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Examining the Impact of Country Risks on Chinese FDI in Nigeria

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ABSTRACT: *This study investigates the relationship between economic risk, political risk, and Chinese foreign direct investment (FDI) in Nigeria. Using correlation analysis, the study initially identifies a weak positive correlation between economic risk and Chinese FDI, and a weak negative correlation between political risk and Chinese FDI. However, due to the weak nature of these correlations, they are deemed insufficient for decision-making purposes. To determine potential causality, a causality test and regression analysis with optimal lag variables were conducted. The results indicate a positive but statistically insignificant relationship between economic risk and Chinese FDI, and a negative but statistically insignificant relationship between political risk and Chinese FDI. These findings suggest that Chinese FDI in Nigeria is not significantly influenced by economic or political risks, aligning with theories that Chinese investments are driven by strategic objectives such as resource acquisition and geopolitical influence. The study did not find any causal relationship between the political risks and economic risk in Nigeria either. The study contributes to FDI literature by challenging conventional determinants of FDI and provides practical implications for policymakers and businesses in aligning strategies with Chinese investment motivations. Future research should explore additional factors influencing Chinese FDI to offer a more comprehensive understanding of these dynamics.*

Keywords: foreign direct investment, political risk, economic risk, country risk, gross domestic product.

INTRODUCTION

The economic relationship between China and Nigeria, two of the largest economies in their respective continents (McGann, 2019; Bruton et al., 2021), is characterized by a symbiotic exchange of resources and investments. Nigeria, with its rapidly growing population, faces significant infrastructural and technological deficits crucial for sustaining its economy and supporting social welfare (Adewole and Ogunrinu, 2018). Conversely, being one of the most mineral-endowed countries globally, Nigeria possesses vast energy and oil resources needed to fuel China's rapidly expanding industrial economy. In turn, China provides advanced expertise and investments in infrastructure to Nigeria while sourcing its oil and energy needs from the country, forming the basis for their continued partnership (Oyeranti et al., 2011).

However, despite the enduring bilateral relations between the two nations, Nigeria has realized relatively modest benefits from this association, primarily due to various challenges. These include inconsistencies in foreign trade policies (Uwa and Micah, 2022; Kalu and Aniche, 2020), a disproportionate concentration of FDI in the oil and gas sector (Elueni, 2020), infrastructural deficiencies, skills shortages, low social trust, and political and exchange rate instability (Chen, 2021). Similarly, China's involvement in Nigeria's FDI utilization has been criticized for lack of transparency, a narrow focus on mineral and energy interests, and the proliferation of Chinese goods, undermining the competitiveness of Nigeria's manufacturing sector. Additionally, concerns persist regarding the escalating Chinese debts incurred by Nigeria (Okeke, 2021; Sanusi, 2020). Despite these challenges, several studies argue that Chinese FDI, albeit limited, has contributed positively to Nigeria's economic growth, constrained by various factors relating to human capital limitations, political and economic risks, and policy decisions (Adeyeye, 2016; HarunaDanja, 2012; Adegbite and Ayadi, 2011).

Recent trends indicate a decline in Nigeria's status as a preferred investment destination, losing ground to other African regions and even Asian markets, as shown in figure 1 and 2. Additionally, the International Country Risk Guide in 2022 ranks Nigeria among several other African countries as highly politically risky for China's major outgoing foreign direct investment (OFDI) (GaoYan, 2020). Geopolitical risks associated with Nigeria, including ethnic crises, the Boko Haram insurgency, rampant banditry, the ENDSARS protests, kidnappings, and regional secessionist movements, have contributed to this shift (Salisu et al., 2023). Moreover, harsh economic financial conditions characterized by volatile exchange rates, high inflation rates, inconsistent gross domestic product (GDP) performance, and underdeveloped infrastructure have led to Nigeria receiving unfavorable ratings from the international market in terms of foreign investment (Owuamanam and Agbaenyi, 2021).

Given that China's FDI flows in recent years have focused on low- and moderate-risk countries (GaoYan, 2020), it is imperative to investigate how the risk profile of Nigeria has influenced its access to Chinese FDI and to identify measures needed to improve the situation. Therefore, the central question is: "How does the economic and political risk of Nigeria influence Chinese FDI flows to the country?" This question underscores the necessity for an investigation into the impact of Nigeria's country risk profile on attracting foreign investment from China. The study's novelty lies in its comprehensive use of recently created Nigerian-specific political and economic indices to assess the strength and direction of the influence of these risk elements on Chinese FDI. Previous studies employed indices from the International Country Risk Guide which uses a relative measure of risk and does not measure Nigerian's risk profile in absolute or details (Mshelia and Anchor, 2019; Osabutey and Okoro, 2015).

Background of the Study

China's escalating Foreign Direct Investment (FDI) inflow into Sub-Saharan Africa has garnered considerable scholarly attention, reflecting the country's concerted efforts to strengthen its economic relations with the continent. The surge in FDI is underpinned by a complex array of motives and strategic imperatives. Notably, China's engagement with Sub-Saharan Africa, characterized by amplified FDI, is driven by the pursuit of resource security, access to new markets, and acquisition of energy sources (Allou et al., 2020; Shen and Li, 2017). This symbiotic relationship has evolved beyond mere resource extraction to encompass broader aspects such as infrastructure development, trade, and technology transfer (Brautigam, 2011; Moyo, 2016). Furthermore, geopolitical considerations are pivotal, as China endeavors to cultivate strategic alliances and counterbalance the influence of other global powers within the region (Ojakorotu and Dan-Woniowei, 2019; Martuscelli, 2020). The implementation of the Belt and Road Initiative (BRI) has particularly accelerated China's involvement in infrastructure projects across Africa, aligning with the developmental aspirations of recipient nations (Wang et al., 2020). Moreover, China's FDI in Sub-Saharan Africa aims to diversify its investment portfolio and capitalize on emerging markets. The pragmatic approach of Chinese investors and entrepreneurs, coupled with their long-term perspective, distinguishes China's FDI strategy from traditional Western models (Mohan, 2013).

While there is a consensus on China's economic interests, scholars also underscore the importance of understanding the agency and expectations of African nations, including Nigeria, in negotiating FDI agreements with China (Alden, 2018). The local context, governance structures, and regulatory frameworks significantly influence the outcomes of China's investments in Sub-Saharan Africa (Brautigam et al., 2018; Santangelo, 2018). China has emerged as the preferred partner for many African nations due to its deep pockets, the principle of "non-interference," and rhetoric of benign intentions. However, questions arise regarding the equitable distribution of benefits from these partnerships and their real-world manifestation. Critics argue that assessing the outcome of Chinese-African economic relations requires considerations beyond mere economic evidence of development, as policy claims must be contextualized within specific social, political, and economic frameworks (Miao et al., 2020). Thus, while some contend that China has primarily benefited more from its trade relations with Africa, others argue that African nations have failed to create conducive environments for efficiently leveraging these relations. Factors such as corruption, political instability, mismanagement of resources, and industrial concentration are cited to support these arguments (Uwa and Micah, 2022).

The bilateral relations between China and Nigeria were formally established on February 10, 1971, and have since undergone notable evolutions in trade and investment against the backdrop of intricate economic and political contexts (Gold et al., 2022). The depicted data in Figure 1 illustrates a notable upward trajectory in Foreign Direct Investment (FDI) inflows from China to Nigeria over the period spanning from 2003 to 2022. Despite this pronounced increase in FDI, the resultant impact on economic advancement appears to be disproportionately limited. Moreover, Figure 2 reveals a considerable decline in the proportion of Chinese FDI directed to Nigeria relative to the broader African region. China's escalating Foreign Direct Investment (FDI) inflow into Nigeria has redefined the economic landscape and diplomatic relations between the two nations. This trend not only signifies China's expanded FDI footprint in Africa but also reflects a waning appeal of Nigeria as a foreign investment destination, prompting a critical need for strategic enhancements to attract and effectively leverage these investments for sustainable economic growth.

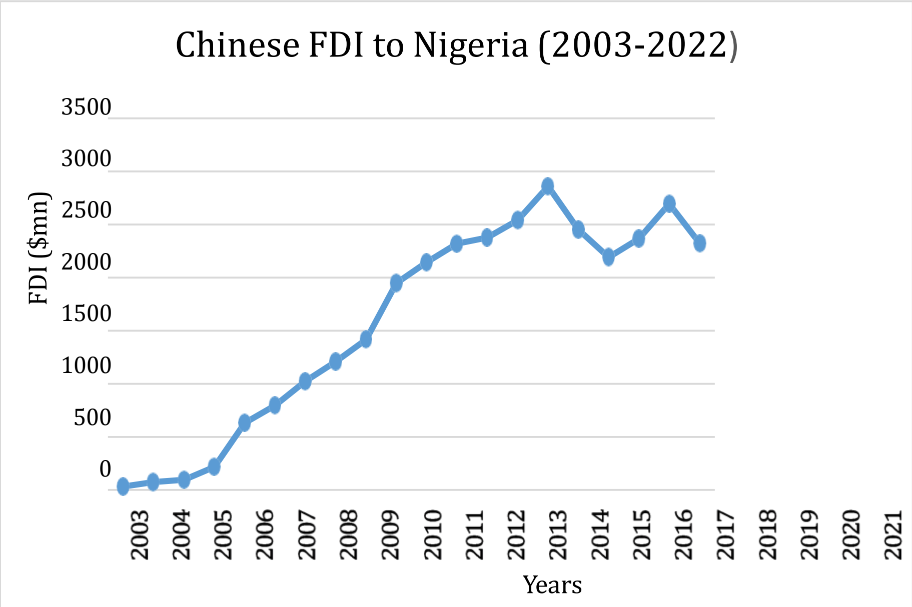

Figure 1: Chinese FDI to Nigeria (2003-2022)
Source: Author's own graph with data from Chinese Africa Research Initiative

Concurrently, Nigeria's status as one of Africa's economic powerhouses has fostered a decade-long partnership with China, aimed at advancing mutual economic and diplomatic interests. The evolving trade relations between China and Nigeria have transitioned from a predominantly commodity-centric focus to a diversified and multifaceted partnership, driven by China's burgeoning demand for natural resources, particularly oil, and Nigeria's aspiration to access Chinese markets for its non-oil exports (Adekeye et al., 2023; Osimen and Micah, 2022). This metamorphosis underscores the deepening economic interdependence between the two nations, underpinned by strategic resource exchange and market access.

Moreover, China has emerged as a substantial source of FDI for Nigeria, directing investments towards critical sectors such as infrastructure, manufacturing, and technology transfer, aligning with Nigeria's developmental objectives and offering avenues for economic expansion and technological progress (Nwanko and Okoye, 2023; Uche, 2019). However, this economic context is intricately intertwined with political dimensions, as evidenced by bilateral engagements and the establishment of diplomatic agreements, signifying a mutual desire for strengthened ties between China and Nigeria (Ocholi and Okonkwo, 2022).

Despite the mutual benefits derived from this partnership, complexities have surfaced, particularly concerning the ramifications of Chinese goods and investments on local industries, employment, and economic sovereignty (Chen, 2021). Issues of unstable political climate and declining economic performance has raised issues on the feasibility of foreign investments within the country.

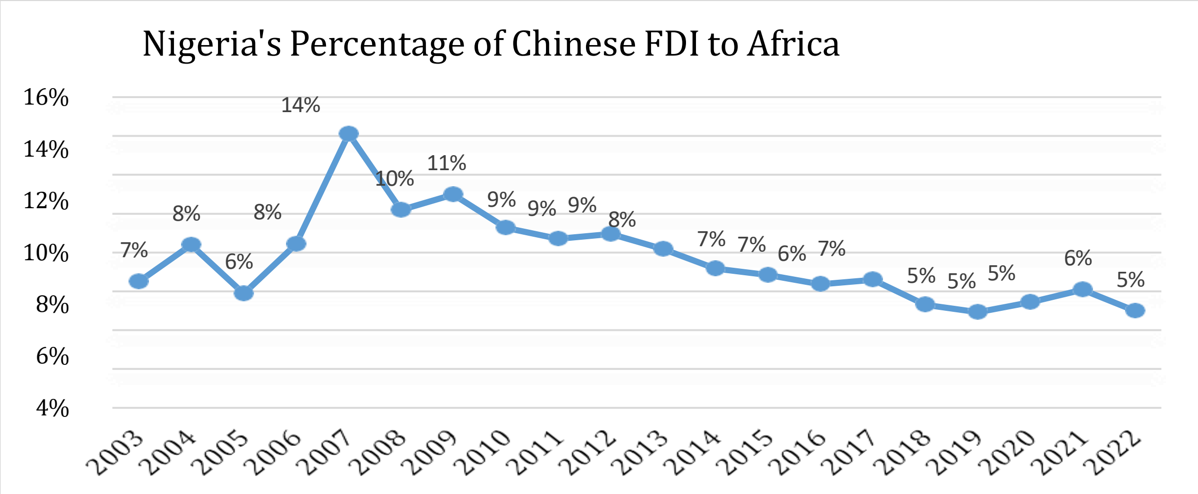

Figure 2: Nigeria's Percentage of Chinese FDI compared to the African region
Source: Author's own graph with data from Chinese Africa Research Initiative

The burgeoning interest of China in Nigeria's energy resources raises pertinent questions about its impact on the overall performance of foreign investment and the Nigerian economy. Notably, Paul Collier's resource theory posits that nations endowed with abundant natural resources often grapple with economic stagnation and governance issues, primarily stemming from inadequate policies and institutional frameworks for resource management (Collier, 2007). While it is imperative to acknowledge that China is not solely responsible for Nigeria's economic performance, there is a prevailing consensus that China's investments, if judiciously harnessed through sound policies and bilateral agreements, could potentially ameliorate the country's economic situation. This is underscored by China's interest in oil and minerals, which is intricately linked to its technology transfer and infrastructural activities in Nigeria, thereby contributing to an enhanced overall development and economic conditions (Ocholi & Okonkwo, 2022). Miao et al. (2020) also recognize the pivotal role of institutional quality in shaping the impact of Chinese FDI across the broader African region. While prior research has significantly contributed to understanding China's FDI flows to Nigeria, particularly in the context of improving economic growth, gaps still persist on the risk elements that influence the flow of Chinese FDI to the country which requires a comprehensive examination.

METHODOLOGY

Research Design

The research design employed in this study is characterized by a quantitative approach, which aims to provide systematic and empirical insights into the relationships between country risk factors and Chinese Foreign Direct Investment (FDI) flow to Nigeria. This approach is chosen due to its suitability for analysing large datasets and identifying statistical associations between variables, aligning with the study's objectives of examining the impact of political and economic risks on FDI inflows. The philosophical underpinning of this research design is positivism, which emphasizes the objective measurement and analysis of observable phenomena to uncover patterns and relationships in the data. By adopting a positivist stance, this study seeks to generate empirical evidence that contributes to the understanding of the determinants of FDI in the context of Nigeria's country risk environment.

The scope of the research encompasses an examination of Nigeria's political and economic risk factors and their influence on Chinese FDI flows over a specified period. The study focuses on assessing the impact of these risk factors on FDI inflows, as well as exploring the causality relationships between political and economic risks within an FDI context. The research design allows for the investigation of these relationships at a macroeconomic level, considering aggregate FDI data and country risk indicators.

Data Collection

The primary data for this study is obtained from secondary sources with indexes obtained from literature and the Chinese Africa Research Initiative database. The research employs multiple regression analysis, where Chinese FDI is the dependent variable, and two primary independent variables are considered: the Economic Risk Index and the Geopolitical Risk Index. Nigeria's country risk is evaluated using the Economic Uncertainty Index (ER), developed by Tumala et al. (2023), and the Geopolitical Risk Index, developed by Salisu et al. (2023). The study uses yearly data from 2016 to 2023 (first half of 2023).

Data Analysis

The method of analysis for this study involves a comprehensive approach to examining the relationships between Nigeria's political and economic risks and Chinese Foreign Direct Investment (FDI) flow to the country. Initially, descriptive analysis is conducted to provide an overview of the data, summarizing key characteristics such as mean, median, standard deviation, and range. This descriptive phase offers insights into the distribution and variability of the variables under investigation. Following this, correlation analysis is employed to assess the strength and direction of the relationships between Nigeria's political and economic risk indicators and Chinese FDI flows. This analysis aids to identify any initial associations between the variables and provide a foundation for further investigation.

The primary analytical technique utilized in this study is multiple regression analysis. Separate regression models are constructed for each research objective, with Chinese FDI flows serving as the dependent variable and Nigeria's political and economic risk indicators as independent variables. This approach allows for the assessment of the unique impact of political and economic risks on FDI inflows, controlling for other relevant factors. Regression coefficients, significance levels, and goodness-of-fit statistics is examined to determine the strength and significance of the relationships between the variables.

In addition to regression analysis, the study employs the Granger causality test to investigate the causality relationships between political and economic risks in Nigeria within an FDI context. This test helps determine whether changes in political risk indicators Granger-cause changes in economic risk indicators, and vice versa. By examining the directionality of causality, this analysis also provides insights into the dynamic interactions between political and economic factors in shaping FDI flows.

The data collected for this study is analyzed using the STATA statistical software. This software package offers robust capabilities for regression analysis, correlation analysis, and Granger causality testing, allowing for rigorous and reliable statistical inference. Throughout the analysis process, attention is paid to potential confounding variables and sources of bias, ensuring the validity and robustness of the findings.

RESULTS AND DISCUSSION

Descriptive Analysis

Based on the employed data used in the study, the descriptive statistics are presented in table 1. The study employed data spanning a period of 12 years from 2012 to 2023.The average amount of Chinese FDI to Nigeria within the study period is $175.5163m which constitutes less than 6% of total FDI received in Nigeria with the same period. This shows that Chinese FDI does not constitute a significant part of the foreign investment received in Nigeria. The results also show a higher rating for economic risk in Nigeria than political risk based on the employed indices. The preliminary analysis also included some graphs to gain insight into the dynamics of Nigeria's foreign direct investment in relation to Chinese investment in the country and GDP performance. This is illustrated in figure 3. A plot of the percentage of Chinese FDI relative to Nigeria's FDI shows that overall, Chinese FDI constitutes 7.235% of total incoming FDI. The highest record of Chinese FDI in Nigeria was in 2018 which marks the year Nigeria joined the Chinese Belt and Road Initiative (BRI). In this year, Nigeria received $194.07m from China and recorded its lowest IFDI within the 12 years under study. This could be associated to some political and social events that happened that year. In the political area, the Nigerian government struggled with internal conflicts related to the electoral bill amendment that could have possibly disrupted democracy in the region. This year also marked the period of the second infamous large-scale kidnapping in the country. A hundred and eleven secondary school girls were kidnapped which caused massive social unrest.

Moreover, foreign direct investment constitutes less than 1% of total GDP in Nigeria which implies that FDI might not have a significant influence on the economic developments of the country. The percentage of FDI in total GDP has seen a marginal decline over the years with the highest being 0.85% in 2012 and the lowest being 0.07% in 2018 as shown in figure 3. Nevertheless, previous studies show that foreign direct investment influences the economic performance of the country (Efefiom, 2019; Ajakaiye and Nabena, 2018; Gold et al., 2022). Figure 4 shows the graphical representation of the shape of growth between Chinese FDI, total FDI and GDP in Nigeria.

Table 1: Descriptive Statistics

Item		Chinese OFDI	Economic Risk(ER)	Political Risk (PR)
Mean		175.5163(m)	108.0227	10.9245
Standard Dev		83.0909	17.4914	6.038812
Minimum		50.58	82.9065	2.0903
Maximum		333.05	126.7891	20.3841
Percentile	25th	119.32	92.3852	5.5243
	75th	205.4	125.6212	14.9284
Skewness		0.5892	-0.0591	-0.1351
Kurtosis		2.555	1.23679	1.7695
Observation		12	12	12

Table 2: Nigeria's FDI and GDP Statistics

Year	CFDI ($m)	ER	PR	GDP ($m)	IFDI in Nigeria($m)
2012	333.05	125.9272	2.09029	833292	7069.90843
2013	209.13	125.7105	2.56765	897506.1	5562.85799
2014	199.77	125.5319	5.524332	971491.9	4693.82863
2015	50.58	125.3153	8.767471	982912.1	3064.1689
2016	108.5	126.7891	14.92839	973442.2	3453.25841
2017	137.95	97.83819	16.59	990700.1	2412.97492
2018	194.7	82.90651	12.26561	1034024	775.2474
2019	123.27	90.53912	12.9189	1075819	2305.09981
2020	308.935	116.2121	16.96871	1070303	2385.27767
2021	201.67	94.73267	20.38413	1159179	3313.21
2022	119.64	91.59304	13.07259	1281140	-
2023	119	93.17736	5.016169	-	-

Note: *CFDI = Chinese FDI to the Nigeria, ER= Economic Risk, PR= Political Risk, and IFDI in Nigeria= total FDI received in Nigeria*

Nevertheless, previous studies show that foreign direct investment influences the economic performance of the country (Efefiom, 2019; Ajakaiye & Nabena, 2018; Gold et al., 2022). Figure 4 shows the graphical representation of the shape of growth between Chinese FDI, total FDI and GDP in Nigeria. There is no clear relationship between GDP and Chinese FDI or total FDI however, a trend can be seen between Chinese FDI and total FDI in Nigeria. The two elements are marginally connected which is logical considering Chinese FDI also makes up part of Nigeria's total FDI albeit not a significant part. Also, it can be argued that FDI contributions to the region move in similar directions from the different countries. Future research could consider what influences the collective movements of FDI to the country aside the risks elements used in this study.

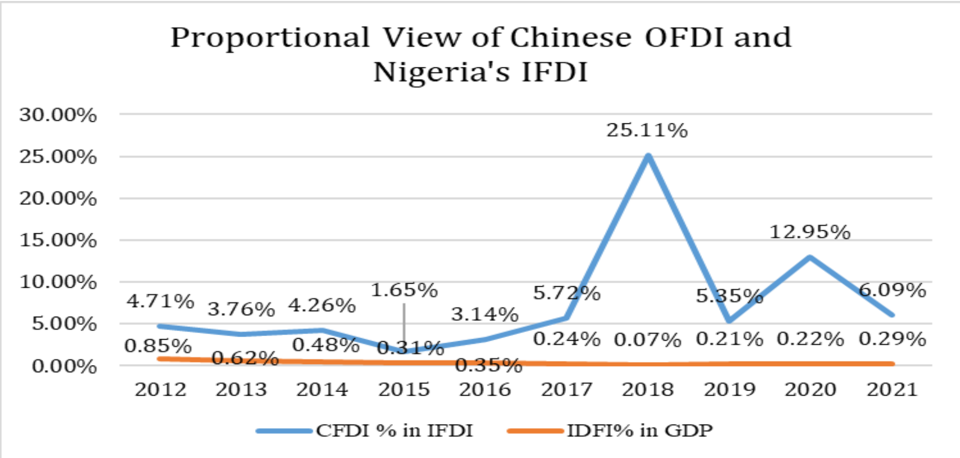

Figure 3: Percentage of CFDI and IDFI in Nigeria

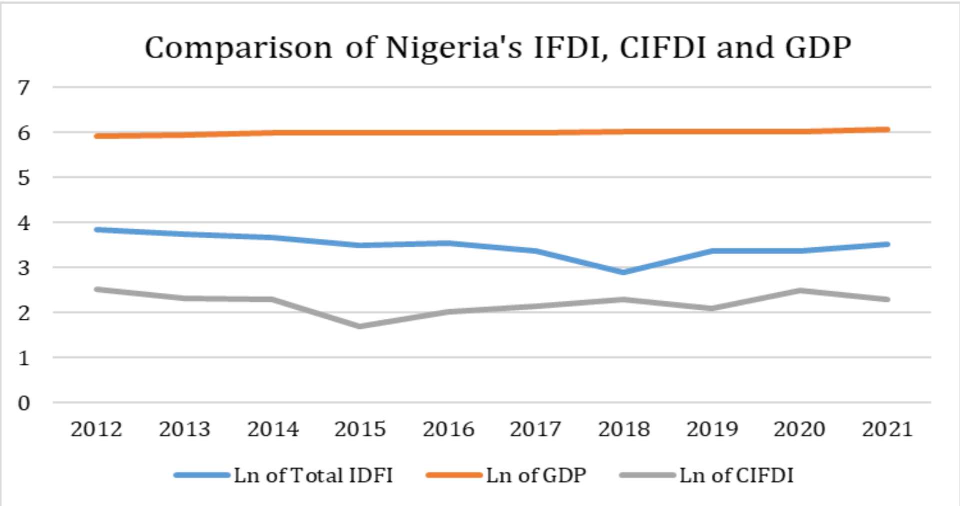

Figure 4: Nigeria's IFDI, GDP and CFDI

Model Results

The study conducted a correlation analysis to preliminary gather insights into the relationship between the three variables being considered in this research. The results of the correlation analysis are shown in table 3. The results show that the correlation between economic risk and Chinese FDI to Nigeria is 0.2338 which represents a weak and positive correlation. This shows that economic risk and Chinese FDI sometimes move in the same direction. Political risk and Chinese FDI has a correlation of -0.1497 which shows a negative and very weak correlation between the two variables. The inverse relationship implies that when political risk increases, Chinese FDI decreases. The correlation results are also represented graphically in figure 5 and 6. However due to the weak nature of the correlations, this relationship could not be relied on to make decisions.

Table 3: Correlation between CFDI, ER and PR

Variables	CFDI	ER	PR
CFDI	1.0000		
ER	0.2338	1.0000	
PR	-0.1497	-0.4413	1.0000

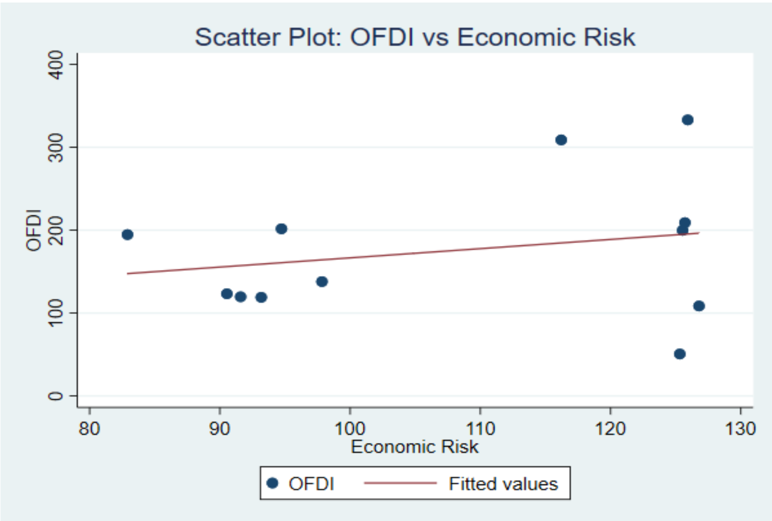

Figure 5: Correlation between ODFI and Economic Risk

Therefore, to determine a possible causality relationship between the variables, a causality test was carried out and an optimal lag was chosen for the regression models. This is shown in table 4-6. The optimal lag was selected using AIC as the metric. The lagged variables were modelled and used in the regression analysis. The regression result between Chinese FDI and economic risk as shown in table 7 depicts a positive impact between the two variables. The model shows that an increase in economic risk increases Chinese FDI by 1.11. However, a p-value of 0.465 indicates that this relationship is not statistically significant and cannot be used to determine the increase or decrease of Chinese FDI to Nigeria. This implies that Chinese FDI to Nigeria is not influenced by economic risks but other factors not considered in this study.

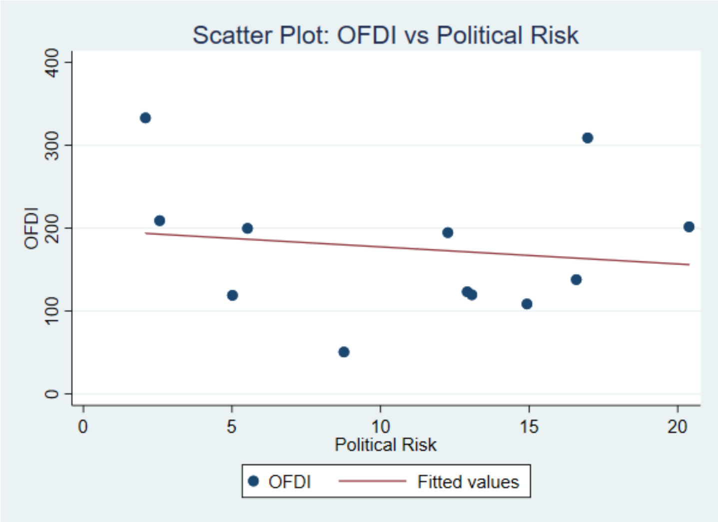

Figure 6: Correlation between OFDI and Political Risk

Table 4: Causality Analysis of CFDI and ER

Lag	LL	LR	df	p	FPE	AIC	HQIC
0	-76.7978				1.2e+06	19.6995	19.5655
1	-74.1044	5.3869	4	0.250	1.8e+06	20.0261	19.6242
2	-68.4228	11.363	4	0.023	1.7e+06	19.6057	18.9359
3	134.045	404.94	4	0.000	2.2e-15*	-30.0112	-30.9489
4	465.554	663.02*	4	0.000		-112.388*	-113.46*

These findings differ from previous studies of economic risk on FDI in the sub-Saharan region which indicate a negative relationship between economic risk and FDI (Li and Resnick, 2003; Okonjo-Iweala and Osafo-Kwaako, 2007). However, these studies looked at the aggregated impact of this variable using multiple countries in the sub-Saharan region. Ma et al. (2020) who argues that favourable economic conditions and structures attract foreign investment however, relative to Chinese FDI, Zhang and Dai (2013) argue that economic risk is not a contributing factor in attracting more or less investment. The assertion aligns with the findings of non-significance between economic risk and FDI in this study and also implies that Chinese FDI is influenced by other exogenous variables not considered in this study.

Table 5: Causality Analysis of CFDI and PR

Lag	LL	LR	df	p	FPE	AIC	HQIC
0	-66.5709				95759.4	17.1427	17.0088
1	-65.8394	1.4629	4	0.833	233520	17.9599	17.558
2	-65.8394	25.619*	4	0.000	36843.4	15.7575	15.0878
3			4		0		
4	484.461		4			-117.115*	-118.187*

Table 6: Causality Analysis of PR and ER

Lag	LL	LR	df	p	FPE	AIC	HQIC
0	-54.7889				5034.61	14.1972	14.0633
1	-49.8508	9.8761	4	0.043	4289.24	13.9627	13.5609
2	-35.4473	28.807*	4	0.000	454.289	11.3618	10.6921
3			4		0*		
4	458.171		4			-110.543*	-111.614*

Table 8 also shows the results of the regression model between Chinese FDI and political risk. Political risk has a coefficient of -2.0591 which indicates that an increase in the political risk of Nigeria will decrease Chinese FDI to the country by 2.0591. However, this effect is considered statistically insignificant given a p-value of 0.642.

Table 7: Regression results of CFDI and ER

CFDI	Coef.	Std. Err.	t	p>|t|	R Squared	F-value
ER	1.1107	1.4606	0.76	0.465	0.0547	0.4645
_cons	55.5369	159.6589	0.35	0.735		

Table 8: Regression results of CFDI and PR

CFDI	Coef.	Std. Err.	t	p>|t|	R Squared	F-value
PR	-2.05913	4.302128	-0.48	0.642	0.0224	0.6425
_cons	198.0113	53.17497	3.72	0.004		

Collectively, economic risk and political risk have positive and negative influence on Nigeria's Chinese FDI respectively. However, these relationships are considered statistically insignificant as shown by the p-values of 0.578 and 0.876 respectively. The implication is that Nigeria's political risk and economic risk have no statistically significant impact on Chinese

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FDI. These results align with Meng and Dong (2015), Zhang and Dai (2013), and Kolstad and Wing (2012) who argue that Chinese outgoing foreign direct investment is more influenced by the Chinese objectives which mainly include acquiring resources to fuel their growing industrial economy and gaining substantial influence in the global market. The regression result of political risk on economic risk in Nigeria shown in table 10 reveals that there is not statistically significant effect between the two variables. This implies that political risks does not have any statistically significant effect on economic risk and vice versa.

Table 9: Regression results of CFDI, PR and ER

CFDI	Coef.	Std. Err.	t	p>|t|	R Squared	F-value
ER	.989706	1.713239	0.58	0.578	0.0573	0.7666
PR	-.7940418	4.962394	-0.16	0.876		
_cons	-.7940418	216.119	0.36	0.729		

Table 10: Regression result of PR and ER

PR	**Coef.**	**Std. Err.**	**t**	**p>|t|**	**R Squared**	**F-value**
ER	-.15234	0.09797	-1.56	0.151	0.1948	0.1510
_cons	27.38275	10.7093	2.56	0.029		
ER	**Coef.**	**Std. Err.**	**t**	**p>|t|**	**R Squared**	**F-value**
PR	-1.278246	0.8219	-1.56	0.151	0.1948	0.1510
_cons	121.987	10.15926	12.01	0.000		

The studies argue that the Chinese decision to invest in African countries is motivated by unilateral motives from the Chinese end of business. Kolstad and Wing (2012) further argues that unstable political climate might even induce Chinese FDI because it creates a favourable environment to acquire resources cheaply and propose better initiatives to help the countries utilize these resources.

CONCLUSIONS

The findings from this study provide significant insights into the relationship between economic risk, political risk, and Chinese foreign direct investment (FDI) in Nigeria. The correlation analysis revealed a weak and positive correlation between economic risk and Chinese FDI, indicating that these two variables sometimes move in the same direction. Conversely, political risk and Chinese FDI exhibited a very weak and negative correlation, suggesting that an increase in political risk is associated with a decrease in Chinese FDI. However, due to the weak nature of these correlations, they are insufficient for reliable decision-making.

To explore potential causality, a causality test was conducted, and optimal lag variables were selected and used in regression models. The regression analysis demonstrated a positive impact of economic risk on Chinese FDI, with an increase in economic risk leading to an increase in Chinese FDI by 1.11 units. However, this relationship was not statistically significant, indicating that economic risk does not significantly influence Chinese FDI to Nigeria. This finding contradicts previous studies in the sub-Saharan region that found a negative relationship between economic risk and FDI. Similarly, the regression model examining political risk revealed a negative coefficient, suggesting that an increase in political risk decreases Chinese FDI by 2.0591 units. Yet, this effect was also statistically insignificant, implying that political risk does not significantly impact Chinese FDI. These results are consistent with previous studies suggesting that Chinese FDI is driven more by China's strategic objectives rather than the host country's economic or political risks.

Theoretically, this study contributes to the ongoing discourse on the determinants of FDI, particularly from the perspective of Chinese investments in Africa. The findings challenge the conventional wisdom that economic and political risks in host countries are major determinants of FDI flows. Instead, they align with the view that Chinese FDI is primarily influenced by China's strategic goals, such as resource acquisition and geopolitical influence. This supports the argument that FDI theories should consider the unique motivations of different countries and investors, particularly in the context of emerging economies like China.

Practically, these findings have several implications for policymakers and stakeholders in Nigeria and other African countries. First, efforts to attract Chinese FDI should not overly focus on mitigating economic and political risks, as these factors appear to be less significant. Instead, policymakers should emphasize aligning with China's strategic interests, such as facilitating resource extraction projects and offering incentives that align with China's broader economic goals. For businesses and investors, understanding the primary drivers of Chinese FDI can help in forming more effective partnerships and investment strategies. By recognizing that Chinese investments are largely motivated by China's own strategic needs, businesses can better position themselves to attract and retain Chinese investors through targeted initiatives and collaborations.

In conclusion, the study emphasizes the complexity of FDI determinants and highlights the unique nature of Chinese FDI in Nigeria. While economic and political risks do not significantly influence Chinese investment decisions in Nigeria, other strategic factors play a crucial role. This emphasizes the need for a nuanced understanding of FDI flows, tailored to the specific motivations of different investor countries. Future research should further explore these exogenous variables and strategic factors to provide a more comprehensive understanding of FDI dynamics in the context of Chinese investments in Africa.

Declarations

- The authors have no relevant financial or non-financial interests to disclose.

- The authors did not receive support from any organization for the submitted work.

- This article does not contain any studies with human participants or animals performed by any of the authors.

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CRediT authorship contribution statement

Bioku: Conceptualization, Writing – original draft, Writing – review & editing, Data curation, Investigation, Methodology. **Dekpo-Adza:** Conceptualization, editing, , Data curation.

Declaration of competing interest.

The author declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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