

Nigeria and China Bilateral Currency Swap: Perceived Economic Implications and Prospects:

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Abstract: *This study examined Nigeria and China Bilateral Currency Swap: Economic Implications and Prospects. Survey design was used to determine the impact of Nigeria – China economic ties on Nigerian imbalance of payment, foreign reserve, consumption of local products and job creation among others. The responses from the audience reveal that Nigeria and China Bilateral Currency Swap agreement will encourage job creation and importation activities in the country. While more than 50% of the respondents echoed that this agreement will increase imbalance of payment, reduction in foreign reserve and less consumption of domestic products. The study concludes that this agreement will cause future development of trade between the two countries and improve liquidity. In order to enhance employment opportunity in the country, the local engineer should be trained and employed to collaborate with Chinese. The economic cord will make accessibility of fund easier. Therefore, importers, exporters and other type of business ventures are expected to use the opportunity and boost their operations. Government and business managers should make use of the available fund and diversify in other sectors like agriculture, establishment of local industries and focus on the products for exportation. The study recommends the implementation of suitable policy on importation, to avoid the idea that Nigeria will become a dumping ground for Chinese products.*

Keywords: *Currency swap, foreign reserve, imbalance of payment, economic development, job creation, financial stability and liquidity.*

I. INTRODUCTION

Oil exploration and its discovery in 1958 in commercial quantity has not just led to abandonment of agriculture as Nigeria's key sector of comparative advantage in the international community, but has propel economic and financial instability in Nigeria. Hence, oil price determination by the international community and its volatility reduced capital inflows, exchange between the Naira (N) and the US Dollars (\$) causes a considerable pressure on foreign reserve [1]. The intensive pressure on the US dollars as the result of more import as at 2014 \$7.6 billion and less export in 2014 at \$1.6 billion in Nigeria, propel the initiative of the agreement between the two countries in 2016.

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In the last 30 years, the Chinese currency herein referred to as renminbi (RMB) served as the prime medium of transaction within China just like every other domestic currency of other countries. The renminbi (RMB) had not position itself to international exposure in the markets as a result of strict regulations prohibiting practically all export of the currency or its exposure and usage for international transactions.

Thus, international transactions between Chinese companies, importers, investors and foreign entities were largely denominated in USD along with a bulk of its foreign reserves. One of the China's bank initiated the internationalize use of renminbi between 1993 and 1996, although the 1997 Asian financial crisis led to its collapse.

The 2007-2010 global financial disaster, spur the need to revisit the idea of RMB convertibility by the Chinese authorities due to the collapse of trade financing during the global crisis, that affected negatively Chinese exports, the post-crisis of US monetary policy and the instability in the international monetary system.

The intensive pressure on the US dollars as the major and third party bilateral currency caused increase in the use of renminbi (RMB) in 2009 and trade between China and other countries. Approximately 31 developed and emerging economies engage in Bilateral Currency Swap Agreement (BCSA) with China from 2009-2015. Such is evidence in the short-term liquidity problem associated with the financial crisis in South Korea, Argentina, South Africa, Ghana and Indonesia owing to shortage of the US dollar by the Central banks to meet their international trade demands [2].

The economic cord between Nigeria and China is as a result of Nigerian economic/financial vulnerability to external shocks in 2016-2017, short-fall of the US dollars to finance international trade with China and other trading partners, diminishing Nigerian foreign earning due to excess reliance on the income from oil value in US dollars, and foreign exchange (FX) unpredictability.

In attempt to tackle this financial problem, the authority resolved to enter into economic cord with China that will last for the period of three (3) years. Instead of trading with US dollar alone, the country will get some Renminbi/Chinese Yuan value (CNY 15 Billion) which the value in Naira is Seven Hundred and Twenty Billion Naira (₦720 Billion) with the People's Bank of China (PBoC). The US dollars equivalent at US\$2.5 Billion at an exchange rate of ₦305: 1US\$, the Chinese Yuan (at the rate of N47 to 1 Yuan). This agreement will enhance efficient and effective transactions between the countries in business.

In the light of the above, it is vital to review the BCSA workability in Nigeria, its economic and financial implications and prospects, associated individuals and corporate citizens.

In Nigeria the body of literature on the BCSA is still very scanty.

1.1. Statement Of Problem

Since the collapse of Gold Standard and the adoption of US dollars as the official trading currency, and a measure of a nation economic and financial stability, dollar became the most powerful currency in the international community as a result of its acceptability globally.

The 2008-2010 global economic and financial crises negatively impacted on the value of the dollar along with a basket of other trading currencies of other countries. The crisis places emerging economies in the likelihood of Nigeria on the vent of collapse. Thus, to ensure economic and financial stability internationalization was embraced: to eliminate currency risk, guide against currency devaluation, attract investors, and enhance integration and sustainability of the economy. However, Negative cannot march its importation activities with export transaction thus facing negative consequence.

The intensive pressure on the dollar and the meagre value of the Naira hampers the economic and financial credit worthiness of the country due to high cost of borrowing, embracing transactions result payment imbalance and reduction in external reserve. There is need to curtail transaction costs, foreign exchange risk caused by the fluctuation in the rate of exchange and pressure on the dollars.

Empirical studies revealed in the last decade that swap has embraced a key monetary policy tool, with not less than 30 countries of (Japan, India, South Africa, Ghana and others) signed the currency swap agreement with China. Therefore, the study wishes to ascertain the implications as well as prospects of exchange of legal tender the Nigerian economy.

1.2 Objectives

- To evaluate the relationship between Nigeria – China economic ties and Nigerian imbalance of payment.
- To examine the relationship between Nigeria and China currency swap agreement and Nigerian foreign reserve.
- To determine the relationship between Nigeria and China currency swap agreement and job creation in Nigeria.
- To determine the relationship Nigeria and China currency swap agreement and consumption of domestic products in Nigeria.
- To evaluate the relationship between Nigeria – China economic ties and the sustainability of Nigerian economy.

1.3 Research questions

- Does Nigeria – China economic ties improve Nigeria payment imbalance?
- Does Nigeria and China currency swap agreement improve Nigeria foreign reserve?
- To what extent will Nigeria and China currency swap agreement create job opportunity?
- Can Nigeria and China currency swap agreement encourage consumption of domestic products?
- To what extent will Nigeria and China currency swap agreement sustain Nigeria economy?

II. REVIEW OF LITERATURE

Conceptual framework

According to [3] BSCA is regarded as an agreement where two parties called counterparties accepted to exchange cash flow between them. The parties resolved to exchange an amount of funds at regular interval, throughout the duration of the agreement. The purpose of agreement is to give solution the problem of unavailability of dollars that incapacitated the Apex bank to meet up with the responsibility of currency demands. Currency swap is a possible means of increasing the liquidity of a foreign currency.

Bilateral Currency Swap Agreement takes on financial and economic agreement between two sovereign states providing domestic currency to each other rather than using the currency of another country [4]. [5]. argue that although the use of currency swap is not good enough but that it is a suitable option that enhances provision of liquidity when there is serious crisis in the market. In confirmation to this, Chinese scholars added that the essence of currency swap is to increase the supply of liquidity in the market.

[6] opine that Currency swap transaction is when a country gives a loan to another country in its domestic currency and allow the country (borrower) to deposit agreed amount in its own domestic currency as a plead for the loan granted in other currency. Nigeria and China by this economic cord can exchange their currencies at the agreed rate, thus negating the need to buy dollars and with the agreement that they will reverse the exchange rate that prevailed at the expiring date.

This trade agreement gives opening for the interested parties reconcile and settle their surplus and shortage in the use of the two different currencies. According [7], the easiest type of swap transaction is to buy the currency in the spot market and sold in the forward market.

[8] see currency swap as a concurrent activities of granting credit borrowing and lending operation whereby two parties exchange specific amount of two currencies at the outset at the spot rate. The parties undertake to reverse the exchange rate after a fixed term at a fixed exchange rate. The implication is that the two countries should be involved in the import and export activities with each other and almost at the same pace in order to reduce payment imbalance. Unfortunately Nigeria cannot compete with Asian Tiger (China) in terms of demand and supply of relative products. This trade cord is where the parties have agreed to interchange their money at the present rate with the understanding to undo the agreement at the lapse of time at existing rate.

2.1 Empirical Literature

The studies conducted across countries revealed that; the BCSA is vital to economic growth as such; [9] sustained that the effect of BCSA is limited in terms of internationalization of the renminbi (RMB) as a substitute to other reserve currencies. [10] noted that, the ability of the BCSA to isolate the trading nations from external cash problem and elimination of

charges of foreign exchange for domestic organizations are the major reasons for such agreements.

[11] deduce that the constrain in concluding the swap arrangement are attributable to issues like dishonesty, economic size, strategic partnership, and the like.

[12] conducted research on the impact of China’s swap agreements with countries on U.S. economy, argue that such agreements can cause numerous transactions without dollars by other countries, reduction of income from dollar, expensive transactions and increase in the percentage of interest. Parties to this arrangement will experience hardship in refunding debts owe in dollars.

Studies in Nigeria conducted by [13] on the effect of Nigeria’s economic tie with China will enhance Nigerian economy. According [14], the advantages of this initiative will lead to increase in trade with China, on the other hand the dangers is of a possible political turmoil. In Nigeria the body of literature on the BCSA is still very scanty.

2.2 Theoretical framework

Debt Growth Theory

There are situations that may require that country should borrow money to make up the insufficient sources of fund available in the country. There are numerous reasons why fund is needed in the economy: like infrastructure, investment and savings that will enhance the growth of the nation. Hence [15] in neoclassical model argues that increase in the volume of goods and services can improve of investment. Nation that imbibes in the culture of savings and investment is contributing towards the expansion of its wealth. The model stated that a country will attain economic growth when there is an increase in savings and investments. Developing economies should have policies that focused on improved savings and investment in order to achieve economic growth and sustainability.

Countries that have projects to execute with slim sources of fund internally can alternatively request for financial assistance externally. According to [16] Dual Gap theory advocate for external borrowing as against domestic financing in maintaining the sustainable development. Due to the fact that developing economy have insufficient fund to save or invest to ensure growth in economy. However, the relationship between domestic savings and foreign funds gives a guide as to how a country can borrow abroad. The

theory dwells on the external borrowing for financing a project and investing in projects. The debts cannot not easily transform to burden unless the borrowing country mismanaged the fund. Neoclassical growth theory stated that debt impact economic growth positively. Thus the theory underpinned the study: swap agreement between China and Nigeria.

2.3 The Nature of Bilateral Currency Swap Agreement

It is stated in the National Bureau of Statistics 2017 report that China is in trade relationship with Nigeria after India and United States of America. In order to ensure its workability and regulation in Nigeria as Chinese Africa major trading partner, on the 8th of June, 2018, a regulatory framework was introduced with the titled “policy guidelines for authorized Renminbi dealers which indicate clearly the conditions to enable access to and repayment with RMB under the Foreign Currency Swap Agreement (FCSA) in Nigeria.

Table 1: Nigeria’s Trade with China (\$000)

Year	Export	Import	Trade deficit
1995	55456.98	240433.139	-184976.159
1996	6485.567	191221.359	-184735.792
1997	8720.796	573785.298	-565064.502
1998	22960.01	453769.917	-430809.907
1999	171996.1	467635.708	-295639.608
2000	199986.7	499415.032	-299428.332
2001	170357.9	887122.704	-716764.804
2002	108555.4	648133.825	-539578.425
2003	87169.93	1168541.512	-081371.582
2004	429142.4	1015787	-586644.6
2005	438317.3	1983346.853	-545029.553
2006	248072	3448443.253	-200371.253
2007	531741.8	4322923.301	-791181.501
2008	435150.4	7712364.024	-277213.624
2009	834724.5	5416484.06	-4581759.56
2010	1080426	7332308.418	-251882.418
2011	1706576	9358843.444	-652267.444
2012	1674434	10980688.38	-306254.384
2013	1537958	13741606.27	-2203648.27
2014	2345535	18361174.51	-6015639.51

Source UNCTAD database

Composition of China Trade with Nigeria in ₦BN



Source: National Bureau of Statistics, People’s Bank of China and FSDH Research Analysis

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According to [17], the trade relationship between China is Africa's and Nigeria's is larger compare with that of Europe and America. Geometrically the volume of transaction rise to US\$ 10.6 billion in 2011, US\$ 200 billion in 2012. In China-Daily, (2015), it was indicated that at the end of 2015, it increased to US\$ 300 billion. However,[18] observed the transaction between the countries under consideration valued US\$17.7 billion in 2010 and US\$ 23.5 billion by first quarter of 2015 [19].

At the end of 2017, the total amount of goods imported from China stood at N1.788 trillion, thereby imports from China grew by 3% compared to previous horizon. The current trade dynamic puts China as Nigeria's major trading partner, as goods imported from China alone makes up to 19% of aggregated imports in 2017. Presently, the total values of imported goods from China to Nigeria Gross domestic product (GDP) stand at 1.58% to GDP.



Source: National Bureau of Statistics, People's Bank of China and FSDH Research Analysis

According to [20], this economic tie will improve strength of the foreign exchange and enhance the control of foreign reserves. Nigeria may be carried away in the importation of China products due to elimination of trade barriers thereby increasing the volume of importation while the export activities will be undermined.

2.4 Nigerian Foreign Reserve

Foreign reserves simply mean liquid assets which countries usually keep in the Central Banks until the needs arise. Nigeria held its foreign reserve with the central bank. Other names for Foreign Reserve can be called External Reserves or International Reserves. International Monetary Fund gave the widely accepted definition of foreign reserve as external reserve that include the foreign assets of the government and general public which is in control of CBN or other monetary authorities in the country. It can be used to pay external debt and control level of payment imbalances. (IMF Balance of Payments Manual, 5th edition).

It enhances the implementation of monetary policies that affects the country's foreign exchange rate and external debts settlements. Nigeria obtained its external reserve through the following sources: Royalties paid by the users of the country's natural resources, money realized from NNPC, Taxes from oil companies.

The country holds reserves to protect its national currency from the attack of foreign currency. In some circumstances, need may arise for the country to meet its external obligation that is not limited to payments, Wealth Accumulation, Improve Country's Credit Worthiness, Provide a fall back for the "Rainy Day" and provide a

Buffer against External crisis. Therefore, there is need to involve in the activities that will contribute towards the growth of the foreign reserve of the country. [21], submit that this currency agreement will benefit the two countries involved in their business activities and beyond. Some firms have conviction that the agreement expand transaction with China and be a walkway to the importers to obtain Letter of Credits in the Chinese currency for the importation of goods and services.

This trade agreement gears towards contribute to correcting the country's trades and payments of variances. [22] argue that the currency swap agreement may not have impacted on Nigeria's forex reserves immediately due to the fact that the activities for now will appear as liability in the statement of financial position of CBN. It is still relevant as it serves as external source of liquidity to the Apex Bank as well as eliminating improper management of foreign exchange by the Central Bank of Nigeria.

2.5 External Debt

People borrow money to commence new businesses or sustain the existing ones. Countries also borrow money for similar reasons: to sustain their economy, pay for goods and to balance their payment deficits. Nigeria is one of the countries that borrow fund externally for the well-being of the Nation.

It is a well-known fact that external borrowing enhances economic growth, but it is not without cost. [23] opine that the developing countries' external borrowing is as a result of lack of adequate internal sources of finance. The alternative is resort to borrowing externally. [24], said that the fall in oil prices in 1978 impacted negatively on government finances, and that caused borrowing to correct balance of payment deficits, finance projects and meet other obligations. Nigeria's burden of debt comes to a greater height when state governments also borrow from foreign source. [25], observed that the largest debtor in the Sub-Saharan Africa is Nigeria. [26], affirm to the above statement and maintain that Nigeria's External Debt hits \$22.1bn in the 1st of the year, 2018 when compared with \$18.9 bn in the last quarter of 2017, it is obvious the debt is increasing at alarming rate without corresponding increase in the revenue or income of Nigeria.

According to [26], Nigeria spend huge amount of money in servicing her loan. Unfortunately, the deficit of debt in the country increases incessantly without corresponding activities to reduce it. Many products and services are imported into Nigeria from different countries of the world with little or nothing to export. Therefore, when Nigeria payment imbalance is mentioned, it is not limited to dollar-based countries; China has been a creditor, her loans. Hence the analysts explained that in 2016, China granted loan of \$6 billion to Nigeria to finance building, roads and other amenities and \$4.5 billion to buy farming tools to boost local agriculture in 2017. There is nothing to show about this loan in the debtor country. The recent debate is whether this agreement will reduce the debt burden, improve foreign reserve, and enhance economy of the country.

Nigeria public external Debt



The increasing quantity of trade between the two countries under study, tripartite arrangement where Nigerian businesses involved in the importation of finished products or raw materials from China had to first convert their Naira currency into the United State Dollars (USD), and then into the Chinese Renminbi for payment to their Chinese business counterparts was unsustainable, as the practice piled huge pressure on the Nigeria's foreign reserve.

The BCSA entered into by the Nigerian Government and the Apex Bank of China is a 3 (three) year agreement for the exchange of a maximum amount of 15 Billion Chinese Renminbi for 720 Billion Nigerian Naira. Consequently, Nigerian manufacturers, small and medium-sized enterprises and import dependent Nigerian businesses can now import products, raw materials, and parts from China and pay directly with Renminbi obtained from an authorized dealer under the currency exchange deal.

Conversely, Chinese manufacturers and investors wishing to obtain raw materials or invest in Nigeria should have Naira

or Naira denominated loans from Chinese banks to pay for their imports or investments.

2.6 Currency Swap Agreement and Employment Creation

The issue of currency swap agreement between Nigeria – China is a serious economic tie which may improve Nigeria economy. Where this arrangement will enhance inflow and outflow of fund in the system, it will encourage investment, savings, establishment of local industries and supports manufacturing sector of the economy. The presence of industries in the country will create lots of job and reduces the problem of unemployment and poverty. Employment also has its own social implications. It causes increase in the standard of living of the employees, the dependents and brings about economic development.

[27], submits that Chinese will take the advantages of establishing businesses in Nigeria, resulting industrialization and generation of job opportunities. As a result of producing in Nigeria, investors from China will expand their businesses in Nigeria so as to reduce transportation cost, shipping, and all that will be eliminated.

2.7 Prospects of Nigeria - China currency swap agreement.

The trade relationship holds bright prospects to grow the economy and continue to keep Nigeria ahead of others as the leading economy in Africa.

It will encourage Nigerian imports and for Nigerian businesses. By the time the swap deal becomes operational, Nigeria will become the trading hub in the West African sub-region. It can never, never be negative to Nigeria [28]. However, the issue is not to enhance importation, already the value of import in Nigeria is higher than the exports.

The agreement will boost the capacity to provide critical infrastructure that increase growth in key sectors of the economy, enhance productivity and accelerate job creation efforts.

According to Proshare Research & Analysis Opinion (2018), [29], the currency swap agreement has the following prospects: The currency swap reduces the cost of transaction due to the cross-flow nature of the swap; · Most importantly, this agreement enhances the liquidity of the RMB, which is considered as a *third currency*. Like most currency swaps, it allow Nigeria businessmen to take positions, thereby reducing their risk exposure to currency volatility;

· The PBOC and CBN are committed to a pay-off profile, whereby funds are exchange at intervals prior to the expiry of the contract. ·The possibility of a default is less likely, thereby smoothening trade. The currency swap ensures letter of credits are made more accessible to the Nigeria businessman. The currency swap largely ensures faster execution of trade by both parties; and apart from fostering better trade relationship; it also serves as a means of creating collaboration between both Central Banks.

2.8 Potential Implications of Swap Arrangement

a. Renminbi Liquidity for Nigerian Businesses

One of the immediate impacts of the BCSA is the liquidity of Chinese Renminbi for Nigerian Businesses herein referred to as decrease in transaction cost. Businesses which had previously issued invoices to their customers in Dollars can transit to the issuance of Renminbi or Naira denominated invoice as the businesses will now have access to the liquidity of each currency to settle bills and invoices directly.

b. External Reserves Accretion

Nigeria which is an import dependent economy has most of its import bill and international trade transactions settled in dollars. This practice has heavily impacted the foreign currency earnings and reserve of the country. With the operationalization of this BCSA, enormous pressure will be taken off the dollar, while allowing more dollar earnings to be retained in the external income.

c. Provision of Renminbi denominated Loans

It is envisioned that the People's Bank of China will use the available Nigerian currency to advance loans to Chinese investors, who have secured investment opportunities or

intending to do business in Nigeria. This creates a unique and cheaper window for investors to import capital for their business interests in Nigeria.

d. Improve trade flow from China into Nigeria

The Chinese public and private sector participation in the Nigerian Economy has continued to trend upwards. Footprint of Chinese investments in Nigeria can be found in the Telecommunication, construction, petroleum, mining, agricultural and manufacturing sectors. The availability of Nigerian Naira to Chinese businesses is expected to shore up the Foreign Direct and Portfolio Investment into Nigeria. The major attraction is not only the availability of liquidity to invest in the country, but the availability of the Renminbi for repatriation of profit and capital back to China.

e. Multi-nation currency swap backed by Renminbi

Also expected as a fall out of the currency swap agreements so far entered into between China and some African Governments such as, South Africa, Egypt and Nigeria, is a boost of inter African trade that will be powered by the Renminbi currency.

The apex banks of these African countries may be able to consummate trade with other African nations based on the Renminbi rather than the United State Dollars.

2.9 Challenges Associated with Currency Swap Deal

a. Triumph of consumerism over Creativity

With Nigeria's penchant for consumption of foreign goods, Experts have opined that the BCSA may be more favourable to Chinese businesses, which may flood the Nigerian market with Chinese products at a cheaper rate, thereby pushing the country to abandon its growing manufacturing sector and settle for a consumer nation status.

b. Dominance of Chinese Products

Furthermore, the deal when fully operational will secure an increase in the availability of Chinese goods in the Nigerian market. When this occurs, competition between the imported goods and our locally manufactured product will be difficult to maintain, as our locally manufactured product will struggle with indices such as, price, availability and quality. Invariably, this will lead to the dominance of Chinese goods in the Nigerian market.

c. Nigeria's growing trade deficit with China

It is feared that the BCSA may further impact the already lopsided balance of trade between Nigeria and China. Therefore any further increase on the import side of trade will worsen Nigeria's position on the Trade Chart.

d. Round Tripping of the Renminbi

Nigeria has had a tough time addressing the problem of round tripping especially with the USD. The regulation has been structured to eliminate round tripping by providing for payment directly to sellers operating in China. Despite the above, the CBN must set up efficient modalities to prevent round tripping by Authorized Dealers who will be allocated the Renminbi for disbursement to customers.

Countries under SWAP agreement with China, according to Zhitao, Lin; Wenjie, Zhan; Cheung, Yin-Wong (2016) [11].

Table 2. Nations with Free Trade Agreement with China as at December 2014

	Effective Date	
Hong Kong (CEPA)	29 Jun. 2003	1 Jan. 2004
Macau (CEPA)	17 Oct. 2003	1 Jan. 2004
ASEAN	4 Nov. 2002 (Framework Arrangement); 29 Nov. 2004 (Trade in Goods Arrangement)	20 Jul. 2005
Pakistan	24 Nov. 2006	1 Jul. 2007
Chile	18 Nov. 2005	1 Jul. 2006
New Zealand	7 Apr. 2008	1 Oct. 2008
Singapore	23 Oct. 2008	1 Jan. 2009
Peru	28 Apr. 2009	1 Mar. 2010
Costa Rica	8 Apr. 2010	1 Aug. 2011
Iceland	15 Apr. 2013	1 Jul. 2014
Switzerland	6 July 2013	1 Jul. 2014

III. METHODOLOGY

The study used survey design to analyze the data. The justification for the use of this design is that, it is the best method of obtaining information from the respondents. The bilateral agreement between Nigeria and China is new; therefore, the researchers relied in sampling opinion of the people to attain to the existing problem. In order to know the implications and prospects of Nigeria- china economic ties, questionnaire was designed into two parts.

Part A focused on the Demographic information of the respondents while Part B contain the questions used to solicit the response from the staff of the selected ministries,

Table 3: Descriptive Statistics of the Variables under Study

Variables	Nigeria Imbalance of Payment	Nigeria Foreign Reserve	Employment Creation	Consumption of Domestic Products
No. of Obs.	130	130	130	130
Mean	2.6320	2.3600	1.9440	1.4560
Median	3.0000	2.0000	2.0000	1.0000
Std. Deviation	1.35323	1.12451	.74383	.50006
Skewness	.321	.218	.091	.179
Kurtosis	-1.085	-1.324	-1.174	-2.000

Sources; Researchers computation (2019)

Table 4: Ministries.

	State	Frequency	Percent	Valid Percent	Cumulative Percent
Finance	Abia	12	9	9	9
	Anambra	13	10	10	19

exporters and importers. The population of the study is made up of ministry of finance and ministry of budgeting and planning selected from the five Eastern states in Nigeria: Abia, Anambra, Ebonyi, Enugu, Imo and federal ministry of finance Abuja. The choice of the ministries is justified by their involvement in the financial activities of the state and federation. Seven staff were randomly selected from each ministry of the state which includes Accountant general of the state, Auditor general, Permanent secretary, Director of Finance and three senior staff in the management cadre. The need to obtain information on the policies, implications and prospects of Nigeria –China economic ties requires the attention of the staff involved in the policy and decision making, hence the choice of the above staff. Again, the age and years of services of the respondents indicate the relevant and validity of information obtained from them.

Model Specification

The research employed the classical Linear Regression Model according to Brooks (2014) stated thus:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n + \mu \dots \dots \dots \text{eq I}$$

To capture Nigeria – China Currency Swap Agreement: prospects and implications, the essential variables are fitted in on the CLRM to ensure linearity and it appears thus:

$$NCCSAPI_t = \beta_0 + \beta_1 NIGIMPT_t + \beta_2 NIFOR_t + \beta_3 EMPC_t + \beta_4 CDOPRO_t + u_t \dots \dots \dots \text{eq II}$$

Where: NCCSAPI = Nigeria – China currency swap agreement prospects and implications
NIGIMPT =Nigeria Imbalance of Payment,
NIFOR = Nigeria Foreign Reserve,
EMPC= Employment Creation,
CDOPRO= Consumption of Domestic Products,
 μ = error term, β_1, β_2, \dots = coefficients of the parameter estimate or the slopes, β_0 = Intercept of the regression equation.

IV. DATA PRESENTATION AND ANALYSES

Basic descriptive statistics as they concern the variables under study are presented in table 3.



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Finance	Ebonyi	14	11	11	30
Finance	Enugu	12	9	9	39
Finance	Imo	14	11	11	50
Budget and Planning	Abia	12	9	9	59
Budget and Planning	Anambra	13	10	10	69
Budget and Planning	Ebonyi	14	11	11	80
Budget and Planning	Enugu	12	9	9	89
Budget and Planning	Imo	14	11	11	100
Total		130	100	100	

Sources; Field survey (2019)

The table (2) shows the different response cross the Ministries understudied the ministry of finance: Abia State 9%, Anambra State 10%, Ebonyi 11%, Enugu 9%, Imo 11%. Budget and Planning: Abia State 9%, Anambra State 10%, Ebonyi 11%, Enugu 9%, Imo 11%.

Table 5: Currency swap agreement will correct Nigerian Imbalance of Payment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agreed	14	11	11	11
	Strongly Agreed	11	9	9	20
	Disagreed	49	37	37	57
	Strongly Disagreed	56	43	43	100
	Total	130	100	100	

Sources; Field survey (2019)

Table 6: Nigeria- China economic ties may improve Nigeria foreign reserve

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	52	40	40	40
	No	78	60	60	100
	Total	130	100	100	

Sources; Field survey (2019)

Table 7: To what extent will Nigeria – China currency swap agreement enhance Job creation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very great extent	10	8	8	8
	Great extent	15	12	12	20
	Moderate extent	40	31	31	51
	Little extent	20	15	15	66
	No extent	45	34	34	100
	Total	130	100	100	

Sources; Field survey (2019)

Table 8: Nigeria – China currency swap agreement will improve the Consumption of Domestic Products

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	full consumption	21	16	16	16
	partial consumption	20	15	15	31
	No consumption	89	69	69	100
	Total	130	100	100	

Sources; Field survey (2019)



Table 9: To what extent does economic relationship between Nigeria and China encourage the manufacturing sector in Nigeria?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very great extent	10	8	8	8
	Great extent	15	12	12	20
	Moderate extent	20	15	15	35
	Little extent	40	31	31	66
	No extent	45	34	34	100
	Total	130	100	100	

Sources; Field survey (2019)

Table 10: Nigeria China trade agreement will improve the volume of export and create larger market for Nigeria local products

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	52	40	40	40
	No	78	60	60	100
	Total	130	100	100	

Sources; Field survey (2019).

Estimation of the Regression Model

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					DW
					R Square Change	F Change	df1	df2	Sig. Change	
1	.307 ^a	.096	.059	.71389	.096	2.458	5	119	.037	1.411

Sources; Field survey (2019)

a. Predictors: (Constant), Nigeria Imbalance of Payment, Nigeria Foreign Reserve, Employment Creation, Consumption of Domestic Products,

b. Dependent Variable: Nigeria-China currency swap agreement.

Table 12: ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.422	5	1.284	2.459	.035 ^b
	Residual	62.186	119	.523		
	Total	68.608	124			

Sources; Field survey (2019)

a. Dependent Variable: Nigeria-China currency swap agreement,

b. Predictors: (Constant), Nigeria Imbalance of Payment, Nigeria Foreign Reserve, Employment Creation, Consumption of Domestic Products.

Correlation

Table 13: Correlation

		Nigeria Imbalance of Payment	Nigerian Foreign Reserve	Consumption of Domestic Products	volume of export for local products	Job Creation	Encourage manufacturing sector in Nigeria
Nigeria Imbalance of Payment,	Pearson Correlation	1	-.040	.007	-.119	.041	.216 [*]
	Sig. (2-tailed)		.660	.941	.188	.649	.016
	N	130	130	130	130	130	130
Nigerian Foreign Reserve	Pearson Correlation	-.040	1	.130	-.029	.107	-.192 [*]
	Sig. (2-tailed)	.660		.148	.751	.235	.032
	N	130	130	130	130	130	130
Consumption of Domestic Products	Pearson Correlation	.007	.130	1	.179 [*]	-.036	-.047
	Sig. (2-tailed)	.941	.148		.046	.689	.605
	N	130	130	130	130	130	130

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volume of export for local products	Pearson Correlation	-.119	-.029	.179*	1	-.191*	.109
	Sig. (2-tailed)	.188	.751	.046		.033	.225
	N	130	130	130	130	130	130
Job Creation	Pearson Correlation	.041	.107	-.036	-.191*	1	-.136
	Sig. (2-tailed)	.649	.235	.689	.033		.132
	N	130	130	130	130	130	130
Encourage manufacturing sector in Nigeria	Pearson Correlation	.216*	-.192*	-.047	.109	-.136	1
	Sig. (2-tailed)	.016	.032	.605	.225	.130	
	N	130	130	130	130	130	130

*. Correlation is significant at the 0.05 level (2-tailed).

V. DISCUSSION OF THE RESULTS

Table 3 above shows the aggregative averages like the mean, median along with the measures of spread and variation as standard deviation, Skewness, however, measures the degree of symmetry whereas kurtosis the degree of peakedness of the 130 observations. Thus, the skewness and kurtosis results submit a departure from normality. Such is therefore not strong enough to discredit the goodness of the dataset for the analyses.

The table (5) displays the various responses of the respondent to the degree for which Currency swap agreement will enhance the correction of Nigerian Imbalance of Payment. Therefore 11% Agreed, strongly Agreed 9% that the bilateral agreement between Nigeria and China will help the country to correct the imbalance of payment, while 37% Disagreed along with 43% Strongly Disagreed the possibility of this economic ties correcting payment imbalance in the country. Number 6 table above displays the degree of which Nigeria – China currency swap agreement will improve Nigerian foreign reserve. According to the responses obtained from Ministries of Finance and budget and planning, 40% of the respondents accepted that the trade relationship between Nigeria and China will go a long way to improve Nigerian foreign reserve, while 60% said emphatically no; that the relationship will not have positive impact on Nigerian foreign reserve.

The table 7 parades the different disclosure made the respondents as regards to the extent in which Nigeria – China currency swap agreement enhance generation of Employment in Nigeria. 38% of the respondents declared that the relationships will to a very great extent cause generation of employment, 12% disclosed that to a great extent, 15% to a moderate extent, 31% to little extent, and 5% to no extent. As regards to improvement of consumption of domestic products by the currency swap agreement between Nigeria and China, 16% of the respondents concurred to full consumption, 15% partial consumption while 69% disclosed that the relationship will lead to none consumption of domestic products in Nigeria.

The table 9 parades the different disclosure made the respondents as regards to the extent in which Nigeria – China currency swap agreement encourage manufacturing sector in Nigeria. 8% of the respondents declared that the relationships will to a very great extent and 12% disclosed

that to a great extent encourage manufacturing sector while 15% to a moderate extent, 31% to little extent, and 35% to no extent affirm that Nigeria – China currency swap agreement will courage manufacturing sector.

The table above displays the degree of which Nigeria – China currency swap agreement will improve Nigerian foreign reserve. According to the responses obtained from Ministries of Finance and budget and planning, 40% of the respondents accepted that the trade relationship between Nigeria and China will go a long way to improve the volume of export and create larger market for Nigeria local products, while 60% said emphatically no; that the relationship will not increase the volume of export and create larger market for Nigeria local products.

The outcome of the model play host to the form specified in equation (II) and is consistent with the classical linear regression model. The model has all the coefficients of the parameter estimates duly fitted. The standard errors and the t-statistics for the parameter estimates are correspondingly shown. Table 11 and 12 above, indicates goodness of fit by means of R^2 of 96%. The (R^2) established that 96% of the variation in the dependent variable is accounted for by the independent variables with an unexplained variation of about 4%, with F-statistics of 2.459 and the corresponding p-value of 0.035. The Durbin Watson Statistics of 1.4 indicates that the overall regression is statistically significant and can be used for meaningful analyses.

The Pearson Correlation institutes a positive, negative and a significant linear affiliation at 0.05 level (2-tailed). Hence, there is a positive linear relationship inferred between Nigeria-China currency swap agreement, Nigeria Imbalance of Payment, Nigeria Foreign Reserve, Consumption of Domestic Products, however, there is a significant relationship between Job Creation and Nigeria-China currency swap agreement. Table 13 above shows that the degree of affiliation between the variables of the study. As such, there is a significant affiliation between Nigeria Imbalance of Payment, Nigerian Foreign Reserve and there is a positive and significant affiliation between Consumption of Domestic Products and volume of export for local products. There is an affiliation between Encourage manufacturing sector in Nigeria and Job creation. The Pearson correlation is, therefore, significant at 0.05 level (2-tailed).

VI. CONCLUSION

The study focused on Nigeria – China currency swap agreements: implications and prospects. The results of the findings are as follows: the currency swap agreement will encourage importation and create job opportunities, while more than 50% of the respondents echoed that this agreement will neither increase foreign reserve, encourage consumption of domestic products nor correct Nigeria imbalance of payment. We therefore conclude that it can support the future development of trade between the two countries and countries.

Due to the fact that the agreement will make available liquidity, owners of business organization is expected to make use of the opportunity and enhance their operations.

The country should improve the industrialization and diversify their resources in different sectors of economy in order encourage production, exportation and consumption of domestic products. Whether or not the BCSA will negatively impact or rather help build the Nigerian economy is a question that can only be answered in time. Nonetheless, only a strategic and well-structured implementation will secure a favorable outcome for Nigeria. It will be good if Nigerians should make use of the availability of fund and diversify to other areas of the economy especially agriculture.

VII. RECOMMENDATIONS

In order that Nigeria will adequately benefit from the currency swap deal, the trade and payment imbalance of the country which must be addressed. Businesses must focus on China's import needs, which can be matched with Nigeria's export abilities and capitalize on those business needs.

China is one of the world's largest importers and amounts for a total of 10% of the world's imports. This means that China is a potential target market for Nigerian producers and export businesses.

One way that Nigerian businesses may be able to participate in the Chinese market is through solid trade deals between both countries in respect of exports from Nigeria to China. China has entered into one of such trade deals with the USA for the import of soya beans worth billions of dollars from the US to China. Like the USA-China deal, trade deals between Nigeria and China will secure and maintain China's commitment to receive imports from Nigeria through Nigerian businesses. It will be good if Nigerians should make use of the availability of fund and diversify to other areas of the economy especially agriculture.

CBN must ensure that constant oversight and regulation at its peak so that the rise in demand for the Yuan will not result in a possible depreciation of the Naira against the Chinese currency and further widen the gaps in trade balance and balance of payments in favor of China.

The National Agency for Food, Drugs Administration and Control (NAFDAC), and the Consumer Protection Council (CPC), should be alert and be vigilant to ensure that the currency swap deal and its possible attendant surge in imports does not turn the country into a dumping ground for inferior/substandard Chinese products .

In giving out contract to China for building of infrastructures in the country, our local engineers and laborers should be involved. On the establishment of any

industry in the country by china, Nigeria should have percentage of its citizens to be employed. This will enhance job creation and alleviate poverty in the country. The necessary technology needed in the country to support industrialization, production and agricultural sector should be imported and used in Nigeria to avoid over dependent on China products.

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