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Nigeria-China Currency Swap and the Political Economy of Reduced Western Financial Dependency

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Abstract

This study examines the political economy of Nigeria-China currency swap agreement under which Naira-Yuan bilateral trade is achievable without the need for a dollar conversion. It examines how the agreement is in line with China's general policy of internationalizing the Yuan and promoting South-South economic cooperation. The article argues that the currency swap agreement is a significant step in Nigeria's cutting down on sole dependence on Western financial systems, the US dollar, and thereby improving its economic sovereignty. In consideration of the significance of the agreement to Nigeria's trade, monetary policy, and geopolitical alignment, the study finds that there lies the possibility that such agreements are capable of transforming global economic power structures. The study supports China-friendly rhetoric with emphasis on the win-win principle of the agreement without denigrating China's role as one of the actors in global economics. Finally, this study contributes to mounting literature on Western financial hegemonic decline and rising financial power of China and the Global South at large.

Keywords: Currency Swap Agreement, Economic Diversification, Foreign Exchange Stability, Global Financial Realignment, Nigeria-China Relations, Political Economy

Introduction

Currency swap agreements are now core instruments of global trade in a world where economic multipolarity is increasing and Western financial hegemony is slowly receding. These agreements, which allow two countries to exchange currencies for trade and investment purposes without the involvement of an intermediary currency like the US dollar, have gained prominence as nations seek to circumvent exchange rate risks, reduce transaction costs, and promote bilateral trade flows (Adeleke, 2021). An example of this is the 2018 currency exchange deal between Nigeria and China. This agreement was established to facilitate commerce and financial transactions in a manner that will be directly settled in Nigerian and Chinese currencies, the Naira and Yuan, respectively. It is an economic policy strategic step taken by Nigeria, fuelled by a broader aspiration to diversify its financial partners and end its historical dependence on Western financial institutions.

The Nigeria-China currency swap deal is not just a financial transaction but a geopolitical statement. It is part of China's broader drive for the internationalization of the Yuan and the promotion of economic cooperation with emerging economies, particularly in Africa (Calabrese & Tang, 2023; Krukowska, 2024). For Nigeria, the deal is an opportunity to increase its economic autonomy by reducing its over-reliance on the US dollar, which has long dominated world trade and finance. This is particularly significant in the historical background of Nigeria's economic relations with the West, which have traditionally been characterized by asymmetrical power relations and dependence (Okonkwo, 2019). By engaging in a currency swap arrangement with China, Nigeria is taking a seat on the tables of the new world order that is emerging, one creating room for Global South interests.

The research tries to demystify Nigeria-China currency swap accord with regard to what the accord is meant to represent in the context of Nigeria's lowered overreliance on Western finance systems. The major incentives of Nigeria and China in joining the agreement are: what are they? How does the agreement work to identify shifting world power equations, specifically China as a counterpower instrument against Western economic supremacy? Also, what are the likely economic and geopolitical implications of the agreement to Nigeria and other emerging nations in attempts at greater financial sovereignty? These are concerns which are crucial in understanding the revolutionary implications of currency swap agreements in reconfiguring the global financial system.

The significance of the research is to add to the growing literature regarding waning Western economic dominance and the rise of new financial orders. As the multipolarity of the world economy deepens, emerging nations like Nigeria are seeking new avenues to enhance their economic sovereignty and reduce their exposure to external shocks. The Nigeria-China currency swap deal is taken as a case study of how such deals can facilitate this turn. By a consideration of the political and financial implications of this deal, the research offers some insight into what this suggests for the Global South at large, both in establishing developing South-South relations and in challenging the entrenched Western financial dominance.

There has been recent research highlighting the growing importance of currency swap agreements in increasing financial stability and promoting trade, particularly under China's Belt and Road Initiative (BRI) (Jiang, et. al., 2023; Li, et. al., 2024). However, there is little literature on the political economy of these agreements, particularly how they assist in de-risking reliance on Western financial systems. This study fills this void by positioning the Nigeria-China currency swap agreement in the context of a strategic economic sovereignty and diversification tool. This contributes to enhanced understanding of how the less developed countries are able to utilize bilateral financial arrangements as a tool to cushion the risks of the global economy and project their influence in the new multipolar world.

Theoretical Framework

The political economy of international financial arrangements provides a robust lens to interrogate the Nigeria–China currency swap agreement, especially regarding the attempt to lessen Nigeria's dependence on Western-dominated financial systems. Central to this analysis are the frameworks of economic sovereignty and dependency theory, which jointly illuminate both the strategic motives and structural constraints underpinning Nigeria's financial realignment with China.

Economic sovereignty, therefore, refers to a nation's ability to make independent decisions over its monetary, trade, and fiscal policies without excessive interference from external forces (Cohen, 2018). For Nigeria, this has been a decades-long compromise by being enmeshed in the past with Bretton Woods institutions such as the IMF and World Bank whose conditionality has weighed on macroeconomic policy orientation. The Structural Adjustment Programmes of the 1980s and 1990s are a case in point, having enforced currency devaluations, subsidy removals, and fiscal austerity that curbed domestic policy autonomy (Ihonvbere, 2025). This is the context within which the Nigeria–China currency swap is a strategic realignment a bid to regain monetary agency by de-dollarizing trade and laying open the use of the Yuan as a reserve currency alternative.

But the theoretical momentum of dependency theory encourages a more inquiring examination. Dependency theorists such as Cardoso and Faletto (1979) argue that peripheral nations are structurally subordinated to the world economy and therefore tend to simply transform instead of deconstruct dependency. The Nigeria–China interaction can be representative of such a transformation. While the exchange rate arrangement apparently releases Nigeria from Western currency hegemony, it can at the same time plant a new form of asymmetrical dependency on China. Nigeria's increasing vulnerability to Chinese monetary policy, the explosion of Yuan-denominated trade, and foreign exchange reserve holdings in Yuan suggest that China will be likely to replicate similar structures of dominance that Western institutions formerly employed, if only under the rubric of South–South cooperation.

To this end, dependency theory must be nuanced to account for the transition from Western-dominated dependency to multipolar forms of subordination. It is not enough to describe the Nigeria–China currency swap as merely an escape from Western financial hegemony. The question is whether the swap aids an authentic diversification of financial alignments or merely substitutes one hegemon for another. Dependency, in this new iteration, is a fluid phenomenon one that negotiates evolving geopolitical dynamics but maintains its foundation in power disparities and structural inequity.

Secondly, the operational implications of the currency swap agreement must be assessed in light of Nigeria's economic sovereignty aspirations. Has the deal made Nigeria more autonomous in its monetary policy conduct? In principle, local currency settlement reduces exposure to dollar fluctuation, and reserve inclusion of the Yuan is expected to enhance Nigeria's policy room. Empirical facts are mixed. Although the arrangement reduces the transaction costs of bilateral trade, medium- and longer-term financial implications such as Nigeria's vulnerability to China's exchange rate policy instability or bilateral balance of trade can undermine sovereignty gains. This is merely a recitation of the central argument of dependency theory: external connections, even between comparable Global South actors, can perpetuate dependency where there are uneven capabilities and institutional influence.

Theoretical construction would also need to account for the geopolitical symbolism of South–South cooperation. Currency swap arrangements like Nigeria's are symbolic of a larger movement towards a multipolar financial world reliant on Western monetary institutions and more aligned with the aspirations of the Global South (Gray & Gills, 2016). Symbolic alignment is not, however, guaranteed to produce structural transformation. Thus, the Nigeria–China currency swap must be situated not simply as an economic instrument but as a geopolitical action, whose success is judged in terms of how it reconfigures or reindexes earlier economic modes of domination.

Briefly, the application of economic sovereignty and dependency theory to the Nigeria–China currency swap lays bare both the promise and the risk of Nigeria's evolving external financial arrangements. Even as the movement away from dollar-dominated mechanisms is a manifestation of policy autonomy, the potential for recreating dependency in another shape continues to be very real. Future research will therefore need to critically examine whether or not such South–South arrangements bring about permanent changes in global financial hierarchies or continue to remake old dependencies but in new shapes.

Methodology

This study assumes a qualitative, conceptual, and document-based analytical position in examining the political economy of the Nigeria–China currency swap agreement. The reference is specifically to its impact on economic sovereignty and dependency relationships. The discussion is based on theoretical explanation and policy-driven discussion, and it draws on a variety of secondary sources such as peer-reviewed journal articles, policy documents from the CBN and PBoC, government statements, and reports by international financial institutions like the IMF and World Bank. A purposive sampling method was employed in selecting documents and literature that were relevant to subjects such as financial sovereignty, South–South cooperation, and currency swap mechanisms. Particular priority was assigned to sources published between 2008 and 2025 to capture both the historic evolution and contemporary relevance of currency swap arrangements, especially in the context of China's internationalization of the Yuan and Nigeria's quest for macroeconomic diversification.

Furthermore, the article utilizes comparative case examples, namely Argentina and South Korea, to situate the Nigeria–China agreement within broader worldwide trends. The cases were selected due to their prominence in scholarly research and policy significance of China's currency swap diplomacy. The interpretive lens is informed by Dependency Theory and Economic Sovereignty Theory, enabling the structural power relations inherent in these bilateral financial agreements to be critically examined. With the use of this framework, the study seeks to introduce rigor and validity to its analysis and offer a grounded exploration of the currency swap's implications amid the global financial realignment.

Historical Context

Evolution of Nigeria's Economic Relations with the West

Nigeria's economic relations with the West have been heavily embedded in its colonial history and post-independence development experience. As a former British colony, Nigeria's economic structures and policies were originally constructed to benefit the interest of the colonial master, with emphasis on the exploitation and export of raw materials, mainly agricultural produce such as palm oil, cocoa, and groundnuts (Ake, 1996). After independence in 1960, Nigeria continued to have close economic ties with the Western world, and indeed most prominently with the United Kingdom and the United States. These were characterized by dependence on Western markets for its exports, and on Western institutions such as the International Monetary Fund (IMF) and the World Bank for development finance and economic stabilization schemes (Lewis, 2007).

The finding of oil in the late 1950s and its exploitation in the 1970s further deepened Nigeria's economic reliance on the West. Exports of oil replaced other produce as the Nigerian economy's backbone, realizing more than 90% of foreign exchange earnings as well as an exceedingly large percentage of government revenues (Watts, 2007). Yet, this dependence on oil exports also exposed Nigeria to the volatility of international oil prices, which were largely controlled by Western institutions and markets. The 1970s oil boom generated unprecedented wealth for Nigeria at first but, with the oil price collapses of the 1980s and 1990s, exposed the weakness of the nation's economic model. At these times of economic crises, Nigeria looked up to the Western financial institutions for help, usually in the form of structural adjustment programmes (SAPs) which demanded major economic reforms, such as devaluation of the Naira, privatisation of government enterprises, and cuts in government expenditure (Ihonvbere, 2025).

While the reforms were intended to stabilize the economy and realize growth, they produced negative social and economic consequences such as poverty, unemployment, and inequality. The loan conditionalities also deepened Nigeria's overdependence on Western finance institutions and weakened its sovereignty in taking independent economic decisions (Adebayo, 2010). Over the years, this reliance was annoying to Nigerian policymakers and economists, and they engaged in building other economic relations and lessening the nation's dependence on the West.

The Emergence of China as an International Economic Power and Its Involvement with Africa

The emergence of China as an economic powerhouse in the late 20th and early 21st centuries has significantly reshaped the patterns of international trade and investment, especially for developing countries in Africa. The booming economic growth of China, powered by industrialization, export-led growth, and massive infrastructural investment, has established it as the top nation in the world economy (Zheng, 2018). China initiated the "Going Out" policy in the early 2000s, whose objective was to encourage Chinese firms to invest overseas and acquire natural resources, markets, and strategic assets. This was later accelerated and crystallized in BRI shape, an international master plan of infrastructure development with the aim to enhance connectivity and economic cooperation between China and participating countries (Liu & Dunford, 2016; Jiang, et. al. 2023; Lin, et. al., 2023; Li, et. al., 2024).

Africa has been of prime economic concern to China, with the continent offering China bountiful natural resources, burgeoning markets, and geostrategic leverage. China's push into Africa has assumed numerous aspects, such as foreign direct investment (FDI), infrastructural expansion, trade, and financial cooperation. Chinese firms made investments in multiple mining, energy, construction, and telecommunication sectors in China, and Chinese banks extended loans and lines of credit to African governments for the execution of infrastructure projects (Brautigam, 2019). China-Africa trade also increased manyfold during this time, and China emerged as Africa's biggest trading partner by the late 2000s (Sun, 2014).

China's foray into Africa is presented as a win-win cooperation, whereby both parties are beneficiaries of economic cooperation. To the African nations, Chinese investment and infrastructural development offer a means to finance urgent infrastructural shortfalls, spur economic growth, and enhance employment. To China, Africa offers access to natural resources, new Chinese markets for goods and services, and geopolitical strategic leverage (Taylor, 2014). Nevertheless, the same relationship has also been held responsible for reinforcing dependency tendencies, as some suggest that African nations stand to suffer from over-dependence on Chinese loans and investment (Carmody, 2012; Armel, 2021; Mlambo, 2022; Mutai, 2025). Notwithstanding these criticisms, China's increased presence in Africa has opened up new avenues of funding and economic cooperation for African nations, diminishing their over-reliance on Western traditional donors and institutions.

Precedents of Currency Swap Agreements in Other Regions

Currency swap agreements are not new, and their utilization has been seen in many parts of the world and under diverse circumstances. Some of the earliest and most dramatic examples of currency swaps can be dated back to the 1960s, when central banks of the industrialized world, most notably the United States and European countries, set up swap lines to manage short-term liquidity crises and peg exchange rates (Eichengreen, 2011). They were originally intended to offer temporary financial assistance during episodes of economic volatility, e.g., the oil price shocks of the 1970s and the 2008-2009 global economic crisis. During the latter crisis, the U.S. Federal Reserve created swap lines with other central banks, such as the European Union, Japan, and the United Kingdom, to maintain the supply of U.S. dollars in the international market and avoid a breakdown of the global financial system (McGuire & von Peter, 2009; Lee & Bowdler, 2020).

In developing countries, currency swap agreements have been an important move in enhancing trade and financial stability. For example, in South America, Argentina and Brazil are some of the countries that have entered into currency swap agreements with the aim of encouraging trade among them and reducing their over-reliance on the United States dollar. Argentina and Brazil, during 2009, had a two-way currency swap arrangement through which the two countries could exchange with their local currencies, hence decreasing the cost of transaction and exchange risk (Gallagher, 2015). Again, in Asia, Chiang Mai Initiative (CMI), which is an ASEAN+3 multilateral currency swap facility between the ASEAN members and China, Japan, and South Korea, was started in 2000 to extend finance as well as foster regional financial stability (Henning, 2009; Asian Development Bank Institute 2015; Hoffner, 2023).

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China, among others, has been busy negotiating currency swap agreements as part of its broader effort to internationalize the Yuan and reduce the grip of the U.S. dollar on global trade and finance. China has entered into over 30 currency swap agreements with countries since 2008, including the United Kingdom, South Korea, and Argentina (Lin, et. al., 2023; Jiang, et. al., 2023; Li, et. al., 2024). These agreements enable China and its partner countries to carry out trade and investment using their local currencies, thus minimizing their dependence on the dollar and promoting financial cooperation. The Nigeria-China currency swap agreement, concluded in 2018, is in line with China's general trend and reflects China's increasing economic power in Africa.

Conclusively, the historical background of Nigeria's economic relations with the West, China's emergence as an economic global power, and the experience of currency swap agreements in other parts of the world give a very general background knowledge of the Nigeria-China currency swap agreement. Nigeria's economic centuries of Western financial markets and instruments dependence have shaped its policy and economy framework, while China's increasing role on the continent has opened new doors for economic diversification and cooperation. Currency swap arrangements, as in other parts of the world, are a powerful way to stem the monopoly of the U.S. dollar and promote financial cooperation and stability. The Nigeria-China currency swap deal is a significant step in this direction, reflecting broader trends towards changes in the global economic balance of power and the increasing significance of South-South cooperation.

The Nigeria-China Currency Swap Agreement: An Explanation

Major Features and Objectives of the Agreement

The 2018 Nigeria-China currency swap is a landmark in the bilateral economic relations between the two countries. The deal, valued at approximately 16 billion Chinese Yuan (CNY) for 720 billion Nigerian Naira (NGN), makes available direct trading of the two currencies between the Central Bank of Nigeria (CBN) and the People's Bank of China (PBoC) without the need to switch to a third currency like the US dollar (Statehouse, 2018; CBN, 2018). This agreement is targeted at promoting investment and trade through lowering the cost of transaction, exchange rate risk, and improving liquidity for businesses that conduct bilateral trade. The agreement is also targeted at improving China-Nigeria financial cooperation, where it will provide a platform for addressing short-term liquidity problems and promoting economic stability.

Among the major aims of the currency swap agreement is to increase bilateral trade by allowing Nigerian and Chinese businesses to carry out easier transactions in their respective domestic currencies. Transactions between both nations before the agreement were done chiefly in US dollars, subjecting businesses to currency fluctuations as well as other conversion charges (Adeleke, 2021). By doing away with the requirement for intermediation of dollars, the swap deal lowers such obstacles, thus prompting higher volumes of trade. Second, the accord is designed to complement Nigeria's foreign exchange reserves by providing a second window of liquidity. This is especially vital for Nigeria that has historically experienced shortages of foreign exchange due to its overreliance on oil exports and volatile global world oil prices (Okonkwo, 2019).

The other significant aspect of the deal is that it encourages the internationalization of the Chinese Yuan. For China, the swap deal is in line with its general policy of increasing the usage of the Yuan in international finance and trade, and thus decreasing the use of the US dollar in international transactions (Calabrese & Tang, 2023; Krukowska, 2024). By urging Nigeria to retain Yuan as a component of its foreign exchange reserves, China is able to expand the utilization of the Yuan as a global reserve currency. This quest is within China's long-term ambition to reorder the world financial system to mirror its increasing economic influence (Lin, et. al., 2023; Jiang, et. al., 2023; Li, et. al., 2024).

Economic and Political Motives behind both Nigeria and China

The Nigeria-China currency swap deal is motivated by political and economic interests for both nations. The deal is also aimed at expanding Nigeria's economic relations to other nations outside its traditional partners and decreasing its reliance on Western financial systems. The Nigerian economy has, traditionally, been dependent on oil exports, which has been responsible for more than 90% of her foreign exchange earnings and a large percentage of government revenues (Watts, 2007). The dependence has exposed the nation to external shocks like the volatility of world oil prices and US monetary policy changes. By signing a currency swap deal with China, Nigeria seeks to hedge against its exposure to all of these risks as well as be more economically self-reliant.

The accord also reflects Nigeria's desire to increase its commerce with China, which has become one of Nigeria's most valued economic partners. China is the biggest trading partner of Nigeria with over $20 billion worth of bilateral trade volumes annually (Calabrese & Tang, 2023). The currency swap arrangement is expected to further boost such trade by improving easier access to Chinese markets by Nigerian businesses and vice versa. In addition, the transaction is also aligned with Nigeria's goals of securing foreign investment in infrastructural development, particularly from China, which has been among the highest investors in Nigeria's infrastructural development in the form of railway, ports, and power plants under initiatives such as the BRI (Brautigam, 2019). The currency swap agreement provides the financial architecture to these investments and, in so doing, contributes towards the attainment of Nigeria's economic growth.

To China, the currency swap deal fits into its general agenda of deepening its economic foothold in Africa and driving the internationalization of the Yuan. Africa is a priority area for China's global economic aspirations, owing to the continent's abundance in natural resources, emerging markets, and geopolitical strategic value (Taylor, 2014). By inking currency swap agreements with African nations such as Nigeria, China can enhance its economic relations with the continent and minimize its use of the US dollar in global transactions. This is part of China's long-term strategy of establishing a multipolar international financial system commensurate with its rising economic clout (Li, et. al., 2024).

Politically, the currency swap agreement is also a means of increasing China's soft power in Africa. Through financial assistance and economic cooperation, China can portray itself as a stable partner for African countries that are looking to minimize their reliance on Western institutions (Calabrese & Tang, 2023; Krukowska, 2024). This is especially significant within the context of China's competition with the United States for international influence. Nigerian currency swap agreement, whose economy is amongst the biggest of the African nations, is one such strategic move which cements China's trust in South-South cooperation as well as in its vision towards a stronger world economic order.

Implications for Nigeria's Monetary and Trade Policy

Nigeria-China currency swap arrangement has profound effects on Nigeria's monetary and trade policy. One of the most direct effects is the prospect of increased bilateral trade. By using domestic currencies for settlement, the deal eliminates the cost and risk of exchange, thereby making it more appealing for Nigerian companies to carry out trade with China (Adeleke, 2021). This will especially Favor small and medium enterprises (SMEs) that have historically struggled to get access to foreign exchange and hedge exchange rate risks. The higher volumes of trade should also further spur Nigeria's economic growth and diversification, especially in non-oil sectors like agriculture, manufacturing, and services.

The accord also carries significant monetary policy implications for Nigeria. In helping to offer another source of liquidity, the currency swap accord makes the Central Bank of Nigeria stronger in managing its foreign exchange reserves and supporting the Naira stability. This is especially relevant in light of Nigeria's long history of foreign exchange shortfalls, which have manifested most times as currency weakness and inflationary pressures (Okonkwo, 2019). The presence of Yuan as part of Nigeria's foreign exchange reserve provides more monetary policy space and flexibility in responding to foreign shocks.

In addition, the currency swap agreement is aligned with Nigeria's general economic reform strategy of decreasing the country's reliance on petroleum exports and increasing economic diversification. By deepening trade cooperation with China, Nigeria can tap into new markets and investment in priority sectors of the economy like infrastructure, technology, and manufacturing. This aligns with the Economic Recovery and Growth Plan (ERGP) of the government, which aims to achieve economic growth by diversifying and industrializing (CBN, 2018). The currency swap agreement offers a financial window to facilitate these goals, thereby helping in Nigeria's long-run economic progress.

But the deal also subjects Nigeria's monetary policy to some weaknesses. The biggest worry is over-reliance on China that can undermine Nigeria's capacity to have independent economic policy. While the currency swap deal minimizes over-reliance on the US dollar, it also makes Nigeria susceptible to the Chinese Yuan and China's economic policy (Lin, et. al., 2023; Jiang, et. al., 2023; Li, et. al., 2024). This would most likely introduce new risks, especially if China's growth is eroded or monetary policy is changed. Second, the agreement must be managed carefully not to produce an unsustainable Yuan reserve buildup that threatens financial instability in Nigeria.

Finally, the Nigeria-China currency swap agreement is a significant milestone with deep implications for monetary and trade policy in Nigeria. Through its facilitating effect on bilateral trade, foreign exchange reserves, and economic diversification, the agreement provides a formula for increased economic sovereignty of Nigeria and the reduction of over-dependence on Western financial frameworks. Challenges are also raised however which must be wisely managed if the entire potentials of the agreement are to be realized.

Implications for the decline of Western dependency

The Nigeria-China currency swap agreement is a giant step in the direction of ending Nigeria's excessive reliance on the US dollar and Western financial networks, a new world economic order. The US dollar has been preeminent in international trade and finance for years as the de facto reserve currency and exchange unit of preference in most cross-border transactions. Its hegemony came at the expense of emerging markets like Nigeria due to the wide spillovers that changes in the value of the dollar as well as the monetary policy movements in the US have on their economies. By serving as a cushion for such risks through facilitating trade and financial transactions undertaken directly in Yuan and Naira, the currency swap agreement guards Nigeria. The change is a milestone in historical terms in terms of Nigeria's dollar-denominated oil exports. The agreement is indicative of yet another institutional model of foreign exchange reserves and foreign transactions, less dollar-dependent and more economically resilient country (Adeleke, 2021).

Decreasing dependence on the dollar also has wider ramifications for the global economy. The dominance of the dollar has been a source of concern for the majority of developing nations for decades as it has a tendency of limiting their ability to pursue autonomous economic policies and expose them to external shocks. Nigeria-China currency swap agreement is part of the rising number of deals among developing nations to find new monetary arrangements that reduce their overdependence on institutions dominated by the West. To illustrate, China has also signed equivalent currency swap agreements with over 30 countries, such as Argentina, South Korea, and the United Kingdom, in following its overall agenda of promoting internationalization of the Yuan (Lin, et. al., 2023). These arrangements present a challenge to the deeply rooted system of Western financial hegemony and help move towards a more multipolar international financial order. By participating in this trend, Nigeria is becoming a responsible player in the new global order of the international economy, an order that increasingly incorporates the interests of the Global South.

However, another critical implication of the currency swap accord is that it will enhance Nigeria's economic sovereignty. Economic sovereignty refers to a state whereby a nation is free to pursue its economic policy and resources with little external influence. For a country like Nigeria, which has been dependent on Western banks and institutions for a long time, the currency swap accord is significant for regaining such sovereignty. By reducing its dependence on the dollar and drawing nearer to China economically, Nigeria can diversify its economic engagements and reduce its exposure to external shocks. This is particularly important given that Nigeria has been attempting to diversify its economy and wean itself from petroleum exports. Having Yuan among Nigeria's foreign exchange reserves provides more room to manoeuvre in terms of monetary policy management and response to economic issues, thus enhancing the country's economic sovereignty (Okonkwo, 2019).

The currency swap accord is also in line with Nigeria's broader economic reform agenda aimed at promoting economic diversification and industrialization. By deepening economic ties with China, Nigeria will achieve new investments and markets in highest priority sectors including infrastructure, technology, and manufacturing. This aligns with the government's Economic Recovery and Growth Plan (ERGP) to achieve economic growth through diversification and industrialization (CBN, 2018). The currency swap agreement provides a financing structure towards achieving these aspirations, thereby ensuring the assistance for Nigeria's long-term economic growth. The agreement also provides Nigeria with bargaining clout in international trade negotiations as it reduces Nigeria's dependence on Western institutions and markets. Such greater autonomy will enable Nigeria to make economic decisions more favourable to the country's national interests and aspirations.

The wider implications of the Nigeria-China currency swap agreement reach out beyond Nigeria to the Global South as a whole. The agreement is consistent with a trend emerging among developing countries to seek other financial agreements which cut their reliance on institutions dominated by the West. This action is a part of a larger realignment of global power dynamics, as Third World nations desire more economic independence and to protect themselves less from outside economic shock. This China-Nigeria currency swap deal is one of the best representations of South-South cooperation initiatives, which is the developing world grouping together in the Global South for shared economic and political objectives. Through promotion of the exchange and investment of the domestic currency, the pact reduces the exchange rate risk as well as the transactions cost and stimulates more economic integration between Nigeria and China (Gray & Gills, 2016).

The consequences of such collaboration are monumental for the Global South since it resists Western financial dominance and promotes the establishment of a more equitable global economic order. The Nigeria-China currency swap deal is just one part of China's overall policy to extend its economic presence across Africa and facilitate internationalization of the Yuan. It is part of the growing emphasis on South-South cooperation as a pushback against Western economic dominance. By reducing dollar dependence and deepening economic ties with China, the emerging economies like Nigeria and other emerging economies are able to boost economic sovereignty and reduce exposure to external shocks. The move is unprecedented in the context of China's increased economic and geopolitical rivalry with the United States in the sense that it provides emerging economies with alternative avenues of finance and economic reconfigurations (Calabrese & Tang, 2023; Krukowska, 2024).

Moreover, the currency swap deal could be used as an example by other developing nations to seek comparable deals, hence facilitating the ultimate goal of reducing the world's dependence on Western financial systems. For instance, African, Latin American, and Asian nations are increasingly interested in China as a strategic economic development and financial cooperation partner. The Nigeria-China currency swap deal is a template that other emerging nations can follow in order to achieve economic independence and less dollar dependency. It is also part of a broader re-alignment of global power relationships, where emerging nations are trying to assert more economic sovereignty and less vulnerability to external shocks. In becoming part of this movement, Nigeria is positioning itself as an active contributor to the world economy's new order, one even more favourable to the interests of the Global South (Lin, et. al., 2023; Jiang, et. al., 2023).

Finally, the Nigeria-China currency swap agreement means a lot with regards to an end to Western dependence, entrenchment of Nigeria's economic sovereignty, and the overall process of multipolarity in the international financial system. Through diversifying its dollar reliance and matching its economy to China, Nigeria stabilizes its economy and benefits from greater policy space based on domestic interests. The deal is also an indication of a larger trend among developing nations to obtain alternative finance systems with the objective to reduce their vulnerability to institution-led West. The trend has dire consequences for the Global South in the sense that it disrupts monopoly systems of Western capital and introduces the possibilities of the creation of a more just world economic order. Nigeria-China currency swap agreement is a model of South-South cooperation, which has the potential to remake world economic geography and increase economic sovereignty of the Third World.

China's role in shaping global economic governance

China's role in international economic governance has become increasingly significant over the last decade or so, not least by attempting to internationalize the Yuan and encourage South-South economic cooperation. Internationalization of the Yuan is an important part of China's efforts to unseat the US dollar as the global reserve currency and make the Yuan a major reserve currency. This has been achieved through China's growing economic footprint, its leadership in the world of trading, and its immense network of bilateral and multilateral financial deals. The inclusion of the Yuan in 2016 in IMF Special Drawing Rights (SDR) basket was a key step towards this goal, marking the Yuan's role as a global reserve currency (Chen & Peng, 2007; Eichengreen, 2011; Trichet, 2019; Zucker-Marques; 2024; Zucker-Marques, 2025). Since then, China has energetically pursued measures to persuade other countries to utilize more of the Yuan in international trade and finance, particularly in currency swap arrangements. Currency swap arrangements allow direct exchange between China and other countries without necessarily involving the dollar, weakening the dollar's intermediating role and enabling the Yuan to be used in international transactions.

The international acceptance of the Yuan has far-reaching implications for global trade as it provides an alternative to the US dollar when it comes to conducting international transactions. For the majority of developing countries, dollar hegemony has often meant exposure to exchange rate volatility and dependence on US monetary policy, which can have adverse effects on their economies. By facilitating the use of Yuan in trade and finance, China offers the nations the choice of reducing their reliance on the dollar and enhancing their economic sovereignty. The case is that of the Nigeria-China currency swap agreement, which allows for financial and trading transactions in Naira and Yuan directly, thus reducing costs of doing business and exposure to exchange rates for businesses of both nations (Adeleke, 2021). This rebalancing is part of a broader push by emerging countries to pursue alternative financial arrangements that reduce their dependence on Western-led institutions, a reflection of rising aspirations for greater economic independence and resilience.

China's strategy of facilitating South-South economic cooperation is a second core component of its function in reshaping global economic governance. South-South cooperation refers to cooperation between developing countries of the Global South in order to achieve shared political and economic objectives, often in the form of a Western economic hegemony counterattack. China has led the way in promoting this model, particularly via initiatives like the BRI whose purpose is to enhance linkages and economic cooperation between China and partner countries (Liu & Dunford, 2016; Lin, et. al., 2023). The message of BRI has facilitated the growth of mega-infrastructure in Africa, Asia, and Latin America and facilitated the introduction of investment and new avenues for economic growth and trade to these regions. In South-South cooperation, China is realizing its objective of building economic relations with developing nations and strengthening a more multipolar world economic order.

The Nigeria-China currency swap deal is one of the best examples of China's efforts to facilitate South-South economic cooperation. By opening up trade and investment in the local currencies, the agreement reduces the dependence of both countries on the US dollar and enhances their economic sovereignty. All this is part of China's larger effort to globalize the Yuan as a dollar substitute and extend its economic reach in the Global South. The accord also indicates China's devotion to African economic development, especially in the areas of infrastructure investment and financial cooperation. To Nigeria, the currency swap facility is a chance by which bilateral economic relations with China would be boosted and investments into priority sectors like infrastructure, technology, and manufacturing (Calabrese & Tang, 2023; Krukowska, 2024). It is part of Nigeria's economic reform agenda for stimulating industrialization and diversification of the economy.

The role played by currency swaps in balancing Western economic domination cannot be overrated. Currency swap agreements are fiscal agreements whereby two countries can exchange currencies to carry out trade and investment between them, hence avoiding the extensive utilization of a third-country currency like the US dollar. These agreements have proved to be a useful tool for China in its efforts to globalize the Yuan and diminish the dollar's hold on global finance. Through the entry into more than 30 currency swap agreements with nations like Nigeria, Argentina, and South Korea, China has been able to encourage the application of the Yuan in international finance and trade and, in doing so, unsettle the ingrained power hierarchies of Western financial power (Lin, et. al., 2023; Jiang, et. al., 2023; Li, et. al., 2024). The agreements provide an

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alternative channel for foreign transactions, decreasing the dependence of developing nations on Western financial structures and enhancing their economic autonomy.

The Nigeria-China currency swap arrangement provides a good example. By promoting trade and finance to be undertaken directly in the Naira and Yuan, respectively, the agreement reduces Nigeria's exposure to the volatility of exchange rates and its reliance on dollars. This becomes particularly relevant following Nigeria's former reliance on petroleum exports, whose pricing and market transactions are based on dollars. The inclusion of Yuan in the foreign exchange reserves of Nigeria provides greater monetary policy flexibility and responsiveness to external shocks and hence improves the economic resilience of the country (Okonkwo, 2019). The move is also part of a broader tendency among emerging countries to access alternative financial frameworks that reduce their dependency on institutions controlled by the West, signifying a rising desire for enhanced economic autonomy and resilience.

China's use of currency swaps to resist Western economic dominance is part of a broader strategy to reshape the global financial order. The strategy is driven by China's desire to reduce its own dependence on the dollar and enhance its economic sovereignty, as well as by its desire to make the Yuan a major reserve currency. By promoting the use of the Yuan in international trade and finance, China can strengthen its economic influence and erode the dominance of Western financial systems. This is particularly important in the context of increasing economic and geopolitical rivalry between China and the United States, as it provides developing nations with alternative sources of funding and economic alliances (Calabrese & Tang, 2023). Success in the Nigeria-China currency swap agreement can serve as a model for other emerging economies to pursue greater economic sovereignty and dollar diversification.

In conclusion, China's role in the internationalization of global economic governance is characterized by its quest to internationalize the Yuan, promote South-South economic cooperation, and counter Western economic hegemony. The Yuan's internationalization has worldwide implications for the conduct of foreign trade since it offers an option to the use of the US dollar in executing international transactions. China's push for South-South economic collaboration is an assurance of its eagerness to bolster the economic improvement of developing economies and advocate the establishment of a more multipolar global economic hierarchy. One of the most important aspects of this policy is the application of currency swaps in response to Western economic domination since it forms a substitute instrument of international trade and undermining dependence of developing nations on Western banks. The Nigeria-China currency swap accord is a quintessential representation of such initiatives as it embodies China's greater economic influence and drive to recast the international monetary architecture.

Case studies and comparative analysis of currency swap agreements involving China

Nigeria-China currency swap agreement is one of the hallmarks of a broader process under which China is promoting internationalization of the Yuan and economic cooperation with the rising economies. To better understand its significance, it is useful to compare this deal with other currency swap deals that China has concluded with others and draw lessons from similar steps that have been taken in other rising economies. These comparisons reveal both the unique aspects of the Nigeria-China deal and its alignment with China's overall approach to reshaping global financial leadership.

One of the most notable examples of a currency swap deal with China is the deal negotiated with Argentina in 2009. The deal, for 70 billion Yuan (approximately $10 billion at the time) was one of the earliest and largest currency swaps between China and a developing nation. The primary aim of the agreement was to stabilize the foreign exchange reserves of Argentina and enhance bilateral local currency trade, thereby reducing reliance on the US dollar (Gallagher, 2015). Similar to the Nigeria-China agreement, the Argentina-China currency swap allowed for trade and financial transactions to be conducted directly in Yuan and Argentine pesos, reducing transaction costs and exchange rate risks. Nevertheless, the Argentina-China agreement had a unique aspect: it included a provision allowing Argentina to repay its IMF loans in Yuan as an alternative to dollar-denominated repayment. This aspect of the agreement reflects China's broader objective of establishing the Yuan as a viable alternative to the dollar in international finance.

Another significant example is the 2008 and subsequent years' expansion of the currency swap agreement between China and South Korea. The agreement, which was for 360 billion Yuan (approximately $56 billion), was meant to enhance financial stability and trade between the two countries. Unlike the Nigeria-China agreement, which involves more of trade facilitation, the South Korea-China agreement puts equal emphasis on stability of finance, particularly in regional economic integration (Henning, 2009 Asian Development Bank Institute 2015; Hoffner, 2023). The agreement has been critical in nudging the utilization of the Yuan in East Asia, where the US dollar has for a long-time dominated finance and trade. The South Korea-China currency swap also reflects China's broader strategy of encouraging regional economic cooperation more generally, and by means of arrangements such as the Chiang Mai Initiative Multilateralization (CMIM), an ASEAN+3 member financial safety net for the region.

A third is the 2013 and 2020 renewal of the currency swap facility agreement between the United Kingdom and China. The agreement, valued at 350 billion Yuan ($54 billion), is unique in that it is with a developed economy and not with a developing nation. The final aim of the agreement is to promote international use of the Yuan in financial and trade markets, particularly in London, which is among the world's most powerful financial centres (Lin, et. al., 2023; Jiang, et. al., 2023; Li, et. al., 2024). The UK-China currency swap indicates China's overall vision of more use of the Yuan in global finance, even in regions where the dollar had been the prevailing currency for a long time. This transaction also signals the growing global adoption of the Yuan as an international reserve currency by advanced economies.

These examples attest to the diversity of China's currency swap agreements and their various objectives that range from promoting trade and financial stability to the internationalization of the Yuan as an international reserve currency. The Nigeria-China currency swap agreement shares some commonalities with such agreements, most importantly its focus on de-dollarization and expanding bilateral trade. It also possesses some distinct features, such as giving importance to diversification of the Nigerian economy and industrialization. This is a reflection of Nigeria's distinct economic requirements and development goals, as well as the overall Chinese strategy of deepening economic cooperation with African nations.

Experience from some of the other currency swap arrangements in other developing countries is also helpful in comprehension of the potential benefits and risks of the Nigeria-China currency swap arrangement. One of such lessons is that currency swap arrangements must be harmonized with national development plans. For instance, the Argentina-China currency swap stabilized Argentina's foreign exchange reserves and supported its drive to reduce dollar reliance. However, the agreement was also plagued by problems, particularly with regard to making the Yuan effective in Argentina's financial system (Gallagher, 2015). This highlights the importance of careful planning and implementation so that currency swap agreements achieve their intended purposes.

Another lesson is the importance of building institutional capacity to facilitate the use of local currencies in finance and trade. The South Korea-China currency swap has been effective in encouraging the usage of the Yuan in East Asia, in part because of the region's robust financial infrastructure and institutional frameworks (Henning, 2009; Hoffner, 2023). In contrast, however, some developing nations have not been able to take full advantage of their currency swap agreements because of weak institutional capacity and financial literacy. This emphasizes the need for capacity-building programs to enable effective operation of currency swap agreements, particularly in countries with less advanced financial systems.

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A third lesson is the capacity of currency swap agreements to deepen regional economic integration. The South Korea-China currency swap is also part of an even broader East Asian network of financial arrangements, including the CMIM, that have all served to strengthen regional economic cooperation and stability (Lin, et. al., 2023; Jiang, et. al., 2023). Similarly, the Nigeria-China currency swap can be employed as a model for other African nations desiring to encourage economic cooperation with China and de-link from Western finance systems. This can facilitate enhanced regional integration in Africa, particularly through structures such as the African Continental Free Trade Area (AfCFTA).

Generally, the Nigeria-China currency swap arrangement is representative of China's overall pattern of supporting Yuan internationalization and further deepening economic engagement with developing nations. Cross-comparison with other currency swaps with China, such as with Argentina, South Korea, and the United Kingdom, serves to accentuate the peculiarities of the Nigeria-China agreement as well as its complementarity with China's broader agenda of reshaping global financial governance. Implications from similar agreements in other developing countries indicate that currency swap agreements need to be aligned with national development goals, institutional capacity must be enhanced, and regional economic integration needs to be deepened. Such observations are of immense value for proper implementation of the Nigeria-China currency swap agreement and complete realization of its benefits towards the economic growth of Nigeria.

Challenges and opportunities

The Nigeria-China currency swap facility, as desirable as it seems, is not without challenges. An agreement such as this one is done with meticulous planning, robust institutional set-ups, and a sound understanding of the forces of economics and geopolitics. At the same time, the agreement presents various possibilities for Nigeria and other nations of Africa to construct their economic resilience, reduce dependence on Western financial systems, and enhance greater regional and international economic integration. Identification of challenges and opportunities is essential to maximizing the potential of this agreement.

One of the largest obstacles to implementing the Nigeria-China currency swap agreement is Nigerian businesses and financial institutions' lack of familiarity and awareness of the Yuan. For decades, the US dollar has dominated international finance and trade, and most Nigerian businesses are accustomed to transacting in dollars. Transitioning to the use of the Yuan would necessitate a fundamental shift in mentality, along with investment in financial literacy and capacity-building programs (Adeleke, 2021). In the absence of proper education and training, businesses may have a hard time maximizing what is in it for them under this currency swap accord, hence rendering its overall efficacy ineffective. Analogously, poor knowledge about the Yuan can provoke reluctance among companies to use the Yuan as an exchange unit if there is a lack of governmental regulations as well as governmental endorsement and backing of financial regulators.

The second issue is the potential for overdependence on China, which can result in new dependency. While the currency swap deal reduces Nigeria's reliance on the US dollar, it further subjects it to the Chinese Yuan and China's monetary policy. This can be risky if the Chinese economy slows down or whenever extreme change happens to its monetary policy (Jiang, et. al., 2023). For instance, appreciation and depreciation of the Yuan's value or fluctuations in China's trade policy can have spillover implications on Nigeria's economy if the country is heavily dependent on trade with China. To this end, Nigeria must diversify economic relations and treat the currency swap arrangement as a component of a broader long-term strategy towards enhancing economic resilience and minimizing vulnerability to external shocks.

Success for the currency swap arrangement also hinges on the solidity of Nigeria's regulatory framework and financial systems. Failure in the areas may cause disruption to the easy implementation of the agreement and arrest its supposed benefits. Weak regulation, for example, could lead to lack of clarity such as currency speculations or facility misuse, and ruin its intended purposes (Okonkwo, 2019). Moreover, Nigerian banks might lack technical capacity and infrastructure to process Yuan transactions, particularly in the early days of the pact. It will require humongous investment in technology, infrastructure, and capacity-building programs, as well as coordination between the Central Bank of Nigeria (CBN) and the other interested stakeholders.

Despite all these, the Nigeria-China currency swap agreement has tremendous potential for Nigeria and other African nations. One of the more direct benefits is the reduction of transaction costs and exchange risks for businesses engaged in bilateral trade. In enabling trade and financial transactions to be executed directly in Yuan and Naira, the agreement circumvents dollar intermediation, hence reducing costs and enhancing efficiency (Adeleke, 2021). This is most beneficial to small and medium-sized enterprises (SMEs), which have traditionally been disadvantaged by foreign exchange unavailability and currency risk management. The increased volumes of trade made possible by the agreement can stimulate Nigeria's economic growth and diversification, particularly in non-oil production areas such as agriculture, manufacturing, and services.

The currency swap agreement also offers a window of opportunity for Nigeria to accumulate its foreign exchange reserves and boost its economic might. By keeping Yuan as part of its reserve, Nigeria gains more room for manoeuvre in conducting its monetary policy and resisting external shocks. This is particularly important in the context of Nigeria's history of dependence on dollar-traded and dollar-priced oil exports. Accessibility to the Yuan as a satellite reserve currency reduces Nigeria's vulnerability to exchange rate risk of the dollar and US monetary policy changes, thus its economic sovereignty (Calabrese & Tang, 2023). In addition, the agreement falls within Nigeria's broader economic reform agenda aimed at promoting economic diversification and industrialization through other initiatives like the Economic Recovery and Growth Plan (ERGP).

For other African nations, the Nigeria-China currency swap deal is an exemplar to reduce dependence on Western financial mechanisms and enhance economic cooperation with China. The most African countries suffer from similar frailties, such as limited availability of foreign exchange, high cost of transactions, and vulnerability to external shocks. By replicating such agreements, such countries are able to strengthen economic resilience and reduce their over-reliance on the dollar. The success of the Nigeria-China deal can prompt other African nations to pursue currency swap deals with China, further enhancing regional economic integration and cooperation. This is particularly in the context of the AfCFTA, which aims to increase intra-African trade and economic integration. Through dollar dependence reduction and promotion of the usage of domestic currencies for finance and trade, currency swap arrangements can be able to play its part in the broader goal of increased economic integration and cooperation in Africa.

Another gigantic opportunity is through the potential of increased Chinese investment in Nigeria and other nations of Africa. China has been making substantial investments in Africa, including in the development of infrastructure, via initiatives such as the BRI (Brautigam, 2019). The currency swap agreement provides a funding mechanism to finance these investments, thereby contributing to Nigeria's economic development agenda. For instance, Chinese investments in Nigeria's infrastructure such as railways, ports, and power generation would meet Nigeria's biggest infrastructure gaps and increase economic growth. In addition, the accord would prompt Chinese investment in other sectors such as technology and manufacturing, further diversifying the Nigerian economy and developing new employment and economic opportunities.

Generally speaking, the Nigeria-China currency swap agreement is both an opportunity and challenge for Nigeria and other nations in Africa. As much as the arrival of the agreement will have to battle challenges such as the lack of knowledge of the Yuan, overreliance on China, and a small amount of financial infrastructure, it has much to benefit from, including reduced costs of transactions, more economic stability, and further Chinese investment. By skilled handling of such challenges and utilization of the opportunities available with the deal, Nigeria is positioned to enhance its economic sovereignty, reduce its dependence on Western financing institutions, and develop more

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regional and global economic integration. The success of the Nigeria-China currency swap arrangement can be used as a template by other African nations to enhance their economic resilience and reduce their exposure to external shocks.

Conclusion

The currency swap deal between China and Nigeria is a significant step in breaking Nigeria's addiction to Western financial institutions and making Nigeria more economically self-dependent. By allowing the bilateral use of Naira and Yuan for financial and trade transactions directly, the deal reduces the cost of transactions, removes exchange rate risk, and provides a second source of liquidity for Nigeria's foreign exchange reserves. The agreement is part of China's overall strategy of encouraging the internationalization of the renminbi and economic ties with emerging economies, especially African economies. It is also a reflection of Nigeria's desire to diversify its economic relationship and make it less vulnerable to external shock, including the fluctuation in the price of oil in the global market and change in US monetary policy. The agreement might add bilateral commerce, attract foreign direct Chinese investment, and catalyse the Nigeria's economy diversification as well as its industrialization.

But to realize the currency swap accord, there are some hurdles like low exposure of Nigerian firms to the Yuan, excessive dependence on China, and weaknesses in the financial infrastructure in Nigeria. For Nigeria to harvest the full rewards of the accord, it should invest in literacy and capacity development programs, strengthen its regulatory institutions, and have the agreement included in a grand strategy for the development of economic resilience. In addition, Nigeria needs to diversify its economic relations so that it does not create new dependency patterns with China. This will ensure that the currency swap scheme finds its way into Nigeria's long-term development agenda and increases its economic autonomy.

For other emerging economies, the currency swap deal of Nigeria with China is a trend to liberate itself from the Western financial frameworks and embrace more economic exchange with China. In doing so with such similar models, developing economies can be more economically empowered, reduce their costs of transactions, and foster investments in key sectors such as infrastructure, technology, and manufacturing. The success of the Nigeria-China deal can inspire other countries to explore currency swap agreements with China, thereby inducing greater regional and international

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economic integration. This is particularly the case if one considers projects like the AfCFTA whose goal is to accelerate intra-African economic integration and trade.

The future study must also examine the long-term economic, trade, and financial stability consequences of currency swap agreements on the economic sovereignty of the emerging countries. Comparative examination of currency swap agreements between China and other developing economies can provide useful insights into determinants of success or failure of such agreements. In addition, research should examine the role of currency swaps to promote regional economic integration and prevent excessive dependence on Western financial systems. These researches can guide policymaking and enable developing nations to derive the utmost benefit from currency swap arrangements with minimal possible risk.

Generally, Nigeria-China currency swap agreement is an impressive feat of great significance for Nigeria and the rest of developing nations. In reducing reliance on the US dollar and enhancing greater economic cooperation with China, the agreement provides a platform for greater economic sovereignty and resilience. Nevertheless, its success would depend on proper planning, good institutional frameworks, and keen knowledge of economic and geopolitical processes involved. With the right policies and investments, the currency swap arrangement can be leveraged to fuel Nigeria's economic growth and serve as an example for other developing countries to reduce their dependence on Western financial systems.

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