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Personal Business: Why Nigerian Traders Travel to China

analysis

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Mr. and Mrs. Alhaji (names have been changed) are the owners of a successful textile wholesaling firm in Lagos, Nigeria. They import from a variety of countries, including China, Turkey, and Switzerland, and travel abroad to meet with suppliers in person nearly every time they buy. Why should businesspeople like them—well-educated, tech-savvy, and with established contacts with many suppliers—continue the costly and time-consuming practice of making international purchases face-to-face?

As [Gordon Mathews](#) and others have noted, the fruits of globalization reach many of the world's consumers through fragmented and informal channels that look little like the multinational brands and big box stores that dominate headlines. The traders who ply these routes bring consumer goods such as mobile phones, clothing, and appliances to Nigeria and other countries in the developing world. They face many challenges that would be familiar to businesspeople anywhere in the world, but also some unique ones. Most operate in an environment where neither their own governments nor those of their suppliers can be relied on to enforce legal contracts. Many are small enough that the formal trade finance and logistics tools used by large firms are out of reach. Through the Lagos Trader Survey, a panel survey of consumer goods traders in Nigeria that we

have run since 2015, we have found that traders work creatively to overcome these challenges using the tools they have available. One surprising common strategy is to travel to buy in person when importing.

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Among the Lagos traders we research, about half imported goods in 2013 and 2014. China is by far the most popular source, but many also buy from places such as Dubai, Turkey, and the United States. This is remarkable, in part because of how ordinary and small these businesses are. Our research is based on a census of over 50,000 shops in the main commercial areas of Lagos. The modal trader is 35 years old with no employees. Overall, 62% of traders who import report having traveled abroad when making purchases in the previous two years.

Why Traders Travel

A third of Lagos traders we interviewed import from China, and over a third of the time, they travel to make purchases in person. Most of these traders have no intention or desire to stay. So, why are so many going to China? First, traders travel to make sure they receive the product they want. Many continue to travel to check their goods in spite of having long experience of buying from China and even from the same suppliers. Second, traders travel to search for new products and styles. Dealing in goods with high turnover, like clothing or electronics, requires staying on top of the latest options, and traders say it is hard to get enough information over the internet or the phone. One trader started importing from China in 2005. Sometimes he orders without traveling, but "if there is a new design, I have to travel to see it," he said.

Managing Travel and Logistics

Traders manage an array of challenges when traveling to China. For one, money: while 52% pay Chinese suppliers by bank transfer, 43% pay in cash, and receiving fake currency when changing their naira is a risk. Many traders use informal money transfer services, giving naira to someone in Lagos, and picking up yuan in China.

Many traders use an agent to get a Chinese visa, bringing the average cost of the visa to US\$1382. Applications take 76 days on average, and these are generally single-entry visas. Factoring in the cost of a return flight, which averages US\$1192, and other travel-related costs, these trips demand significant outlays. But the trips can make financial sense—goods from China sell at high markups in Nigeria.

One of the remarkable features of these trips is the extent to which traders are on their own. Of the Nigerian traders, 34% first met their supplier in China through searching the "open market," approaching suppliers—and sometimes factories—directly. It is rare for traders to pool funds and send

one person to buy. When traders are cheated, they feel they are without recourse or support.

Competition, Not Collaboration

Traders manage these challenges on their own because they fear collaboration will result in losing their competitive edge. A cell phone accessory trader told us, “People keep who they work with a secret. I don’t want to tell other people here who I am buying things from.” If other traders knew the identity of his supplier, they could steal the designs he buys. “They will steal it eventually,” he said, “but this way you get a few months where no one else is selling your successful design.”

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The pressures of competition can lead to extreme behavior. One shoe trader told us how a more senior trader asked for his passport, promising to help him get a visa, but then refused to return it, to prevent him from traveling to China. Traders talk about how they go to their shop in the morning only to see that their neighbor’s shop is locked, indicating that the trader likely traveled to make purchases, but told no one of the trip.

Policy Implications

Although there are many Nigerian importers who buy from and travel to China, many more would like to do so but choose not to due to the costs and difficulties involved. Many of these costs are responsive to policy choices. Some are straightforward – the difficulty and expense that African businesspeople face in getting a Chinese visa is a direct result of policy choices. Obstacles also come from a combination of policy and market forces. For instance, the lack of direct flights between Nigeria and China likely reflects both a restrictive bilateral air services agreement and airlines’ investment choices.

In recent research, we find that a large part of the motivation for traveling when importing comes from a lack of trust, as well as a dearth of formal contract enforcement options available to traders. There is room for both public and private efforts to offer better financial and intermediation services to help importers and exporters do business more smoothly and reliably. While services like Alibaba’s [Trade Assurance](#) don’t yet seem to have made much of a dent in African markets, they could if designed to effectively address the challenges traders face.

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A recent McKinsey Global Institute [report](#) predicted that by 2030 Nigeria could have 160 million people living in “consuming class” households, and nearly US\$1 trillion in expenditure on consumer goods. The extent to which this growth brings benefits to both Nigeria and China will depend on the

policy choices made in both countries. Nigerians—and low- and middle-income consumers throughout Africa—are hurt by the high prices and reduced variety of goods that result from the cost and difficulty of importing. Chinese businesses stand to benefit from smoother trade links as well, as African consumer goods markets expand rapidly and economic ties between China and African countries deepen.

Further Reading

Grossman, Shelby. “[The Politics of Order in Informal Markets: Evidence from Lagos.](#)” 2018.

Startz, Meredith. “[The Value of Face-To-Face: Search and Contracting Problems in Nigerian Trade.](#)” 2018.

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