hundreds of Chinese specialists are bringing new techniques and technology to bear".*

In the Education Sector, most Nigeria universities have established partnership agreements with regard to promoting the Chinese language, culture and innovations.

From the foregoing, it seems that there is significant and steady growth in Nigeria - China trade relations. While Nigeria aggressively seeks Foreign Direct Investment (FDI), infrastructural development, technology transfer as well as market for non-oil exports, China on the other hand seeks Nigerian oil and raw materials to feed its ever-expanding industries, markets and new trading outlets for their finished products. Most of these products are cheap and substandard. Critics of Sino-Nigeria trade relations, "mention that this influx militates against the growth of the nation's economy, hampers the growth of indigenous industries, causes many companies to relocate off-shore and causes unemployment as they (Chinese) always employ their people in droves" (Nwachukwu, 2009). Apart from dumping, Bukarambe (2005) submits that

> *"Nigeria's relationship with China after several years shows that the most discernible pattern in their relationship is still lopsided. It is observed from the trade that this unequal trade relation is in great disequilibrium and to China's advantage. It means that despite the increase in trade volume between the two countries, the bilateral trade relations have favoured China, thus creating a sense of lopsided distribution of the benefits from the bilateral trade".*

In 2001, "the two countries signed agreements on the establishment of a Nigeria Trade Office in China and China Investment Development and Trade Promotion Centre in Nigeria. Also, in 2006, the intergovernmental Nigeria-China Investment forum was founded" (Egbula & Zheng, 2011). During the period between 2001 and 2009, the two governments signed some memorandum of understanding (MUO) on the establishment of a strategic partnership. The table below illustrates some of the major trade agreements between the two countries.

Table 2.1: Major Agreement between Nigeria and China

Types of Agreements	**Year**
Agreement on Trade, Investment Promotion and Protection[1]	2001
Agreement for the Avoidance of Double Taxation and Prevention of Fiscal evasion with respect to Tax on Income	2002
Agreement on Consular Affair	2002
Agreement on Co-operation on Strengthening Management of Narcotic Drugs,	2002
Psychotropic Substances and Diversion of Precursor Chemical	2003
Agreement on Tourism Co-operation	2006
Agreement of South-South Co-operation among China, Nigeria and FAQ[2]	2009
Memorandum of Understanding on a Strategic Partnership	2009

Source: *Egbula & Zheng (2011)*

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Nigerian officials specified that petroleum, power, telecommunications and manufacturing sectors would be the main targets for investment while China laid out a clear strategy based firmly on its economic interests. The Chinese Ministry of Commerce identified the main aims of the government's policy towards Nigeria as:

1. To increase Chinese multinational companies' Nigerian market share,
2. To expand the Nigerian market for Chinese manufactured goods,
3. To increase China's presence in Nigeria's oil and gas sector and
4. To leverage its investment in Nigeria as a strategy for entering the ECOWAS market, (Egbula, & Zheng, 2011).

Though, the bilateral trade between Nigeria and China had grown exponentially, there exist persistent trade imbalance in favour of China; for which Egbula & Zheng, stressed that "while around 87% of Nigeria's exports to China are oil and gas, that of China to Nigeria are diversified range of goods, most notably commodities". They further noted that while the official numbers of the transaction between Nigeria and China appears impressive, they fail to capture the complete picture of trade between the two countries, due to significant amount of unrecorded trade, particularly in Chinese goods, most of which entered Nigeria through long, porous borders of neighboring states.

The flooding of Nigeria by imports of Chinese products in comparison with Nigeria's export to China resulted in a trade deficit in favour of China and this is growing significantly in view of Nigeria's inability to offer the manufacturing sector an environment conducive to producing home grown alternatives to the China-made goods. As such, "Nigerian markets have become the target for substandard Chinese products and due to stiff competition from these products, local manufacturing industries are gradually withering away" (Akoh, 2014). According to Utomi (2014), "Many believed that the Nigerian government, during Obasanjo years, courted the Chinese at the expense of local manufacturers by manipulating tariffs to encourage Chinese imports. This has led many Nigerians to accuse the Chinese of dumping cheap Chinese products onto local markets, stifling the competitiveness of domestic production". For Akoh (2014),

> *"The main outlet through which China made goods flood Nigerian markets is the popular China town market in Lagos, from where other major markets in Lagos are penetrated and then to other parts of the country. There is nothing worse than the dumping of Chinese goods in Nigeria through unapproved borders. Importers allegedly connive with custom officials and other security agents to smuggle even contraband goods into the country".*

The menace, according to Akoh, "is so alarming and will continue to be if concerted efforts are not made to curtail the situation". Furthermore, Egbula & Zheng (2011), captured the scenario thus:

> *"Chinese migrants are found in the whole state and retail markets in all Nigeria's major cities and are now also increasingly present in smaller towns. One of the most significant Chinese retail ventures is the China town in Lagos built in 2004, which consists of about 120 shops selling a range of Chinese manufactured goods, particularly clothes, shoes, and fashion accessories. The China Lagos Industrial and Commercial Federation was established in 2003 to help Chinese businesses navigate legal, social and security matters and to encourage a climate favourable for their further expansion".*

Presently, there are complaints of cases of a breach of contractual agreements by Chinese companies operating in Nigeria. A good example, according to Akoh (2014), "is Everglades Agencies Ltd (A Nigerian company) who wrote to the Federal Ministry of Trade, Investment and Industry that Yanfeng Plastics Machinery Co. Ltd (a Chinese company) has not complied with the contract agreement signed by both parties in 2008 for installation, staff training and supply of spare-parts for machinery bought from the Chinese company". "In addition, Nigerians have indicated that poor Chinese labour practices persist largely unchecked by the Nigerian government, because the Chinese have a distinct advantage of paying "slave wages" for dangerous work that most Nigerians will not undertake" (Utomi, 2014).

According to Akoh (2014), "From the year 2000 to 2012 Nigeria has constantly experienced negative trade balance in her transaction with China. The most debilitating, perhaps is the fact that despite the relative increase of Nigeria's export to China, the negative trade balance continues to surge on as the trade volume increases. While Nigeria's export to China increased from ₦106, 733, 131, 758 in 2009 to ₦216, 506, 104, 707 in 2010, the negative trade balance sky -rocketed from ₦786, 461, 617, 718 in 2009 to ₦884, 274, 401, 292 in the following year". The table below illustrates Nigeria-China trade statistics from 2009 to 2012.

Table 2.2: Nigeria-China Trade Statistics from 2009 – 2012 (in Nigeria value)

YEAR	EXPORTS	IMPORTS	VOLUME OF TRADE	TRADE BALANCE
	(US$millions)	(US$millions)	(US$million)	(LJS$million)

2000	292.9	563.9	860	.271
2001	1227.4	917.2	1, 144.6	-227.4
2002	121.3	1047.1	1, 168.4	-926.4
2003	71.7	1, 787.5	1, 859.2	-1715.8
2004	462.6	1, 719.3	2,181.9	-1256.7
2005	527.1	2,305.3	2, 832.4	-17.78.2
2006	2800	2, 855.7	3, 133.5	-2575.7
2007	537.5	3, 800.2	4,337.7	-3262.7
2008	509.9	6,758.1	7268.0	.6248.2
TOTAL	3030.4	20035	24785.7	-18262.1

Source: *Ayola (2013) in Akoh (2014)*

From the preceding tables, there is significant increase in Nigeria's export to China despite the persistent trade deficit. However, some have argued that "the increase in exports to China was as a result of the decline in oil exports to other countries like the U.S". Thus, more oil was available to be exported to China. As such the leap in export is not connected to the manufacturing sectors. Nigeria's exports to China include: "bituminous minerals, sesame seeds, rubber, oil and liquefied natural gas, dry cassava chips and polyethylene, while her imports are unglazed ceramics, vans, wall tiles, motorcycles, machinery, auto-parts, tyres, chemical products, textiles, consumables, etc." (Akoh, 2014).

Deducing from the foregoing records, Nigeria-China trade relations don't seem to portend a win-win situation but appears to be lopsided in favour of China to the detriment of Nigeria, despite the volume of trade between the town countries from 1999 to 2019.

2.2 Theoretical Framework

The theoretical framework adopted for this study is the dependency theory. Dependency "is a situation in which a certain group of countries have their economy conditioned by the development and expansion of another to which the former is subject" (Offiong, 1980). The main proponents of this theory are Dos Santos (1970), Walter Rodney (1972), Furtado (1964), Claude Ake (1981), Emmanuel Wallenstein (1974) and Samir Amin, among others. Dependency theory is predicated on the notion that resources flow from the "periphery" i.e. the poor and underdeveloped states to the "core" i.e. wealthy states enrich the core states at the expense of the periphery states. They argue that the dependence of the South (periphery states) on the North (core states) is the main cause of the underdevelopment of the periphery states.

Dependency theory originates with two papers published in 1949 – one by the Hans singer, the other by Raul Prebisch – in which the authors observed that "the terms of trade for underdeveloped countries relative to the developed countries had deteriorated over time because of the exploitative nature of the relationship between the two worlds". Nye & Keohane (1994) have tried hard to establish that "international relations are characterized by cooperation and interdependence with win-win, mutually benefiting all comers. This implies that both weak and strong economies have something to gain in the relationship, no matter the proportion". Yet, "the dynamics of unequal relations in international division of labour cannot be ignored" (Agubamah, 2014). The theory arose as a reaction to modernization theory, an earlier theory of development which held that all societies progress through similar stages of development, that today's underdeveloped areas are thus in a similar situation to those of today's developed areas at some time in the past, and the task in helping the underdeveloped areas out of poverty is to accelerate them along this supposed common path of development, by various means such as investment, technological transfer, and closer integration into the world market. Dependency theorists vehemently rejected this view but rather argued that what is causing the underdevelopment in poor countries is the exploitative relationships that have characterized the interactions between the poor nations and the developed ones right from the colonial times till date.

2.2.1 Application of the Dependency Theory to the Study

Dependency theory is predicated on the flow of resources from a "periphery" of poor and underdeveloped states to a "core" wealthy states enriching the latter at the expense of the former. Here Nigeria is the former while China is the latter. Given the trend of Nigeria-China trade relations, China tries to condition Nigeria's development through dumping of inferior manufactured products and imbalance of trade. The influx of Chinese goods into Africa particularly inexpensive textiles has hurt domestic industries in Nigeria, leading to the loss of several jobs and diminishing the added value associated with the sale of finished goods (Alden, et al (2008). This undue advantage of China over Nigeria is occasioned by China's technological power and industrialization which makes Nigeria vulnerable and weaker trading partner before China. In the same context, Nigeria, under the international skewed division of labour, exports only primary products and massively imports substandard finished products from China which adversely affects Nigerian economy. The implication is that, if the trend is not quickly checked, China will eventually condition the development of Nigeria.

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3.1 Research Design

This study made use of the documentary research design. The data for the study were generated via the use of secondary sources of data such as books, journals, internet publications and publications from international organizations. Qualitative descriptive analysis was adopted for the analysis of qualitative data while simple arithmetic and percentage were used to analyze quantitative data.

4.1 DISCUSSION OF FINDINGS

4.1.1 Nigeria is a Dumping Ground for Chinese Products because Nigeria is on the weaker side of the Bilateral Trade Relations with China.

The principal factor that defines a country as strong or weak is technology. Having it makes a country strong and the lack of it makes it weak. This is expressed through industrialization. Nations develop and create wealth through industrialization which according to dependency theory is referred to as the “Core” or wealthy States while the poor, under-developed “Periphery States” are the unindustrialized states which survive mainly through natural resources (raw materials). Unusually, the developed or industrialized nations reach out to the unindustrialized or Periphery States for their raw materials while the Periphery States look-up to the developed States for their finished/manufactured products. The implication as stated by the dependency theory is that the industrial expansion of the developed state like China conditions the development of the Peripheral State like Nigeria. It is against this reality that this study revealed that China has productive capacity advantage over Nigeria due to China’s industrialization and Nigeria’s specialization in the production of primary products. As China expands its industrial base, its productive capacity increases; likewise, the drive for profit accumulation. Consequently, Nigeria becomes a veritable ground for mass destination of Chinese products due to its market size but unfortunately the products are of inferior quality. The table below further illustrate the geometric increase of importation of Chinese products to Nigeria.

Table 4.1 Quarterly Imports from China to Nigeria 2018 – 2022

Q1 2018	Q1 2019	Q1 2020	Q12021	Q12022
N530.98bn	N979.29bn	N1.11tn	N2.01tn	N1.51tn
Source: Jaiyeola (2022).				

The data from table 3.1 shows that from Q1 2018 to Q1 2019, import from China increased by 84.7%, from Q1 2019 to Q1 2020, import from China increased by 2.1%, from Q1 2020 to Q1 2021, import from China increased by 100% and from Q1 2021 to Q1 2022, import from China increased by 50%. The 2.1% minimal increase from Q1 2019 to Q1 2020 is attributed to the COVID-19 Pandemic which started from China.

Of important note in this regard is the worsening trade deficit between Nigeria and China. For instance; “data from Nigeria National Bureau of Statistics (NBS) indicate that the total import from China for the whole of 2019, is valued at N4.32 trillion while export to China is valued at N595.99 bn” (Kolawole, 2022). The difference between the import and export figures is N3.41 trillion trade deficit for 2019.

The result is the suffocation of our domestic industries and the industrial expansion of China conditions the industrial development and growth of Nigeria. This makes Nigeria-China trade relations a dependent type, in which Nigeria is dependent on China due to its weak or lack of technological development. Michael Porter Summed that:

> *“sophisticated industries form the back bone of any advanced economy. Basic factors, such as a pool of labour or a local raw-material source, no longer constitute an advantage in the knowledge-driven-global-economy because companies can access them easily through a global strategy or circumvent them through technology” (Harvard Business Review, 1990).*

Furthermore, expansionary and profit motive had been identified as part of the reasons China dumps its inferior products in Nigeria. Corruption was equally identified as a factor that aids Chinese shoddy/under – deals of flooding Nigeria with its substandard products.

4.1.2 The Dumping of Chinese Products in Nigeria Adversely Affects the Economy

The only positive effect of dumping of the substandard Chinese products in Nigeria economy is the affordability of the products by the poor masses. However, the negative effect, out-rightly out-weighs the positive effect. On the other hand, "if one is attracted to purchase such products despite knowing it to be fake just because it is cheap, there is a higher price to pay – killing of the productive sector of the Nigerian economy, leading to higher rates of poverty and unemployment and increase in crime rate" (Eni, 2016). As part of its findings, the study discovered that there are associated human and material damage with the dumping of Chinese substandard goods in Nigeria economy. For instance; "these three Chinese businessmen: Guo Gnuxu, L. Yang and Zhong Showmin were arrested by the Nigeria Customs Service for allegedly smuggling contraband and illegal textile materials worth over ₦20 billion into the country" (Eni, 2016). According to Eni, "Chinese nationals have turned Nigeria into a dumping ground for substandard products manufactured in their country thus putting the health of Nigerian consumers and the economy of the country at risk". In the words of John Aluya, Chairman, Manufactures Association of Nigeria (MAN), "the multiplier effect of dumping products on local industries range from low capacity utilization to an average of 40 per cent; low and declining contribution to national output to an average of 4 per cent; negative real growth rates, low value addition due to high import dependence for inputs, to accumulation of large inventories of unsold finished products, among others" (Vanguard Reporters, 2012).

For many years, "China has been Nigeria's biggest source of imports but the Asian country is also the source of one of the country's biggest problems –fake and substandard products" (Eni, 2016). The Director – General, Standard Organization of Nigeria (SON), Joseph Odumodu, notes that China accounts for over 80 percent of fake, substandard, pirated and counterfeit products flooding the Nigerian Market (Eni, 2016). Eni reiterates that China has a reputation of producing and exporting substandard products across the world, some of which include pharmaceuticals, auto spare parts, mobile phones, textile materials, vehicle spare-parts, DVDs, electronics, electrical equipment, branded footwear, designer clothing and bags, toys, toothpastes, office and household appliances and equipment, cosmetics, wines, food products, confectioneries, and much more. A significant number of these counterfeit products are targeted at the Nigeria market, thus making Nigeria one of the world's largest markets for fake and substandard products.

The counterfeit business is also huge in the technology sector, generating huge income for the perpetrators at the expense of the consumers, original equipment manufacturers (OEMs) and the national economy. For instance, "billions of naira are spent annually for the importation of counterfeit mobile phones and pirated computer software. Pirated books, music and films powered by Chinese technology are readily available in the Nigerian market. It is estimated that the country loses about ₦50 billion annually to importation of fake and substandard products" (Eni, 2016).

Corruption and corrupt practices both in Nigeria and China aid the shoddy/under-deals of flooding Nigeria with Chinese substandard products. Moreover, the problem has persisted for so long because of lack of political will by the Chinese authorities to curb the manufacturing of substandard and fake products for exports to developing countries like Nigeria. This is indicated by the failure of past efforts by Nigerian regulatory authorities to get the cooperation of their Chinese counterparts in tackling the menace. In one of such instances according to records, "Standard Organization of Nigeria (SON) held a meeting with the Chinese Standards Organization, a body that regulates imports and exports of the country to discuss the problem and find ways of putting an end to it. They were very hostile and at a time they pretended that they no longer understand the English language just to make sure that the discussion was terminated. But the Nigerian counterpart made it clear that they have the right to fight for the safety and performance of products that are brought into the country". Odumodu, Director-General of (SON), recalled thus:

> *"These same Chinese authorities cooperate with America and European countries in ridding their markets of fake or counterfeit products. In May last year, for instance, the police in Beijing, capital of China, raided a factory producing fake Apple iPhones following a complaint by the US. During the raid, police found six production lines hidden in the depths of an industrial zone on the northern outskirts of the Chinese capital. About 41, 000 units of the iPhone valued at 120 million yuan ($19 million) were said to have been produced in the fake factory, which was disguised as a gadget maintenance shop since the commencement of their operation in January 2015. It was found that the owners of the factory bought used Smartphone mainboards (motherboard) from overseas and fake parts bearing Apple logos from Shenzhen, a technology hub in southern China and then hired hundreds of workers to assemble and repackage the fake Smartphones for export".*

There are even allegations that 'the Chinese local government authorities assist local counterfeiters to hide their product lines in safer places to avoid any disruption of their activities by the federal authorities'. However, while the US is making some headway in her collaborative efforts with the Chinese government to stop the influx of counterfeit products to the US market, the same cannot be said of Nigeria, which does not appear to command the kind of respect the US and other nations have with China. With Nigeria government often turning to China for succour in developing her infrastructure and providing other social services, the country lacks the muscle to compel the Chinese government to help fight the war against counterfeiting. In addition, "unscrupulous Nigerian importers and businessmen/women also collaborate with their counterparts in China to fuel the counterfeit business. Similarly, some officials of the Nigerian Customs Service who are positioned to check the influx of fake and counterfeit products allegedly aid offenders in perpetrating the crime" (Eni, 2016).

Corruption as the catalyst to the counterfeit business is deep in Nigeria and China. According to the DG of Standard Organization of Nigeria, in Eni (2016), "The agency met with Chinese manufacturing companies to plead with them to stop the production of substandard products for Nigerian markets and the response they got from the Chinese industrialists was that they produce according to their Nigerian customers' specifications. Though there have been reports of arrests, seizures and destruction of substandard and counterfeit products by the Nigerian regulatory authorities, yet like the USA, no effort is being made to trace the factories where such products are produced, let alone compel the seemingly reluctant Chinese authorities to take action against them".

The boom in the production and export of fake and counterfeit products has contributed significantly to the economic growth of China but the reverse is the case in Nigeria. According to the International Counterfeiting Coalition,

> *"The total value of counterfeit goods originating in China is estimated to be $1.22 billion annually, making China a leading player in the global economy with a national economy bigger than that of Japan or the European Union countries combined. Within a few decades, the country was able to lift about 300 million of her citizens out of the poverty threshold, a feat without any precedence in the annals of economic development. While the Chinese wealth is growing by leaps and bounds, partly as a result of this unwholesome business, Nigerians have continued to wallow in abject poverty" (Eni, 2016).*

This substantiates the fact, as discovered by this study, that expansionary and profit motive is part of the main reason China dumps its substandard products in Nigeria. If Nigeria fails to curb the influx of fake, adulterated and counterfeit products from China and other countries, Eni (2016), maintained that "any dream of building a strong economy and reducing drastically the unemployment and poverty rates will remain only a pipe dream. Counterfeit products not only destroys the reputation of brands, they also send companies to their early graves". It is on record that many local industries in Nigeria have been forced to shut down their operations and the severe economic consequences prevalent among Nigerians. This is on the account of unfair competition with Chinese fake products dumped in Nigeria and highly patronized by Nigerians. Today "the likes of Dunlop and Michelin tyre manufacturing companies, Bata (shoe manufacturing company), Berec Batteries, many food processing, vehicle assembly, and textile manufacturing companies, which provide jobs for millions of Nigerians in the past, have become history. Nigeria now depends largely on importation of consumer products because her industries have been destroyed by the availability of fake and counterfeit products mainly from China" (Eni, 2016). For Nigeria, to experience real growth, government has to purge the country of fake and substandard products from China.

An analyst equally averred that "the influx of counterfeit and substandard products into the domestic market raises serious doubts about the current efforts by the federal government to resuscitate the real sectors for it to contribute meaningfully to the Gross Domestic Product (GDP)". The analyst maintained that,

> *"Producers of genuine goods will obviously suffer low sales and subsequently a poor return on investment. This will translate to loss of jobs, reduction in tax payment to government and a weak economy that is unable to compete at the international level. It discourages production and encourages imports which are not good for the economy. In crunch times like Nigeria is facing presently due to bad governance, impact of COVID-19 Pandemic, economic recession and rising inflation, manufacturing could have provided the needed succor."*

Despite the belief in some quarters that the counterfeit business activity provides job opportunities to a fraction of unemployed Nigerians, the analyst held that "the producers of these fake and substandard goods do not pay taxes, they do not observe extant laws on issues of environmental protection and labour laws, they employ slave labour and pay pittance to their employees and such practices are detrimental to the development of an economy" (Anyebe, 2015).

Conclusion

Nigeria-China trade relations have both negative and positive effects on Nigerian economy but the negative out-weighs the positive. The reason is that the two countries are not on the same development ladder. China is developed while Nigeria is developing and their difference is premised on technological capacity. Borrowing the thought of one of the scholars, "national prosperity is created, not inherited. It does not grow out of a country's natural endowments, its labour pool, its interest, or its currency's value, as classical economists insist". A nation's competitiveness depends on the capacity of its industry to innovate and upgrade.

In the current global economy, all the nations are in competition in all fronts. Any country's competitive advantage is based on the technological capacity, determined by good governance and the level of development of its industrial base. Therefore, in Nigeria – China trade relations, Nigeria can experience the win-win mantra currently advocated in international relations only by developing a sustainable local industrial initiative.

Deriving from the findings, the study recommended as follows:

(1) **Strengthening of the regulatory laws:** This will in turn strengthen the regulatory agencies' performance against Chinese substandard and counterfeit products.
(2) **Deterrence:** Government should ensure stringent application of the inhibitive laws against the Chinese counterfeiters and their Nigerian collaborators to stem the tide of dumping Chinese substandard products in Nigeria.
(3) **Discouraging the patronage of Chinese substandard and counterfeit products:** This involves the massive and aggressive intensification of consumer education and awareness over the negative impact of Chinese substandard and fake products.
(4) **Subsidization of cost of production for local producers:** This should be Nigeria's first realistic step towards industrialization. It will make the local products relatively cheaper and of a better quality when compared to that of China and will certainly discourage the patronage of the substandard and fake Chinese products all over Nigeria. It will also discourage importers from continuing with the business of importation of fake and substandard products from China and possibly divert their resources into local production. The development will generate revenue for government, create employment, reduce the rate of poverty and crime, improve the living standards of Nigerians and bring about national development.

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