

ASSESSING THE ROLE OF NIGERIA'S ECONOMIC DIPLOMACY IN TRADE DIVERSIFICATION WITH CHINA AND INDIA, 2000–2014

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Abstract

Nigeria's quest to reposition its economy and reduce reliance on Western markets has prompted a strategic shift in economic diplomacy, particularly towards emerging Asian powers such as China and India. This study critically examines the impact of Nigeria's economic diplomacy on trade diversification with these two nations between 2000 and 2014. The central problem addressed is Nigeria's persistent overdependence on crude oil exports, which has limited the country's economic resilience and diversification efforts. The objective is to assess how economic diplomacy influenced bilateral agreements, investment inflows, and the expansion of trade beyond oil. Adopting the liberal institutionalist theoretical framework, the study investigates how Nigeria's diplomatic engagements under successive administrations contributed to trade and economic cooperation. The research utilizes qualitative methods, including

document analysis of trade agreements, policy documents, and trade data within the period under review. Findings reveal that while trade volumes with China and India increased significantly, diversification remained limited. Nigeria's export profile continued to be dominated by crude oil, with minimal growth in non-oil sectors due to structural constraints, limited industrial capacity, and weak institutional mechanisms. The study is significant as it provides insights into the role of diplomacy in shaping economic outcomes in developing countries and highlights the limitations of existing trade frameworks. It concludes that economic diplomacy alone cannot drive diversification without parallel investments in industrial development and institutional reforms. Accordingly, the study recommends focused development of non-oil sectors, enhanced infrastructure, and renegotiation of trade agreements to favor long-term diversification goals.

Keywords: Economic Diplomacy, Trade Diversification, Bilateral Trade Relations, South-South Cooperation

Introduction

Nigeria's trade relations from the turn of the 21st century reflect a deliberate strategic shift toward emerging Asian economies, particularly China and India, as part of a broader commitment to South-South cooperation and economic diversification¹. Recognizing the vulnerabilities associated with over reliance on traditional Western markets, Nigerian policymakers

embraced economic diplomacy as a tool to foster new alliances, attract foreign investment, and expand trade relations with non-traditional partners. This diplomatic reorientation was underscored by the growing geopolitical and economic influence of China and India, whose demand for energy resources aligned with Nigeria's export capacity.

Between 2000 and 2014, Nigeria's economic diplomacy was increasingly characterized by high-level bilateral engagements, trade missions, and the signing of cooperation agreements aimed at deepening economic ties with these Asian giants. By 2014, China and India had emerged as Nigeria's top trading partners, with trade volumes reaching approximately \$23 billion with China and \$16 billion with India². These figures underscore the success of diplomatic efforts in increasing trade flows; however, they also reveal a fundamental challenge in Nigeria's diversification agenda.

Despite the significant growth in trade volumes, Nigeria's exports to China and India remained overwhelmingly dominated by crude oil, while imports consisted largely of manufactured goods and technological products³. This trade pattern highlights the persistence of structural imbalances in Nigeria's trade profile and raises critical questions about the effectiveness of economic diplomacy in fostering genuine diversification. The dominance of oil in Nigeria's export basket points to deeper economic and institutional challenges that limited the country's ability

to translate diplomatic engagements into broader developmental outcomes.

Conceptual Clarifications

Economic Diplomacy

Economic diplomacy refers to the use of diplomatic tools and statecraft to advance a country's economic interests abroad. This includes activities such as trade negotiations, investment promotion, market access facilitation, and the forging of economic cooperation agreements⁴. It is a vital component of foreign policy, especially for developing countries seeking greater integration into the global economy.

Trade Diversification

Trade diversification implies broadening the range of products and markets involved in international trade to reduce vulnerability to external shocks⁵. By diversifying both export products and trading partners, countries aim to enhance economic stability, reduce overdependence on a few commodities or markets, and promote sustainable development.

Bilateral Trade Relations

Bilateral trade relations refer to economic interactions between two sovereign states. These are typically facilitated through diplomatic engagements, legal frameworks such as trade agreements, and institutional mechanisms like joint trade commissions⁶. Such relations often aim at fostering mutual economic

benefits, reducing trade barriers, and enhancing political ties.

South-South Cooperation

South-South cooperation refers to the exchange of resources, technology, and knowledge between developing countries in the Global South. It emphasizes mutual benefit, solidarity, and shared development goals, often serving as an alternative to traditional North-South aid and trade frameworks⁷. This concept has gained prominence as emerging economies like China and India play a growing role in global trade and investment.

Theoretical Framework: Liberal Institutionalism

The liberal institutionalist theory, primarily advanced by scholars such as Robert Keohane, Joseph Nye, and later G. John Ikenberry, posits that international cooperation is not only possible but can be effectively facilitated through international institutions, shared interests, and increasing economic interdependence⁸. This theory challenges the realist view that international politics is governed solely by power and conflict, by emphasizing the role of institutions, rules, and norms in fostering cooperation among states.

In this framework, states are seen as rational actors that recognize the long-term benefits of collaboration, particularly in areas like trade, security, and development. Institutions—whether formal organizations or agreed-upon practices—help reduce uncertainty, lower transaction costs, and build trust among nations.

Nigeria's economic diplomacy between 2000 and 2014 aligns well with the principles of liberal institutionalism. The country's outreach to China and India during this period reflected a strategic effort to embed trade and investment relationships within bilateral and multilateral tenure. NEEDS emphasized macroeconomic reform, privatization, and trade liberalization, all of which enhanced Nigeria's engagement with emerging economies¹¹. Notably, Nigeria intensified bilateral interactions with countries outside the traditional Western bloc through economic missions, trade agreements, and strategic partnerships with Asian nations.¹²

The Ministry of Foreign Affairs, in collaboration with key economic ministries, engaged in economic diplomacy through participation in multilateral platforms such as the Forum on China–Africa Cooperation (FOCAC) and the India–Africa Forum Summit¹³. These platforms helped institutionalize Nigeria's economic engagements and fostered bilateral treaties, technical cooperation agreements, and investment accords.

Despite these initiatives, the execution of Nigeria's economic diplomacy was constrained by challenges such as weak institutional capacity, corruption, and inconsistent policy implementation¹⁴. Nevertheless, the period witnessed notable diversification in Nigeria's economic partnerships and laid the foundation for stronger trade ties with China and India.

Nigeria's Economic Diplomacy Strategy (2000–2014) within the Framework of Liberal Institutionalism

Liberal institutionalism emphasizes the role of international institutions, cooperation, and rules in shaping the behavior of states in the international system. According to this theory, states are rational actors that seek to maximize absolute gains through cooperation rather than pursuing zero-sum strategies. Institutions, both formal and informal, facilitate this cooperation by reducing transaction costs, fostering trust, and ensuring compliance through established norms and procedures. Nigeria's economic diplomacy from 2000 to 2014, especially with China and India, aligns with these tenets as it reflects a strategic recalibration of foreign policy towards economic cooperation, trade partnerships, and multilateral engagements aimed at mutual benefit rather than hegemonic competition.

From 2000 to 2014, Nigeria adopted a proactive foreign policy anchored on economic diplomacy. The country's leadership under Presidents Olusegun Obasanjo, Umaru Musa Yar'Adua, and Goodluck Jonathan prioritized engagement with key global economic players like China and India, emphasizing trade, investment, and technical cooperation¹⁰. This strategic realignment underscored the liberal institutionalist view that economic interdependence can foster peaceful international relations and prosperity.

A key driver of this diplomatic transformation was the National Economic Empowerment and Development

Strategy (NEEDS), which embodied principles aligned with liberal institutionalism—such as market liberalization, economic openness, and institutional reform¹¹. NEEDS provided a framework that facilitated Nigeria's integration into the global economy; encouraged foreign direct investment (FDI), and promoted institutional cooperation through bilateral and multilateral engagements¹². Through institutions like the Forum on China–Africa Cooperation (FOCAC) and the India–Africa Forum Summit, Nigeria embedded its economic diplomacy in a rules-based multilateral context, thereby reducing uncertainty and enhancing predictability in trade relations.¹³

The Ministry of Foreign Affairs, in concert with economic ministries, acted as an institutional conduit for implementing liberal institutionalist policies. By participating in multilateral forums and establishing bilateral treaties, Nigeria utilized international platforms to legitimize and operationalize its economic diplomacy agenda. These institutions enabled Nigeria to pursue cooperative arrangements with China and India based on mutual benefit, technological exchange, and development cooperation. However, consistent with liberal institutionalism, the efficacy of these strategies was hampered by domestic institutional weaknesses, including corruption, poor policy implementation, and weak enforcement mechanisms.¹⁴

Trade Relations with China

The exponential growth of Nigeria–China trade between 2000 and 2014 can be interpreted through the lens of liberal institutionalism as a product of mutually reinforcing economic interests and institutionalized cooperation. Trade volume expanded from \$2 billion to over \$13 billion, illustrating the potential for absolute gains when state actors engage through structured dialogue and agreements¹⁵. The formation of institutional channels like FOCAC not only facilitated this growth but also established norms that encouraged reciprocal commitments.

Bilateral agreements signed during this period covered vital sectors such as energy, infrastructure, and agriculture. Nigeria welcomed Chinese firms like the China Civil Engineering Construction Corporation (CCECC) to build roads and railways, reflecting a long-term cooperative strategy designed to improve domestic infrastructure while deepening economic ties with Beijing.¹⁶ These infrastructure-for-resource exchanges exemplify liberal institutionalism's assertion that institutions can mediate mutually beneficial exchanges, reducing the likelihood of exploitation and conflict.

Moreover, China's acquisition of oil assets, such as the CNOOC deal in 2006, was brokered through structured negotiations that offered infrastructure support in return for access to natural resources¹⁷. The institutional nature of these agreements signified a rules-based interaction grounded in formal reciprocity, not coercion.

However, trade remained asymmetrical. Nigeria's exports consisted largely of crude oil, while it imported high-value manufactured goods from China, raising concerns over dependency and deindustrialization¹⁸. From a liberal institutionalist perspective, this imbalance indicates the need for institutional strengthening within Nigeria to ensure that cooperation leads to long-term economic transformation and diversification.

Trade Relations with India

India's rise as one of Nigeria's principal trading partners during the same period can also be analyzed through liberal institutionalism. Shared democratic values, colonial legacies, and mutual economic interests provided a fertile ground for institutionalized cooperation. Under India's "Focus Africa" policy and Nigeria's corresponding eastward orientation, both nations pursued economic diplomacy centered on trade expansion, investment, and capacity-building.¹⁹

By 2012, India became Nigeria's largest oil importer, accounting for nearly 30% of its crude oil exports²⁰. This development was not merely transactional; it reflected deeper institutional commitments on both sides to broaden their economic relationship. The participation of Indian multinational corporations such as Bharti Airtel, Tata Group, and Indorama illustrates the liberal institutionalist view that non-state actors—corporations and NGOs—play vital roles in deepening inter-state cooperation and mutual benefit.

Indorama's acquisition of the Eleme Petrochemical Plant, for instance, injected capital, technology, and jobs into the Nigerian economy, supporting domestic industrialization and demonstrating how institutionalized investment can yield transformative results²¹. Human capital development initiatives like the Indian Technical and Economic Cooperation (ITEC) program further reinforced this partnership by fostering people-to-people exchange and capacity-building.²²

Nonetheless, similar to Nigeria's relationship with China, the trade structure remained skewed in favor of oil exports. Non-oil exports were limited due to poor infrastructure, low competitiveness, and logistical bottlenecks²³. Liberal institutionalism would interpret this as a sign that while institutional cooperation exists; its success depends on strengthening domestic capacities to take full advantage of international partnerships.

Nigeria's economic diplomacy from 2000 to 2014, when viewed through the framework of liberal institutionalism, reveals a deliberate effort to embed the country in a cooperative global economic system based on mutual interests and institutionalized engagements. While structural imbalances and domestic weaknesses persisted, the diplomatic shift toward multilateralism, institutional cooperation, and strategic partnerships with China and India demonstrated a clear alignment with liberal institutionalist principles. The challenge remains for Nigeria to consolidate these gains by reinforcing domestic institutions, enhancing competitiveness, and

ensuring that cooperation translates into sustainable development.

Limitations and Structural Constraints

Despite Nigeria's strategic efforts to diversify trade through economic diplomacy with China and India between 2000 and 2014, several limitations and structural constraints impeded the full realization of diversification objectives. While liberal institutionalism emphasizes the importance of institutions and cooperation in facilitating mutual gains, it also recognizes that domestic structural weaknesses can hinder the effectiveness of international institutional engagements.²⁴

One major limitation was Nigeria's overreliance on crude oil exports, which continued to dominate trade with China and India despite the diplomatic push for diversification. Although institutions such as bilateral trade agreements and investment treaties were in place, the lack of a competitive manufacturing base and weak non-oil sectors meant that Nigeria had little to export beyond primary commodities.²⁵ This structural imbalance constrained Nigeria's ability to benefit equitably from trade cooperation and limited the scope of products involved in bilateral trade.

Additionally, Nigeria's weak institutional frameworks—such as ineffective regulatory systems, bureaucratic inefficiencies, and poor policy implementation—undermined the country's capacity to attract sustainable

and diversified foreign investment.²⁶ These domestic limitations, though external cooperation platforms existed, curtailed Nigeria's readiness to engage with partners like China and India on equal footing. Liberal institutionalism acknowledges that cooperation through institutions is most productive when participating states have stable domestic governance structures and the institutional capacity to enforce agreements and policies.²⁷

Infrastructure deficits—especially in energy, transportation, and port facilities—further limited the competitiveness of Nigerian goods in international markets. While diplomatic ties created new trade opportunities, the absence of supporting infrastructure meant that Nigerian businesses could not effectively exploit these openings²⁸. Moreover, institutional corruption and inconsistent economic policies reduced investor confidence and deterred long-term commitments from foreign partners.

Furthermore, there were asymmetries in bargaining power between Nigeria and its Asian partners. Although liberal institutionalism assumes that institutions can help level the playing field, in practice, stronger economies like China often dictated the terms of engagement, with Nigeria acting as a supplier of raw materials and a consumer of manufactured imports. This skewed relationship reinforced existing dependency patterns rather than dismantling them.

Therefore, while liberal institutionalism highlights the role of institutions in fostering cooperation and mutual benefit, Nigeria's experience reveals that without strong domestic structures, the impact of diplomatic and institutional engagements can be limited. Trade diversification requires more than diplomatic agreements; it depends fundamentally on internal economic restructuring, institutional reform, and capacity development.

Conclusion

Nigeria's economic diplomacy from 2000 to 2014 marked a deliberate shift toward fostering stronger bilateral relations with China and India, positioning these emerging Asian powers as key trade partners. Guided by the principles of liberal institutionalism, Nigeria engaged in multilateral and bilateral frameworks aimed at promoting mutual economic interests and reducing dependence on traditional Western markets. These efforts succeeded in significantly increasing trade volumes; however, the diversification of Nigeria's export base remained shallow.

Crude oil continued to dominate Nigeria's exports to both China and India, reflecting a persistent structural imbalance that limited the depth and sustainability of trade diversification. The country's limited industrial and manufacturing capacity, compounded by weak infrastructure, policy inconsistencies, and institutional inefficiencies, constrained its ability to leverage economic diplomacy into tangible economic

transformation. As a result, Nigeria largely assumed the role of a primary goods supplier while importing finished products, perpetuating an asymmetrical trade structure.

While liberal institutionalism underscores the potential of international institutions and cooperation to drive economic change, Nigeria's experience reveals that such diplomatic engagements can only yield substantial results when underpinned by strong domestic institutions, stable economic policies, and a diversified production base. The Nigerian case highlights the critical intersection between international diplomacy and internal economic reform.

Recommendations

1. **Strengthen Local Manufacturing:** Develop policies to support industries such as agro-processing, textiles, and pharmaceuticals to enhance non-oil exports.
2. **Institutionalize Trade Agreements:** Ensure that trade partnerships with China and India incorporate clear enforcement mechanisms for local content and technology transfer.
3. **Improve Infrastructure and Logistics:** Invest in ports, energy, and roads to reduce the cost of doing business and facilitate trade expansion.
4. **Revise Export Incentives:** Reconfigure export promotion policies to target high-value sectors beyond hydrocarbons.

5. Diversify Diplomatic Channels: Promote regional economic integration alongside bilateral partnerships to broaden Nigeria's trade base.

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