

# Time is ripe for stronger Sino-Nigeria financial ties

By Song Wei Source:Global Times Published: 2017/4/23 22:38:39

---



**Illustration: Luo Xuan/GT**

Against the background of China-Africa industrial capacity cooperation, financing is the key to strengthening connections with African countries' development strategies and facilitating the smooth launch of production capacity cooperation projects.

Nigeria is a large oil-producing country, with a considerable sovereign wealth fund and sizeable investment strength. Since the US shale gas revolution, Nigeria has felt a lot of pressure from falling oil prices, so it has an increasing desire for investment diversification.

Meanwhile, Chinese enterprises have "gone global" for many years, often with the support of State funds, but they don't have enough confidence in their own ability to achieve profits. Moreover, there are lots of pessimistic views toward China's overseas projects at home and abroad, such as the continuous criticism over the Lagos-Ibadan railway project. As such, Chinese enterprises are over-cautious about international operations. However, given the comprehensive and in-depth development of the Sino-Nigeria relationship, subjective and objective conditions are ripe for cooperation between both parties' sovereign wealth funds.

From the perspective of Nigeria, the country possesses a considerable sovereign wealth fund, laying a solid foundation for China to carry out financial cooperation with the country. Nigeria's purpose in setting up the sovereign wealth fund is to achieve sustainable development before the depletion of its oil resources and to create long-term investment for the sake of future generations. Nigeria also has a strong willingness to carry out financial cooperation with China on its industrial capacity cooperation. Nigerian President Muhammadu Buhari was quoted by media reports as saying last year that as the China-Nigeria relationship aims to achieve mutual trust, mutual benefit and friendship, the economic and trade cooperation between the two countries will have the same spirit. He also said that given its strong demand for infrastructure development, Nigeria will continue to provide favorable policies and guarantees for investors, according to media reports.

From the perspective of China, leveraging Nigeria's sovereign wealth fund is of strategic significance. First, it could reduce resistance to the launch of new projects. As China's industrial capacity projects may lead to environmental pollution risks, co-funding the projects with Nigeria will help weaken the opposition from non-governmental organizations and interest groups. Second, it could safeguard energy security. Close financial cooperation will certainly boost the economic and trade cooperation between the two countries, thus promoting strategic mutual trust and stabilizing the oil supply to China. Third, it could improve governance.

Deepening financial cooperation between China and Nigeria will be conducive to the development of China's relationship with the Economic Community of West African States and the African Union, increasing the Chinese representation in developing countries. Based on this, financial cooperation should be promoted between Chinese companies and Nigeria's sovereign wealth fund to achieve two goals: introducing capital from the wealth fund into China-Nigeria production capacity cooperation projects and setting up other programs to strengthen industrial production capacity cooperation between China and other African countries.

Concrete measures could be taken in the following three aspects: The first is setting up a China-Nigeria national industrial capacity cooperation fund. I suggest the People's Bank of China and China's **Ministry of Finance** could strengthen their communication with Nigeria's central bank and relevant financial authorities in the country to establish a mechanism for bilateral financial coordination and cooperation. On the basis of mutual political trust and economic policy coordination, the two countries could promote cooperation among production capacity cooperation funds, Nigeria's sovereign wealth fund and the China-Africa Development Fund.

Second, China and Nigeria could adopt equity cooperation to jointly finance production capacity projects. Unlike loans, which focus on projects' short term repayment capabilities, equity investment pays closer attention to programs' long-term sustainable

financial capacity. The government could encourage the China Development Bank, the Export-Import Bank of China, Industrial and Commercial Bank of China and other financial institutions to strengthen their cooperation with Nigeria's sovereign wealth fund in a bid to offer equity financing services to production capacity cooperation projects.

Third, the two countries could attract capital from Nigeria's sovereign wealth fund through commercial means. Bonds, concept stocks, public offerings and insurance could be issued to absorb capital, in a bid to expand fund-raising channels for the China-Nigeria national industrial capacity cooperation fund. Also, China Development Bank and the Export-Import Bank of China could have more strategic cooperation with Nigeria's sovereign wealth fund to set up a multilateral investment company.

*The author is an associate researcher with the Chinese Academy of International Trade and Economic Cooperation. bizopinion@globaltimes.com.cn*

Posted in: **EXPERT ASSESSMENT**