



Parahyangan Catholic University
Faculty of Social and Political Science
Department of International Relations

Accredited A

SK BAN-PT NO: 3095/SK/BAN-PT/Akred/S/VIII/2019

**SOMNEs as Part of China's Political Tool:
The Case of China's Investment in Nigeria (2005-2019)**

Thesis

By
Shania Adera Ruth
2017330061

Bandung
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Fakultas Ilmu Sosial dan Ilmu Politik
Jurusan Hubungan Internasional
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ABSTRACT

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China's Investment in Nigeria (2005-2019)

This study aims to provide an elaboration on how SOMNE is used by the Chinese government as a political tool, and how SOMNE contributes to the achievement of China's national interests in Africa, through its investment in Nigeria. This study uses the Developmental State concept in explaining how the interests of the Chinese government affect SOMNE and its economic activities. The Eclectic concept is also used in explaining why SOMNE has internationalized to other countries. The findings of this study indicate that SOMNE is able to contribute to the achievement of the interests of the Chinese government through its activities in Nigeria, because they are able to maintain the country's oil reserves, and also succeed in contributing to political support from the Nigerian government due to high investment and many infrastructure projects undertaken has been a key consideration for Nigeria to reaffirm its commitment to a "One-China" policy. So it appears that SOMNE has succeeded in contributing to the achievement of China's national interests.

Keywords: SOMNE, China, Chinese Communist Party, Nigeria, National Interest, Internationalization.

ABSTRAK

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China's Investment in Nigeria (2005-2019)

Penelitian ini bertujuan untuk memberi elaborasi akan bagaimana SOMNE dipergunakan oleh pemerintah Tiongkok sebagai sebuah alat politik, dan bagaimana SOMNE memberikan kontribusi terhadap pencapaian kepentingan nasional Tiongkok di Afrika, melalui investasinya di Nigeria. Penelitian ini menggunakan konsep Developmental State dalam menjelaskan bagaimana kepentingan pemerintah Tiongkok mempengaruhi SOMNE dan aktivitas ekonominya. Konsep Eclectic juga dipergunakan dalam menjelaskan mengapa SOMNE itu melakukan internasionalisasi ke negara lain. Temuan penelitian ini menunjukkan bahwa SOMNE mampu memberikan kontribusi dalam pencapaian kepentingan pemerintah Tiongkok melalui aktivitasnya di Nigeria, akan karena mereka mampu menjaga cadangan minyak negara, dan juga berhasil berkontribusi dalam mendapatkan dukungan politik dari negara-negara Afrika, karena investasi tinggi dan banyak proyek infrastruktur yang dilakukan juga telah menjadi pertimbangan utama bagi Nigeria untuk menegaskan kembali komitmennya terhadap kebijakan “*One-China*”. Sehingga terlihat bahwa SOMNE berhasil dalam memberi kontribusi pada pencapaian kepentingan nasional Tiongkok.

Kata kunci: SOMNE, Tiongkok, Chinese Communist Party, Nigeria, Kepentingan Nasional, Internasionalisasi

PREFACE

By the grace of God, this thesis titled “**SOMNEs as Part of China’s Political Tool: The Case of China’s Investment in Nigeria (2005-2019)**” has been completed in the expected time. This thesis is done under the writer’s pursuit for a Bachelor's Degree under the International Relations Department, in Parahyangan Catholic University, Bandung.

This thesis intends to analyze the SOMNEs role within China’s foreign policy in Africa and see how they are being utilized as a political tool under China’s national interest. This thesis has proven the SOMNEs role to be prevalent and especially needed by the African States, such as Nigeria. The writer sees the success of Chinese SOMNEs because not many countries have. Thus it is a fascinating topic to research.

This thesis has gone through many revisions, and encountered a variety of challenges to be able to carry meaningful arguments. The result of many months of progress has been fruitful and can only be truly finished by virtue of God, and of course, because of the amazingly clear, and thorough guidance of the writer’s supervisor **Giandi Kartasasmita, S.IP., MA.**

The writer is fully aware and sees that this thesis would have its flaws. Hence, the writer would be very thankful and willing to receive any critics or suggestions to fix or improve this thesis.

Jakarta, December 17th, 2020

Shania Adera Ruth Wenas

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TABLE OF CONTENTS

STATEMENT	i
ABSTRACT	ii
ABSTRAK	iii
PREFACE	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENTS	vi
LIST OF ABBREVIATIONS	viii
LIST OF TABLES	ix
LIST OF FIGURES	ix
CHAPTER 1	1
Research Background	1
Research Problem Identification	5
Description	5
Research Scope	9
Research Question	10
Aim and Contribution of Research	10
The Aim of the Research	10
The Contribution of the Research	11
Literature Review	11
Theoretical Framework and Concepts	16
Research Method and Data Collection Technique	23
Research Method	23
Data Collection Technique	24
Thesis Structure	24
CHAPTER 2	26
2.1. The Foundation of China-Africa Relations	26
2.1.1 China's Perspective of Africa from the Lense of FOCAC	30
2.2 China's Relations with Nigeria	32

2.3 China's Interest in Africa: Early and Contemporary	33
China's Early Interest	35
China's Contemporary Interests	36
2.4 China's Strategy in Africa	40
2.2.1 Political Alliance and Bilateral Trade	41
CHAPTER 3	45
3.1 The Significance of SOMNEs to China	46
3.2 The Power Structure of SOE (Domestic) and SOMNEs (Internationalized)	51
3.2.1 The SOEs: Pre-Internationalization	52
3.2.2 The SOMNEs: SOEs Internationalized	55
3.3 The Rising Presence of SOMNEs in Africa	58
3.3.1 The Role and Utilization of SOMNEs as a Political Tool: The Case of China's Investment in Nigeria	62
Construction Sector	63
Oil and Gas Sector	68
3.4 The Results of the Utilization of Chinese SOMNEs in Nigeria Towards Achieving China's National Interest in Africa	72
3.4.1 The Utilization Process of SOMNEs	72
The Angola Model	73
The New Ghana Model	76
3.4.2 SOMNEs Contribution in Achieving China's National Interest	78
CHAPTER 4	84
BIBLIOGRAPHY	87

LIST OF ABBREVIATIONS

BIT	Bilateral Investment Treaties
CCECC	Chinese Civil Engineering Construction Company
CCP	Chinese Communist Party / Communist Party of China
CPI	China Power Investment corporation
CNPC	China National Petroleum Corporation
CNOOC	China National Offshore Oil Corporation
CSCEC	China State Construction Engineering
ECOWAS	Economic Communities of West African States
EMMC	Emerging Market Multinational Corporations
FOCAC	Forum on China and Africa Cooperation
FPPC	Five Principles of Peaceful Coexistence
FTZ	Free Trade Zones
MOFCOM	Ministry of Commerce
MNE	Multinational Enterprises
NAOC	Nigerian Agip Oil Company
NDRC	National Development and Reform Commission
NIPC	Nigerian Promotion Commission
NPDC	Nigerian Petroleum Development Corporation
NNPC	Nigerian National Petroleum Corporation
OFDI	Outward Foreign Direct Investment
SASAC	State-owned Assets Supervision and Administration Commission
SOE	State-Owned Enterprise
SOMNE	State-Owned Multinational Enterprise
UNCTAD	United Nations Conference on Trade and Development
UNHRC	United Nations Human Rights Council
UNSC	United Nations Security Council
WTO	World Trade Organization

LIST OF TABLES

Table 1. Top Ranked Chinese Companies in Fortune Global List 2019, (Non-Financials)

Table 2. List of Chinese SOMNEs Project Investments within African Special Economic Zones, as of Late 2011

Table 3. Chinese SOMNEs in Nigeria Construction Sector (2003 - 2013)

Table 4. Chinese SOMNEs in Nigeria Oil Sector (2006 - 2009)

LIST OF FIGURES

Figure 1. Growth of Chinese BITs with Trading Partners* (1984–2015)

Figure 2. Number of SOEs in Fortune Global 500 List (2005-2017)

Figure 3. The SOMNEs Outward Investment Model

Figure 4. Percentage of Construction Sector in West Africa: Who Funds? (2017)

Figure 5. Percentage of Construction Sector in West Africa: Who Builds? (2018)

Figure 6. The Angola Model of “Oil for Infrastructure” Implemented in Nigeria

Figure 7. The New Ghana Model of Financial-Infrastructure Exchange

CHAPTER 1

INTRODUCTION

1.1 Research Background

China may be considered late in investing within Africa as the United States and European nations have long since stepped onto the region, but China's current position may have the most impact on Africa's current economic development out of them all. Not many may have realized, but China as a state is still grouped as an *Emerging State* even though they are the world's current second-biggest economy. However, this fact is not to be taken lightly as currently in this modernized era, emerging states such as China, India, Brazil, South Africa and Malaysia have significantly high economic growth and are already surpassing the developed state's growth rate. This development that emerging states are experiencing is supported by the modern era's flow of globalization that opens the doors to expanded business deals and trades.¹ Thus, with the state of open trade and economic activity between nations became more manageable, it also pushed the rise of *Emerging Market Multinational Corporations* (EMMC) to take the stage in the international market.²

The rise of EMMC is accompanied by the fact that globalization increased the economic activity of emerging states, making the trade boundaries less harsh. Meaning with there being a surge of increasing economic openness and growth, it makes the expansion of EMMC to be much prevalent, with the primary goal to

¹ Peter Gammeltoft and Bersant Hobdari, *Emerging market multinationals, international knowledge flows and innovation*, 2018, International Journal of Technology Management, p. 1-3 (Accessed in February, 2020)

² Ibid.

search for new markets, efficiencies, innovation, and sources of outputs.³ This is China's case, where they were not part of the leading developed nations as they were a Closed Economic country. A closed economy means that they did not form economic relations with outside states, closing off imports, so outside products and activities requiring contact with outside actors are not allowed. This situation had been the case for an extended time for China. However, with the evolving world economic agenda that's moving on free trade and liberalizing the economic system of states to increase the prosperity of one's state further, the fall of the Maoist regime within China has since become the starting point of the state's turbulent economic growth where at the same time transitioning itself from its isolated socialist state-centered regime.⁴

Followed by the fall of Mao Zedong's regime, Deng Xiaoping's leadership had made China pursue its economic potential and highly embraced policies under practicality along with releasing the strict hold that the Maoist regime held of the country's creativity and potential entrepreneurship.⁵ Deng had also pushed the country to embrace the "Reform and Open" policies, which would be the main drive for domestic enterprises to learn and utilize investments made by foreign entities, even creating further relations with them in order to benefit the country's economy.⁶ Such state and market driven notions was the foundation of China's economic boom which is identified with high productivity and low-cost.

³ Gammeltoft, *Emerging market multinationals*, p. 3

⁴ Arthur R Kroeber, *China's economy: what everyone needs to know*. (New York, NY: Oxford University Press, 2016). p. 210. (Accessed in February, 2020)

⁵ Abraham Denmark, "40 years ago, Deng Xiaoping change China — and the world", *The Washington Post*, 2018, <https://www.washingtonpost.com/news/monkey-cage/wp/2018/12/19/40-years-ago-deng-xiaoping-changed-china-and-the-world/> (Accessed in December, 2020)

⁶ Ibid.

The growth of China was supported with the state's perspective on *Multinational Enterprises* (MNEs), particularly foreign MNEs, that had changed significantly since the late 1970s when the country opened its economy, invited outside investments, and worldwide players such as Volkswagen and Coca-Cola, to venture into their market.⁷ During the 1980s, different MNEs, for example, Motorola, and Philips, followed as well. In the 1990s, as China and its people developed their knowledge and comprehension of the concept of MNEs, these foreign entities were the objects of profound respect for them.⁸ MNE as an actor, during this period of development of China, played an important role and was a significant influence to the current state of China's giant economy as they learned and studied from these foreign MNEs early on before establishing their own and turning the wheels of their economy with its efforts and strategies.⁹ They also played the part with foreign states to give support towards China's development, which were from the state-granted capital investment that includes technological transfer with modern machinery, and investment in the country's infrastructure which raises productivity.¹⁰

The transformation China went through from a completely closed state that suffered under an authoritarian leader, to the second most powerful state raises the

⁷ Seung Ho Park and Wilfried Vanhonacker, "*The Challenge for Multinational Corporations in China: Think Local, Act Global*", MIT Sloan Management Review, July 1st, 2007; <https://sloanreview.mit.edu/article/the-challenge-for-multinational-corporations-in-china-think-local-act-global/> (Accessed in February, 2020)

⁸ Ibid.

⁹ In Song Kim and Helen Milner, *Multinational Corporations and their Influence Through Lobbying on Foreign Policy*, (Washington, DC: The Brookings Institution, 2019), p. 4, https://scholar.princeton.edu/sites/default/files/hvmilner/files/revisioned_manuscript_submission_2_march.pdf (Accessed in February, 2020)

¹⁰ Zulu Hu and Mohsin S. Khan, "Why Is China Growing So Fast?", International Monetary Fund, Issue 8, 1997, <https://www.imf.org/external/pubs/ft/issues8/index.htm>, (Accessed in December, 2020)

question if this is possible to be done with another case? When we compare China with Africa, while it has a similar territory and has significantly much more natural resources, the two are not under a similar power stance.¹¹ The relations between the two sides had started under a shared principle of mutual respect between developing nations, though as China underwent its rapid growth and was on its high-way towards climbing towards a higher position in the international community, the dynamics and interaction of Sino-Africa relations also developed. Though the Chinese government claimed that they held high importance towards Africa and the states within its region.¹² As Africa has long been a significant part of China's independent foreign policy of peace, that is to create and reinforce friendly relations and participation with the developing nations, including African nations. The late Premier Zhou Enlai set forward the principles of administering the relations between China and African nations during his visit to Africa in the 1960s, and those principles are still applicable even today.¹³ Though this single reasoning does not entirely specify the activity and investments that China made in the continent.

Therefore, after recognizing the brief history of China, the prominent influence of foreign MNEs towards China's early growth that sets the precedence of Chinese enterprises, the changing dynamics that they have with African countries, this undergraduate thesis will discuss and present research with the main topic of China's SOMNEs role and utilization. The title of this research will be;

¹¹ Katy Ngan Ting Lam, *Chinese State-Owned Enterprises in West Africa: Triple Embedded Globalization*, (London and New York: Routledge, 2017), p. 14, (Accessed in February, 2020)

¹² Ministry of Foreign Affairs of the People's Republic of China, *China's Policy Towards Africa*, (2004), <https://www.fmprc.gov.cn/ce/ceza/eng/zghfz/zfgx/t165330.html> (Accessed in February, 2020)

¹³ Ibid.

“State-Owned Multinational Corporations (SOMNEs) as Part of China’s Political Tool: The Case of China’s Investment in Nigeria (2005-2019)”.

1.2 Research Problem Identification

1.2.1 Description

Today, developing states are a product of the ever-changing and moving modern world caused by the rapid movement of globalization. These states, in particular, are recognized as emerging states. These states are identified by its rapid growth, especially in the economic sector, and some included are; China, Indonesia, Malaysia, India, South Africa, Philippines. Even if a few African countries such as South Africa, Angola, and Nigeria may be an emerging force in the current international economy, that is not the same case, nor does it apply to most other African countries. In its historical background, Africa is known to have little to no economic presence. Though the region is flourishing with resources, they cannot fully utilize those resources to drive their countries’ development.¹⁴ During times where open economies were to be celebrated, and nations all around were eager in forming alliances and developing their economies to secure their position in the international system, Africa was said to be attached to their metropolis rather than to the outside world economy with the issues that they are facing setting their priorities to differ from other states.¹⁵

It is different from China's case where the regime itself was the reason it refused to form cooperation with outside states, though later, the situation

¹⁴ A. G. Hopkins, *“An Economic History of West Africa”*, 1973, *The Journal of African History*, Vol. 15, No. 2, p. 323-325 (Accessed in February, 2020)

¹⁵ Ibid.

dramatically changed with the regime reformation. Whereas Africa experiences a set-back in their growth, and it further escalates during the era of colonization where the development and laborers of the countries were used excessively not for their own, but rather for the colonizing nations' interest.¹⁶ Since then, Africa's economic state has largely been dependent on Europe and American countries to supply the capital for their local population's growth and develop its technology to produce goods.¹⁷

In recent times, the state of Africa's economy has risen significantly, but it is still highly dependent on outside states' aid and investment as they lack basic infrastructure and capabilities to develop it along with varying regimes that may not allow compromising attitudes towards industrialization (such as those from the Western states).¹⁸ Thus, there is a need to change this fact. African countries have the will to strive and grow independently, such as through the use of regional organizations within the regions of the continent.¹⁹ Their main goal is supposed to create an economic integration of African states, thus developing and strengthening the condition of fellow states to flourish. But Regional bodies in Africa are seen to experience a hard time in forming an effective method to push the growth of its continent as the countries itself are mostly known to have homogenous export products thus trading would result in limited opportunities.²⁰ Therefore, there is an

¹⁶ Erik Denters and Tarcisio Gazzini, *The Role of African Regional Organizations in the Promotion and Protection of Foreign Investment*, 2017, *The Journal of World Investment & Trade*, Vol. 18, p. 449-455. (Accessed in February, 2020)

¹⁷ Ibid.

¹⁸ Edeh Emmanuel, "Chinese investment can boost Nigeria's industrial transformation", *China Daily*, 2018, <http://www.chinadaily.com.cn/a/201811/22/WS5bf64a07a310eff30328a6d7.html> (Accessed in January, 2021)

¹⁹ Denters, *The Role of African Regional Organizations*, p. 449-455

²⁰ Ibid.

urgent need of African countries to prioritize their economic growth to ‘catch-up’ with the evolving world economy in any ways possible. It is seen that the clear path that African countries can take is to utilize its rich natural resources in order to gain leverage.

But speculations have arisen of the asymmetrical power dynamic of the two sides which has become a distinct feature of China-Africa works of literature and academic research since the year 2006, which is the same year that a high number of African leaders began to participate in the *Forum on China and Africa Cooperation* (FOCAC) that was held in Beijing, China.²¹ After the event of the FOCAC, the power dynamic between China and Africa is shown as more and more uneven with wide gaps, China being the dominant power and Africa being a weak one.²² This brought up speculations that this ‘cooperation’ could be a new start of what is considered the beginning of old colonial patterns of western countries that used to rule over Africa. With China, who is the world's second biggest economy only second to the United States, it would be understandable to see that such assumptions have arisen. But this research sees that the China-Africa relations goes deeper than a one-sided development. With China having successfully improved their economical situation dramatically and rapidly they are seen as a new model of development especially for Africa, they may even further grow from benefiting off of China’s investments, thus lifting themselves from underdevelopment.²³

²¹ Ibid. p.16

²² Ibid.

²³ Edeh Emmanuel, “Chinese investment can boost Nigeria's industrial transformation”, China Daily, 2018, <http://www.chinadaily.com.cn/a/201811/22/WS5bf64a07a310eff30328a6d7.html>

In Nigeria's case in particular, they share the same general notion of other African countries that seek to benefit off of China's support, such as the Oil-for-Infrastructure strategy of exchange between the Sino-Nigeria governments that was based upon the mutual benefit and development of the two sides. Nigerian President, Obasanjo, at the time in 2005 had pursued this exchange with China to build Nigeria's infrastructure in order to move the country forward in industrial development.²⁴ Another part of why Nigeria needs China's investment can be seen from how the latter had lent its hand in building airport terminals, also the 186km rail line between Abuja and Kaduna, and another rail line that goes between Lagos and the northern Kano. This support is under the form of low-interest loans and even grants that are able to develop the state's infrastructure that Nigeria wasn't able to do before, as the former Nigerian Ambassador for China, Jonathan Coker, had stated.²⁵

China on the other hand, in the case of why they need to invest within Nigeria is not only because their oil and gas reserves that are highly attractive to China with their needs for rapid economic growth, but also because Nigeria has an untapped potential especially within its underdeveloped market that would become beneficial to be invested upon with Chinese products and manufacturing. These interests would be further explained in Chapter 2, by which would illustrate the importance of Nigeria for China.

²⁴ Kafilah Gold, and Rajah Rasiah (2017), "*China's Aid and Oil-for-Infrastructure in Nigeria: Resource-Driven or Development Motive?*", Contemporary Chinese Political Economy and -Strategic Relations: An International Journal Economy and Strategic Relations: An International Journal, Vol. 3, p. 1221-1225, (Accessed in November, 2020)

²⁵ Emily Feng, "Chinese investment extends its influence in Nigeria", Financial Times, <https://www.ft.com/content/14f5438e-c32b-11e8-84cd-9e601db069b8>, (Accessed in January, 2021)

Therefore, in general, there can be seen two sides, where in one hand, there is a need for African countries such as Nigeria to *catch-up* with the growth of global economy, and on the other hand, China sees Africa, especially resource-rich nations like Nigeria, as one of its potential ally to fulfil China's need of natural resources as well as China's need to enlarge its influence in the African hemisphere. The question that arises within this matter is how did China gain favor with Nigeria? What drove China's plans to be deemed as effective? How did the investments in turn benefit China in reaching its national interests? The answer lies in the country's interests, along with the strategy they chose to implement along with the main tools they utilize to form such effective relations and results with the African countries, which shall be discussed in further chapters.

1.2.2 Research Scope

The scope of this undergraduate thesis consists of the actor involved, timeframe, and the location limitations. With the actors being limited to China, particularly its SOMNEs, and Nigeria, as the representative state of Africa, being the research's main case study. Nigeria chosen as the main case study of this thesis to see the dynamic activities of SOMNEs is because right after the establishment of the 2006 FOCAC, Nigeria was among the first and also the highest invested African country by China. There were also limited studies that have researched regarding the utilization of Chinese SOMNEs, especially with Nigeria as the main measurement of its activities. The SOMNEs here acts as the primary object/variable of research. Then, this undergraduate thesis is also limited and

focused on the utilization process of SOMNEs, as this research takes the Oil-for-Infrastructure strategy of exchange between China-Nigeria as the event that had the contribution of SOMNEs being most prominent. The timeframe that this research focused upon is 2005-2019. With 2005-2007 being the timeframe of the Angola model of Oil-for-Infrastructure exchange being implemented, then 2006-2013 which this research sees the activities of SOMNEs within the Angola model along with the infrastructure projects that the SOMNEs have implemented following the agreements of the Angola model, and lastly is 2019 which is the very first time that the new Oil-for-Infrastructure strategy, named the Ghana model, was publicized.

1.2.3 Research Question

This research will answer the main question of *“How does China Utilize SOMNEs as a Tool to Achieve their National Interest?”*

Thus, this research will try to see how China utilizes SOMNEs as part of their political means with the main variable, to measure its utilization and contributions, to be Nigeria.

1.3 Aim and Contribution of Research

1.3.1 The Aim of the Research

This research is conducted first to see the linkages of China's political actions and Economic desire with its investment within Western Africa. The reasoning behind this research is to see if SOMNEs is able to be utilized as a tool

for China to achieve its national interests, knowing the fact that the role of SOEs in general within China itself is significantly high, seeing how enormous the SOEs contribution to its economic growth and how most of the influential firms within China is owned by the Chinese government itself. Thus, this research uses the assumption that China may use other tools to achieve its national interests, which excludes diplomatic actions by the government officials, which this research believes to be SOEs or rather, SOMNEs as its tool to contribute in achieving the state's national interest.

1.3.2 The Contribution of the Research

This research can be a reference for those researching within the fields of China-Africa relations, in particular Chinese SOMNEs and the relationship it builds with Nigeria. It can also be useful for those who are interested in reading about the history of China-Western Africa historical aspects such as how it formed its economic relations. This research may also be an interesting topic for those curious of China's strategy in Africa, whilst discovering the fact that relations between states may be built by non-political actors and how they are utilized to achieve the nation's interest which includes the government's political means.

1.4 Literature Review

This research will use the first literature by Mario Biggeri and Marco Sanfilippo (2009)²⁶, where in their research tries to find a deeper understanding of

²⁶ Biggeri, M., & Sanfilippo, M. "Understanding China's move into Africa: an empirical analysis". *Journal of Chinese Economic and Business Studies*, Vol. 7, 2009, (Accessed in January, 2021)

China's move into the African continent, in particular, they tried to find and investigate the determinants of China's flow of OFDI to the region. They stated that China's reasoning to venture Africa is beyond just OFDI, because OFDI is just one part of an entire strategy of comprehensive trade and aid to not only benefit them economically but also to have better economic cooperation with that targeted states. Biggeri and Sanfilippo discovered that economic cooperation between the two is based under three main channels of Trade, FDI / Investments, and Aid, these three variables have been China's main movement to use, as they consider these as an effective strategy to increase and spread the country's influence in the designated states or regions. Biggeri and Sanfilippo in their research had found that economic cooperation especially by China towards Africa is mainly driven by the opportunity for them to establish deeper relations with oil-rich countries. Their research had discovered that countries with rich-natural resources especially in gas and oil is one of the determinants that based China's allocation for economic cooperation. And another determinant of Chinese economic cooperation to Africa is the market attractiveness of Africa which had strong positives to be invested upon for future potential.

The second literature is by Alvaro Cuervo, Andrew Inkpen, Aldo Musacchio, and Kannan Ramaswamy (2014), titled "*Governments as Owners: State-owned Multinational Companies*",²⁷ where within this journal they see that SOMNEs have two functions that include an economic one that would center around the solution for market imperfections, and a political one that centers on the

²⁷ Alvaro Cuervo-Cazurra, Andrew Inkpen, Aldo Musacchio and Kannan Ramaswamy, "*Governments as owners: State-owned multinational companies*", 2014, *Journal of International Business Studies*, p. 1-28, (Accessed in March, 2020)

ideology, vision, and political strategy of the government regarding the private ownership of assets. First, as the existence of SOMNEs is multi-dimensional, this feature would make us rethink the standard Market Imperfection as SOMNEs are based not only within the country but also to support the well-being of citizens outside the country as it would address or lend help to the market imperfection there.

Secondly even though SOMNEs may have the same behavior as MNEs in terms of their internationalization, more times SOMNEs does internationalization to achieve either or both political and economic objectives that does not always have anything to do with profit-gaining and expanding its market like MNEs, since the government plays as a stakeholder in the former. There exists also future strategic plans that involve the growing influence that SOMNEs have by the act of internationalization, these plans are said to be facilitating inter-state relations, obtaining foreign exchange for the Home country, or increasing the sphere of influence of the Home country's government within a certain region it invests itself upon. Alvaro et cetera continued that the strategy to invest in certain locations does not involve or is purely driven by profitability, as gaining influence among its peers are much more valuable for long-term planning than short-term benefits or gaining the ability to set cost advantages.

The third literature would be from Jones, L., & Zou, Y. (2017), titled "*Rethinking the Role of State-owned Enterprises in China's Rise. New Political Economy*".²⁸ In their research, Jones and Zou explained how to interpret the

²⁸ Lee Jones, and Yizheng Zou, "*Rethinking the Role of State-owned Enterprises in China's Rise*". 2017, *Journal of New Political Economy*, Vol. 22, 743–760 (Accessed in December, 2020)

Chinese government's role towards the SOEs. They question if the SOEs are part of the government's political tool to pursue the state's "grand strategy" or keep their autonomy to pursue its profit interests thus undermining the state's interests. Jones and Zou discover that part of the two situations does in fact happen. The matter of governance in this research is highlighted, as the Chinese government's governance is fragmented through the use of many institutions and or government bodies, with the CCP, while still the sole absolute power in the country, still gives relatively vague regulations/guidelines in order to steer the actors such as the SOEs to perform in their way. SOEs also is depicted to experience a slow-down in its performance due to the fragmented regulatory system it opened the chance of the SOE management to perform in their own accord, thus not following the government's regulations.

This is very apparent especially when SOEs internationalize, as the regulatory system has constraints, with the regulatory bodies mainly staying domestically. Jones and Zou illustrated this issue with the case of the CPI, where they had exploited the "going out" policy to move the dam buildings onto neighbour countries such as Myanmar and Laos that are known to be less well-regulated, in order to import the energy generated from the dams for the Yunnan Province. The CPI had ignored various government regulations, and environmental protection guidelines in their endeavors, the impact of the CPI's actions had even decreased the trade between China-Myanmar from US\$1.5 billion in 2010 to under US\$70.5 million in 2014, creating a political strain between the two nations.

The Chinese governmental bodies such as the Ministry of Foreign Affairs had to clear and repair the strained relations with Myanmar. The government bodies of China such as the SASAC and Ministry of Commerce, after the case of CPI, had applied and further tightened the regulations for SOEs that wanted to perform outward investments to foreign states. Jones and Zou shown the shortcomings of a mismanaged regulatory system of a government and how bad an impact SOEs can give in not only the economy, but also towards the diplomatic relations of two states when not under a proper monitoring as they had utilized government's assets and support to perform, thus holding further need for accountability and even holding the state's name under its actions.

The last literature for this research would be from Burgos, and Ear (2012), titled "*China's Oil Hunger in Angola: history and perspective*".²⁹ Where within this literature, Burgos and Ear studied the history of the China-Angola relations, along with the interests China holds in Angola, mainly for the country's rich oil resources. Burgos and Ear wrote China's urgency to secure oil reserves to accommodate the state's rapid development and growth. Thus China and Angola performed what is called 'oil-for-infrastructure' model, where for securing the oil, Chinese SOMNEs such as Sinopec, plays a role such as maintaining partnerships or undergoing joint-ventures with the Angolan oil company Sonangol. Whilst in the case of Angola, they became a provider for China's oil needs as they seek development as well, thus benefiting from China's investments such as from the infrastructure the state's SOMNEs built in good quality, and efficiency, as well as

²⁹ Sigfrido Burgos, and Sophal Ear, "*China's Oil Hunger in Angola: history and perspective*". 2012, *Journal of Contemporary China*, Vol. 21, p. 351–367. (Accessed in December, 2020)

the support the government provide such as giving Angola students scholarships, building training centers, and provide jobs for the population. Burgos and Ear stated that even as the exchange had economic repercussions and misgivings to Angola, they still accepted and “cherished” the goodwill which China lent.

This literature would coincide with the research, where China utilizes SOMNEs within its model of exchange with Angola for its oil, though the difference is that this research will see the SOMNEs role particularly in Nigeria as the main subject of measurement and research.

1.5 Theoretical Framework and Concepts

This research is relevant towards International Relations studies with the following reason of having two variables that are part of the IR sphere which is the focus on *Transborder* Actor that is the SOMNEs of China, and the relation between a state, China, and African countries (in particularly Nigeria). The transborder feature an SOMNEs has here can be depicted as relevant in the IR studies as it is supported by the Pluralist theory which suggests the existence of multiple kinds of actors that includes state and non-state actors. Both actors are then deemed capable of playing substantial roles in world politics and the international system.³⁰ The second factor is relations with outside actors itself, which reflects China’s actions to form a constant and stable relationship with African countries. This factor is part of the fundamental aspect that IR as a study

³⁰ Paul R. Viotti, and Mark V. Kauppi, *International Relations Theory: Edition no. 5*, (Pearson Education Inc., 2012), p. 129 (Accessed in March, 2020)

holds, as actions that later cause an effect to the relations of states involved are the core of IR itself.

This research then will follow through utilizing a set of theory and concepts in order to explain the flow of this research and to answer the research question. Firstly is the concept of National Interest; to put it simply is the source of a state's foreign policy, with national interest is mainly the factors or objectives that a state must protect or achieve at all cost.³¹ China's core national interests are mainly (1) defending sovereignty and territorial integrity, (2) maintain internal stability and political rules / regime, (3) sustain economic growth, and (4) securing China's status as a great power.³²

For China, the Vital interest (the interest that is fundamental for the state to achieve/protect) is to defend the state's sovereignty and territorial integrity from threats, along with maintaining domestic stability in order to protect the government regime. Whilst interests categorized as Highly Important is China's will to sustain its economic growth in order to keep the country alive and thus help protect the regime as well from the people's protests or external threats or intervention. Securing the state's position as a great power also stands in the Highly Important category, as this interest is able to be achieved when the country is stable, and the state is secure, thus they would be able to pursue further economic growth and maintain their position. Interests that would be categorized as Important, is those that goes in the line after the Vital and Highly Important interests (meaning it is good to be achieved, and can be beneficial for the country if

³¹ Art RJ, *A Grand Strategy for America*. Ithaca, (NY: Cornell University Press, 2004)

³² Xiaodi Ye, "Rediscovering the Transition in China's National Interest: A Neoclassical Realist Approach", *Journal of Current Chinese Affairs*, Vol. 48, 2019, p. 77 (Accessed in January, 2021)

achieved, but it does not require the state to risk it-all for it to be achieved). Such interest for example, is China's interest in securing oil and gas reserves of resource-rich African states such as Nigeria, where if achieved it would contribute / support in China's rapid economic growth, but if not achieved then it wouldn't put the country in a state of jeopardy either.

Stephen Krasner (1978) used the perspective of "The national interest is how or what the government decides", Krasner strays from the realist view which focuses upon power and maintaining state security, he stated that the realist approach on national interest failed to consider other national aims such as economic development. Krasner then elaborated that it would be best to consider national interest as the government's objective and behaviours, reflecting in the policies they adopt.³³ Though he made a constraint over his concept, where the adopted policies must hold the state's overall interest and are being pursued for a long time.³⁴ The concept of National interest in this research is utilized as the foundation of the Chinese government's policy for the SOMNEs' outward investments towards Africa, and the perspective from Krasner would be used to illustrate China's government which is based upon an authoritarian regime, and holds the interests of the CCP as the word of power towards every entity (political or economical) of the state. China's national interests, particularly in Africa, are spread onto four broad perspectives; *Economic, Political, Security, and Ideological* interests, which would be further explained in Chapter 2.

³³ Stephen Krasner, "Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy" in *The American Historical Review*, Vol. 84, (Princeton University Press, 1979), p. 11-12 (Accessed in November, 2020)

³⁴ Ibid.

For this research the definition of SOMNEs used is in accordance to the UNCTAD (2011), where they defined state-owned multinational enterprises (SOMNE) as an organizational form of a business company that is both a multinational enterprise (MNE), which means that the firm has or owns one or more foreign affiliates or subsidiaries, thus would result in a value of adding activities in one or more foreign countries³⁵, and also an State-Owned Enterprise (SOE), which is a corporation where the government holds ownership.³⁶ The identification of a state owned enterprise is if the government holds over 10% of the company's stakes.³⁷ Why 10%? Because according to UNCTAD, the cutoff of 10% ownership is deemed high enough for the state government to have or give influence into the corporate board, which would then influence the company's performance.³⁸

Next would be the main theory that is the Developmental State. This concept is coined by Chalmers Johnson, by which he describes this as a way to define states that have or follow a certain form or model to plan or manage their economy.³⁹ He illustrates economic growth in terms of growth, productivity, and competitiveness to be part of the utmost priority of a state's interests, thus market intervention by the government is deemed necessary. He initially utilized this term to explain Japan's rapid economic growth and modernization post-1945. To further

³⁵ Xiaoming He, and Lorraine Eden, *The Renaissance of State-Owned Multinationals*, (Wiley Online Article, Wiley Periodicals, 2015), p. 2, <https://onlinelibrary.wiley.com/doi/abs/10.1002/tie.21711> (Accessed in November 2020)

³⁶ Matteo Landoni. "Corporatization and internationalization of state-owned enterprises". 2018, *International Journal of Public Sector Management*, Vol. 31, p. 223, (Accessed in November 2020)

³⁷ Xiaoming, *Renaissance*, p. 2

³⁸ *Ibid.*

³⁹ Öniş, Ziya. "The Logic of the Developmental State." *Comparative Politics*, vol. 24, no. 1, 1991, pp. 111, (Accessed January. 2021)

explain this concept in a simplified way, the developmental state explains a nation that is going through a developing process with the state's government closely following through or is being involved thoroughly in both micro and macro planning of it to further support the growth of the economy (and achieve its interests) accompanied with active attempts to utilize its resources and capabilities in order to develop a better life for the people.⁴⁰

Johnson, with his research about Japan, stated that the Japanese government had chosen economic development as the main path to ensure the state's national survival, and for the most part, economic development is a way to overcome many internal issues such as economic depression, post-war rehabilitation, and independence from foes (in Japan's case is the United States).⁴¹ Johnson also stated that in Japan's case, what was deemed to be wartime nationalism (free and independent from external influences), turned to be economic nationalism instead, which is mainly driven by the will to catch-up and be in equal standing with the western states.⁴² This drive was then realized through the state's legitimize actions and policies that serve as a leverage to achieve their goals of economic growth. Thus It can be seen that the developmental state concept is used to illustrate the government's close involvement within a state's economic development which stems from their national interests, and within this research, the Chinese government is seen to go through the same process as can be seen from how its interests in rapid economic growth became the main driving force of

⁴⁰ Ibid. p. 111

⁴¹ Feina Cai, "The Developmental State in the Globalizing World", E-International Relations, 2010, <https://www.e-ir.info/2010/12/22/the-developmental-state-in-the-globalizing-world/> (Accessed in January, 2021)

⁴² Ibid.

its actions especially towards SOMNEs activities, and its regulations surrounding the firms.

Next would be the Eclectic theory or the OLI Paradigm that was coined by John H. Dunning (1976), where OLI stands for “Ownership, Location, and Internalization”. This theory is aimed to explain the relations in the business sector and the paradigm would provide a strategy for a firm to conduct operations abroad that is based upon three main comparative advantages that the firm must have in order to effectively increase productivity and performance from choosing to internationalize.⁴³ This research would utilize Dunning’s theory to see the reason why Chinese firms, mainly the SOMNEs, choose to internationalize itself.

Dunning (1993) had created and further extended Behrman’s (1972) 33 classification of MNEs internationalization activities and then combined it with his OLI paradigm’s parameters to then improve his theory. According to different motives and purposes, MNEs and its reasoning to begin its activities into foreign states are classified into four different types; (1) resource seeking, where the firms aims to get particular resources at a lower cost in comparison to getting it domestically, this motive of internationalization is to minimize the cost production of a firm, and also to secure or maintain a sustained competitive advantage.⁴⁴ (2) market seeking, this motive to internationalize is based upon the need to seek for a sustained existing (established) market, and seek opportunities to gain advantages in newer (and less established) markets. (3) efficiency seeking investments, this

⁴³ Dunning, John H. “Trade, Location of Economic Activity, and the MNE: A Search for an Eclectic Approach”, in Ohlin, B., et al. (eds.), *The International Allocation of Economic Activity*, (Macmillan: London), pp.395-400, 1977, (Accessed in January, 2021)

⁴⁴ Dunning, John H. “Multinational Enterprises and the Global Economy”, Addison-Wesley, pp. 81, 1993, (Accessed in January, 2021)

motive is to restructure an already existing investments of the firm in order to further increase the efficiency allocation of the firm's economic activities abroad. This motive is usually owned for firms that are already well established and have comparative advantages in its geographical diversification, scope, and scale, meaning that they would have the capability to control and arrange their investments in accordance to the designated state's condition or its specific endowment.⁴⁵ Lastly, (4) strategic assets seeking, by which is mainly focused on having long-term goals in order to enhance their competitiveness in an international level through having or owning part of a foreign firm's assets. The motive that this carries to internationalize under the will to strengthen the firm's position and competitiveness, whilst also weakening their competitors through owning various existing firms assets thus diversifying its portfolio and expanding its influence.⁴⁶

This research in particular shall focus on the Resource Seeking and Market Seeking motives of Dunning's classification. That is because, in the case of Chinese SOMNEs, they are aimed to internationalize under the government's lead and also are more often than not regulated closely by the government, this is accompanied with China's interests in economic growth and supplying the nation with resources that are obtained through low cost or an equal exchange (but still beneficial), therefore the resource seeking motives would suite Chinese SOMNEs internationalization. The Market Seeking motive would also suite Chinese SOMNEs in this case, that is backed by yet again the government's interests of

⁴⁵ Ibid.

⁴⁶ Ibid.

expanding China's influence towards the developing countries, and especially with the case of African states, SOMNEs that are pushed to internationalized would not only act under the political will of the government, but they would also pursue its market-driven interests to not only gain influence but also to expand its economic activity and increase the firm's performance.

Last would be the Outward Foreign Direct Investment (OFDI) concept, or what it also called as the Direct Investment Abroad . OFDI is defined as a strategy where a domestic firm or the non-resident, begins to expand its operations and business onto a foreign state or the resident through having joint-venture or owning subsidiaries in that foreign state.⁴⁷ OFDI is categorized as different from FDI (Foreign Direct Investment), as FDI is another category of a cross-border investment, though it is where the non-resident invests in the resident's company.⁴⁸ This concept would be used to explain the SOMNEs after it had done its Internationalization, as in this research, they began to invest and build their subsidiaries in African countries.

1.6 Research Method and Data Collection Technique

1.6.1 Research Method

This research will adopt a qualitative procedure consisting of gathering relevant and required information. Qualitative methods would include garnering descriptive data or information such as written texts or utterance, to then be

⁴⁷ World Bank, "What is the difference between Foreign Direct Investment (FDI) net inflows and net outflows?", in Data, <https://datahelpdesk.worldbank.org/knowledgebase/articles/114954-what-is-the-difference-between-foreign-direct-inve>, (Accessed in December, 2020)

⁴⁸ Ibid.

dissected, interpreted, and then presented in a way that does not distort the original texts' meaning.⁴⁹ This qualitative method would mean that this research will not create its own numeral/statistical data. This method will also focus on the reliance on texts and graphic data from credible sources such as books, journals/articles, legal reports, and news articles.⁵⁰ Sources that stem from websites will only be taken from credible sources such as from Government-owned domain, University-domain, Legitimate News Outlets, and Official Organization sites.

1.6.2 Data Collection Technique

The data being used within this research are secondary data from sources of literature and research written and published from a variety of scholars, organizations, and governmental bodies/institutions.⁵¹ The technique used to collect such data will mostly involve using the Internet's search engines that provide the unobtainable sources of data such as books, working paper/research, government data and press releases, and company data (annual reports), news articles, and journals.

1.7 Thesis Structure

This research will consist of four chapters with the structure below:

Chapter One

⁴⁹ R. Bogdan, S. Biklen, *Qualitative Research for Education*, (Boston: 1992), p.21-22, (Accessed in January, 2021)

⁵⁰ Ibid.

⁵¹ Ibid.

This chapter consists of the Research Background, Research Problem Identification, the Literature Review, the Theoretical Framework and Concept, the Research Method and Data Collecting Technique, and the Thesis Structure.

Chapter Two

Within this chapter it will mainly focus upon China's national interests in Africa, the interests in particular will be illustrated to evolve as China's regime changes, thus the goals they focus upon in the continent will also evolve accordingly. In regards to the interests, this chapter will then explain the strategy which China utilizes. The strategy is centered around Chinese SOMNEs, which this chapter shall explain the process of how the SOMNEs implement its projects and the power-balance/governance within the firms in domestic and internationalized settings..

Chapter Three

This chapter will then correlate then present an analysis regarding the SOMNEs utilization in Africa, specifically Nigeria as the main measurement subject. This chapter will then explain the process of how SOMNEs is being utilized as the government's tool by which will contribute in achieving the national interests of the state.

Chapter Four

Lastly, this chapter will contain the conclusions and will then give the overall answer to the Research Question of this research.