



**NAVAL  
POSTGRADUATE  
SCHOOL**

**MONTEREY, CALIFORNIA**

**THESIS**

**CHINA'S OUTWARD INFRASTRUCTURE INVESTMENT  
IN AFRICA: A CASE STUDY OF NIGERIA'S  
RAILWAY CONSTRUCTION**

by

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March 2023

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<b>REPORT DOCUMENTATION PAGE</b>			<i>Form Approved OMB No. 0704-0188</i>
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington, DC, 20503.			
<b>1. AGENCY USE ONLY (Leave blank)</b>	<b>2. REPORT DATE</b> March 2023	<b>3. REPORT TYPE AND DATES COVERED</b> Master's thesis	
<b>4. TITLE AND SUBTITLE</b> CHINA'S OUTWARD INFRASTRUCTURE INVESTMENT IN AFRICA: A CASE STUDY OF NIGERIA'S RAILWAY CONSTRUCTION			<b>5. FUNDING NUMBERS</b>
<b>6. AUTHOR(S)</b> Abubakar S. Nura			
<b>7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)</b> Naval Postgraduate School Monterey, CA 93943-5000			<b>8. PERFORMING ORGANIZATION REPORT NUMBER</b>
<b>9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES)</b> N/A			<b>10. SPONSORING / MONITORING AGENCY REPORT NUMBER</b>
<b>11. SUPPLEMENTARY NOTES</b> The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.			
<b>12a. DISTRIBUTION / AVAILABILITY STATEMENT</b> Approved for public release. Distribution is unlimited.			<b>12b. DISTRIBUTION CODE</b> A
<b>13. ABSTRACT (maximum 200 words)</b>  Scholars and policymakers continue to debate the ramifications of Chinese foreign direct investment (FDI) and infrastructure development in Africa. Some argue that China's activities in Africa create mutual economic opportunities, while others postulate that Chinese presence on the continent simply advances Chinese Communist Party (CCP) interests. More granular research into specific countries is crucial to better assess this debate. Using a qualitative methodology, this thesis examines the financing and construction of Nigeria's railways by Chinese companies in the 21st century. More broadly, it evaluates the regional context of Sino-African economic cooperation on infrastructure development. Through a close analysis of press and official reports as well as a review of scholarly work, this study establishes the ways, means, and consequences of China's investment in Africa. Chinese FDIs have helped to strengthen infrastructure, power generation, and resource extraction industries in many African countries, though not without costs such as huge debt burdens and disadvantageous trade imbalances. This study documents that Chinese financing and construction of Nigeria's railway system has generated local revenue and employment and has facilitated technology transfer in the country, but the engagement benefits China even more because it expands the CCP's economic influence and reinforces the Sino-Nigerian political connection.			
<b>14. SUBJECT TERMS</b> The People's Republic of China, PRC, Africa, Nigeria, foreign direct investment, FDI, railways, infrastructure, economic cooperation			<b>15. NUMBER OF PAGES</b> 117
			<b>16. PRICE CODE</b>
<b>17. SECURITY CLASSIFICATION OF REPORT</b> Unclassified	<b>18. SECURITY CLASSIFICATION OF THIS PAGE</b> Unclassified	<b>19. SECURITY CLASSIFICATION OF ABSTRACT</b> Unclassified	<b>20. LIMITATION OF ABSTRACT</b> UU

NSN 7540-01-280-5500

Standard Form 298 (Rev. 2-89)  
Prescribed by ANSI Std. Z39-18

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**CHINA'S OUTWARD INFRASTRUCTURE INVESTMENT IN AFRICA:  
A CASE STUDY OF NIGERIA'S RAILWAY CONSTRUCTION**

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Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF SCIENCE IN DEFENSE ANALYSIS  
(IRREGULAR WARFARE)**

from the

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## ABSTRACT

Scholars and policymakers continue to debate the ramifications of Chinese foreign direct investment (FDI) and infrastructure development in Africa. Some argue that China's activities in Africa create mutual economic opportunities, while others postulate that Chinese presence on the continent simply advances Chinese Communist Party (CCP) interests. More granular research into specific countries is crucial to better assess this debate. Using a qualitative methodology, this thesis examines the financing and construction of Nigeria's railways by Chinese companies in the 21st century. More broadly, it evaluates the regional context of Sino-African economic cooperation on infrastructure development. Through a close analysis of press and official reports as well as a review of scholarly work, this study establishes the ways, means, and consequences of China's investment in Africa. Chinese FDIs have helped to strengthen infrastructure, power generation, and resource extraction industries in many African countries, though not without costs such as huge debt burdens and disadvantageous trade imbalances. This study documents that Chinese financing and construction of Nigeria's railway system has generated local revenue and employment and has facilitated technology transfer in the country, but the engagement benefits China even more because it expands the CCP's economic influence and reinforces the Sino-Nigerian political connection.

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## LIST OF ACRONYMS AND ABBREVIATIONS

AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AIDI	AfDB infrastructure development index
AU	African Union
BRI	Belt and Road Initiative
CARI	China Africa Research Initiative
CCECC	China Civil Engineering Construction Corporation
CCP	Chinese Communist Party
CMOC	China Molybdenum
CNOOC	China National Offshore Oil Corporation
CRCC	China Railway Construction Corporation
CREC	China Rail Engineering Corporation
CRRC	China Railway Rolling Stock Corporation
CSR	corporate social responsibility
DRC	Democratic Republic of Congo
ECOWAS	Economic Community of West African States
FDI	foreign direct investment
FOCAC	The Forum on China-Africa Cooperation
FTZ	free-trade zone
GDP	gross domestic product
ICT	information and communications technologies
MOFCOM	Ministry of Commerce PRC
MOU	memorandum of understanding
NIIMP	National Integrated Infrastructure Master Plan
NIPC	Nigerian Investment Promotion Commission
NRC	Nigerian Railway Corporation
NSS 2019	National Security Strategy 2019

OBOR	One Belt One Road
OECD	Organization for Economic Co-operation and Development
PIDA	Programme for Infrastructure Development in Africa
PPP	public private partnership
PRC	People’s Republic of China
RITES	Rail India Technical and Economic Service
SEZ	Special Economic Zone
SOE	state-owned enterprise
UN	United Nations
UNGA	UN General Assembly
WDI	World Development Indicators



## EXECUTIVE SUMMARY

In the last few decades, the People's Republic of China (PRC) has taken a position as the foremost lender, financier, and constructor of key infrastructure for African countries, with Chinese foreign direct investment (FDI) concentrating on roads, railways, airports, and seaports. With a burgeoning economic and industrial capacity, China has consolidated its economic relations with African countries, which has not only attracted commendation from advocates of the Sino-African economic interaction but also provoked condemnation from critics. The divergent views indicate that the Chinese investments in infrastructure for African countries need to be examined on a country-by-country and/or project-to-project basis.

The primary goal of this study is to qualitatively examine the strategic/political, economic, and social effects of Chinese engagement in the development of Nigeria's railways. Relying on open sources ranging from press reports, scholarly works, to unclassified official records, the study investigates Chinese financing and construction of Nigeria's railway system in the 21st century. The study contributes to the body of research questioning whether the economic cooperation between the PRC and African countries is at the detriment of the latter.

This thesis argues that the economic cooperation between China and African countries is a mutually beneficial one that is nonetheless skewed in the PRC's favor. In particular, the study finds that China's financing and construction of Nigeria's railways have provided employment and generated domestic revenues for the country amongst other socio-economic benefits, but they have yet to remedy Nigeria's railway development challenges comprehensively. Moreover, Chinese FDI has left Nigeria with a huge debt burden. Less valuable for Nigeria, Chinese Communist Party (CCP) leaders use physical infrastructure projects like railway construction as models for exporting Chinese politics and influence overseas.

More broadly, the study investigates the economic cooperation between China and Africa bringing together the need for 1) resources and 2) funding and expertise for the

development of infrastructure as the two-way thrust of Sino-African relationship. Chinese activities in Africa have undergone different stages ranging from periods of inactivity to those of deep engagements. China's attention to Africa has gradually shifted from ideological to economic motivations. Avenues like the Forum of China-Africa Cooperation (FOCAC) have enabled China to consolidate its relationship with African countries, in what Chinese officials often describe as a "win-win" or "mutually beneficial" cooperation. It is obvious that African countries possess the strategic, economic, and political resources that are useful for the PRC to advance its interests. Reciprocally, African countries are grossly lacking critical infrastructure, and China has shown resilience in its ability to provide the needed funding and technology for the African countries to develop.

That said, what are the costs of the Sino-African economic cooperation? To some extent, African countries have gained from their economic relations with the PRC. Chinese FDI has aided the establishment of critical infrastructure and other productive sector services like power plants, oil/resource mining, and manufacturing industries across the African continent. These projects have in turn provided job opportunities, facilitated skill development, and enhanced bilateral trade. Conversely, Chinese engagement in Africa appear to ease China's access to natural resources, finished product markets for Chinese goods and services, as well as the political support China needs on the global agenda. Again, trade between African countries and the PRC reveals a surplus in favor of China while growing debts from Chinese infrastructure development financing have left many of the countries under financial strain.

Overall, the study documents that the Sino-African economic cooperation has a huge potential for reciprocal benefits. African countries must, however, avoid overreliance on Chinese loans in order to reduce the economic burden that excessive loans from China subjects them. Likewise, African countries must strike a balance between Chinese aid and loans, and what institutions like the International Monetary Fund (IMF) or World Bank can offer under conventional terms. In particular, the Nigerian government should reconsider the cost and benefits of the loans it took from China for railway construction and development.

African countries, including Nigeria, must think carefully and resist the temptation of “no strings attached” economic projects; particularly long-term infrastructure investments that come with disguised mandates, unfulfilled pledges and environmental degradation. They should be able to build a good negotiation capacity with more lasting favorable terms rather than only focus on the immediate impact of the project or contract in question. As strict monitoring and oversight of Chinese projects on the African continent is lacking, the African Union (AU) and Economic Community of West African States (ECOWAS) would need to clearly communicate to the PRC, the position of member countries on their infrastructure development objectives. African countries could also leverage a non-aligned stance to balance economic relations with China and other great powers. Finally, to deal with local environmental degradation and abusive labor practices by Chinese entities, African countries would need to ban Chinese state-owned enterprises (SOE) that disregard the host country rules and regulations.

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## ACKNOWLEDGMENTS

First of all, I give all gratitude to the Almighty God for giving me the ability and fortitude to complete this thesis study. Next, my profound appreciation goes to the Chief of the Naval Staff (Nigerian Navy), Vice Admiral Awwal Zubairu Gambo CFR, for finding me worthy of nomination for studies at the prestigious Naval Postgraduate School (NPS).

I would like to sincerely thank my advisor, Professor Thomas Jamison, for relentless, thought-provoking, and expert advice, as I navigated my thesis journey. Your wealth of knowledge and intelligence has been extraordinarily beneficial to me. I will not forget your academic motivation, which inspired me to get my first published article in *Small Wars Journal*. I am equally grateful to my second reader, Professor John Tullius, for always insisting on “analytic topic sentences” and brevity in writing. Your contributions to my writing skills will be invaluable to me in my career.

I also appreciate the efforts of Christopher Callaghan and all the other faculty members who supported my study at NPS. Many thanks to Colette O’Connor, Greta Marlatt, and the entire team of NPS writing coaches and thesis processors for their assistance. I cannot go on without also thanking my NPS alumnus mentor, Rear Admiral Abubakar Mustapha, and all other senior colleagues, friends, and family, for your valued contributions.

Lastly, with heartfelt appreciation, I thank my parents for their genuine love, prayers and support. To my treasured companion, Amina, I thank you immensely for your compassion, unwavering commitment, and enduring the hard work of managing the household while I faced this thesis research and fulfilled other NPS academic requirements. To my boys and also “midshipmen,” Muhammad (Sadiq) and Isma’il (Ramadhan), you have done so well on this academic voyage, for the second time.

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## I. INTRODUCTION

In contemporary times, strategic competition between the United States of America, the People’s Republic of China (PRC), as well as Russia, has continued to influence global affairs. Continuing its trend from the 20th century, the United States has shown its capacity as a world power through economic, military, and technological potency. The United States has been ranked as the leading democratic economy across the globe, with the U.S. GDP estimated to reach \$25 trillion in 2024.<sup>1</sup> Many experts, however, argue that the PRC’s growing foreign investments may likely accelerate China’s economy to outdo the U.S. ranking soon.<sup>2</sup> This potential shift may prove prescient Napoleon Bonaparte, who once said “let China sleep, for when she wakes, she will shake the world,” thereby envisioning China’s rise to become a key nation in the world.<sup>3</sup> With the gradual rise of the PRC from what was once a developing country into a potential global influencer today, could Napoleon’s prediction be true?

PRC’s foreign direct investment (FDI) has grown over time, particularly in developing nations. Most prominently in the 20th century, the PRC established and implemented a “going out” strategy in a bid to invest and grow businesses abroad. Implementing this strategy, Beijing hosted the maiden Forum on China-Africa Cooperation (FOCAC) for the African continent on October 10, 2000.<sup>4</sup> The forum concluded with the enactment of a key policy centered on economic cooperation and social development between the PRC and African countries. At the second FOCAC meeting also held in

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<sup>1</sup> Oliver Reynolds, “The World’s Top 5 Largest Economies in 2024,” *FocusEconomics Insights* (blog), February 16, 2021, <https://www.focus-economics.com/blog/the-largest-economies-in-the-world>.

<sup>2</sup> Ralph Jennings, “China’s Economy Could Overtake U.S. Economy by 2030,” *VOA*, January 4, 2022, <https://www.voanews.com/a/chinas-economy-could-overtake-us-economy-by-2030/6380892.html>; Abubakar Sadiq Nura, “Capitalizing on Non-Alignment Policy of Nigeria to Balance Economic Relations With the United States of America and the People’s Republic of China,” *Small Wars Journal*, accessed February 7, 2023, <https://smallwarsjournal.com/jrnl/art/capitalizing-non-alignment-policy-nigeria-balance-economic-relations-united-states-america>.

<sup>3</sup> Valeri Modebadze, “US-China Rivalry for Global Hegemony,” *Journal of Liberty and International Affairs* 6, no. 2 (2020): 167–73, <https://doi.org/10.47305/JLIA2020167m>.

<sup>4</sup> Vivien Foster et al., *Building Bridges: China’s Growing Role as Infrastructure Financier for Sub-Saharan Africa* (Washington, DC: International Bank for Reconstruction and Development, 2009), <https://doi.org/10.1596/978-0-8213-7554-9>.

Beijing six years later, the PRC government committed about \$5 billion in foreign aid to the African nations as a reflection of China's guiding principle for its activities in the continent. By September 2013, the Chinese President Xi Jinping further articulated the Belt and Road Initiative (BRI), initially called "One Belt One Road" (OBOR), as a strategy to meet China's evolving desire for global reach through funding of major infrastructure projects to secure trade routes in the nations involved.

To date, the PRC government declares that nearly 40 African countries are involved in the BRI projects.<sup>5</sup> The Chinese-led projects include the construction of roads, railways, airports, and bridges as well as seaports in African countries like Ethiopia, Ghana, Sudan, and Nigeria. Some critiques often refer to the PRC's BRI as a "debt trap" diplomatic approach to fund infrastructural construction in developing countries under inexplicit terms, so as to strategically exploit the beneficiary countries' indebtedness for the PRC's economic gain.<sup>6</sup> From Beijing's perspective, however, BRI reflects China's most recent "going out" strategy, and one which President Xi Jinping describes as being geared toward guaranteeing a "win-win" situation with any willingly joining country from any part of the world.<sup>7</sup> China's growing influence through foreign aid, granting of loans, and provision of infrastructure services in Africa has now become a significant topic of debate and subject of research. Many argue that Chinese activities in the continent are presenting opportunities for Africa's economic growth while others posit that the PRC is only after its own economic expansion. Against this backdrop, this thesis investigates Chinese railway construction in Nigeria, with the intent to contribute to the body of works on Chinese economic relations in Africa.

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<sup>5</sup> Pearl Risberg, "The Give-and-Take of BRI in Africa," *New Perspective in Foreign Policy*, no. 17 (Spring 2019): 43–47.

<sup>6</sup> Abdi Latif Dahir and Yomi Kazeem, "China Is Pushing Africa into Debt, Says America's Top Diplomat," *Quartz*, March 7, 2018, <https://qz.com/africa/1223412/china-pushes-africa-into-debt-says-trumps-top-diplomat-rex-tillerson/>.

<sup>7</sup> Jamie Monson, *Africa's Freedom Railway: How a Chinese Development Project Changed Lives and Livelihoods in Tanzania* (Bloomington, IN: Indiana University Press, 2009), ProQuest Ebook Central.



## A. PROBLEM STATEMENT AND RESEARCH QUESTION

Notwithstanding Africa's potential for economic growth, weak infrastructure remains a common challenge for many countries across the continent. In Sub-Saharan Africa, for instance, regional trade has yet to achieve the desired economic output due to the unavailability of adequate transportation infrastructure, amongst other issues.<sup>8</sup> With a dire need to close such infrastructure gaps, most African nations have become reliant on externally funded infrastructure projects, as local funding sources are unable to meet the demand. In the past two decades, China has gradually emerged as a prominent developer, as well as financier, of critical infrastructure in many African countries.<sup>9</sup> Pledges by Chinese companies for investment in infrastructure development, job opportunities for local employees, and income provision through natural resources royalties have become more appealing to many developing African nations. Reciprocally, the PRC's interest in Africa is driven by China's need for raw materials, natural resources, and a thriving market to enhance its economy.<sup>10</sup> Amidst the mutual need for resources and energy to secure the PRC's economic growth and Africa's infrastructure development, it is important to understand the implications of China's investments through the lens of infrastructure construction in Africa.

This thesis contributes to the discussion on Sino-African economic cooperation by tackling the major research question: "What are the socioeconomic and strategic impacts of China's FDI in the construction of railway systems in Nigeria?" The thesis argues that the economic cooperation between China and African countries is a mutually beneficial one but skewed in the PRC's favor. Instructively, the study reveals that Chinese investments in Nigeria's railway sector have provided economic opportunities for the country, but they have yet to remedy the country's railway development challenges comprehensively and, moreover, leave Nigeria with a huge debt burden.

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<sup>8</sup> Risberg, "The Give-and-Take of BRI in Africa."

<sup>9</sup> Olufunmilayo B. Arewa, "Constructing Africa: Chinese Investment, Infrastructure Deficits, and Development," *Cornell International Law Journal* 49 (2016): 101–39.

<sup>10</sup> Kent Hughes Butts and Brent Bankus, *China's Pursuit of Africa's Natural Resources*, CSL Issue Paper 1–09 (Carlisle, PA: Army War College, Center for Strategic Leadership, 2009), [https://csl.armywarcollege.edu/usacsl/publications/CCS1\\_09\\_ChinasPursuitofAfricasNaturalResources.pdf](https://csl.armywarcollege.edu/usacsl/publications/CCS1_09_ChinasPursuitofAfricasNaturalResources.pdf).

## B. LITERATURE REVIEW

Over time, the increasing economic engagement of African countries by the PRC has elicited mixed reactions from various camps. Advocates of the Chinese engagement in Africa view China as the continent's economic and development champion, while the PRC's critics argue that China is "recolonizing" African countries in economic terms. Historically, the PRC's foreign policy had primarily focused on encouraging African countries to resist Western colonialism.<sup>11</sup> By 1964, the PRC established its "eight principles for providing economic aid and technical assistance to foreign countries."<sup>12</sup> At that time, China set these principles with the aim of portraying a different style from that of great powers promoting development of the African continent. The PRC's key economic venture into Africa dates back to 1976 when China made a significant contribution to the financing and construction of the Tanzania–Zambia Railway, with the claim that it did so to promote freedom and deter neocolonialism in Africa.<sup>13</sup> In the post-Cold War era, the PRC increasingly shifted focus to deepening relations with developing countries, particularly in Africa. Nonetheless, studies suggest that the PRC's attention to Africa is aimed at satisfying Beijing's four key interests from its relationship with the continent: philosophy, politics, security, and trade/commerce.<sup>14</sup>

### 1. Anti-Chinese Economic Engagement in Africa

On one hand, the PRC's focus on Africa is viewed as an aspiring strategy targeted at displacing the U.S. fading role and position as a great power for the developing continent. The Western bloc and some scholars opine that China is merely leveraging its economic might to manipulate developing countries into neocolonialism; this is perceived through the PRC's grants of low-interest loans, unconditional investment opportunities, and non-

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<sup>11</sup> Foster et al., *Building Bridges*.

<sup>12</sup> Zhou Enlai, "The Chinese Government's Eight Principles for Economic Aid and Technical Assistance to Other Countries," Wilson Center Digital Archive, January 1964, <https://digitalarchive.wilsoncenter.org/document/121560>.

<sup>13</sup> Monson, *Africa's Freedom Railway*, 2009.

<sup>14</sup> Yun Sun, *Africa in China's Foreign Policy* (Washington, DC: Brookings, 2014), [https://www.brookings.edu/wp-content/uploads/2016/06/Africa-in-China-web\\_CMG7.pdf](https://www.brookings.edu/wp-content/uploads/2016/06/Africa-in-China-web_CMG7.pdf).

interference in internal politics of recipient nations. In 2008, the U.S. Committee on Foreign Relations contended that the PRC recognizes and grasps development as well as investment opportunities across Africa to meet Beijing's economic goals.<sup>15</sup> Another key argument put forward by this camp is that foreign aid and loans granted to African countries without prerequisites are potential impediments to democratic growth, free trade, and human rights in the continent.<sup>16</sup>

## 2. Pro-Chinese Economic Engagement in Africa

On the other hand, some economic analysts, government officials, researchers, and a handful of pro-Chinese developing countries perceive China as the savior of Africa's desperate economic, infrastructural, and developmental shortfalls. For instance, in a study on China-Africa Economic Transformation, Arkebe Oqubay and Chinese Professor Justin Yifu Lin used Ethiopia as an instructive case to demonstrate that Chinese FDI can ignite a successful process of national industrialization in African countries.<sup>17</sup> Another analyst, Matthew Copman similarly argues that Chinese investments in Africa primarily focus on infrastructure development and resources mining.<sup>18</sup> He maintains that China's provision of infrastructure in Africa can facilitate healthcare delivery, transportation, and telecommunications, while mining resources increases trade as well as diversifies the recipient growing economies. Relatedly, during the FOCAC meeting of 2018 at Beijing, Rwanda's President Paul Kagame argued that the PRC's strategy for FDI and aid for Africa is intensely transformational for the continent.<sup>19</sup>

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<sup>15</sup> *China in Africa: Implications for U.S. Policy, Hearing before the Subcommittee on African Affairs of the Committee on Foreign Relations, Senate*. 110th Cong., 2 (2008), <https://www.govinfo.gov/content/pkg/CHRG-110shrg45811/html/CHRG-110shrg45811.htm>.

<sup>16</sup> Galchu Jarso, "The Beijing Consensus versus the Washington Consensus: The Dilemma of Chinese Engagement in Africa," *African Journal of Political Science and International Relations* 12, no. 1 (January 2018): 1–9, <https://doi.org/10.5897/AJPSIR2016.0920>.

<sup>17</sup> Arkebe Oqubay and Justin Yifu Lin, *China-Africa and an Economic Transformation* (Oxford, UK: Oxford University Press, 2019).

<sup>18</sup> Matthew Copman, "Understanding Chinese Investment in Africa," The Borgen Project, June 19, 2020, <https://borgenproject.org/chinese-investment-in-africa/>.

<sup>19</sup> Ivan R. Mugisha, "Rwanda's Kagame Endorses Chinese Investment in Africa," *The East African*, September 4, 2018, <https://www.theeastafrican.co.ke/tea/news/east-africa/rwanda-s-kagame-endorses-chinese-investment-in-africa-1401628>.

### 3. Characteristics of Chinese FDI in Developing Nations

Regardless of the arguments, one vital question is still whether Chinese investment and economic influence continues to grow at the expense of African countries. A former head economist of the U.S.-China Economic and Security Review Commission, Thomas Palley has explained that the PRC applies substantial control over businesses, and national interest is factored into Beijing's business strategy.<sup>20</sup> He also observed that China's national manufacturing policies push production down the cost loop, letting it to snatch demand from developing nations, and turn into the low-cost producer at their expense. There are other related studies which align with Palley's argument in some ways. Several NPS theses address the topic. John Griffin et al., in their thesis study, postulated that there are two broad reasons for significant Chinese investment in developing countries; the potential for strategic concessions or basic economics of return on investment.<sup>21</sup> Relatedly, in their thesis, Tanner Fleck and Jonathan Wissler used the Philippines as a case study to investigate attributes of Chinese FDI and the role of commercial actors in advocating Beijing's foreign policy objectives.<sup>22</sup> Their study suggested that the PRC's foreign investments serve to establish geographical grips/avenues as well as organizational ties within the recipient country, beyond the bilateral agreements made for the actual investment by China.

### 4. Opportunities to Address Gaps in the Research

Experts like Nicolas Pinaud, a Deputy Director at the Organization for Economic Cooperation and Development, argue that the effects of China's economic engagement in

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<sup>20</sup> Joshua Eisenman, "China–Africa Trade Patterns: Causes and Consequences," *Journal of Contemporary China* 21, no. 77 (September 2012): 793–810, <https://doi.org/10.1080/10670564.2012.684964>.

<sup>21</sup> John J. Griffin, IV et al., "Economic Investment, Corruption, Fragility, and Freedom: How the PRC Leverages States' Pre-Existing Internal Conditions to Gain Advantage" (master's thesis, Naval Postgraduate School, 2019), <http://hdl.handle.net/10945/64175>.

<sup>22</sup> Tanner N. Fleck and Jonathan G. Wissler, "Economic Preparation of the Environment: A Selective Empirical Analysis of Chinese Investment in the Philippines" (master's thesis, Naval Postgraduate School, 2017), <http://hdl.handle.net/10945/55595>.

Africa remain undecided.<sup>23</sup> Yet as San Bilal of the European Centre for Development Policy Management has posited, obtaining a clearer picture of China’s and other emerging players’ engagement in Africa is not easy.<sup>24</sup> He explains that emerging developing economies are simply bundled into one group, in an abstract concept which overlooks their colossal differences with regard to size, development, and national governance structure.

Much of the available literature on the subject covers broader Sino-African interactions although some recent studies have focused on particular developing countries of interest, like the Philippines in the case of Fleck and Wissler’s study.<sup>25</sup> Nonetheless, the lack of consensus suggests that more micro study and analysis of individual countries is needed to build a comprehensive view of the economic operating pattern of the PRC in developing nations. To that end, this thesis uses Nigeria as a case study to find more evidence that can contribute to finding answers to the question of whether Chinese FDI is at the detriment of the nations engaged.

### C. SCOPE AND RATIONALE FOR NIGERIA AS A CASE STUDY

Nigeria is the largest industrial nation in West Africa with significant economic interactions with the PRC. Nigeria’s robust labor group, comprising more than 66 million people, combined with the availability of enormous raw material and mineral resources puts the country in an appealing position for Chinese FDI. Economically, Nigeria has been the focal country of the Economic Community of West African States (ECOWAS)—a regional association of countries that aim to merge their economies into one cohesive bloc. In the last decade and a half, Nigeria has paid at least \$1.17 billion to ECOWAS as member states’ contribution levy.<sup>26</sup> Nigeria’s contribution in this period accounted for about 40% of the estimated total payment of \$2.91 billion made by all 15 members nations and is more

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<sup>23</sup> Ellen Lammers, “How Will the Beijing Consensus Benefit Africa? – China and Africa,” *The Broker*, March 22, 2007, <https://www.thebrokeronline.eu/how-will-the-beijing-consensus-benefit-africa/>.

<sup>24</sup> Sanne van der Lugt, “Mapping and Comparing China’s Imports from Africa,” *Great Insights* 3, no. 4 (April 2014): 34–38.

<sup>25</sup> Fleck and Wissler, “Economic Preparation of the Environment.”

<sup>26</sup> “Nigeria Contributed \$1.17bn to ECOWAS in 16 Years,” *Premium Times Nigeria*, July 29, 2020, <https://www.premiumtimesng.com/news/top-news/405792-nigeria-contributed-1-17bn-to-ecowas-in-16-years.html>.

than the aggregate contributions made by 12 member states, less Ivory Coast and Ghana.<sup>27</sup> In addition, Nigeria's National Security Strategy 2019 (NSS 2019) spells out the country's goal to foster an international order that is established on respect for open and honest economic relations with other nations in accordance with global best practices.<sup>28</sup> In this view, the economic stability of Nigeria is deemed critical to the sustainability of ECOWAS.

Over time, the PRC has increased commercial ties with Nigeria through trade, services, financial aid, and FDI. In 2020, it was estimated that Nigeria received about \$308 million as FDI from China.<sup>29</sup> While many experts have posited that the prevailing Sino-Nigerian economic ties are beneficial for Nigeria, others have criticized Chinese economic activities in the country. For instance, a report submitted to the Trade Policy Research Program in Nigeria revealed that market competition stimulated by Chinese companies in Nigeria has had positive impact on local businesses.<sup>30</sup> Christian Okeke, on the other hand, has argued that China's mission is to dominate the Nigerian market and economy.<sup>31</sup>

#### **D. THESIS APPROACH**

This thesis adopts a qualitative approach to, as well as a comparative perspective on, finding answers to the research question, relying on open-source information. The range of sources includes from scholarly works, expert articles, reports from interviews and surveys conducted as related to the research topic, recognized news reporting websites, unclassified government/official documents, Chinese foreign investment data sources like

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<sup>27</sup> Premium Times Nigeria, "Nigeria Contributed \$1.17bn to ECOWAS in 16 Years."

<sup>28</sup> Freedom Onuoha and Maurice Ogbonanya, *Review and Analysis of Nigeria's National Security Strategy 2019* (Abuja, Nigeria: Partners West Africa Nigeria (PWAN), 2020), <https://doi.org/10.13140/RG.2.2.26902.57924>.

<sup>29</sup> "Annual Flow of Foreign Direct Investments (FDI) from China to Nigeria between 2011 and 2020," Statista, accessed January 23, 2022, <https://www.statista.com/statistics/659081/china-net-overseas-direct-investment-odi-volume-to-nigeria/>.

<sup>30</sup> Adeolu O. Adewuyi, Aminu Alarudeen, and Olayinka I. Kareem, *Impact of China-Africa Trade Relations: The Case of Nigeria* (Nairobi, Kenya: African Economic Research Consortium (AERC), 2010), <http://aercafricalibrary.org:8080/123456789/362>.

<sup>31</sup> Christian Chidi Okeke, "Contentious Issues in China-Nigeria Contemporary Economic Relations," *International Journal of Humanities and Social Science* 9, no. 4 (July 2021): 1–12.

the Statista Business Portal, the Johns Hopkins China and Africa Research Initiative, as well as the Nigerian Investment Promotion Commission, amongst others.

In Africa, development of key infrastructure systems such as the building of facilities ranging from hydroelectricity power plants, airports, and roads to railway systems, has shown potential for the socio-economic advancement of the African people. Several studies have been carried out on the impact of Chinese rail construction or investment activities in Africa. To date, more rail systems have been built, developed, or reconstructed by the Chinese in countries like Kenya, Ethiopia, and Nigeria. Railway construction has remained a key area for economic engagement of the PRC in Nigeria, with ongoing railway projects in the country being financed by loans from China's Export-Import Bank.<sup>32</sup> Using the sources previously mentioned, this thesis utilizes the content collected to analyze the socio-economic and strategic implications of Chinese railway investment and construction in Nigeria.

## **E. CHAPTER OUTLINE**

Chapter I has introduced the thesis, providing a brief background on the topic, identifying the scope of the study, and stating the research problem as well as the research approach used in the thesis. A review of literature on Chinese economic engagement in Africa has been given and the chapter also presented the justification for the selection of Nigeria as the thesis's instructive case.

Chapter II investigates the increasing economic cooperation between China and African countries, especially in the 21st century. It discusses the main interests of the PRC in Africa, infrastructural needs of the African continent, and development of infrastructure as a vital mode of international and economic cooperation between China and the African countries.

In Chapter III, the thesis examines Sino-Nigerian economic cooperation with a focus on aid and loans, bilateral trade, and Chinese FDI in the country. The chapter also

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<sup>32</sup> Kevin Acker and Deborah Brautigam, *Twenty Years of Data on China's Africa Lending*, Briefing Paper No. 04/2021 (Washington, DC: Johns Hopkins University, School of Advanced International Studies, 2021), <https://www.econstor.eu/handle/10419/248245>.

features the foundation of the Sino-Nigerian economic interaction, motivated primarily by China's recognition of Nigeria's vast oil and raw minerals, strong market and commercial prospects, as well as the country's geostrategic importance on the African continent.

Chapter IV provides a brief history of the origin and development of Nigeria's railway system prior to China's involvement. Thereafter, it talks about the engagement of Chinese state-owned enterprises (SOE) in the development and construction of Nigeria's railway system in the 21st century. The chapter subsequently analyzes the effects and implications of China's involvement in the construction and development of Nigeria's railways, concentrating on strategic/political, economic, and social aspects. In a nutshell, the chapter reveals that the PRC's projects and outward investments in Nigeria's railways have yielded some socioeconomic benefits for the latter country but serves as an avenue to export CCP leaders' politics and influence.

Finally, Chapter V summarizes the main points discussed in the thesis study and concludes with some recommendations for African and Nigerian policymakers based on the findings of the study. Most importantly, it recommends that African countries like Nigeria adopt a robust negotiating posture focused on ensuring favorable long-term gains when engaging Chinese SOEs to fund and construct critical national infrastructure like railways. African countries could equally leverage a non-aligned stance to balance economic relations with China and other great powers.



## **II. CHINA’S COOPERATION ON INFRASTRUCTURE DEVELOPMENT IN AFRICA**

This chapter examines the growing economic cooperation between China and African countries, particularly in the 21st century. It focuses on the PRC’s key interests in Africa, regional infrastructure needs, and Chinese FDI geared toward the development of infrastructure in some of the countries. The chapter finds that China’s relationship with African nations is principally motivated by the PRC government’s economic and political interests in the continent. Reciprocally, countries in Africa continue to partner with China because of its ability and capacity to meet their immediate infrastructure needs related to national economic growth and prosperity. While China’s investments have aided African countries to improve some of their critical national infrastructure, the operations of Chinese SOEs in parts of the African continent have caused serious environmental degradation, amongst other drawbacks.

### **A. CHINA EYES AFRICA’S RESOURCES, MARKET, AND POLITICAL SUPPORT**

China’s interest in Africa has evolved from primarily ideological views during the Cold War era to political and economic objectives in contemporary times. PRC leaders view Africa as an important continent that can serve a key supporting role for China’s trajectory in international affairs. As Zhang Hongming of the Chinese African Study Social Science Institute notes, “It is no mere rhetoric that China needs Africa. African countries have political, economic, and even strategic resources that China uses in order more effectively to expand its interests—thus turning operations in the African continent into a strategic outer line for China’s geopolitical strategy of great power relations.”<sup>33</sup> Two senior foreign policy experts of RAND Corporation, Larry Hanauer and Lyle Morris broadly assign China’s interests in Africa into four categories, which are “1) access to natural resources, particularly oil and gas, 2) export markets for Chinese manufactured goods, 3)

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<sup>33</sup> 张宏明 [Zhang Hongming]. 中国对非洲战略运筹研究 [China’s Strategic Operations Research on Africa]. 西亚非洲 [West Asia and Africa], 2017, accessed August 23, 2022, <http://www.xyfzqk.org/UploadFile/Issue/vkw1q2p2.pdf>.

international political legitimacy as a global power, including recognition of Beijing as the sole representative of China (the ‘One China’ policy) and acknowledgement of the principle of noninterference in sovereign countries’ internal affairs, [and] 4) sufficient political stability and security for China to safeguard its citizens and pursue its economic and commercial interests.”<sup>34</sup>

Because CCP leaders have tied steady economic growth to political stability and control, these economic interests are increasingly important. Continuous access to foreign raw materials, mineral resources and energy is key to sustaining China’s local industries.<sup>35</sup> As a result, China has been making efforts to plug into a diverse range of available resource markets to fuel its economy, and Africa is well positioned to satisfy many of China’s energy demands. Africa is naturally endowed with resources comprising solid minerals, oil, gas, agricultural crops, and livestock, amongst others. According to the United Nations Environment Programme, Africa accounts for 30 percent of the world’s industrial mineral reserves and about 8 percent and 12 percent, respectively, of global natural gas and oil reserves.<sup>36</sup>

China is reliant on African countries for imports of fossil fuels, oil, and other raw supplies that power its industries and make up vital components of advanced technological products. Minerals with key economic and military applications like chromium, cobalt, and manganese which are richly deposited in Zambia, Zimbabwe, South Africa, and Democratic Republic of Congo are scarce in China. Oil is also a major requirement for China. The Middle East holds most of the world’s oil reserves, but because of the political volatility in the region, Africa serves as an alternative source for China’s oil and gas demands. In line with the CCP leaders’ 1990 principle of “Two Markets, Two Resources,” the PRC also aims to control Africa’s resources through land acquisition and the construction of refining or manufacturing industries on the continent, to have an influence

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<sup>34</sup> Larry Hanauer and Lyle J. Morris, *Chinese Engagement in Africa: Drivers, Reactions, and Implications for U.S. Policy* (Santa Monica, CA: Rand Corporation, 2014).

<sup>35</sup> Butts and Bankus, *China’s Pursuit of Africa’s Natural Resources*.

<sup>36</sup> “Our Work in Africa,” UN Environment Programme, October 25, 2017, <http://www.unep.org/regions/africa/our-work-africa>.

on global supplies.<sup>37</sup> The PRC's idea of the "Two Markets, Two Resources" policy is to differentiate between domestic and foreign resources. Going by the policy, the Chinese market should be safeguarded while the global market is penetrated. As discussed later in this chapter, the poor state of the infrastructure in Africa, coupled with a desperate need for technology to refine the mineral resources of the continent, provides yet another opportunity for China to seize.

CCP leaders perceive the African continent as an emerging market, which has potential for generating huge foreign exchange earnings for China. For the PRC government, gaining a competitive upper hand in a less secure environment gives China the leverage to employ politicians and businessmen to cultivate closer ties and settle deals with African countries "off the record."<sup>38</sup> The PRC government has created business networks of small groups of Chinese traders in various parts of Africa to dominate even the remotest markets.<sup>39</sup> Africa's huge population, with a vast low-income majority, also offers China a viable market to export cheap finished products in the form of clothes and shoes to handheld devices.

To gain international authority and influence, the Chinese government seeks African nations' political support, as the continent has the largest single bloc of votes in the United Nations General Assembly (UNGA).<sup>40</sup> Some African countries serve as representatives on regional committees or in organizations that are influential in the formulation of the global agenda. Establishing and maintaining mutually beneficial relationships with many of Africa's 54 countries can significantly contribute to favorable votes benefiting the PRC. Since China's success in returning to the UN, largely due to support from Africa's votes, many African countries have remained supportive of China in

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<sup>37</sup> U.S.-China Economic and Security Review Commission, *Hearing on China's Strategic Aims in Africa: Hearing before the U.S.-China Economic and Security Review Commission*, U.S.-China Economic and Security Review Commission, 116th Cong, 2 (2020), 2020, 230.

<sup>38</sup> Paul Nantulya, "Grand Strategy and China's Soft Power Push in Africa," Africa Center for Strategic Studies, August 30, 2018, <https://africacenter.org/spotlight/grand-strategy-and-chinas-soft-power-push-in-africa/>.

<sup>39</sup> Meine Pieter van Dijk, *The New Presence of China in Africa* (Amsterdam, Netherlands: Amsterdam University Press, 2009), <https://doi.org/10.5117/9789089641366>.

<sup>40</sup> Nantulya, "Grand Strategy and China's Soft Power."

other world organizations.<sup>41</sup> The PRC government has often reciprocated its support using its permanent seat on the UN Security Council to advance the interests of African countries. The PRC equally leverages its political relationship with African countries to continue to deny Taiwan expanded political standing, in furtherance of the “One China Principle.”<sup>42</sup>

Above all, the security, economic, and political stability of the African continent is also of high importance to the PRC. The political and socioeconomic wellbeing of African countries can essentially translate to a stable flourishing of Chinese SOEs and investments, as well as the security of the growing number of Chinese nationals living or engaged in business activities on the continent. Conversely, any civil war or violence in African countries where China has access to natural resources could pose impediments for the PRC’s needed energy supply sources and links.

## **B. A “WIN-WIN” OR “GIVE AND TAKE” SINO-AFRICAN ECONOMIC RELATIONS**

At the Bandung Conference of 1955, a strategic framework for regional and bilateral cooperation between China and African nations was mapped out to improve relations.<sup>43</sup> The conference climaxed with key resolutions including but not limited to the promotion of economic cooperation. The PRC subsequently increased provision of economic aid to African countries and focused on development of infrastructure between the 1960s and 1970s. A case in point was the PRC government’s funding of approximately \$500 million and construction of the 1,860 km TAZARA Railway, which connected Tanzania to landlocked Zambia.<sup>44</sup> This project, amongst others, showcased the PRC’s commitment to Africa. It was not surprising that the success of China in retaining its

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<sup>41</sup> Han Lin and Meng Tao, “70 Years of Diplomacy: How PR China Claimed Its Lawful Seat in the UN,” CGTN, September 24, 2019, <https://news.cgtn.com/news/2019-09-24/70-years-of-diplomacy-How-PR-China-claimed-its-lawful-seat-in-the-UN-KeWv1hrLa/index.html>.

<sup>42</sup> Chris Alden, Daniel Large, and Ricardo Soares de Oliveira, *China Returns to Africa: A Rising Power and a Continent Embrace* (London: Hurst, 2008).

<sup>43</sup> Edward H. Sandy, Yao Jun, and Qian Yiguan, “China-Africa Cooperation-An Outstanding Relationship Built on Mutual Respect and Common Benefits: A Review,” *International Research Journal of Social Sciences* 2, no. 9 (2013): 26–32.

<sup>44</sup> Monson, *Africa’s Freedom Railway*.

permanent seat at the United Nations in 1971 was primarily attributed to many votes and enormous support from the African continent.<sup>45</sup>

The launching of the FOCAC in 2000 further provided a robust institutional avenue for building and strengthening Sino-African relations through stable, enduring, and mutually beneficial agreements. As noted by a corporate lawyer, Rudolf Plessis, FOCAC serves as a multilateral establishment which pursues consensus through dialogue without using legally binding documents.<sup>46</sup> FOCAC schedules meetings at least every three years and alternates conference venues between Beijing and any other designated host-country in Africa. To reinforce existing Sino-African economic relationship and facilitate commercial engagements, FOCAC implements capital infrastructure projects ranging from the construction of roads, railways, and airports to power plants. Talks in the forum also feature ways for ensuring support for Chinese companies to invest in Africa, provision of financial and material aid to assist African countries, skills/technology transfer, cancellation of debts, and granting of zero-tariffs on various African exports to China.

In addition to FOCAC, CCP leaders rolled out China's "Go Global Policy" around 2001 as part of its 10th 5-Year Plan, which focused on investing abroad to safeguard the China's national economic security.<sup>47</sup> Since then, Sino-African commercial relations have witnessed substantial improvements, especially in trade and investment. According to the China Africa Research Initiative (CARI), Chinese yearly FDI flow to Africa has been constantly growing and reached \$4.7 billion in 2020 from a base of \$75 million in 2003.<sup>48</sup> To further stimulate economic growth and industrialization in African countries, the PRC

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<sup>45</sup> Matthias Busse, Ceren Erdogan, and Henning Mühlen, *China's Impact on Africa – The Role of Trade, FDI and Aid* (Bochum, Germany: Institute of Development Research and Development Policy, 2016).

<sup>46</sup> Rudolf Du Plessis, *China's African Infrastructure Projects: A Tool in Reshaping Global Norms, Policy Insights 35* (Johannesburg, South Africa: South African Institute of International Affairs, 2016), <https://www.jstor.org/stable/resrep25976>.

<sup>47</sup> Ming Wan, "China Goes Global: The Partial Power," *International Relations of the Asia-Pacific* 14, no. 2 (2014): 328–30, <https://doi.org/10.1093/irap/lct015>.

<sup>48</sup> "Data: Chinese Investment in Africa," China Africa Research Initiative, accessed July 22, 2022, <http://www.sais-cari.org/chinese-investment-in-africa>.

government introduced and supported the establishment of Special Economic Zones (SEZ) across the continent.

Since 2003, many African countries have sustained about 5 percent GDP growth, which has been mostly attributed to their trade and economic relations with the PRC.<sup>49</sup> According to the U.S. Congressional Research Service Report of August 1, 2022, China’s trade with Africa in 2021 amounted to \$240 billion (see Figure 1) as compared to the continent’s trade of about \$64 billion with the United States in the same year.<sup>50</sup> The report further revealed that China, as a key economic partner to several African countries, had declared its support for the African Continental Free Trade Area (AfCFTA), which led to the signing of a Memorandum of Understanding (MOU) between the Chinese government and the AfCFTA Secretariat in 2021. This endorsement is expected to further deepen the ongoing economic cooperation between Africa and the PRC.

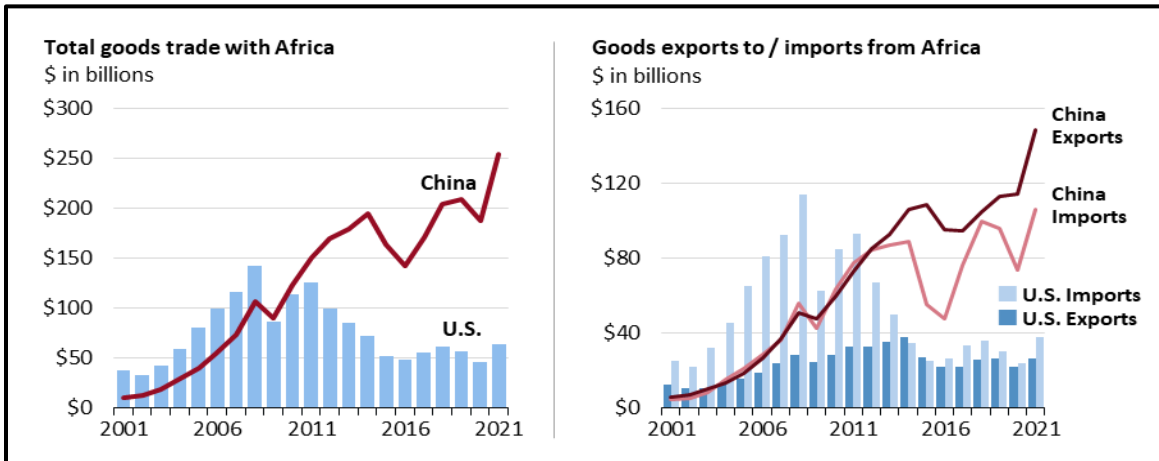


Figure 1. China vs. U.S. Trade with Africa, 2001–2021.<sup>51</sup>

<sup>49</sup> Sandy, Jun, and Yiguan, “China-Africa Cooperation.”

<sup>50</sup> Nicolas Cook, Brock R. Williams, and Rileigh K. Greutert, *African Continental Free Trade Area (AfCFTA): Overview and Issues for Congress in Brief*, CRS Report No. R47197 (Washington, DC: Congressional Research Service, 2022), <https://crsreports.congress.gov/product/pdf/R/R47197>.

<sup>51</sup> Source: Cook, Williams, and Greutert, 10.

CCP leaders generally highlight a fundamental principle of attaining a win-win situation through the pursuit of reciprocal benefits from the Sino-African economic relationship. Chinese President Xi Jinping at the FOCAC meeting of 2018 in Beijing re-emphasized that the PRC and Africa are a community with a shared future, highlighting shared responsibilities, “win-win” teamwork, cultural wealth, and harmony.<sup>52</sup> From a perspective that ranges from shared ideologies and struggles for independence to the need for developmental and economic progress, African nations also seem to consider their economic relationship with China as a mutually rewarding collaboration. Recently, many African leaders warmly responded to China’s 21st Century Maritime Silk Road, with both sides agreeing to extend the OBOR program to the “Belt and Road Continent” [Africa].<sup>53</sup> As the U.S. Congressional Research Service Report of August 2022 also notes, AfCFTA Secretary, General Mene enthusiastically appreciated China’s continuous financial assistance to the AfCFTA. The prevailing economic relationship between the PRC and African countries now appears complementary in nature, with potential for significant and extensive development and investment opportunities.

Western countries’ gradual shift away from engaging African economies owing to idealistic demands has equally paved the way for China to become one of the foreign direct investors to reckon with in the African continent. For one, the United States has shown capacity as a global superpower with a niche for upholding democracy, capitalism, and free market systems. Yet, the one way in which the United States conducts international relations has over time reduced U.S. influence due to the dynamics of global affairs.<sup>54</sup> For the moment, China has demonstrated a grasp of negotiation and multilateral cooperation skills that it applies in sustaining international economic relations. The reality today implies that the PRC government has modified and optimized its economic cooperation strategies in reaching out to African countries and, indeed, the world at large.

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<sup>52</sup> Xiaoqin Ding, Qiaoyan Chai, and Cheng Chen, “China-Africa Economic and Trade Cooperation from the Perspective of the Community with Shared Benefits: Achievements, Challenges, and Prospects,” *World Review of Political Economy* 11, no. 2 (Summer 2020): 208–31.

<sup>53</sup> Ding, Chai, and Chen.

<sup>54</sup> Kathleen A. Walsh and Eyck Freymann, “One Belt One Road: Chinese Power Meets the World,” *Naval War College Review* 75, no. 2 (Spring 2022): 184–184.

### C. THE INFRASTRUCTURE DEFICITS OF AFRICAN COUNTRIES

The availability of infrastructure is a crucial requirement for economic progress and social development, and it is still lacking in many African countries. For instance, efficient paved road networks can improve access between large-scale and small markets, while strong internet facilities can provide the essential virtual connectivity for people to carry out business activities remotely. Infrastructural deficiency is one of the African continent's major constraints for its economic growth and development. Achieving the continent's desire for attaining a full African economic integration is virtually impracticable with an overall weak continental infrastructure. According to the 2020 African Development Bank (AFDB) Infrastructure Development Index (AIDI), Africa scored an average of 28 points out of 100, with the bottom performing countries that have the least developed infrastructure being Chad, Niger, South Sudan, and Somalia which score below ten.<sup>55</sup> In fact, more than 46 out the 54 African countries scored fewer than 50 points in their development rating (see Figure 2).

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<sup>55</sup> African Development Bank, *The Africa Infrastructure Development Index (AIDI) 2020* (Abidjan, Côte d'Ivoire: African Development Bank, 2020), <https://www.afdb.org/en/documents/economic-brief-africa-infrastructure-development-index-aidi-2020-july-2020>.



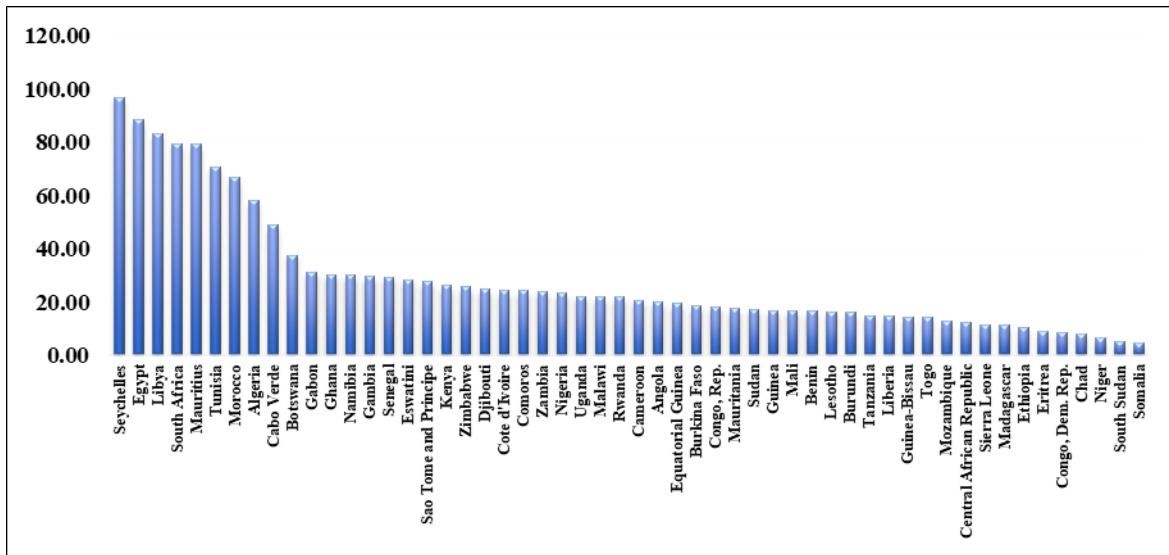


Figure 2. Africa Infrastructure Development Index, 2020.<sup>56</sup>

AFDB further estimates that between \$130 billion and \$170 billion is needed annually to cover Africa’s infrastructural requirements, and in fact with a financing deficit of about \$70–\$108 billion.<sup>57</sup> When matched with other developing regions, the African continent lingers at the rear in terms of infrastructure availability. Initially in 1960, Asia, Latin America, and Africa started developing at comparable levels. Africa later faced dwindling levels of fixed capital structure around the 1980s–90s, partially owing to structural adjustment programs implemented according to the *Washington Consensus*.<sup>58</sup> Even with a gradual increase in the continent’s capital formation from 2002, many analysts still opine that the increment rate is considerably behind that of other developing regions.

Despite having abundant natural and human resources, an infrastructure deficit continues to pose an impediment to Africa, hindering the realization of the continent’s fullest economic growth potential. The existing infrastructure in some African countries was built under European colonialism. Most of these structures have further deteriorated

<sup>56</sup> Source: African Development Bank, *The Africa Infrastructure Development Index (AIDI) 2020*.

<sup>57</sup> Temitayo Jaiyeola, “AfDB Puts Africa’s Infrastructure Deficit at \$108bn,” *Punch*, April 29, 2022, <https://punchng.com/afdb-puts-african-infrastructure-deficit-at-108bn/>.

<sup>58</sup> African Development Bank, *African Economic Outlook 2018* (Abidjan, Côte d’Ivoire: African Development Bank, 2018), <https://www.afdb.org/en/news-keywords/african-economic-outlook-2018>.

often due to neglect under administrations in post-colonial periods or were damaged during domestic conflicts or civil wars.<sup>59</sup> Besides, low rates of domestic investment in these infrastructures have rendered them undeveloped and incapable of addressing the needs of rising populations and shifting demographics in the affected countries. In addition to the dearth of necessary public funding to develop key infrastructure, some African countries are guilty of poor financial management and low credit scores in the international market.

Africa's infrastructural deficiency is obvious in the lack of energy, power, transport, water, and internet connectivity. In a study concerning the impact of infrastructure in Africa, Professor Ana Alves observes that the entire power generation capacity of Sub-Saharan Africa for its population of one billion is about the same as what Spain [in Europe] generates for its population of 46 million.<sup>60</sup> Moreover, there is a wide disparity in access to electricity between urban cities and rural areas in many African countries. Electricity in most parts of Africa is not reliable. With an average power outage of 25 percent annually, local firms in Africa are unable to function optimally.<sup>61</sup> The few firms that try to address this gap are faced with the higher cost of running privately-owned generators to sustain their businesses. Again, Africa has ample natural water resources; yet, access to clean water is a challenge in some parts of the continent due to inadequate water treatment, storage, and distribution plants and infrastructure. Studies have shown that lack of access to clean water in Africa can raise child mortality rates. The deficiency in water storage and distribution infrastructure not only affects the availability of drinking water but also the ability to control and manage environmental risks from flood and other hazards caused by natural disasters.

In terms of transportation, roads are the prevalent means of haulage in African countries. Africa's population is fast increasing, but the existing transport infrastructure is still lagging—amidst a gradually urbanizing demography. A large portion of Africa's road

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<sup>59</sup> Ana Cristina Alves, "China's 'Win-Win' Cooperation: Unpacking the Impact of Infrastructure-for-Resources Deals in Africa," *South African Journal of International Affairs* 20, no. 2 (2013): 207–26, <https://doi.org/10.1080/10220461.2013.811337>.

<sup>60</sup> Alves, 210.

<sup>61</sup> African Development Bank, *African Economic Outlook 2018*.

networks are not paved; this situation exacerbates flooding, especially during rainy seasons. Other similar deficiencies are found across most of the continent's airports, railways, and seaports. The information and communications technology (ICT) sector is, however, advancing at a better rate than the other infrastructure-associated sectors of African countries. Although there is a variation from country to country, mobile telecommunications services are somewhat widespread across the continent and relatively affordable. On the other hand, access to the internet is still limited in rural areas where only about 15 percent of households on the African continent have reliable internet access facilities.<sup>62</sup>

Overall, the lack of adequate funding, expertise, and technology, among other factors, are key impediments to Africa's infrastructural development. Historically, some African regimes have funded the [re]construction of key national infrastructure, but they have often been limited by strained annual budgets.<sup>63</sup> In addition, local banks and other private sector stakeholders are largely unable to provide the required loans or funding to sustain long-term investments on infrastructure development. Given the pace of globalization as well as the rising global demand for Africa's naturally endowed minerals resources, Africa has a compelling case to seek external assistance for the development of its existing infrastructure. Initiatives like the Programme for Infrastructure Development in Africa (PIDA) and the G20 Compact with Africa have been focused on supporting infrastructure development in Africa with significant lending and financing arrangements.<sup>64</sup> In the same vein, the infrastructure gap in Africa provides significant opportunities for foreign investors like China and its SOEs to finance and construct capital infrastructure assets, including roads, power plants, railways, and ports across the continent. It is therefore not unexpected that China has emerged as a key infrastructure

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<sup>62</sup> "ICT Financing Needs and Trends," ICA: The Infrastructure Consortium for Africa, accessed August 11, 2022, <https://www.icafrica.org/en/topics-programmes/ict/>.

<sup>63</sup> André Pottas, *Addressing Africa's Infrastructure Challenges* (Johannesburg, South Africa: Deloitte Africa, 2021), <https://www2.deloitte.com/za/en/pages/energy-and-resources/articles/african-infrastructure.html>.

<sup>64</sup> Priyadarshi Dash et al., *G20 Support for Improved Infrastructure Project Cycles in Africa* (G20 Insights Platform, 2021), [https://www.g20-insights.org/policy\\_briefs/g20-support-for-improved-infrastructure-project-cycles-in-africa/](https://www.g20-insights.org/policy_briefs/g20-support-for-improved-infrastructure-project-cycles-in-africa/).

partner with Africa. Apart from Chinese banks undertaking the financing of infrastructure projects, China equally implements the projects using its own construction firms and supports the capacity building of African countries. Nevertheless, questions remain as to the overall motives of the PRC's growing engagement in Africa.

#### **D. CHINA'S FDI FOR INFRASTRUCTURE IN AFRICAN COUNTRIES**

The PRC is generally indifferent to sociopolitical characteristics of a beneficiary African country, while Western countries consider macroeconomic and local democratic situations before investing in a country.<sup>65</sup> The past two decades have witnessed a continuous expansion of Chinese FDI on the African continent. According to the Johns Hopkins CARI, the total Chinese FDI stock in Africa grew from \$491 million to \$43 billion between 2003 and 2020.<sup>66</sup> Figure 3 shows the value of China's FDI by country in U.S. dollars. The abundance of raw materials and energy resources in Africa also remains a key driver for China's investment on the continent. Although these investments appear more frequent and sizable in energy or resource wealthy countries like Zambia, Angola, and Nigeria, PRC investments are generally visible across the continent. Over 3,000 Chinese businesses have now been established in Africa and are concentrating on different sectors of investment in the continent.<sup>67</sup>

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<sup>65</sup> Roquia Fane Madouka Koumou and Wang Manyi, "Effects of Chinese Foreign Direct Investment in Africa," *Journal of Finance and Accounting* 4, no. 3 (May 2016): 131–39, <https://doi.org/10.11648/j.jfa.20160403.15>.

<sup>66</sup> China Africa Research Initiative, "Data."

<sup>67</sup> Fenglin Niu, "Chinese Foreign Direct Investments in Africa: Determinants and Effects" (master's thesis, Turin Polytechnic, Italy, 2019), 23, <https://webthesis.biblio.polito.it/secure/10463/1/tesi.pdf>.

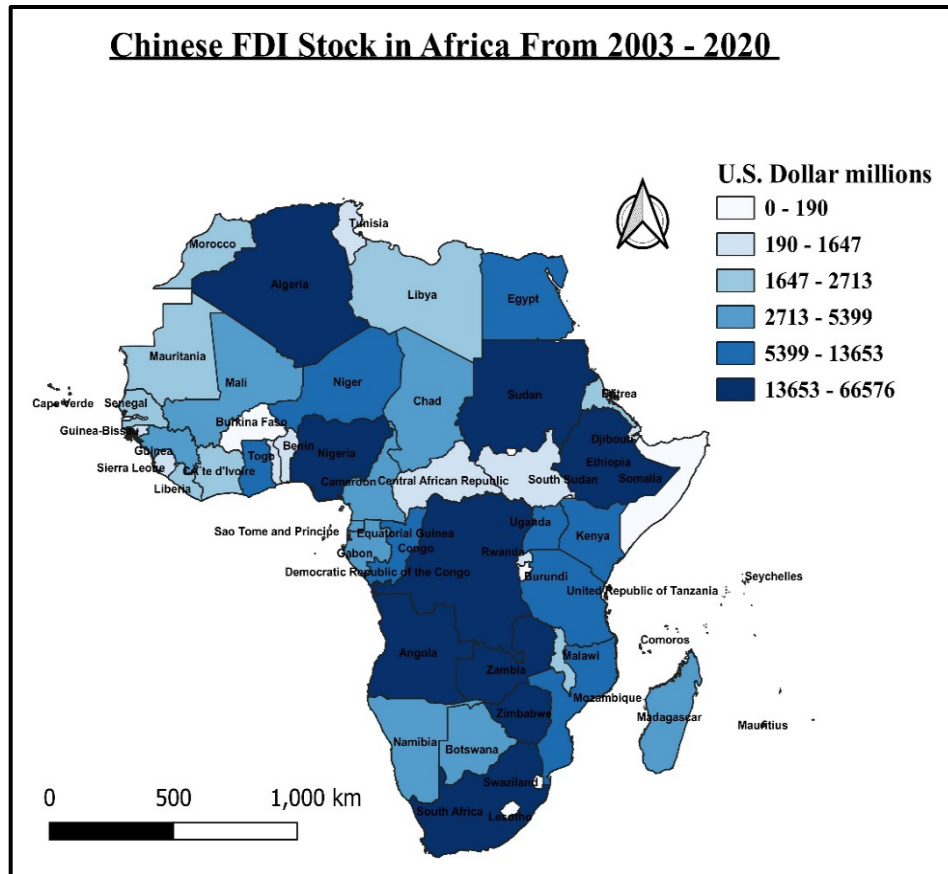


Figure 3. Chinese FDI Stock in African Countries, 2003–2020.<sup>68</sup>

Through FOCAC, China has gradually prioritized most of its outward investments in the development of critical infrastructure for African countries, especially after recognizing wide opportunities to address the glaring infrastructural needs of the continent. In 2015, China and the African Union (AU) endorsed an MoU for the joint development of infrastructure that will connect capital African countries via road, rail, and air routes, as well as industrialization projects, by 2063.<sup>69</sup> More recently, the China Africa Business Council Head, Diana Chen, stated that China plans to invest about \$300 billion in Africa

<sup>68</sup> Source: China Africa Research Initiative, “Data.”

<sup>69</sup> Michael Mitchell Omoruyi Ehizuelen, “China’s Infrastructure Financing and the Role of Infrastructure in Awakening African Economies,” *Journal of Comparative Asian Development* 18, no. 2 (July 2021): 1–25, <https://doi.org/10.4018/JCAD.20210701.0a2>.

over the next 30 years.<sup>70</sup> A glance at Figure 4 reveals that already, the construction industry, followed by the mining and manufacturing, has dominated Chinese investment on the continent in the last few years. Within these top three sectors, China’s FDI is obvious in the form of contracts for construction of roads, railways, ports, hydroelectric dams, oil and gas fields, mining fields, and mineral processing plants, amongst others.<sup>71</sup> In implementing investments in Africa, Chinese financial institutions, SOEs, and private companies play a major role in the financing.

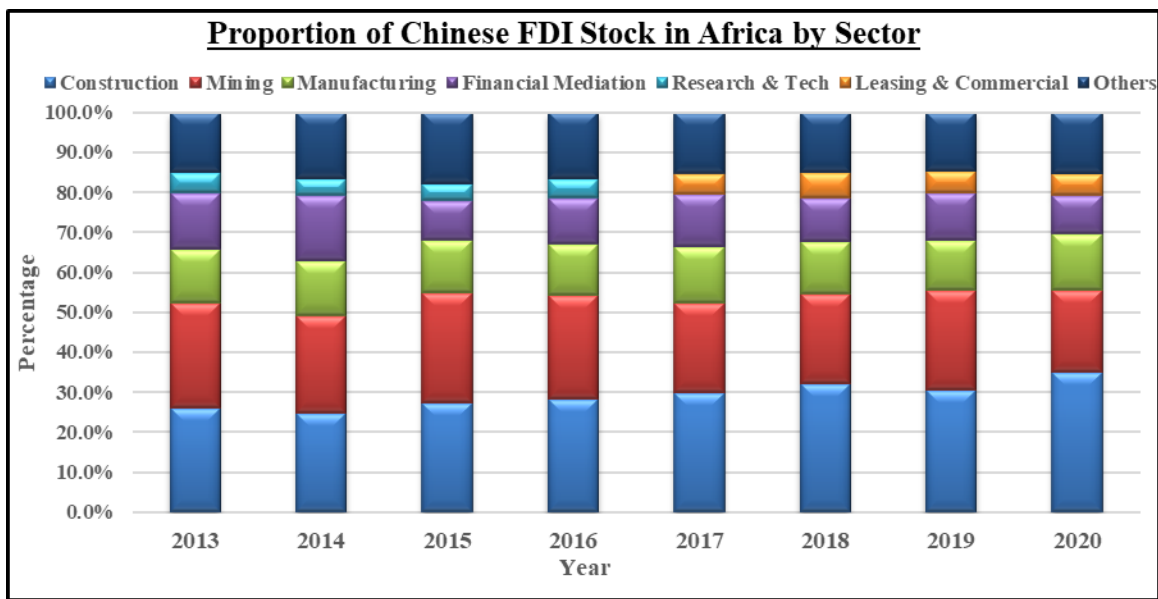


Figure 4. Chinese Total FDI Stock in African Countries, 2013–2020.<sup>72</sup>

On a bilateral level, China holds a wide range of infrastructure investments with individual African countries. For instance, in Angola, China’s Export-Import Bank provided \$4.5 billion between 2004 and 2007 for the reconstruction of critical infrastructure in exchange for a daily assured supply of oil to China’s National Oil

<sup>70</sup> Timothy Obiezu, “African Experts Argue Prospects for China’s New \$300 Billion Agreement,” VOA, February 4, 2022, <https://www.voanews.com/a/african-experts-argue-prospects-for-china-s-new-300-billion-agreement/6423835.html>.

<sup>71</sup> Ehizuelen, “China’s Infrastructure Financing.”

<sup>72</sup> Adapted from China Africa Research Initiative, “Data.”

Corporation (Sinopec).<sup>73</sup> In Ethiopia, China has invested \$4.08 billion for the construction of the Addis Ababa–Djibouti electrified railway that was designed, built, and completed in 2018 by China Civil Engineering Corporation (CCECC) and China Rail Engineering Corporation (CREC).<sup>74</sup> Ethiopia’s rail infrastructure is the first electric train in Africa and provides for both passenger and freight services, with additional capability for transporting cargos arriving in Djibouti ports from Asian countries to other hinterland areas of East Africa. The Democratic Republic of Congo (DRC) is rich in copper and cobalt, which are vital in the production of batteries for electric vehicles. For over ten years, a Chinese mining company, China Molybdenum (CMOC), has been operating in DRC’s Tenke Fungurume cobalt and copper mine; after China acquired shares worth \$2.65 billion in the cobalt and copper minefields and later injecting an additional \$1.14 billion in 2019 to jack up its controlling stake of the field to 80 percent.<sup>75</sup> China has equally financed and invested \$720 million in 2008 for the building of a 400-megawatt hydroelectricity dam at Bui in Ghana. Construction of the Bui Dam was completed in 2012 by a Chinese company, Sinohydro Corporation, and financed by China’s Export-Import Bank.<sup>76</sup> Sinohydro Corporation was also involved in the construction of about 500 kilometers of roads in Sudan to the tune of \$300 million.<sup>77</sup>

The aforementioned projects are just a few examples of China’s engagement on infrastructure in Africa. Taken as a whole, African countries seem to favor China on infrastructure investment when compared with Western countries. One possible reason is that China is well-known for the quick accomplishment of infrastructure projects for

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<sup>73</sup> Benjamin Barton and Jing Men, *China and the European Union in Africa: Partners or Competitors?* (Farnham, UK: Ashgate Publishing, Ltd., 2013).

<sup>74</sup> Li Xuanmin, “Addis Ababa–Djibouti Railway a Road to Prosperity, BRI Boost ‘Speedy’ Transformation in Africa in Past Decade,” *Global Times*, July 14, 2022, <https://www.globaltimes.cn/page/202207/1270556.shtml>.

<sup>75</sup> Jevans Nyabiage, “Chinese Firm Regains Control of DRC Mine after Royalty Dispute,” *South China Morning Post*, April 3, 2022, sec. News, <https://www.scmp.com/news/china/diplomacy/article/3172881/chinese-firm-regains-control-dr-congo-copper-mine-after>.

<sup>76</sup> Kwame Adovor Tsikudo, “How the Bui Dam Set up China’s Future Engagement Strategy with Ghana,” *The Conversation*, July 27, 2021, <http://theconversation.com/how-the-bui-dam-set-up-chinas-future-engagement-strategy-with-ghana-164970>.

<sup>77</sup> “China’s Infrastructure Footprint in Africa,” *China in Africa*, accessed August 27, 2022, [https://www.ide.go.jp/English/Data/Africa\\_file/Manualreport/cia\\_10.html](https://www.ide.go.jp/English/Data/Africa_file/Manualreport/cia_10.html).

African countries, owing to the vast technological and cost-effective engineering of the Chinese. The average infrastructure project undertaken by China in Africa is completed in less than three years, which is approximately one-third of the duration required by the World Bank or the African Development Bank to implement such projects.<sup>78</sup> Another explanation for the African nations' preference for China is that Chinese companies offer lower prices, low interest loans, and better funding terms to developing countries for investment contracts relating to infrastructure development. Chinese companies have frequently competed with their Western counterparts and secured capital infrastructure investment deals in African countries.<sup>79</sup>

Apart from direct investments in critical projects, China has stretched further to engage in financing the construction of official buildings for African countries and organizations. Recall that in 2012, China funded the construction of the AU Headquarters by Chinese engineers at Addis Ababa in Ethiopia, as a show of the PRC's commitment to FDI and development in Africa.<sup>80</sup> So far, China has built or remodeled various government buildings as endowments in no less than half of African countries.<sup>81</sup>

#### **E. THE BENEFITS AND COSTS OF CHINA'S INVESTMENT IN AND ECONOMIC COOPERATION WITH AFRICA**

The impact of the PRC's investments in Africa remains diverse and inconclusive. China's FDI has contributed to the economic growth and development of African countries, but the execution of Chinese contract investments has increased debts and caused some African governments to make unfeasible choices.<sup>82</sup> Many scholars have noted that details

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<sup>78</sup> "Chinese Loans and Investment in Infrastructure Have Been Huge," *The Economist*, May 20, 2022, <https://www.economist.com/special-report/2022/05/20/chinese-loans-and-investment-in-infrastructure-have-been-huge>.

<sup>79</sup> Sandy, Jun, and Yiguan, "China-Africa Cooperation."

<sup>80</sup> "China Rejects Claim It Bugged Headquarters It Built for African Union," *The Guardian*, January 30, 2018, sec. World news, <https://www.theguardian.com/world/2018/jan/30/china-african-union-headquarters-bugging-spying>.

<sup>81</sup> Jevans Nyabiage, "China Paints Picture of African Partnership with Gleaming Public Works," *South China Morning Post*, February 14, 2022, sec. News, <https://www.scmp.com/news/china/diplomacy/article/3166864/china-paints-picture-african-partnership-gleaming-public-works>.

<sup>82</sup> Niu, "Chinese Foreign Direct Investments in Africa."



of Chinese investments and economic aid to Africa are largely opaque, which make it difficult to distinguish between China's aid from business. In this circumstance, a comprehensive assessment of Chinese investments in Africa can only be attempted but may not entirely paint the exact picture. While the motive of the PRC government's increasing relationship and economic cooperation with African nations remains under scrutiny, it is obvious that China has become an important foreign investor in Africa. The engagement of China in Africa presents enormous opportunities that have yielded some benefits for the continent. For a start, the PRC's presence in Africa has improved infrastructure, increased bilateral trade, created employment opportunities that have facilitated skills or technology transfer, boosted local manufacturing capacity, and provided technical assistance in the health and education sectors of African countries.<sup>83</sup>

Amidst African countries' huge domestic shortfalls in financing their capital projects, Chinese investments have helped to strengthen Africa's infrastructure, power generation, and resource extraction industries, amongst others.<sup>84</sup> A significant portion of China's investment in Africa has been directed to infrastructural development—which is undeniably a pressing need for the continent's socioeconomic progress.<sup>85</sup> China is a leading trade partner to Africa, and this trade connection provides a substantial foreign exchange opportunity for the continent. Africa has no doubt earned huge revenues from exports to China, particularly due to the PRC's high demand for the energy, minerals, and natural resources with which Africa is naturally endowed.<sup>86</sup> Apart from resource trade, the cooperation between China and Africa has resulted in trade agreements that have led to the removal of tariffs for those marginally developed African countries exporting to China.

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<sup>83</sup> Alexis Abodohoui, Zhan Su, and Imelda Da-Silva, "Chinese Investments in Africa: What Have We Learnt?," *Management International/International Management/Gestión Internacional* 22, no. 3 (2018): 129–42, <https://doi.org/10.7202/1060899ar>.

<sup>84</sup> Peter Stein and Emil Uddhammar, *China in Africa: The Role of Trade, Investments, and Loans Amidst Shifting Geopolitical Ambitions* (New Delhi: Observer Research Foundation, 2021).

<sup>85</sup> Deborah Bräutigam and Haisen Zhang, "Green Dreams: Myth and Reality in China's Agricultural Investment in Africa," *Third World Quarterly* 34, no. 9 (2013): 1676–96.

<sup>86</sup> Callisto Enias Madavo, "China and Africa: Opportunities, Challenges and Forging a Way Forward," *Business and Public Administration Studies* 2, no. 3 (2007): 1–13.

Just as Chinese investments and economic cooperation offer some advantages to Africa, the continent also incurs costs from the Sino-African relationship. Chinese infrastructural projects in Africa are often hastily designed, with minimal or no integration nor coordination of the overall infrastructural blueprints by the beneficiary African countries.<sup>87</sup> Such fragmented Chinese projects detract from yielding the long-term benefits of a comprehensive infrastructure system in the country involved. Similarly, China's investments pose a risk to the financial sustainability of African countries.<sup>88</sup> Chinese loans taken out by African countries for capital projects or investments have led them to allocate huge portions of their annual budgets to service the debts owed China, which further shrinks African countries' ability to finance other sectors to pursue economic growth. China accepts payments for loans or services in ways other than cash. As such, resource-rich African countries are vulnerable to Chinese oil companies that take control of African resources from "oil-for-infrastructure" or "resource-for-infrastructure" deals.<sup>89</sup>

Another prominent cost incurred by African countries from the Sino-African commercial relationship is evident in the trade deficit between China and Africa. The trade surplus is continually to China's advantage, particularly as the African countries' wholesale and retail markets have been inundated with cheap Chinese products.<sup>90</sup> The low cost of Chinese production and technology has further resulted in the closing down of African manufacturing companies that cannot compete with bigger Chinese firms in the continent. In the same way, some resource-driven Chinese companies have been reported to have caused serious environmental degradation in Africa, due to pure disregard for environmental standards in the process of manufacturing or resource extraction.<sup>91</sup>

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<sup>87</sup> Madavo.

<sup>88</sup> Madavo.

<sup>89</sup> Abodohoui, Su, and Da-Silva, "Chinese Investments in Africa."

<sup>90</sup> Kinfu Adisu, Thomas Sharkey, and Sam C. Okoroafo, "The Impact of Chinese Investment in Africa," *International Journal of Business and Management* 5, no. 9 (September 2010): 3–9, <https://doi.org/10.5539/ijbm.v5n9p3>.

<sup>91</sup> Koumou and Manyi, "Effects of Chinese Foreign Direct Investment in Africa."

## F. CONCLUSION

China’s financial, technological, and economic capacities have enhanced the existing Sino-African cooperation, and have the potential to go even deeper in the future. Through FOCAC, the existing Sino-African cooperation has become more robust, stable, and strengthened with “mutually beneficial” agreements. In the last few decades, the PRC government has prioritized Chinese FDI in African countries for the development of their critical infrastructure. This is so because CCP leaders have clearly understood that insufficient infrastructure on the African continent has been a major impediment to the various countries’ socioeconomic development and growth. In recent decades, China has emerged as the leading foreign investor in African countries—and this is largely favored by the majority of countries on the continent.

Africa’s infrastructural deficiency is evident in energy, power, transport, water, and internet connectivity; Chinese FDI has helped to strengthen infrastructure, power generation, and resource extraction industries, amongst others, in many African countries. Indeed, CCP leaders have leveraged the “going out” strategy, as well as the wide acceptance of the Chinese investments by African countries, to systematically integrate ongoing development projects in African countries with China’s BRI concept of “physical infrastructure connectivity.” Nevertheless, Chinese economic cooperation and outward investments on the African continent can come at a cost to African countries, particularly in the long term. These costs include the overpowering of local African markets by Chinese companies, imbalances in the Sino-African trade relationship that favors China, and the accumulation of huge debts owed to China that strain the financial budgets of the respective African nations.

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### **III. ECONOMIC RELATIONS BETWEEN CHINA AND NIGERIA: AN OPPORTUNITY OR A PERILOUS BALANCE?**

The previous chapter explored the economic interaction linking African countries to China more broadly. This chapter focuses on the economic relationship between China and Nigeria along three themes: aid and loans, trade, and FDI. The basis of the Sino-Nigerian economic connection lies in China's recognition of Nigeria's vast oil and natural resources, robust market and business opportunities, as well as the country's geostrategic position. Likewise, Nigeria has welcomed China's often affordable products into its markets, while patronizing state-owned Chinese financial institutions and industries to seek concessional loans and develop some of the country's critical infrastructure. Less positively, Sino-Nigerian trade reveals a deficit in Nigeria's earnings while Chinese loans have continued to raise Nigeria's debt profile. At the same time, the presence of Chinese industries in Nigeria has led to environmental degradation and weak competition for local companies.

#### **A. OVERVIEW OF SINO-NIGERIAN ECONOMIC RELATIONS**

China and Nigeria's economic relationship is a multidimensional one, which has continued to develop in magnitude and influence. In line with the image it presents globally, China highlights a "state-to-state" win-win relationship with Nigeria. During a meeting with Nigerian officials in 2018 at Lagos, the Chinese Consul General to Nigeria, Chao Xiaoliang noted:

China and African countries are destined to be good friends, good brothers and good partners. China-Africa relations have demonstrated unprecedented solidarity, vitality and creativity, which offer significant opportunities to both sides. This also applies to Nigeria-China relations, as China together with Nigeria and other African countries, are ready to join hands to build a China-Africa community with a shared future that features joint responsibility, win-win cooperation, happiness for all, as well as a common prosperity, common security, and harmonious co-existence.<sup>92</sup>

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<sup>92</sup> "China's Belt and Road Initiative (BRI) and Nigeria's Memorandum of Understanding on the BRI," *This Day*, January 20, 2019, <https://www.thisdaylive.com/index.php/2019/01/20/chinas-belt-and-road-initiative-bri-and-nigerias-memorandum-of-understanding-on-the-bri/>.

Formal ties between the PRC and Nigeria were cemented in 1972, when Chinese and Nigerian representatives reached open-ended agreements for technical, trade, and economic cooperation. Between 1972 and 1999, the Sino-Nigerian economic relationship was modest, especially due to political volatility in Nigeria.<sup>93</sup> With the return of a civilian administration in Nigeria, relations improved steadily from around 2000. Another key enabling factor for their developing relationship at that time was the PRC's rejuvenation of its foreign policy towards cooperation with Africa, as embedded in the framework of FOCAC.

China's primary interest in Nigeria stems from the country's enormous raw mineral deposits, strong market potential, and investment track record in Africa.<sup>94</sup> Nigeria is a major oil producer outside the Middle East; this particularly makes China accord Nigeria special attention in their economic cooperation. China and Nigeria share some common attributes. Both countries happen to be the most populous nations as well as holders of the largest economies in Asia and Africa, respectively.<sup>95</sup> The World Bank revealed in 2021 that China's GDP stood at \$17.7 trillion, while that of Nigeria was at \$440.8 billion.<sup>96</sup> Since the beginning of the 21st century, the PRC has increased commercial activities in Nigeria because CCP leaders identify the country as one of the geostrategic and vital business destinations in Africa with which to engage as a global power. The start of major commercial ties between China and Nigeria dates back to 2001, when the two countries made agreements for Chinese oil companies to operate in Nigeria's oil and gas sector.<sup>97</sup>

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<sup>93</sup> Eyitayo Folasade Adewumi and Samuel Oluwatobiloba Akinnuga, "Beyond Rail Revolution: Rethinking Nigeria-China Relations for the Next Decade," *KIU Journal of Humanities* 6, no. 2 (2021): 33–39.

<sup>94</sup> Matthew T. Page, *The Intersection of China's Commercial Interests and Nigeria's Conflict Landscape*, Special Report No. 428 (Washington, DC: U.S. Institute of Peace, 2018), <https://www.usip.org/publications/2018/09/intersection-chinas-commercial-interests-and-nigerias-conflict-landscape>.

<sup>95</sup> Adewumi and Akinnuga, "Beyond Rail Revolution."

<sup>96</sup> "GDP (Current US\$)," World Bank Data, accessed July 29, 2022, [https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2021&name\\_desc=true&start=2021&view=bar](https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2021&name_desc=true&start=2021&view=bar).

<sup>97</sup> "Chinese Government Pledges \$4 Billion for Oil-for-Infrastructure Deal," AidData China, accessed March 11, 2022, <https://china.aiddata.org/projects/1844/>.

Several other bilateral pacts have been signed between the two countries to further boost cooperation, including an MOU to join the ongoing Chinese BRI project.<sup>98</sup>

The PRC and Nigeria are economically connected by trade, provision of loans, financial aid, and investments. China has gradually created state-owned and joint venture enterprises in Nigeria, which operate in the country's crucial business areas, including the communications, technology, power, transport, health, and manufacturing sectors.<sup>99</sup> Meanwhile, Nigeria's need for urgent solutions to address the country's infrastructure gaps makes the PRC's investments in infrastructure and financing approach to developing countries rather attractive. China's lending agreements without imposing rigorous settlement terms, as well as its seeming nonintervention principles in any host country's domestic affairs, also build an enabling environment for the Sino-Nigerian economic relations.

## **B. AID AND LOANS**

China's economic growth has fueled its support of Nigeria's development financing. In terms of aid, the PRC's relationship with Nigeria falls within the sphere of the "South-South Cooperation." Under this mode of cooperation, developing countries assist each other, instead of depending on the rich and bigger Northern countries.<sup>100</sup> While critics maintain that the PRC's aid and support agenda is directed at paving the way for Chinese entities to access natural resources in recipient countries like Nigeria, proponents of the "South-South Cooperation" believe that China is simply a donor to African countries based on mutual benefits.<sup>101</sup> That said, China insists on its framework for the provision of

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<sup>98</sup> This Day, "China's Belt and Road Initiative (BRI)."

<sup>99</sup> Abiola Odutola, "How the Chinese Are Taking over Nigeria's Economy," *Nairametrics* (blog), November 28, 2019, <https://nairametrics.com/2019/11/28/how-the-chinese-are-taking-over-nigerias-economy/>.

<sup>100</sup> "China's Foreign Aid," Embassy of the People's Republic of China in the Republic of Zimbabwe, accessed September 11, 2022, <https://www.mfa.gov.cn/ce/cezw//eng/xwdt/t975213.htm>.

<sup>101</sup> Deborah Bräutigam, "Aid 'with Chinese Characteristics': Chinese Foreign Aid and Development Finance Meet the OECD-DAC Aid Regime," *Journal of International Development* 23, no. 5 (2011): 752–64.

assistance to foreign countries as encapsulated in the PRC’s “Eight Principles of Economic and Technical Assistance” laid down in 1964 and summarized here:

1. a relationship built on equity and mutual benefit;
2. reverence for sovereignty, territorial integrity, and non-interference in other countries’ domestic affairs;
3. provision of interest-free loans or low-interest loans with flexible repayment;
4. increase in recipient’s income and capital accumulation through completing projects with less investment and faster results;
5. economic development and self-reliance of recipient countries;
6. provision of guaranteed high-quality equipment and other affordable manufactured Chinese products to developing nations;
7. provision of technical assistance; and
8. equal treatment for dispatched Chinese construction experts and the recipient’s experts.<sup>102</sup>

While Chinese officials profess these principles, many scholars and analysts doubt these claims. The PRC’s approach to delivering aid and loans is designed in a manner that makes the economies of the recipient countries prosper, which in turn attracts more loans from China, but increases the recipient countries’ debt profile.<sup>103</sup> Unlike traditional donors and influential economies like the OECD and the United States, China does not provide extensive and detailed information on its foreign assistance. Also, China portrays a “no strings attached” policy when offering aid and loans, which seems convenient for Nigeria and the majority of African and developing countries.<sup>104</sup> In cooperating with African countries, China appears to be mixing economic engagement with aid provision; one can hardly differentiate between Chinese grants and concessional loans, which are managed by

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<sup>102</sup> Austin Strange et al., *China’s Development Finance to Africa: A Media-Based Approach to Data Collection* (Washington, DC: Center for Global Development, 2013).

<sup>103</sup> Faouziatou Aboudou Kabassi, “A Tale of Two Superpowers: Nigeria and China Relations” (master’s thesis, University of San Francisco, 2012), <https://repository.usfca.edu/thes/35>.

<sup>104</sup> Pierre Mandon and Martha Tesfaye Woldemichael, *Has Chinese Aid Benefited Recipient Countries? Evidence from a Meta-Regression Analysis* (Washington, DC: International Monetary Fund, 2022), <https://papers.ssrn.com/abstract=4070780>.



Ministry of Commerce PRC (MOFCOM) towards promoting the PRC's larger diplomatic objectives.<sup>105</sup>

Most PRC aid to Nigeria is applied toward the development of critical national infrastructure and revitalization of the agricultural sector. In the past, China has worked with the Food and Agriculture Organization to deploy about 500 Chinese experts to assist with food production and preservation of water in dry areas of Nigeria.<sup>106</sup> China has also aided poor Nigerians through scholarship grants, especially in rural areas of the country. In 2002, Nigeria started receiving loans from China, which were, at the time, allocated for the construction of two \$114 million 335-megawatt capacity power plants, one at Ogun and one in Ondo States in Southwest Nigeria.<sup>107</sup> The loan accounted for 65 percent of the construction funding at an interest rate of 6 percent, while the Nigerian government funded the remaining 35 percent. Since then, the Chinese government has often given loans and provided aid in the form of concessionary loans and grants to Nigeria for the implementation of projects ranging from water supply systems, installation of ICT infrastructure, building grain processing plants, and construction of roads and airports, to the modernization the of railways.

Chinese support to Nigeria takes many forms, while financial loans appear to be closely attached to economic engagement and infrastructure development. The PRC's MOFCOM has the primary responsibility of allocating foreign aid or loans to recipient countries like Nigeria, and the financing is largely done through state-owned policy banks like the Export-Import Bank and other Chinese financial and diplomatic institutions.<sup>108</sup> Figure 5 illustrates how Chinese aid and loans to Nigeria feature across various sectors of the country. Small-scale Chinese aid and grants are often directed to education, non-profit,

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<sup>105</sup> Bräutigam, "Aid 'with Chinese Characteristics.'"

<sup>106</sup> Margaret Egbula and Qi Zheng, "China and Nigeria: A Powerful South-South Alliance," *West Africa Challenges*, no. 5 (November 2011): 1–20.

<sup>107</sup> Taiwo-Hassan Adebayo, "Exclusive: Inside China's \$6.5 Billion Loans to Nigeria since 2002," *Premium Times Nigeria*, November 1, 2019, <https://www.premiumtimesng.com/news/headlines/360523-exclusive-inside-chinas-6-5-billion-loans-to-nigeria-since-2002.html>.

<sup>108</sup> Huan-Kai Tseng and Ryan Krog, "No Strings Attached: Chinese Foreign Aid and Regime Stability in Resource-Rich Recipient Countries," in *Proceeding of the Annual Meeting of the American Economic Association* (Chicago, IL: AEA, 2017), 6–8.

or humanitarian support, while loans are utilized for the financing of capital projects, which are most often implemented using Chinese construction companies. Specifically, loans from the Chinese state-owned banks go to commercial, energy, and industrial sectors of Nigeria while the Chinese Embassy in Nigeria, MOFCOM, and other Sino-corporations focus on other forms of aid like health and disaster response areas in Nigeria.

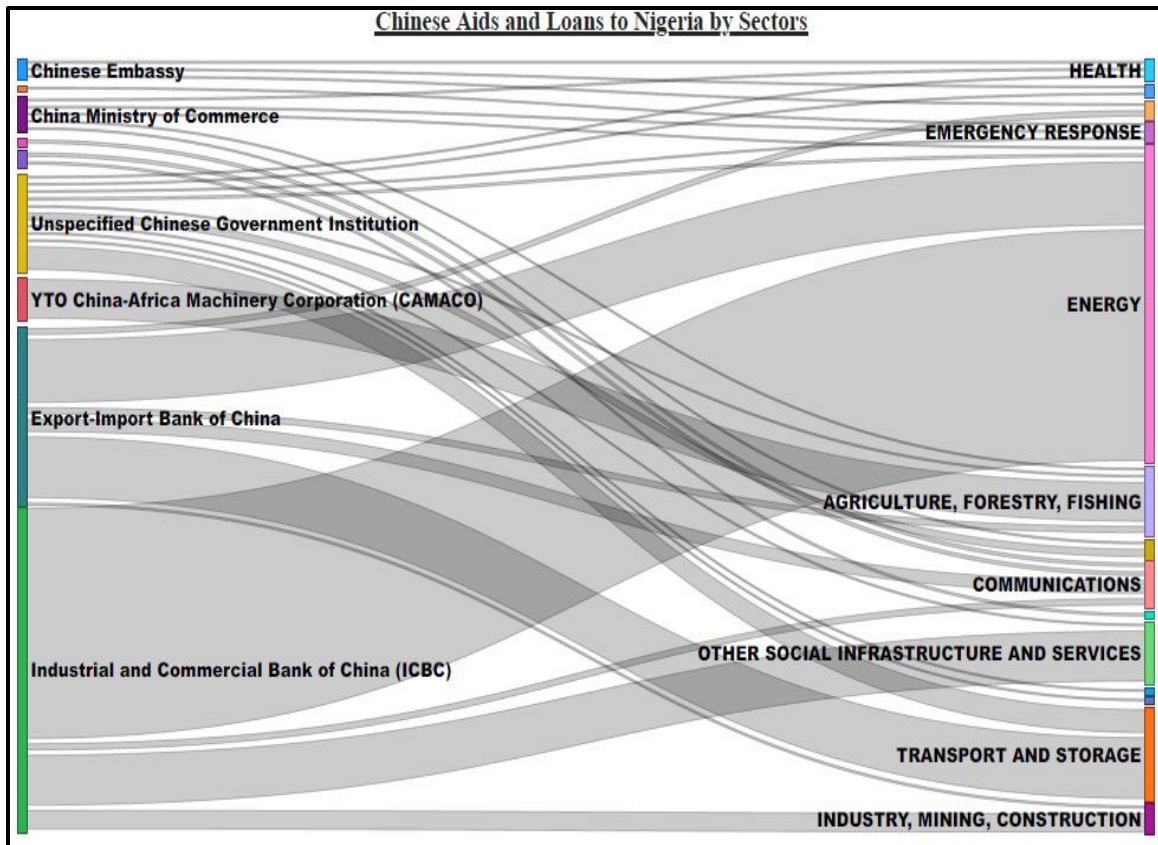


Figure 5. Chinese Aid and Loans to Nigeria by Sector, 2000–2017.<sup>109</sup>

Loans from the PRC have enabled Nigeria to address some of its developmental challenges with regards to power, transport, and agriculture, amongst others.<sup>110</sup> Nigeria

<sup>109</sup> “AidData’s Global Chinese Development Finance Dataset, Version 2.0,” Global China Data, September 29, 2021, <https://www.aiddata.org/data/aiddatas-global-chinese-development-finance-dataset-version-2-0>.

<sup>110</sup> Chijioke Jannah, “What Nigeria Did with \$5b Chinese Loan under My Govt – Buhari,” *Daily Post Nigeria*, September 5, 2018, <https://dailypost.ng/2018/09/05/nigeria-5b-chinese-loan-govt-buhari/>.

has increasingly relied on external funding sources, and Chinese financial institutions have been providing the desired loans. Chinese loans to Nigeria accounted for about 12 percent of Nigeria’s external debt stock of about \$27.6 billion, and by the end of the first quarter of 2020, Nigeria’s outstanding loans from China stood at about \$3 billion.<sup>111</sup> Most of the loans have a tenure of between five and 20 years and are payable with interest rates ranging from 2.5 percent to 3 percent.<sup>112</sup> While the interest rates seem modest, the gestation term is fairly prolonged for developmental projects, and also above average for financing third party projects in a developing country like Nigeria. As of now, many economic analysts, government officials, and other global as well as regional organizations have expressed worries that taking excessive loans from China will potentially harm Nigeria’s economy in the long run.

### C. TRADE

The 2001 treaty for enhanced economic ties has significantly bolstered Sino-Nigerian bilateral trade.<sup>113</sup> According to the Harvard University Observatory of Economic Complexity’s database, the total trade value recorded between China and Nigeria in 2000 was \$561.6 million, and it peaked at a total of \$19.9 billion by 2020.<sup>114</sup> As the largest economies in their respective continents, China and Nigeria have opportunities to benefit from trading with each other. A cursory look at the import-export trend in Figure 6, however, indicates a continuous inequality in the trade balance between the PRC and Nigeria. The annual difference in the volume of bilateral trade from 2000 to 2020 has

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<sup>111</sup> “Status of Loans Obtained from China Exim as at March 31, 2020,” Debt Management Office Nigeria, August 6, 2020, <https://www.dmo.gov.ng/debt-profile/external-debts/3220-status-of-loans-obtained-from-china-exim-as-at-march-31-2020>.

<sup>112</sup> Debt Management Office Nigeria.

<sup>113</sup> Leonard Nosa Aisien and Erediauwa Adesuwa, “Impact of Chinese Trade and Investment on Nigeria’s Economic Growth,” *International Journal of Humanities and Social Science* 9, no. 7 (July 2019): 136–48, <https://doi.org/10.30845/ijhss.v9n7p17>.

<sup>114</sup> “Nigeria (NGA) and China (CHN) Trade,” Observatory of Economic Complexity (OEC), accessed July 31, 2022, <https://oec.world/en/profile/bilateral-country/nga/partner/chn?dateAvailableSelectorCountry1=exportDateCountry1Available15&depthBalanceProductSelector=HS2Depth&dynamicBilateralTradeSelector=year2019&redirect=true>.

always benefited China—with the annual trade surplus indicating a gradual increase, ranging from \$295 million to \$14.9 billion within the period.

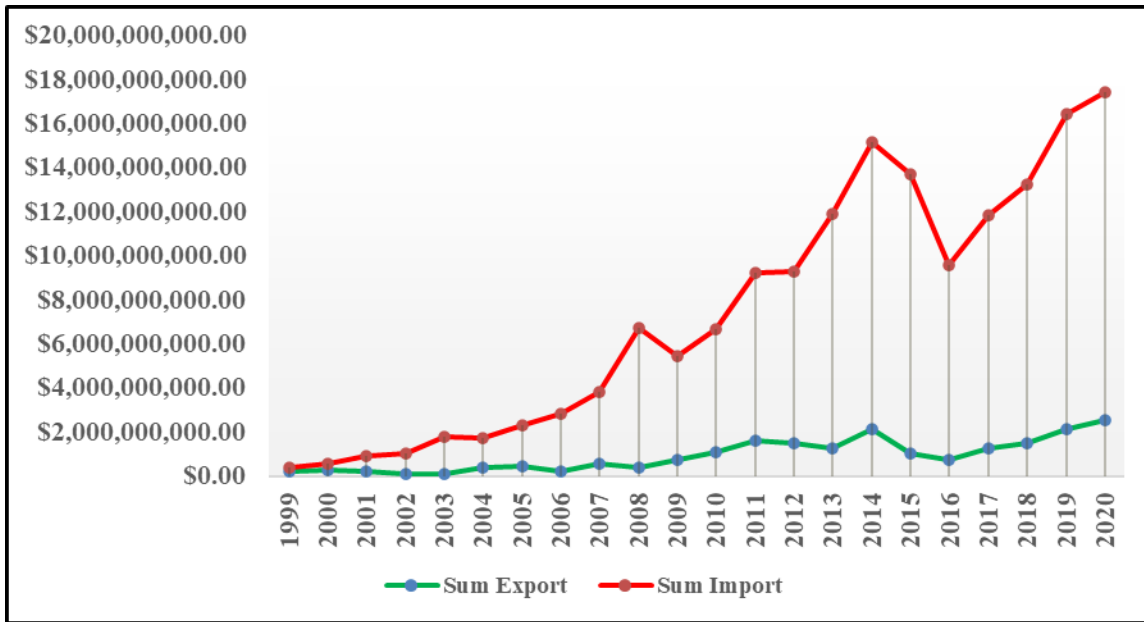


Figure 6. Nigeria’s Export-Import Trade with China, 2000–2020.<sup>115</sup>

The PRC counts heavily on Nigerian energy and raw materials, with exports of petroleum gas, crude oil, zirconium, lead, and zinc among the highest as of 2019. As seen in Table 1, oil and gas together accounted for nearly 89 percent of Nigeria’s total exports to China. Despite this large percentage, Nigeria’s crude oil export to China still comprises a small fraction of China’s global oil and gas imports.<sup>116</sup> As the largest importer of crude oil in 2020, for example, China imported about \$150 billion in total value of the commodity across the world, of which the trade with Nigeria accounted for only about \$1 billion.

<sup>115</sup> Source: Harvard University’s Observatory of Economic Complexity and UNCOMTRADE database.

<sup>116</sup> Observatory of Economic Complexity, “Nigeria (NGA) and China (CHN) Trade.”

Table 1. China’s Imports from Nigeria, 2019.<sup>117</sup>

Year	Value	Percentage	Material
2019	\$957,970,390.00	45.5%	Petroleum Gas
2019	\$918,532,032.00	43.6%	Crude Oil
2019	\$39,790,265.00	1.9%	Zirconium Ore
2019	\$23,757,528.00	1.1%	Lead Ore
2019	\$21,446,122.00	1.0%	Zinc Ore
2019	\$21,315,962.00	1.0%	Special Function Vessel
2019	\$14,296,022.00	0.7%	Lead Refined Unwrought
2019	\$13,257,729.00	0.6%	Polymers of Ethylene
2019	\$10,679,271.00	0.5%	Refined Copper and Copper Alloys
2019	\$8,098,561.00	0.4%	Tanned Hides of Bovines
2019	\$6,939,988.00	0.3%	Vegetable Fats and Oils
2019	\$70,304,823.00	3.3%	Other Exports
<b>Total</b>	<b>\$2,106,388,693.00</b>	<b>100%</b>	

Meanwhile, China’s exports to Nigeria are mainly finished products and refined items, as shown in Figure 7. China, with its well-diversified economy, has a high capacity to export products to Nigeria that can generate appreciable foreign exchange for the PRC. As part of efforts to facilitate bilateral trade, China and Nigeria entered an agreement to directly swap their national currencies for payment of export and import transactions.<sup>118</sup> In the agreement, the Chinese *Yuan* is converted to Nigerian *Naira* value and vice versa, without the need to first change the currencies into the standard foreign exchange currency according to the United States Dollar rate. The treaty has resulted in a decrease of import and export costs between the countries.

<sup>117</sup> Adapted from Harvard University’s Observatory of Economic Complexity.

<sup>118</sup> Ajugwe Chukwu Alphonsus, “Assessment of China and Nigeria Currency Swap: The Positive Impacts on the Nigerian Economy,” *International Journal of Research and Innovation in Social Science* 4, no. 3 (March 2020): 218–23.

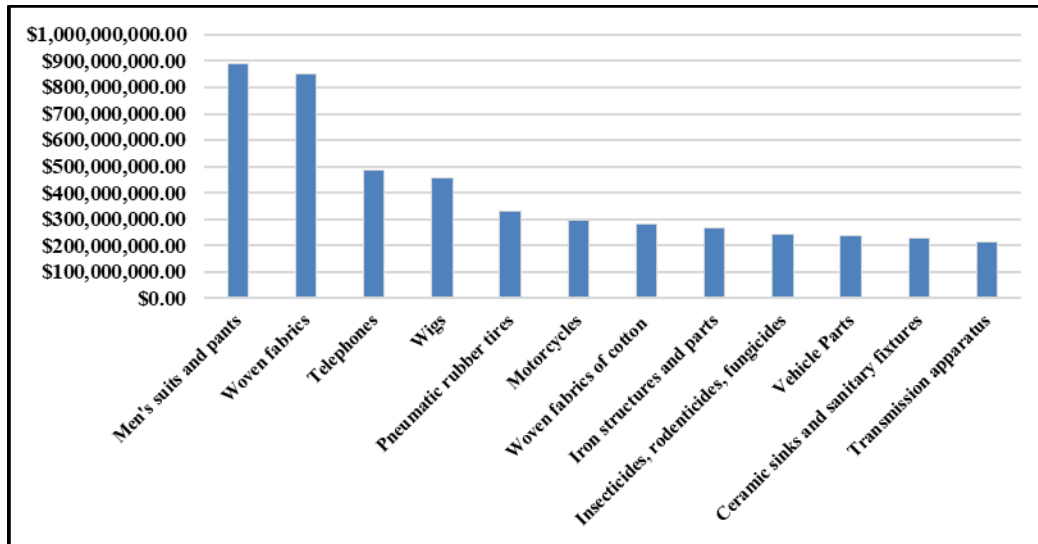


Figure 7. China's Exports to Nigeria, 2019.<sup>119</sup>

Chinese products have been quite successful in the populous Nigerian consumer markets. Some 20 years ago, Chinese goods were mostly sold in “China Town,” a commercial hub in Lagos State, southwestern Nigeria.<sup>120</sup> Presently, Chinese products can be found in almost every remote part of Nigeria. Many Nigerian consumers have over the years resorted to using imported Chinese goods, despite the Nigerian government’s campaign for citizens to patronize Nigerian branded products.<sup>121</sup> This is because Chinese products are purchased at far cheaper prices when compared with products from European or Western counterparts. As Edwin Ikhuoria, a doctoral researcher at Middlesex University in London notes, “the Chinese are wise in doing business and they provide every country with what [good/product] it can afford.”<sup>122</sup> It is no surprise that Chinese manufacturers and suppliers have understood the Nigerian consumers’ preferences and are taking advantage of the country’s market demands. The population of Chinese businesspeople in

<sup>119</sup> Adapted from Harvard University’s Observatory of Economic Complexity and UNCOMTRADE database Observatory of Economic Complexity, “Nigeria (NGA) and China (CHN) Trade.”

<sup>120</sup> Shaonan Liu, “China Town in Lagos: Chinese Migration and the Nigerian State Since the 1990s,” *Journal of Asian and African Studies* 54, no. 6 (2019): 783–99, <https://doi.org/10.1177/0021909619845015>.

<sup>121</sup> Axel Harneit-Sievers, Stephen Marks, and Sanusha Naidu, *Chinese and African Perspectives on China in Africa* (Oxford, UK: Fahamu/Pambazuka, 2010).

<sup>122</sup> Harneit-Sievers, Marks, and Naidu.

Nigeria has also continued to increase with time.<sup>123</sup> By comparison, this is not the case in China, where access to local Chinese markets for Nigerian businessmen is relatively inconsequential. Moreover, Nigerians doing business in China are typically limited to short-term trade and commercial activities.<sup>124</sup>

#### D. FOREIGN DIRECT INVESTMENT

The PRC’s quest for natural resources and market opportunities, as well as infrastructural gaps in African countries, are some of the push and pull factors that motivate Chinese investments in Africa. Similar reasons also drive China’s investments in Nigeria. Between 2003 and 2020 the total stock value of the PRC’s investments in Nigeria was estimated at \$26,710,240,000.00, representing 6.9 percent of the total Chinese FDI stock in Africa as depicted in Figure 8.<sup>125</sup>

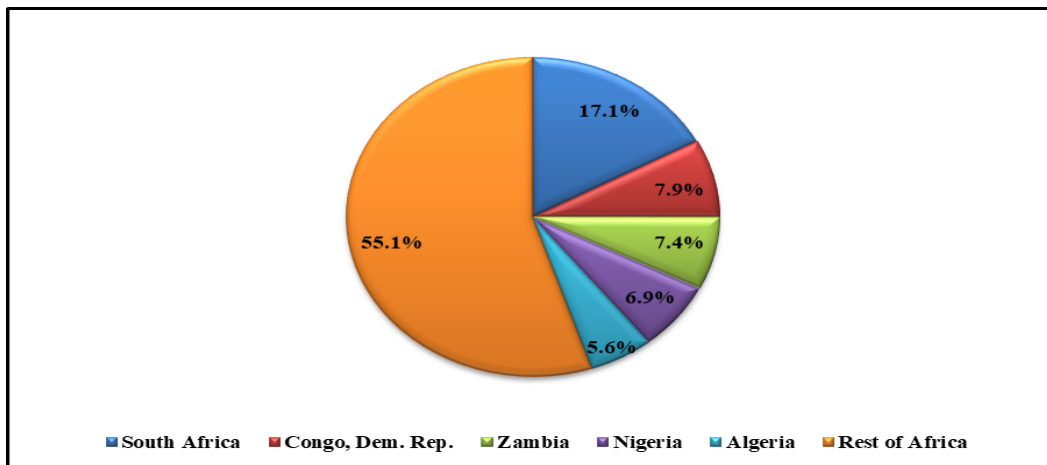


Figure 8. Percentage of Chinese FDI Stock in Africa, 2003–2020.<sup>126</sup>

<sup>123</sup> Jennifer Marsh, “African Migrants Let down by the Chinese Dream,” Al Jazeera America, July 1, 2014, <http://america.aljazeera.com/opinions/2014/7/africans-in-chinachinesemigrantsinafricachinaafricarelations.html>.

<sup>124</sup> Harneit-Sievers, Marks, and Naidu, *Chinese and African Perspectives on China in Africa*.

<sup>125</sup> Adapted from Harvard University’s Observatory of Economic Complexity and UNCOMTRADE database.

<sup>126</sup> Adapted from Harvard University’s Observatory of Economic Complexity and UNCOMTRADE database Observatory of Economic Complexity, “Nigeria (NGA) and China (CHN) Trade.”

Nigeria ranks among the five leading African nations that have frequently drawn capital outward investments from China (see Figure 9).<sup>127</sup> Despite having the highest GDP in Africa, the World Development Indicators (WDI) for market evaluation by the World Bank suggest that China’s FDI position in Nigeria does not correspond with Nigeria’s GDP ranking.<sup>128</sup> Nonetheless, China has diversified its investments and still occupies a prominent position amongst foreign investors in Nigeria.

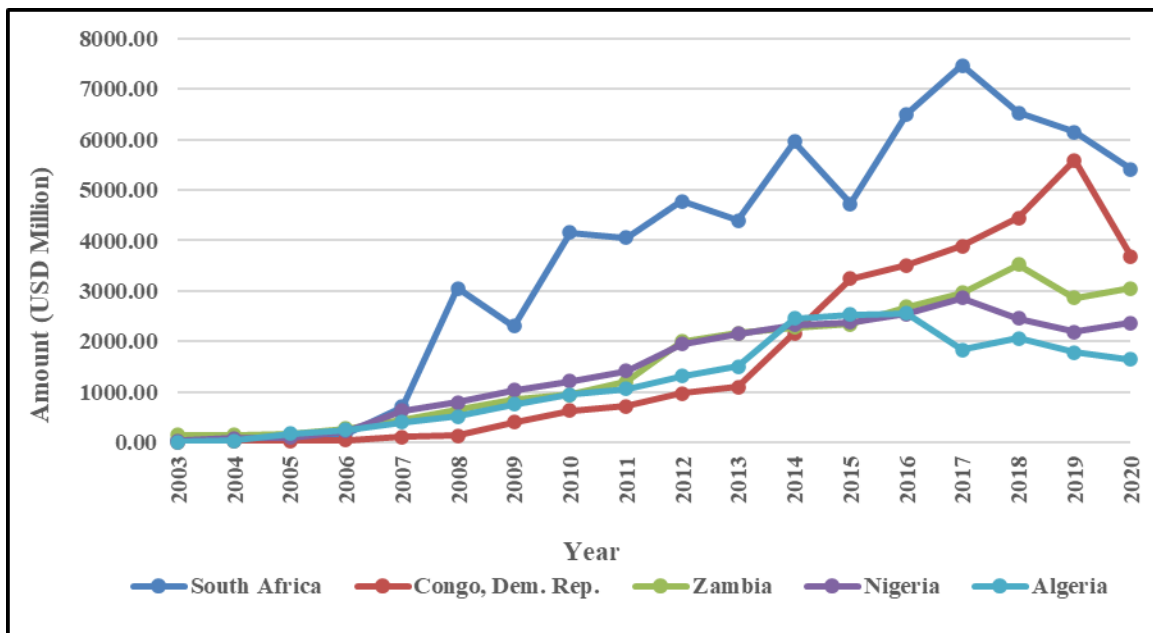


Figure 9. China’s FDI Stock in Top Five African Countries, 2003–2020.<sup>129</sup>

<sup>127</sup> Data from the John Hopkins China Africa Research Initiative indicates that South Africa is the greatest beneficiary of China’s outward investments, with a total stock value of \$66,575,640,000.00 within the same period. Similarly, the DRC and Zambia have had higher Chinese FDI positions than those of the Chinese investments in Nigeria—although with a lesser margin when compared with Nigeria versus South Africa. “Data: Chinese Investment in Africa,” China Africa Research Initiative, accessed September 8, 2022, <http://www.sais-cari.org/chinese-investment-in-africa>.

<sup>128</sup> Steven F. Jackson, “Two Distant Giants: China and Nigeria Perceive Each Other,” *Journal of European, Middle Eastern, & African Affairs* 1, no. 2 (Winter 2019): 40–74.

<sup>129</sup> China Africa Research Initiative, “Data.”



The PRC's investments in Nigeria were initially predominant in the petroleum sector.<sup>130</sup> In 2004, President Olusegun Obasanjo recognized the “oil-for-infrastructure” agreement, which required China to develop critical Nigerian infrastructure in exchange for crude oil. This paved way for Chinese investments in the Nigerian oil sector. In one instance, the China National Offshore Oil Corporation (CNOOC) bought shares worth \$2.3 billion in Nigeria's Akpo oil gas field and, in another instance, purchased a \$2.7 billion stake representing 45 percent ownership in Nigerian oil fields operated by the French oil company, TOTAL.<sup>131</sup> In return, China was to refurbish the Kaduna Refining and Petrochemicals Company in addition to carrying out other developmental investment projects such as the construction of a power plant in Plateau state.<sup>132</sup> In principle, such an arrangement should positively impact Nigeria. In the long run, however, the oil exchange deal did not fully benefit Nigeria as expected, with several compliance and other political and economic issues resulting in its cancellation.<sup>133</sup>

China now has more investments in several non-oil sectors of Nigeria, such as agriculture, telecommunications, manufacturing, power generation, rail, road, and airport infrastructures.<sup>134</sup> Power infrastructure and generation in Nigeria has been a major challenge for many years. In 2006, China provided about \$3.5 billion for the construction of five hydroelectric dams, representing an aggregate of 6000 megawatts capacity across Nigeria. By the end of 2023, the CCECC is also expected to complete another huge hydropower plant in Nigeria, costing about \$5.8 billion, with China's Import-Export Bank providing 85 percent funding for the project.<sup>135</sup> In the technical sector, a notable Chinese

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<sup>130</sup> Ian Taylor, “Chinese Interest in Nigeria's Oil and the American Context,” *Canadian Journal of African Studies / Revue Canadienne Des Études Africaines* 48, no. 3 (2014): 391–404, <https://doi.org/10.1080/00083968.2014.971833>.

<sup>131</sup> Femi Omotoso, Goke Kuti, and Isaax Olayide O. Oladeji, “Assessment of the (Inter) Dependency of Economic Relations between Nigeria and China: 1999–2019,” *Journal of Science, Humanities and Arts* 7, no. 2 (March 2020): 1–29, <https://doi.org/10.17160/josha.7.2.639>.

<sup>132</sup> Taylor, “Chinese Interest in Nigeria's Oil.”

<sup>133</sup> Egbula and Zheng, “China and Nigeria.”

<sup>134</sup> Jackson, “Two Distant Giants.”

<sup>135</sup> John Campbell, “China Gives a Dam,” Council on Foreign Relations, accessed August 5, 2022, <https://www.cfr.org/blog/china-gives-dam>.

investment was the building and servicing of Nigeria’s Communication Satellite (NIGCOMSAT-1), done in 2007 to the tune of \$256 million.<sup>136</sup>

Other recent major Chinese investments are found in Nigeria’s transport sector, most significantly in the rail system.<sup>137</sup> Meanwhile, roads are the most popular mode of transportation used in Nigeria for the movement of more than 85 percent of passengers and goods across the country.<sup>138</sup> Yet, the road conditions are not very good, varying from fair to deplorable. Needless to say, the existence of good roads and efficient transportation networks can increase the GDP of a country. In this context, Nigeria seems to have fully embraced the PRC’s investments in the [re]construction of roads, building of airports, and improving and expanding national railway facilities. In 2013, the CCECC was awarded a \$1.07 billion contract for the construction of the East–West highway that will connect the major North and South highways in Nigeria.<sup>139</sup> This is expected to improve access to the oil-producing regions that generate the biggest revenue for Nigeria. Similarly, in March 2022, President Muhammadu Buhari commissioned an international terminal newly constructed at the Lagos International Airport.<sup>140</sup> The project was 80 percent funded by China’s Export-Import Bank and implemented by the CCECC—as part of many other transport and infrastructure projects in Nigeria. The new terminal is estimated to accommodate 20 million passengers and create no fewer than 3,000 jobs for Nigerians.

Chinese FDI in Nigeria’s manufacturing sector resembles trends in several African countries. Nigeria is Africa’s most populous nation, with the potential to provide

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<sup>136</sup> M. R. Rindap, “An Assessment of Nigeria-China Economic Relations from 1999–2014,” *AFRREV IJAH: An International Journal of Arts and Humanities* 4, no. 1 (March 5, 2015): 18–30, <https://doi.org/10.4314/ijah.v4i1.2>.

<sup>137</sup> In line with the broader theme of this thesis, the aspect of the Chinese railway construction in Nigeria is discussed separately in Chapter IV.

<sup>138</sup> Aare Afe Babalola, “The Deplorable Condition of the Nigerian Road: A Bane to Economic Sustainability,” *Vanguard News*, October 13, 2021, <https://www.vanguardngr.com/2021/10/the-deplorable-condition-of-the-nigerian-road-a-bane-to-economic-sustainability/>.

<sup>139</sup> “Chinese Contractor Wins Major Nigerian Road Project,” *World Highways*, November 11, 2013, <https://www.worldhighways.com/wh10/news/chinese-contractor-wins-major-nigerian-road-project>.

<sup>140</sup> Huaxia, “Nigerian President Commissions Chinese-Assisted Airport Terminal in Economic Hub-Xinhua,” *Xinhua*, March 23, 2022, <https://english.news.cn/20220323/ff81e8ee6a774d079e284cff37a42731/c.html>.

industrialists with a huge workforce. Unfortunately, weak human development and unskilled labor hinder the progress of local industries. In a bid to emulate China's SEZ and free-trade zone (FTZ) concepts with the hope to boost the manufacturing sector in Nigeria, the Lekki FTZ and Ogun Guangdong FTZ were formed in partnership with Chinese entities.<sup>141</sup> To date, the Lekki FTZ contains more than 30 Sino-Nigerian firms, at least half of which are involved in manufacturing, while Ogun Guangdong FTZ hosts about 45 registered companies which are involved in the construction of ceramics, furniture, steel pipes, and other finished products.<sup>142</sup> Other Chinese companies have also set up public and/or private companies in other parts of Nigeria. According to MOFCOM and the Nigerian Investment Promotion Commission (NIPC), over 220 Chinese companies have been registered and are operating in Nigeria.<sup>143</sup> The establishment of the FTZs has facilitated sharing of knowledge and training of local managers, but local employment, linkages to external supply chains, and technology transfer still remain inadequate.

Generally, China's FDI has improved Nigeria's revenue generation and enabled it to address some of its pressing developmental needs. Nonetheless, the huge presence of Chinese industries and firms in the country has undermined the operations and productivity of local companies as well as businesses and employees. More so, there is the challenge of environmental pollution caused by some Chinese firms in Nigeria. Another concern relating to the PRC's engagement in Nigeria is the lack of commensurate or high technology transfer from Chinese expatriates to the local employees in some Chinese firms that operate in Nigeria.

## **E. CONCLUSION**

Nigeria stands to benefit from China's aid, loans, and outward investments in various dimensions. Trade with China has generated considerable foreign earnings for

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<sup>141</sup> Yunnan Chen, *'Africa's China': Chinese Manufacturing Investment in Nigeria in the Post-Oil Boom Era and Channels for Technology Transfer* (Washington, DC: School of Advanced International Studies (SAIS), Johns Hopkins University, 2020), <https://www.econstor.eu/handle/10419/248164>.

<sup>142</sup> Chen.

<sup>143</sup> Chen Yunnan et al., *Learning from China: Manufacturing, Investment, and Technology Transfer in Nigeria* (Washington, DC: Johns Hopkins University, School of Advanced International Studies, 2016).

Nigeria, while Chinese development projects and investments in the country have improved the hitherto stagnant or deplorable conditions of key infrastructures or industries. Also, the SEZs in Nigeria, which are managed in partnership with Chinese entities, have aided the sharing of knowledge and improved the business management skills of some Nigerian small and medium-sized enterprises.

On the contrary, trading with China, taking excessive loans from the PRC, and accepting Chinese outward investment in Nigeria all come with their downsides. For instance, the existence of many Chinese manufacturing industries in Nigeria has driven local companies out of operations because their skills and products cannot compete. Similarly, Chinese investments in Nigeria are enormous, yet most of the gains made are repatriated to China instead of being reinvested in Nigeria.

In all, China has leveraged its economic might and industrial skills to assist developing countries, albeit for mutual benefits. Like many African countries, Nigeria has left its doors open for Chinese aid, trade, and investments, but China offers few opportunities in which Nigeria can invest. Apart from the various interests and mutual needs that motivate the presence of China in Nigeria, the wide variations between the two countries in terms of economic status, technological advancement, and innovation, amongst others, also play a key role.

## **IV. CHINESE INVESTMENT IN THE CONSTRUCTION OF NIGERIA'S RAILWAYS**

This chapter begins with a brief history of the origin and development of Nigeria's railway system prior to China's involvement in the rail sector of the country. Thereafter, it discusses Nigeria's engagement of Chinese SOEs in railway financing and construction, especially at the turn of the 21st century. Finally, the chapter examines some of the effects and implications of the PRC's involvement in the development of Nigeria's railways, centering on the strategic/political, economic, and social aspects.

To highlight a few aspects, CCP leaders use state-owned industrial skills and resources in the form of railway construction and concessionary loans to pursue foreign policies and secure China's energy needs from Nigeria, while Nigerian politicians also use Chinese railway projects to garner political support. Although the Chinese engagement in the rail sector has marginally aided Nigeria to meet its medium-term economic ambitions, loans taken from the PRC to finance the railway construction are gradually constraining the country's budgets. On the social front, Chinese-built trains have eased mobility for some mid-class commuters, but the cost versus benefit of the trains does not seem to be effective due to the relatively high cost of the railway tickets for the average Nigerian. In all, China seems to gain more than Nigeria from the Chinese railway deals in the country.

### **A. ORIGIN AND DEVELOPMENT OF NIGERIA'S RAILWAYS**

Nigeria has for long depended on roads as its foremost means of transporting passengers and cargo to sustain economic activities, which has invariably limited the country's ability to effectively move a large volume of goods.<sup>144</sup> Efforts to strike a balance in local transportation modes began when Britain built Nigeria's railway system during the colonial era to consolidate its administration and bring the system in line with global

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<sup>144</sup> Oye Abioye, Kadom Shubber, and John Koenigsberger, "Evaluating the Role and Impact of Railway Transport in the Nigerian Economy, Options and Choices: Case of Nigerian Railway Corporation," *AshEse Journal of Economics* 2, no. 4 (October 2016): 103–13.

developing trends.<sup>145</sup> British economic goals were to also implement a cheaper transport mode for the movement of raw materials, crops, and other goods through the hinterland to coastal shores for export to mainland Britain. Railway construction started in Nigeria around 1898 with a narrow-gauge (1,067 mm) track from Lagos State to Ogun State in southwestern Nigeria.<sup>146</sup> In 1912, the rail track was extended to Kano State in the northwest via Ibadan (Oyo State) and Ilorin (Kwara State). Between 1913 and 1927, additional narrow-gauge tracks were constructed from Lagos State and Port Harcourt area of Rivers State in southern Nigeria to Maiduguri in Borno State, in the northeast of the country.

The narrow-gauge rail lines were divided into two categories for administration purposes: 1) the Western Line, which runs from Lagos State to Nguru, Yobe State, and 2) the Eastern Line, connecting Port Harcourt, Rivers State to Maiduguri, Borno State. The Nigerian Railway Corporation (NRC) was established by the Railway Act around 1955 [and amended in 1990] with the aim of ensuring the provision of high-quality transport services for passengers and goods across the country.<sup>147</sup> At the time of the establishment of the NRC Act, the Nigerian railway network totaled 3,505 km of narrow-gauge single tracks as depicted in Figure 10. The Nigerian railway network did not undergo any additional construction up until the end of the colonial period. After gaining independence in 1960, NRC's inventory maintained about 340 carriages, 257 locomotives, and 3,890 wagons to serve an estimated 20 million passengers.<sup>148</sup>

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<sup>145</sup> S. I. O. Elechi, "Rail Transport in Nigeria: Problems and Prospect," in *Transport: A Developmental Catalyst*, ed. J.O Eniola (Lagos, Nigeria: Tranec Nigeria Limited, 1998), 241–56.

<sup>146</sup> Chukwurah Gladys Ogochukwu et al., "Assessment of the Performance of Railway Transportation in Nigeria from 1970 to 2010," *Scientific African* 15 (March 2022): 1–12, <https://doi.org/10.1016/j.sciaf.2022.e01120>.

<sup>147</sup> "Nigerian Railway Corporation," Bureau of Public Enterprises, January 8, 2006, <https://www.bpe.gov.ng/nigerian-railway-corporation/>.

<sup>148</sup> J. A. Odeleye, "Reviving the Nigeria Railway: Options and Challenges," *Japan Railway and Transport Review* 21, no. 8 (2000): 12–18.

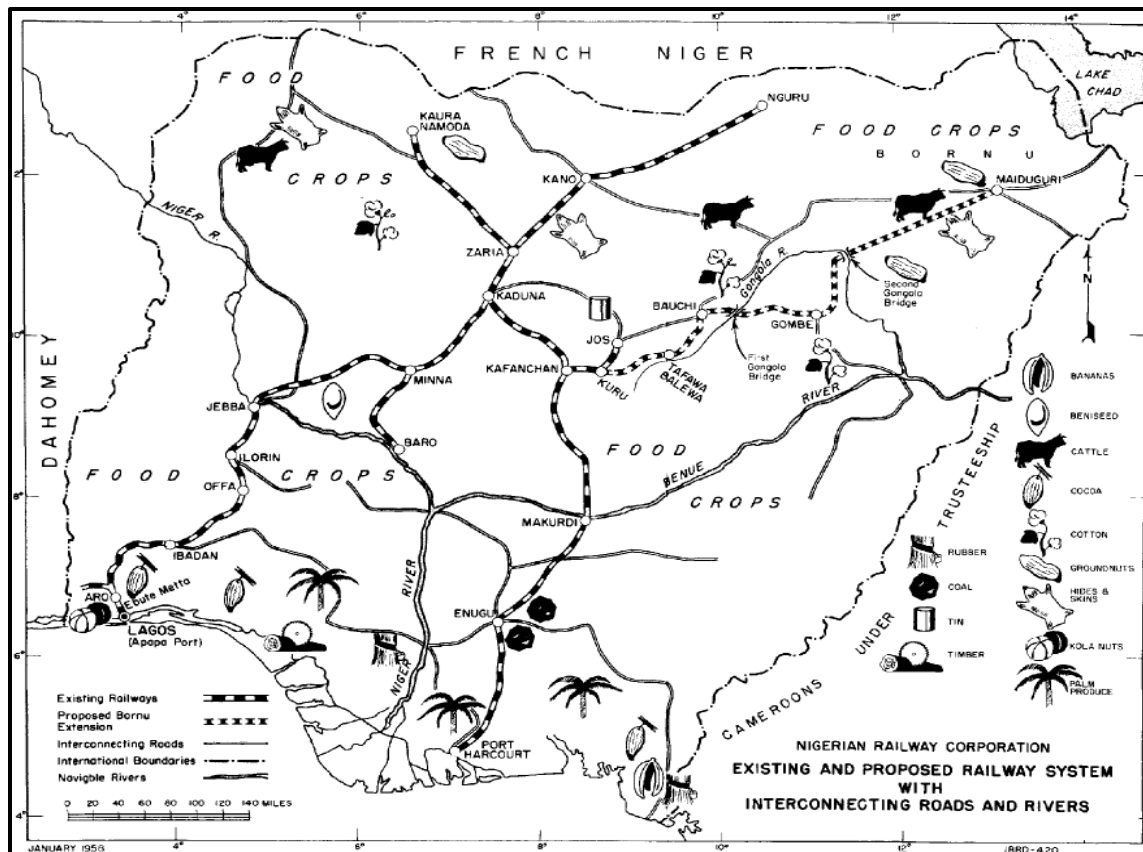


Figure 10. Layout of the Nigerian Railway Network, 1958.<sup>149</sup>

Constructed with little consideration for potential social benefits of the railway for adjoining communities, the narrow-gauge tracks were economical in connecting passengers and freight between the northern and southern regions of the country. The single narrow-gauge tracks were eventually deemed unsuitable for operations at high speeds. About 1,055 km of the total 3,505 km railway route consisted of curved tracks, thereby limiting the highest allowable speed on the rails to 65 km/hr, even when the locomotives could reach 110 km/hr.<sup>150</sup> Waiting times at stations and other challenges caused further extra delays. Despite these shortcomings, rail transportation made modest contributions to

<sup>149</sup> Source: Adepoju Ibrahim Babatunde, "Efficiency of Railway Transport as a Sustainable Mode of Transport in Nigeria: A Study of Rail Mass Transit in Lagos and Its Environs.," *Electronic Research Journal of Social Sciences and Humanities* 1, no. 1 (2020): 106, <https://doi.org/10.2139/ssrn.3576072>.

<sup>150</sup> S.I. Oni and K.R. Okanlawon, "An Evaluation of Railway Infrastructural Development in Nigeria" (53rd Annual Conference LASU-EKO ANG 2011, Lagos State University, Ojo, Nigeira, 2011), <https://ir.unilag.edu.ng/handle/123456789/654>.

the Nigerian economy through revenues accrued from the shipment of steel, agricultural crops, and livestock.

A decade into its independence from Britain, the Nigerian oil boom enabled the country to gain access to the international oil market and generated substantial revenue.<sup>151</sup> The sudden shift from agricultural activities to massive crude oil production in the 1970s resulted in a drastic drop in revenues generated from railway freight services of these agricultural products.<sup>152</sup> Part of the reason at the time was that crude oil was produced, loaded, and shipped offshore along the coast of southern Nigeria without the need for rail transport. The condition of the railways therefore remained of similar quality and capacity to those of the colonial period.

Following a period of post-colonial decline in Nigeria's railway infrastructure, the Nigerian government made rigorous efforts to engage foreign actors in a bid to revitalize the sector.<sup>153</sup> Between 1978 and 1982, the Nigerian government contracted Rail India Technical and Economic Services (RITES) to overhaul and manage the activities of the NRC. This effort initially improved the railway conditions, but the progress plunged after RITES' contract with the Nigerian government ended. In 1987, a German construction company, Julius Berger, was contracted to construct an industrial rail track for the transportation of steel from Itakpe (Delta State) to Ajaokuta in Kogi State.<sup>154</sup> The rail track was to be delivered within five years but due to lack of funds, it remained uncompleted for nearly 30 years, after about 254 km of the track had been constructed.

Again, from 1989 to 1992, the Romania Project was contracted for the provision of rolling stock for the Nigerian railways by the (then newly appointed) NRC Administrator,

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<sup>151</sup> Mgbeodichinma Eucharia Onuoha and Isa Olalekan Elegbede, "The Oil Boom Era: Socio-Political and Economic Consequences," in *The Political Ecology of Oil and Gas Activities in the Nigerian Aquatic Ecosystem*, ed. Prince E. Ndimele (Cambridge, MA: Academic Press, 2018), 83–99.

<sup>152</sup> Onuoha and Elegbede.

<sup>153</sup> Adesoji Adesanya, "Bringing the Nigerian Railways Back on Track: Challenges and Options," November 13, 2010, <https://nairametrics.com/wp-content/uploads/2013/05/NigeriaRail5.pdf>.

<sup>154</sup> AutoJosh, "Itakpe-Ajaokuta-Warri Railway: 20 Things to Know about This New Railway Line," AutoJosh, June 8, 2020, <https://autojosh.com/itakpe-ajaokuta-warri-railway-line/>.



Dr Samuel Ogbemudia.<sup>155</sup> During this period—the “Ogbemudia Revolution”—the NRC witnessed massive reorganization and restructuring due to the administrator’s vision and experience. The “Ogbemudia Revolution” was also brief and insufficient to have a lasting positive impact on the NRC. Unlike the RITES’ tenure that ended as expected, Ogbemudia’s cessation was primarily due to internal rivalry and domestic politics. Observably, inconsistencies in policy, as well as prolonged inadequate maintenance and the state of disrepair contributed greatly to the gradual deterioration of the Nigerian railways.<sup>156</sup> The few attentions given to the rail transport sector by the various administrative regimes proved quite inadequate and largely motivated by political gains.

## **B. NIGERIA’S TURN TO CHINA FOR RAILWAY DEVELOPMENT IN THE 21ST CENTURY**

Nigeria’s National Integrated Infrastructure Master Plan (NIIMP) ratified in 2015, prioritizes development of the transport sector as one of the key objectives for addressing the country’s poor infrastructure, which has been obstructing its economic growth in the last two to three decades.<sup>157</sup> To implement the NIIMP, the Nigerian government had earlier made numerous efforts to secure financial assistance and loans from regional and international organizations. The minimal contributions received from the World Bank, African Development Bank, and other development financiers in support of Nigeria’s railways were, however, grossly inadequate to significantly improve the prevailing conditions.<sup>158</sup> Against this backdrop, the Nigerian government solicited the financial contracts and expertise of Chinese SOEs for the development and construction of its

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<sup>155</sup> Ogochukwu et al., “Assessment of the Performance of Railway Transportation.”

<sup>156</sup> Azalahu Francis Akwara, Joseph Effiong Udaw, and Gerald E. Ezirim, “Adapting Colonial Legacy to Modernism: A Focus on Rail Transport Development in Nigeria,” *Mediterranean Journal of Social Sciences* 5, no. 6 (April 2014): 465–75.

<sup>157</sup> Federal Ministry of Finance, Budget and National Planning, *National Integrated Infrastructure Master Plan* (Federal Republic of Nigeria, Federal Ministry of Finance, Budget and National Planning, 2020), <https://ngfrepository.org.ng:8443/bitstream/123456789/2776/1/final%20EDITED%20VERSION%20OF%20NIIMP%20-%2012th%20Jan.%202021.pdf>.

<sup>158</sup> Transport, Urban Development & ICT Department, *Rail Infrastructure in Africa: Financing Policy Options* (Abidjan, Côte d’Ivoire: African Development Bank, 2015), <https://www.tralac.org/news/article/8609-rail-infrastructure-in-africa-financing-policy-options.html>.

railways. Nigeria's request coincided with the PRC's "going out" strategy for economic objectives.<sup>159</sup>

Among all the foreign actors contracted by the Nigerian post-colonial government, China has contributed most generously and quite consistently to railway development. Shortly after the RITES and "Ogbemudia Revolution" efforts to rejuvenate the NRC, the Nigerian government turned to China to improve its rail infrastructure. In 1995, the CCECC was awarded a \$528,697,000 three-year contract for the repair, repositioning, strengthening, and reduction of the sharp bends along Nigeria's railway tracks.<sup>160</sup> The contract obligated Chinese companies to supply rolling stocks, wagons, locomotives, and coaches to the NRC. At the expiration of the contract period in 1998, the CCECC was, however, unable to meet all its obligations, with only minor improvements to the railways being made.

In 2002, the Federal Government of Nigeria adopted a 25-year strategic plan that focused on modernizing the national railway system and network to conform with internationally acceptable standards.<sup>161</sup> According to the plan, the "colonial-era built" narrow-gauge (1,067 mm) tracks were to be reformed into standard-gauge (1,435 mm) tracks, including the construction of new tracks along major rail routes that will link up all the 36 states and economic focal points in Nigeria (Figure 11). The plan was also projected at a total cost of \$60 billion: 20 percent of the funding was to be provided by the government, while the remaining 80 percent would be sourced from local and foreign investors.

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<sup>159</sup> Ana Abeliansky and Inmaculada Martínez-Zarzoso, "The Relationship between the Chinese 'Going Out' Strategy and International Trade," *Economics: The Open-Access, Open-Assessment E-Journal* 13 (2019): 1–17, <https://doi.org/10.5018/economics-ejournal.ja.2019-21>.

<sup>160</sup> Akwara, Udaw, and Ezirim, "Adapting Colonial Legacy to Modernism.."

<sup>161</sup> "Nigeria Railways' 25-Year Timetable," BBC News World Edition Africa, November 14, 2002, <http://news.bbc.co.uk/1/hi/world/africa/2476963.stm>.

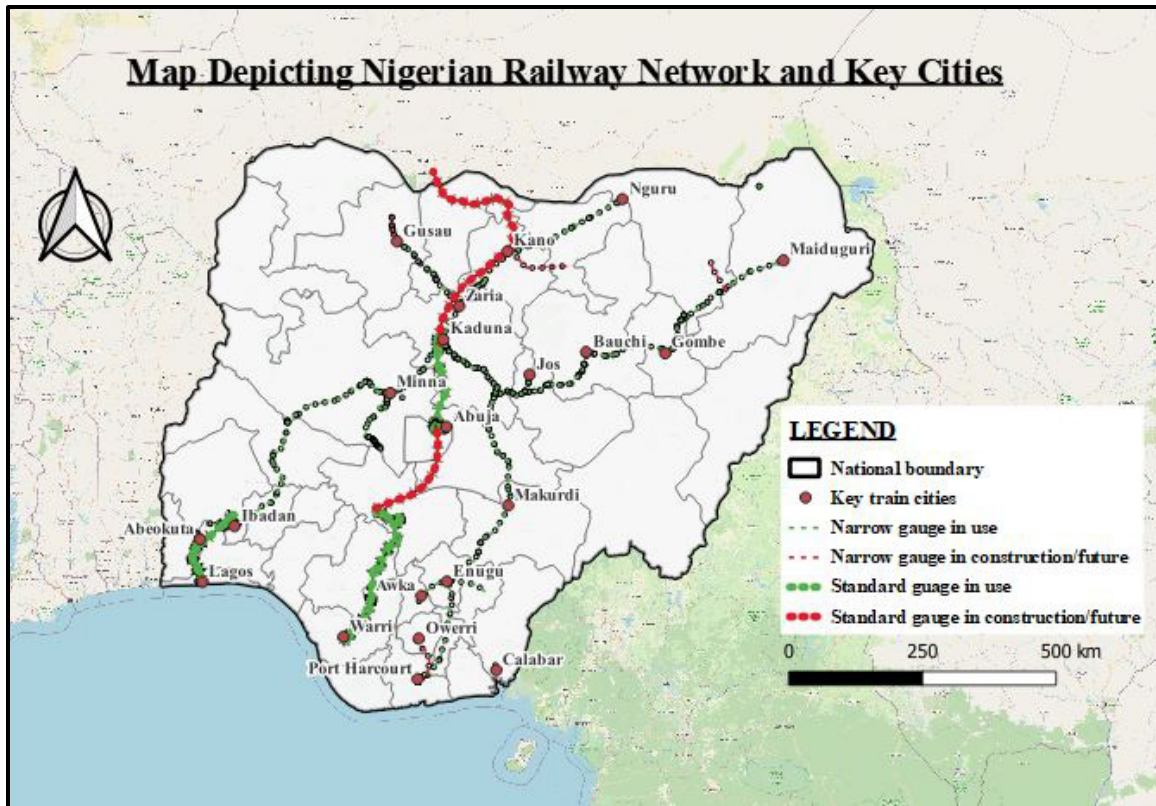


Figure 11. Nigerian Railway Network, 2022.<sup>162</sup>

To implement the plan, Nigeria initially signed an \$8.3 billion contract with the CCECC in 2006 for the construction of a 2,733 km standard-gauge rail track connecting the southern and northern commercial cities of the country—extending from Lagos State to Kano State.<sup>163</sup> During the contract signing ceremony, Nigeria’s President Olusegun Obasanjo further invited the CCECC’s representative to make projections for a viable connection of the national railways to neighboring countries including Niger, Chad, and Benin. The \$8.3 billion comprehensive contract for the 2,733 km-long Lagos–Kano route was later suspended and reviewed to be implemented in segments, owing to difficulties in sourcing of local funds. Subsequently, the Abuja–Kaduna (184 km) standard-gauge single-track segment became the first to be laid by the CCECC along the planned Lagos–Kano route. This phase was

<sup>162</sup> Adapted from Nigerian Railway Corporation data and other secondary geospatial data sources.

<sup>163</sup> “Nigeria, China Ink \$8.3-Billion Rail Contract,” *Mail & Guardian*, October 31, 2006, <https://mg.co.za/article/2006-10-31-nigeria-china-ink-83billion-rail-contract/>.

implemented at a cost of \$874 million, out of which \$500 million was financed through a concessionary loan from China's Export-Import Bank, and the remaining \$374 million was provided by the Nigerian government.<sup>164</sup> The CCECC commenced construction of the segment in 2011 and completed it in 2014, while formal inauguration of the railway by Nigeria's President Muhammadu Buhari took place in 2016.<sup>165</sup>

The second segment in line with Nigeria's railway development plan is the Lagos–Ibadan (156 km) standard-gauge track, which is the first double track standard-gauge in Nigeria, and the longest in West Africa, that will allow the trains to operate at speeds up to 150 km/hr. The contract for this phase was also financed by China's Export-Import Bank to a tune of \$1.5 billion and awarded to the CCECC in 2012, although the railway construction started in 2017 and was completed by 2021.<sup>166</sup> Specifically, the track was designed to be able to carry both passengers and cargo, and also haulage of heavy freight from the port city of Lagos into other parts of the country for distribution. As President Buhari stated during the inauguration of the line, “this vital line establishes an end-to-end logistic supply chain in railway transport within its short corridor, Lagos–Ibadan, as goods to the hinterland would now be transported by rail directly from the Apapa Port straight to the Inland Container Depot located in Ibadan from where it can be distributed to other parts of the country.”<sup>167</sup>

In 2014, the Ministry of Transportation in Nigeria agreed on a framework with China Railway Construction Corporation (CRCC) for a \$13 billion contract to construct a 1,385 km single-track coastal railway line from Lagos to Calabar (Rivers State) along the Niger Delta (oil-producing) areas of southern Nigeria.<sup>168</sup> This agreement did not, however, materialize.

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<sup>164</sup> Yunnan Chen, “Abuja–Kaduna Railway (Segment of Lagos–Kano Railway),” *The People's Map of Global China*, accessed July 4, 2022, <https://thepeoplesmap.net/project/abuja-kaduna-railway-segment-of-lagos-kano-railway/>.

<sup>165</sup> Yunnan Chen, *China's Role in Nigerian Railway Development and Implications for Security and Development* (Washington, DC: U.S. Institute of Peace, 2018), <https://www.jstor.org/stable/resrep20230>.

<sup>166</sup> Oliver Cuenca, “Nigeria Begins Trials on Lagos – Ibadan Line,” *International Railway Journal*, December 21, 2020, <https://www.railjournal.com/africa/nigeria-begins-trials-on-lagos-ibadan-line/>.

<sup>167</sup> David Burroughs, “Lagos – Ibadan Standard Gauge Railway Opens,” *International Railway Journal*, June 15, 2021, <https://www.railjournal.com/infrastructure/lagos-ibadan-standard-gauge-railway-opens/>.

<sup>168</sup> Peter Feuilherade, “China to Build Nigerian Coastal Railway,” *International Railway Journal*, May 13, 2014, <https://www.railjournal.com/africa/china-to-build-nigerian-coastal-railway/>.

Despite Nigeria's plans and intentions for the proposed line, at the time of this research there were no available records to confirm if a contract has been awarded to any construction company.

The CCECC was also contracted in 2017 to assist Julius Berger in the completion of the Itakpe–Ajaokuta–Warri rail line that Julius Berger started in 1987.<sup>169</sup> Specifically, the CCECC was to refurbish the Itakpe–Ajaokuta track that was vandalized during many years of neglect, as well as build train stations along the railway to support passenger transport. In 2019, Nigeria entered into a Public Private Partnership (PPP) with the CRCC for the extension of the Itakpe–Ajaokuta–Warri track to reach Nigeria's capital, Abuja; the PPP further included the construction of a seaport in Warri, Delta State in southern Nigeria.<sup>170</sup> The contract was to be carried out at a cost of \$3.9 billion, where Nigeria would finance 15 percent, the CRCC would cover 10 percent, and the remaining 75 percent would be financed through a loan from China's Export-Import Bank.<sup>171</sup> In lieu of the 75 percent loan repayment to the Chinese bank, the CRCC would manage the Itakpe–Abuja rail line and the seaport for a period of 30 years upon its completion, before NRC takes over the management of the line. With regard to railway components supply, the CCECC subcontracted another Chinese entity, China Railway Rolling Stock Corporation (CRRC), to provide diesel locomotives and wagons especially for the Abuja–Kaduna and Lagos–Ibadan segments, with the latest batch being ordered in 2019.<sup>172</sup>

From the onset, Chinese construction of railways in parts of Africa seemed to be part of the CCP leaders' approach to aid and support for African countries. Since the start of the 21st century, China has deepened its economic cooperation with African countries, with infrastructure development as the top priority. Most prominently in 2014, the Chinese Premier

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<sup>169</sup> Favour Nnabugwu, "FG Moves to Complete N40bn Central Rail Line," *Vanguard News*, August 15, 2017, <https://www.vanguardngr.com/2017/08/fg-moves-complete-n40bn-central-rail-line/>.

<sup>170</sup> AutoJosh, "Itakpe-Ajaokuta-Warri Railway."

<sup>171</sup> The Nation Newspaper, Faith Yahaya, "FG, CRCC Sign \$3.9b Itakpe-Abuja Railway Agreement," *The Nation*, October 10, 2019, <https://thenationonlineng.net/fg-crcc-sign-3-9b-itakpe-abuja-railway-agreement/>.

<sup>172</sup> "Nigeria to Receive the Second Batch of CRRC Locomotives," *Railway Pro*, July 8, 2020, <https://www.railwaypro.com/wp/nigeria-to-receive-the-second-batch-of-crrc-locomotives/>.

Li Keqiang visited Angola, Ethiopia, and Nigeria to propose the *san wang yi hua* idea—which stands for “three infrastructure networks comprising expressway roads, regional aviation, fast railways and one industrialization.”<sup>173</sup> Over time, the PRC government gradually integrated railway construction efforts in Africa with China’s ongoing ambitious BRI projects, even though the African nations were not initially involved. This process climaxed during the 2021 Ministerial FOCAC meeting in Senegal, when Chinese President Xi Jinping expressed happiness with over 45 African countries joining the BRI project.<sup>174</sup>

African countries like Ethiopia and Kenya have had railway contracts with China, which have made some progress. Like in these countries, China has maintained a record of executing railway projects in Nigeria within shortest possible duration—and this can potentially reduce the gaps in transport infrastructure. Ideally, one would also expect that China’s involvement in the construction of Nigeria’s railway system would improve socioeconomic conditions of the country. That said, the next three sections examine the engagement of the Chinese SOEs in the development of Nigeria’s railways.

### **C. THE STRATEGIC AND POLITICAL DIMENSIONS TO CHINA’S RAILWAY CONSTRUCTION IN NIGERIA**

China’s foreign policy emphasizes sustained cooperation with Nigeria because of its geostrategic and political status as the most populous nation and biggest economy in the West African subregion.<sup>175</sup> Chinese SOEs tend to remain in Nigeria even after executing projects. The most prominent Chinese construction company that has been playing a key role in infrastructural development in Nigeria over the last three decades is the CCECC, which has completed more than 100 projects in the period.<sup>176</sup> Geographically, the CCECC has cemented

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<sup>173</sup> “Chinese and Foreign Scholars Talk about China-Africa Cooperation: ‘Three Networks and One Integration’ Is the African Version of the ‘Belt and Road,’” People’s Daily Online, September 11, 2015, <http://world.people.com.cn/n/2015/0911/c1002-27569764.html>.

<sup>174</sup> Xi Jinping, “Full Text: Keynote Speech by Chinese President Xi Jinping at Opening Ceremony of 8th FOCAC Ministerial Conference,” Forum on China-Africa Cooperation, December 2, 2021, [http://www.focac.org/eng/gdtp/202112/t20211202\\_10461080.htm](http://www.focac.org/eng/gdtp/202112/t20211202_10461080.htm).

<sup>175</sup> Gladys Lechini, Maria Noel Dussort, and Agustina Marchetti, “China’s Grand Strategy through Infrastructure Projects in Africa,” *European Journal of East Asian Studies* 20, no. 2 (2020): 344–66.

<sup>176</sup> Sunday Julius Odediran et al., “Business Structure of Indigenous Firms in the Nigerian Construction Industry,” *Global Business and Management Research* 3, no. 5 (2012): 255–64.

its presence in Nigeria by building and occupying large edifices as its permanent regional office headquarters or branches in key cities like Abuja and Lagos. Abuja is Nigeria's capital, which accommodates the majority of government and private business or corporate headquarters in the country, while Lagos, the former capital, is the largest commercial city in West Africa. The location of the offices in these metropolitan areas has facilitated the PRC's access through the CCECC and other parent or subsidiary Chinese SOEs to elite Nigerian politicians and private business executives. The CCECC's projects have now gone beyond public infrastructure development to include the building of shopping plazas, especially in Abuja and Lagos.<sup>177</sup>

Railway development features as a key strategy for the PRC's cooperation with Nigeria, and also serves as an avenue to export Chinese politics and technology. In Ethiopia, for example, representatives of the CCP were used to offer advice to local officials on which laws to pass and surveillance technologies to use.<sup>178</sup> Nigeria's national railway ambitions have provided strategic, political, and rewarding opportunities for the PRC government as well as for its SOEs in the country. Since the entry of Chinese SOEs into Nigeria in 1981 to supply rolling stock for railway operations, they have gained and gradually increased their footing in the country through political agreements to secure more contracts or renegotiating existing ones.<sup>179</sup> As a political analyst from the U.S.-China Economic and Security Review Commission, Michelle Ker stated, "Chinese 'supply-chain' and export strategy involves the building of standard-gauge railways, use of Chinese locomotives, equipment and signaling systems."<sup>180</sup> Securing and executing infrastructure development contracts in African

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<sup>177</sup> Adaora Osondu-Oti, "A Study of Chinese Construction Projects in Nigeria and Work Efficiency," *IOSR Journal of Humanities and Social Science* 21, no. 09 (September 2016): 33–41, <https://doi.org/10.9790/0837-2109103341>.

<sup>178</sup> Elizabeth Economy, "China's New Revolution: The Reign of Xi Jinping on JSTOR," *Foreign Affairs* 97, no. 3 (2018): 60–74, accessed January 5, 2023, [https://www-jstor-org.libproxy.nps.edu/stable/44822145#metadata\\_info\\_tab\\_contents](https://www-jstor-org.libproxy.nps.edu/stable/44822145#metadata_info_tab_contents).

<sup>179</sup> Innocent Anaba, "In 5 Years, We Delivered to Nigeria 712km of Railway – CCECC," *Vanguard News*, November 22, 2021, <https://www.vanguardngr.com/2021/11/in-5-years-we-delivered-to-nigeria-712km-of-railway-ccecc/>.

<sup>180</sup> Michelle Ker, "China's High-Speed Rail Diplomacy," U.S.-China Economic and Security Review Commission Staff Research Report, February 21, 2017, <https://www.uscc.gov/research/chinas-high-speed-rail-diplomacy>.

countries like Nigeria not only benefit the Chinese economy, but also export the CCP leaders' influence and politics beyond Asia.

The long duration and nature of railway construction, coupled with the protracted stay of Chinese companies and expatriates in Nigeria, has the ancillary effect of allowing PRC representatives to gain unofficial access to raw and natural minerals or locate unexploited resources. As investigated by Biodun Odunmbaku-Wilson, a professor of transportation engineering, Chinese nationals operating under the guise of railway construction activities in Nigeria engage in area photography using advanced seismic instruments to pinpoint the locations of natural minerals.<sup>181</sup> He further noted that Chinese expatriates involved in railway projects enjoy nearly complete free-hand operation in Nigeria—making them comfortable with the state of affairs to the extent that they secretly exploit and cart away natural resources out of the country. These illegal extractive activities also corrupt local society as well as undermine traditional livelihoods in the vicinity of the extraction sites. The Nigerian Ministry of Mines and Steel has raised concerns about the growing cases of Sino-Nigerian groups that indulge in such practices. In 2020, some local leaders involved with two groups of Chinese expatriates who claimed to possess “exploration licenses” were arrested in Zamfara (northwestern) and Osun (southwestern) States of Nigeria, for illicit acts related to illegal resource mining.<sup>182</sup> Also supported by a local Nigerian businessman called *Dan China* (meaning the son or “indigene” of China) in 2017, 16 Chinese nationals were arrested for illegally extracting and moving iron ore worth \$278 million to China from Plateau State, located in the central region of Nigeria.<sup>183</sup>

Politically, Nigerian administrations since 2006 have used Chinese railway construction projects as a metric of success. Nigerian government officials, and occasionally

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<sup>181</sup> Biodun Odunmbaku-Wilson, “Halt All Chinese Loans for Nigeria Railways Now,” *The Guardian Nigeria News – Nigeria and World News* (blog), August 31, 2020, <https://guardian.ng/opinion/halt-all-chinese-loans-for-nigeria-railways-now/>.

<sup>182</sup> Adejumo Kabir, “17 Chinese Men Arrested for Illegal Mining in Nigeria,” *Premium Times Nigeria* (blog), May 4, 2020, <https://www.premiumtimesng.com/news/headlines/391246-17-chinese-men-arrested-for-illegal-mining-in-nigeria.html>.

<sup>183</sup> Matthew T. Page, *The Intersection of China’s Commercial Interests and Nigeria’s Conflict Landscape* (Washington, DC: U.S. Institute of Peace, 2018), <https://www.jstor.org.libproxy.nps.edu:2048/stable/resrep20240>.



Chinese bureaucrats, cite the improvements made in Nigeria’s railway sector to portray the political achievements of an existing or past administration. Before the end of President Olusegun Obasanjo’s tenure in 2006, many political supporters of his regime gave him credit for inaugurating the construction of the Lagos–Kano standard-gauge railway track by the CCECC.<sup>184</sup> During President Goodluck Jonathan’s administration (2010–2015), the sustained development of railways by Chinese companies was counted as remarkable progress in his government-outlined transformation agenda, which aimed to make Nigeria one of the biggest economies in the world by 2020.<sup>185</sup> In November 2022, Nigeria’s Minister of Transportation, Muazu Sambo, rated the performance of the current political administration in the railway sector as “high,” noting:

Within the period under review, the moribund commercial railway services were resuscitated by the administration of President Muhammadu Buhari as locomotives and coaches were procured and others refurbished. Safety and security are further enhanced through the provision of the latest signal communication equipment and solutions.<sup>186</sup>

The Chinese government tactfully applies diplomacy when negotiating railway infrastructure deals and advancing its foreign policies in Nigeria. Through a “resource diplomacy” approach to enhance cooperation during Olusegun Obasanjo’s tenure in 2006, the PRC government agreed to construct railways as part of infrastructure development in Nigeria for the allocation of four Nigerian oil blocs to Chinese oil companies in reciprocation.<sup>187</sup>

CCP leaders have similarly used Nigeria’s need for railway financing and construction, amongst other national infrastructure, to uphold the “One China-Policy.” This manifested when the Nigerian government demanded Taiwan’s government relocate its

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<sup>184</sup> Ayodele Oluwagbemi, “Nigerian Railway: A Tale of Failed Contracts, Dashed Hope,” *Punch Newspapers* (blog), February 4, 2016, <https://punchng.com/nigerian-railway-a-tale-of-failed-contracts-dashed-hope/>.

<sup>185</sup> Oladipo Akande, “2023: Revisiting Jonathan’s Transformation Agenda,” *The Cable*, accessed December 1, 2022, <https://www.thecable.ng/2023-revisiting-jonathans-transformation-agenda>.

<sup>186</sup> NewsDirect, “Scorecard: Minister Rates President Buhari High on Interventions in Transportation Ministry,” *Nigerian NewsDirect* (blog), November 9, 2022, <https://nigeriannewsdirect.com/scorecard-minister-rates-president-buhari-high-on-interventions-in-transportation-ministry/>.

<sup>187</sup> Kafilah Gold, Rajah Rasiah, Kian Teng Kwek, Murtala Muhammad, and Agboola Yusuf, “China’s Aid and Oil for Infrastructure in Nigeria: Resource Driven or Development Motive?,” *Contemporary Chinese Political Economy and Strategic Relations: An International Journal* 3, no. 3 (2017): 1197–1235.

unofficial Embassy out of Nigeria’s capital, Abuja, after President Muhammadu Buhari’s visit to Beijing to secure Chinese loans for infrastructure upgrade—and in the wake of another \$40 billion pledge by President Xi Jinping in 2017 to double China’s FDI in Nigeria.<sup>188</sup>

Railway construction in Nigeria with Chinese financing and SOEs’ involvement is vulnerable to political calculations, misinterpretations, or distortions that can breed an atmosphere of dissatisfaction in certain region(s). Yunnan Chen, a senior researcher on Chinese development financing has observed that the route of railways has a propensity to change based on an incumbent administration’s attachment of importance to presidential hometowns and geographical regions.<sup>189</sup> The prioritization of funding and construction of the Kaduna–Kano standard-gauge segment in northern Nigeria, along the larger Lagos–Kano route connecting the country’s South to the North—is viewed by some citizens in other regions as a symbol of the aspirations, interests, and domination of northern politicians in the Buhari administration.<sup>190</sup> In the same way, the proposed extension of the Kano standard-gauge track to Gusau, Sokoto State in northwest Nigeria is perceived by other ethnic groups as a reflection of the significance given to the traditional Sokoto Caliphate, in anticipation of political support. In southern Nigeria, a pro-secessionist group, Indigenous People of Biafra, has agitated over the perceived non-inclusion of the region in national railway modernization plans by successive governments, in addition to other allegations of marginalization.<sup>191</sup>

Whether these contentions are true or not, the Chinese government has not demonstrated any action or acknowledgment to suggest that it cares about “what might be a fair balance” in the Nigerian railway projects financed by its banks and implemented by its SOEs. The Chinese contractors show indifferent and non-interfering postures in political

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<sup>188</sup> Lily Kuo, “After Getting a \$40 Billion Pledge from China, Nigeria Ordered Taiwan’s Unofficial Embassy to Move out,” Quartz, January 12, 2017, <https://qz.com/africa/883767/after-a-visit-from-chinas-foreign-minister-nigeria-has-ordered-taiwans-unofficial-embassy-to-move-out-of-its-capital/>.

<sup>189</sup> Yunnan Chen, *China’s Role in Nigerian Railway Development and Implications for Security and Development* (Washington, DC: U.S. Institute of Peace, 2018), <https://www.jstor.org/stable/resrep20230>.

<sup>190</sup> Nadège Rolland, “(In)Roads and Outposts: Critical Infrastructure in China’s Africa Strategy,” *The National Bureau of Asian Research Special Report No. 38* (2022), accessed November 10, 2022, <https://www.nbr.org/publication/inroads-and-outposts-critical-infrastructure-in-chinas-africa-strategy/>.

<sup>191</sup> Steve Oko, “Anglican Bishops, IPoB Sad over Dismantling of Eastern Rail Lines,” Vanguard News, November 4, 2022, <https://www.vanguardngr.com/2022/11/anglican-bishops-ipob-sad-over-dismantling-of-eastern-rail-lines/>.

issues when executing development projects in African countries. This stance may not be unexpected, since the PRC government advocates for developing nations to be allowed to use whatever political or developmental paths fit their respective national conditions.

#### **D. CHINA’S RAILWAY FINANCING AND CONSTRUCTION SUPPORT NIGERIA’S ECONOMIC PLANS—AT A COST**

Historically, Chinese-built railway lines have catalyzed economic activities in host African countries. Railways in Central and East Africa were critical to boosting commerce, development of agricultural trade, and economic expansion in the regions.<sup>192</sup> Construction of the TAZARA railway in Tanzania accelerated the formation of multidimensional pastoral livelihoods and offered access to rich farmlands as well as markets for agricultural commodities that were transported as parcels on the train.<sup>193</sup> The Chinese-constructed railway linking Addis Ababa to Djibouti has similarly fostered economic growth in Ethiopia by connecting established industrial and economic hubs to improve economic development.<sup>194</sup> In Nigeria, the Chinese funding and construction of the railways have produced diverse economic impacts in the country.

##### **1. Benefits to the Nigerian Economy**

Chinese construction companies in Nigeria have provided an opportunity for the country to accomplish some of its NIIMP outlined railway development objectives. The CCECC has provided direct employment for some Nigerians and presented prospects for future jobs that would facilitate skills acquisition and technology transfer in the long run. An estimated 20,000 Nigerians have been hired by the Chinese contractors with about 4,000

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<sup>192</sup> Adesoji Adesanya, “Bringing the Nigerian Railways Back on Track: Challenges and Options,” paper presented at the *Monthly NISER Seminar Series*, Idaban, Nigeria, November 13, 2010.

<sup>193</sup> Jamie Monson, *Africa’s Freedom Railway: How a Chinese Development Project Changed Lives and Livelihoods in Tanzania* (Bloomington: Indiana University Press, 2009).

<sup>194</sup> Alessandra Laurel Lopez, Chen Ji, Emma Yang, Incheol Choe, Nora Delaney, and Rocky Intan, “China’s BRI in Nigeria: Spillover Effects of Lagos-Ibadan Railway to the Regional Economy – Part 1,” accessed October 17, 2022, [https://www.tearline.mil/public\\_page/chinas-bri-in-nigeria-spillover-effects-of-lagos-ibadan-railway-to-the-regional-economy-part-1/](https://www.tearline.mil/public_page/chinas-bri-in-nigeria-spillover-effects-of-lagos-ibadan-railway-to-the-regional-economy-part-1/).

direct labor jobs created for locals in these projects and even afterwards.<sup>195</sup> For instance, the CCECC employed local artisans to weld or cast beams, mold cement, and fix sleepers to rails. In 2019, the CCECC entered an agreement with the Nigerian government to construct a rolling stock assembly plant in Kajola area of Ogun State, in the southwest of the country.<sup>196</sup> According to the agreement, the bulk of basic and ancillary materials required for the plant will be made in China and the remaining assembly processes like welding, painting, and coupling, will be done in Nigeria. The plant, upon its completion, is expected to deliver an average of 500 wagons annually for use along Nigeria’s newly constructed standard-gauge tracks. It will also be responsible for the manufacture of maintenance equipment and spare parts required in the upgrading of Nigerian railways and production of rolling stock for other railways operating in West Africa.

Since the engagement of Chinese SOEs to improve the national railways, the performance of the NRC has over the last few years revealed a gradual and incremental increase in railway revenues. Figure 12 shows the annual income value in Nigerian Naira (₦) as generated between 2011 to 2021 by the NRC from passenger and freight services across the country. Cumulatively, the revenues from the rail transport within the period amounted to a total of ₦22.7 billion.<sup>197</sup> Following a plunge in 2020 owing to the impact of the COVID-19 pandemic, 2021 witnessed a dramatic rise by about 200 percent in the rail revenues, specifically from passenger ticket sales. This boost was largely attributed to the CCECC’s successful completion of the Lagos–Ibadan double track standard-gauge railway in southwest Nigeria, with another 7 km extension that connects the track with the country’s busiest seaport and container terminal in Lagos.<sup>198</sup> Conversely in 2022, attacks by armed bandits led to the

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<sup>195</sup> Global Times, “China-Built Landmark Railway in Nigeria Starts Service, to Boost Local Economy,” accessed October 26, 2022, <https://www.globaltimes.cn/page/202106/1225957.shtml>.

<sup>196</sup> “Nigeria Inaugurates Rolling Stock Assembly Plant,” *Railway Pro* (blog), November 12, 2019, <https://www.railwaypro.com/wp/nigeria-inaugurates-rolling-stock-assembly-plant/>.

<sup>197</sup> Nigerian Railway Corporation, *Rail Transportation Data (2021)* (Abuja, Nigeria: National Bureau of Statistics, 2022), <https://nigerianstat.gov.ng/elibrary/read/1241191>. This also included data provided to the author directly from the Nigerian Railway Corporation.

<sup>198</sup> Olatunji Saliu, “(Hello Africa) Chinese-Built Lagos-Ibadan Railway Brings Convenience, Opportunities in Nigeria,” Xinhuanet, September 2, 2021, [http://www.news.cn/english/2021-09/02/c\\_1310164330.htm](http://www.news.cn/english/2021-09/02/c_1310164330.htm).

suspension of railway operations along the Abuja–Kaduna segment for over six months, which translated to an average daily loss of ₦24.1 million from the national railway service revenues.<sup>199</sup> Although the railway operations have now resumed on the route, the number of trips has been reduced by 50 percent, which still implies a reduction in revenue generation.



Figure 12. NRC Revenue Generation, 2011–2021.<sup>200</sup>

Apart from the direct creation of jobs and earnings from railway transport fares, Chinese railway construction projects have stimulated economic opportunities to local companies and inhabitants in the vicinity of the railway development projects. Fuels and materials essential for railway construction, such as diesel, cement, and rebar, are locally sourced and purchased from indigenous Nigerian companies by the Chinese contractors, which have in turn conserved foreign exchange.<sup>201</sup> At the train stations, businesses now

<sup>199</sup> “Remaining Hostages Freed in Nigeria Train Attack,” VOA, October 5, 2022, <https://www.voanews.com/a/remaining-hostages-freed-in-nigeria-train-attack-/6777395.html>.

<sup>200</sup> Adapted from Nigerian Railway Corporation, *Rail Transportation Data (2021)*. Data is from this site and from information provided to the author directly by the Nigerian Railway Corporation.

<sup>201</sup> Scott Lewis, “With China’s Help, Nigeria Builds a Vital Rail Artery,” *Engineering News-Record*, April 17, 2019, <https://www.enr.com/articles/46723-with-chinas-help-nigeria-builds-a-vital-rail-artery>.

sell food or portable items in restaurants and convenience shops.<sup>202</sup> Other low-scale hawkers on foot get patronage from travelers rushing to catch their trains, while registered vendors sell snacks and beverages onboard the moving trains. Private taxis and commercial vehicle drivers alike are found in the stations, transporting passengers from nearby cities and towns.<sup>203</sup> The construction of new stations and revival of railway tracks that connect important towns have likewise facilitated potential migration to areas closer to the major commercial hubs like Kano, Abuja, and Lagos. This propensity has in turn spurred a rise in the price of land in their vicinity.

## 2. Costs of Chinese Railway Financing and Construction

The PRC offers loans to African countries for developmental projects that are implemented by Chinese SOEs, even when global financial institutions like the IMF or World Bank will not. Nearly 30 percent of Chinese loans taken by African countries, including Nigeria, for the building of transport infrastructure have been allocated to railway construction, but the accrued debts invariably burden the countries' respective fiscal budgets.<sup>204</sup> In Nigeria, it is estimated that the loans taken for railway construction from the PRC are in excess of \$6 billion.<sup>205</sup> While the Chinese government demonstrates leniency and political indifference when offering loans for railway construction in Nigeria, the growing debts seem unsustainable. If one considers only the \$500 million loan taken in 2010 from China's Export-Import Bank for the construction of the Abuja–Kaduna

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<sup>202</sup> Odinaka Anudu, "Chinese-Built Abuja-Kaduna Railway: Opening Fresh Vistas in Nigeria's New Economy," Africa-China Reporting Project, January 9, 2018, <https://africachinareporting.com/chinese-built-abuja-kaduna-railway-opening-fresh-vistas-in-nigerias-new-economy/>.

<sup>203</sup> Anudu.

<sup>204</sup> Yunnan Chen, "African Railway Ambitions Meet China's Belt and Road," in *(In)Roads and Outposts: Critical Infrastructure in China's Africa Strategy*, ed. Nadège Rolland, NBR Special Report No. 98 (Seattle, WA: National Bureau of Asian Research, 2022), 36, 41, <https://www.nbr.org/publication/inroads-and-outposts-critical-infrastructure-in-chinas-africa-strategy/>.

<sup>205</sup> Olu Fasan, "Who Really Owns the Railways in Nigeria: China or Nigeria?," *Business Day Nigeria*, August 17, 2020, <https://businessday.ng/columnist/article/who-really-owns-the-railways-in-nigeria-china-or-nigeria/>.

segment, Nigeria still has about \$346.15 million outstanding, as reported by the National Debt Management Office.<sup>206</sup>

Also, because Chinese railway loans are not aid, but FDI, Chinese SOEs use mechanisms to guarantee the loans' settlement. Chinese construction companies are eager to use legal or acceptable terms and conditions to protect their business contract returns. At variance with the PRC government's initial lenient approach to loan offers, representatives of Chinese SOEs do not show forbearance when entering into legal agreements for railway infrastructure financing and construction in Nigeria, to ensure loan repayment in the long run. During the signing of contractual agreements with Nigeria, Chinese representatives emphasize sections on the "waiver of sovereign immunity" before disbursing loans and taking up projects.<sup>207</sup> The "waiver of sovereign immunity" serves as a guarantee to ensure repayment by the debtor in accordance with the terms and conditions of a loan agreement. This implies that if Nigeria defaults in settling the loans, the Chinese SOEs cannot be prevented from taking over the management of the railway assets that were built with the loans, in order to recover the unpaid debt balance. Already, the Nigerian government has consented to the CRCC managing and running the Itakpe–Abuja rail line adjoining the Warri seaport, for a period of 30 years after the rail line's completion, as the repayment option for the \$3.4 billion loan made by China to Nigeria for the project.<sup>208</sup> This is just one case of the many Sino-Nigerian contracts but could be used as a precedent for expired infrastructure loans.

The uneven distribution of the railway projects across the various geographical regions of the country does not reflect on the overall desired national railway operational network. The PRC government seems to be lacking interest in funding railway projects in the northeast region of Nigeria, although this may be partly owing to the activities of Boko Haram terrorists in the area. Selective infrastructure development decreases the potential of the commercial benefits that come with key infrastructure projects. Borno State, for

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<sup>206</sup> "Facts About Chinese Loans to Nigeria," Debt Management Office Nigeria, accessed September 11, 2022, <https://www.dmo.gov.ng/facts-about-chinese-loans-to-nigeria>.

<sup>207</sup> Fasan, "Who Really Owns the Railways in Nigeria: China or Nigeria?"

<sup>208</sup> Yahaya, "FG, CRCC Sign \$3.9b Itakpe-Abuja Railway Agreement."

example, shares boundaries with the Lake Chad Basin and is located in northeast Nigeria where most of the inhabitants engage in commercial fishing or crop farming, which can increase revenue generation through the supply and movement of the farm produce via railway freight.<sup>209</sup> The CCECC has been operating in Nigeria for decades, but it has continually shown hesitancy to take up the railway contract for restoration of the segment linking Borno to Maiduguri along the major Eastern administrative route connecting Lagos to Borno.<sup>210</sup>

### **3. China Gets More and Nigeria Gains Less from the Chinese Railway Deal**

CCP leaders have clearly recognized that Chinese-built railway systems can aid economic growth by connecting people and goods from across the globe to China. In this view, the “going out” of Chinese SOEs to construct railways, backed by Chinese government financing, continues to highlight the ways and means that CCP leaders apply to attain the economic objectives of the PRC government. As stated by President Xi Jinping in 2014, “China attaches great importance to the railway and highway projects linking China to neighboring countries. These projects will enjoy priority consideration in the planning and implementation of the ‘Belt and Road’ initiative.”<sup>211</sup> With the building of railways, roads, and ports in African countries like Nigeria increasingly becoming important in China’s BRI philosophy, the foregoing continues to raise questions about the PRC government’s often-cited “debt trap” diplomacy.

In all, the national railways developed with Chinese financing and expertise have enabled Nigeria to generate revenue in fulfilling some of the country’s medium-term economic objectives. Nonetheless, the volume of Chinese loans used for the construction hypothetically puts a burden on Nigeria that the country will likely carry for a long time to

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<sup>209</sup> Teniola T. Tayo, “Maiduguri’s Economic Revival Could Be a Lifeline for Lake Chad Basin,” ISS Today, October 21, 2021, <https://issafrica.org/iss-today/maiduguris-economic-revival-could-be-a-lifeline-for-lake-chad-basin>.

<sup>210</sup> Chen, *China’s Role in Nigerian Railway Development*.

<sup>211</sup> “How Are Foreign Rail Construction Projects Advancing China’s Interests?,” ChinaPower Project, November 12, 2020, <https://chinapower.csis.org/rail-construction/>.



come. In the face of dwindling national foreign reserves, drop in crude oil production, as well as a decline in external revenue generation, including higher oil refining costs, Nigeria may find it difficult to repay its Chinese debts on time.

#### **E. THE SOCIAL IMPACT OF CHINESE RAILWAY CONSTRUCTION**

On a broader level, the PRC government uses railway development projects implemented by Chinese SOEs in Nigeria to showcase corporate social responsibility (CSR) in foreign countries. As Professor Biyan Tang observed, China's economy is now more interconnected with the global market, and Chinese SOEs and citizens have become more mindful of the importance of CSR in doing businesses.<sup>212</sup> In 2019, the CCECC embarked on a CSR project to build a Transportation University in Katsina State, northwest Nigeria.<sup>213</sup> The institution will be the first of its type in Africa and is expected to promote local capacity through transfer of knowledge and technology for the operation and maintenance of Nigeria's railways.

The Chinese government has also trained hundreds of Nigerian students domestically in railway engineering, while concurrent foreign training is taking place in China.<sup>214</sup> Some of the trained Nigerians are directly employed by the NRC and CCECC, while others have been assigned for instruction positions immediately after the proposed Nigerian transport university has been commissioned. As of now, the CSR activities of Chinese companies seem to have gained local recognition in certain remote areas. Traditional leaders in the communities where the railway projects are involved have largely applauded the presence and contributions of Chinese companies in their societies. For instance, Mr. Saleh Kwankwaso, a district head in Madobi Local Government Area in Kano State said, "The impact of this rail project in my community is a very welcome

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<sup>212</sup> Biyan Tang, "Contemporary Corporate Social Responsibility (CSR) in China: A Case Study of a Chinese Compliant," *Moral Cents: The Journal of Ethics in Finance* 1, no. 2 (Summer 2012): 13–22.

<sup>213</sup> "Chinese Firm to Support Nigeria in Building First Transportation University," *Global Times*, December 4, 2019, <https://www.globaltimes.cn/content/1172208.shtml>.

<sup>214</sup> Xinhua.

development, which has improved the rural economy including the security of lives and prosperity of my people.”<sup>215</sup>

On a more direct level, the development of Nigeria’s railways through Chinese financing and construction has to some extent promoted the social welfare of people using the service. Public buses in Nigeria are insufficient to cater for the country’s huge population and a lot of these vehicles are unsafe due to lack of regular maintenance.<sup>216</sup> Traveling along some highways consumes a lot of time due to harsh road conditions, coupled with heavy traffic occasioned by broken down heavy vehicles on routes, and frequent delays at security checkpoints. The fear of being kidnapped for ransom and attacks by armed bandits along the major highways have likewise impacted adversely on the safety and security of the road travelers, thereby making railway commutation more attractive to them.<sup>217</sup>

The newly constructed Chinese railways in Nigeria have eased mobility and facilitated safer, more comfortable, and rapid passage between smaller towns and cities along connected rail routes. For daily commuters, particularly working-class civil servants who travel to work using high density rail routes like the Abuja–Kaduna and Lagos–Ibadan segments, the Chinese-built trains have significantly reduced their transit times. Field investigations conducted on the impact of the Chinese-built railways reveals some of the positive social effects and experiences of the revived railway system. For example, a worker at the Federal Medical Centre Abeokuta in southwest Nigeria, whose family is residing in Lagos, expressed happiness with the trains, which have enabled him to “ditch his car because he now has a reliable alternative means of transportation that affords him the opportunity to conveniently crisscross the two cities every week.”<sup>218</sup> Another

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<sup>215</sup> Gabriel Ewepu, “Kaduna-Kano Rail Project: The Game Changer,” Vanguard News, April 17, 2022, <https://www.vanguardngr.com/2022/04/kaduna-kano-rail-project-the-game-changer/>.

<sup>216</sup> “Traffic and Road Conditions in Nigeria,” CountryReports – Nigeria, accessed November 1, 2022, <https://www.countryreports.org/country/Nigeria/traffic.htm>.

<sup>217</sup> Cyril O. Ugwuoke et al., “Armed Robbery Attacks and Everyday Life in Nigeria,” *International Journal of Criminal Justice Sciences* 15, no. 1 (June 2021): 186–200, <https://doi.org/10.5281/zenodo.4764343>.

<sup>218</sup> Saliu, “(Hello Africa) Chinese-Built Lagos-Ibadan Railway.”

commuter identified as Haruna who lives in Kaduna northwest Nigeria and uses the Abuja–Kaduna route, said, “Many of us do everything possible to use this rail. It lulls you to sleep and makes you plan better, because you are sure of getting to your destination on time.”<sup>219</sup>

While the Chinese-built railways and trains continue to attract passengers, the railway service fares are expensive for the lowest socioeconomic group, which makes the improved railways suboptimal for the needs of the masses. On the Lagos–Ibadan route, for instance, a single economy class ticket costs ₦2,500 while business class tickets are purchased at ₦6,000.<sup>220</sup> According to the National Bureau of Statistics in Nigeria, people of the lowest socioeconomic group live on less than ₦500 a day in the country.<sup>221</sup> With the price of the cheapest railway fare for a single trip equaling about four times more than what the lowest earners in the population can afford for food per day, the comfort and mobility of the trains appears out of reach to them financially. These socioeconomic challenges raise questions about the promised benefits in relation to the huge loans taken from China to finance Nigeria’s railway system.

Moreover, not all the attributes of Chinese companies engaged in the development of railway infrastructure in African countries yield positive social effects to local employees. Unlike the governmental level Sino-Nigerian relationship that looks cordial on the outside, the deeper association between Chinese nationals who manage the construction companies and domestic Nigerian ground workers is mostly strained at the societal level. In terms of the working conditions for local railway laborers or artisans, the hierarchies of Chinese companies, including the CCECC, have been accused of racism, abusive practices, prolonged working hours, poor wages, disregard for the use of protective equipment, and lack of promotion or incentives. In 2013, Nigerian employees at the CCECC staged a mass protest in Lagos, allegedly against “anti-labor practices” engaged in by the company’s

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<sup>219</sup> Anudu, “Chinese-Built Abuja-Kaduna Railway.”

<sup>220</sup> Nigerian Price, “Lagos – Ibadan Train Schedule & Ticket Prices (November 2022),” Nigerian Price, accessed November 27, 2022, <https://nigerianprice.com/lagos-ibadan-train/>.

<sup>221</sup> Mayowa Tijanni, “Did You Know Nigeria’s Poverty Line Is Less than a Dollar a Day?,” TheCable, May 5, 2020, <https://www.thecable.ng/did-you-know-nigerias-poverty-line-is-less-than-a-dollar-a-day>.

administrators.<sup>222</sup> In 2015, local railway construction workers of the CCECC similarly demonstrated over inhumane treatment, mass sacking, lack of compensation for those injured on-the-job, and inability of the company to ensure safety measures or decent working conditions for the lower grade local staff.<sup>223</sup> Similar to the environmental pollution and noncompliance with regulatory procedures, these reported Chinese foul labor practices are a violation of the Nigerian Labor and Compensation Acts that focus on the protection of workers' wages, assures their compensation, and proscribes forced labor or any form of discrimination.

The Sino-Nigerian relationship in Chinese companies also suffers from cultural differences or discrimination. Even with supported foreign cultural exchange programs between the Chinese and Nigerian governments, social integration between top-level Chinese managers and the low-level Nigerian workers of Chinese construction companies is shaky. Chinese workers have been accused of refusing to participate in unofficial events with local employees. For example, they only visit “Chinese-style” bars during leisure outings and import most of their food items.<sup>224</sup> Like the situation in other African countries, the Nigerian locals equally complain that Chinese workers are not willing to integrate fully; they often bring in highly skilled laborers who work in isolation at different office spaces to avoid the inquisitive checks of higher authorities and prospective competitors alike.

## F. CONCLUSION

Initially viewed as a form of aid and support for African countries, Chinese railway construction has, over time, become a model for China's economic cooperation with developing nations. In Nigeria, the engagement of Chinese SOEs to finance, construct, and

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<sup>222</sup> Osondu-Oti, “A Study of Chinese Construction Projects in Nigeria and Work Efficiency.”

<sup>223</sup> Adam Adedimeji, “Nigeria: Protesting Workers at Chinese Company Say Poor Safety to Blame for Serious Injuries, Deaths; Lament Discrimination, Mass Dismissals,” *Dernières Actualités*, July 23, 2015, <https://www.business-humanrights.org/fr/derni%C3%A8res-actualit%C3%A9s/nigeria-protesting-workers-at-chinese-company-say-poor-safety-to-blame-for-serious-injuries-deaths-lament-discrimination-mass-dismissals/>.

<sup>224</sup> Emily Feng and David Pilling, “The Other Side of Chinese Investment in Africa,” *Financial Times*, March 27, 2019, <https://www.ft.com/content/9f5736d8-14e1-11e9-a581-4ff78404524e>.

remodel the country's national railway system is obvious with the growing number of loans and contracts awarded to the Chinese companies. This engagement was largely fueled by the coincidence of Nigeria's modern desire for its railway development and the CCP leaders' latest strategy for promoting Chinese SOEs abroad to lay the ground for Chinese outward economic investments.

Chinese railway construction and development in Nigeria has benefited both the PRC and Nigeria—but not equally. China appears to be the greater beneficiary of Nigeria's railway development which serves as an avenue that reinforces Sino-Nigerian political connection, opens up additional business opportunities for China, and expands the Chinese export market to Nigeria and Africa writ large—all of which conveniently tie into President Xi Jinping's BRI philosophy. Indeed, railway investments come with many advantages for both developed and developing countries, but for now, Nigeria relatively places as the lesser beneficiary from the railway deals with China. This is largely because the Chinese railway projects have yet to completely remedy Nigeria's railway challenges. In fairness, the newly constructed Chinese trains offer faster, safer, and more comfortable transportation alternatives to automobiles for the middle-class commuters transiting to workplaces and others traveling in search of business opportunities. However, the fares are still not quite affordable for the greater public, and Chinese-financed construction leaves Nigeria with huge debts among other loans already taken from the PRC.

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## V. CONCLUSION

Scholars and policymakers have long viewed the China-Africa economic relationship from two angles. First, some see it as an opportunistic relationship that favors the PRC, where African countries provide the raw materials and energy needs of China, as well as a market for Chinese products and services. Second, others see the relationship as a bilateral opportunity for both China and the African continent to either trade resources or transfer skills and technology and to foster economic growth and social development. These contrasting perspectives imply that Chinese investments in African countries, for projects such as infrastructure development and construction, need to be evaluated on a case-by-case basis.

This chapter summarizes the findings of the thesis study—focusing broadly on Chinese FDI in Africa and, more closely, on the Sino-Nigerian economic cooperation in the 21st century, with emphasis on the engagement of China for railway development and construction in Nigeria. In all, the Chinese-constructed railways have marginally improved revenue generation for the country but have not satisfactorily fulfilled Nigeria’s social and developmental needs in the transport sector.

### A. SUMMARY OF FINDINGS

This thesis study reviews the existing Sino-African economic cooperation and primarily contributes to the debate by examining the strategic/political, economic, and social effects and implications of China’s involvement in the development of Nigeria’s railways in the 21st century. Fundamentally, the CCP is attracted to African countries for the potential economic and political benefits it can derive from relations with the continent—relations which serve to fulfill the CCP leaders’ desire to advance China’s strategic and economic aspirations. In reviewing the prevailing Sino-African cooperation, the PRC government has tried to showcase a resilient interaction by individually engaging with both “resource rich” and “non-resource rich” African countries. Chinese officials typically approach African countries professing that the Sino-African relationship is a “win-win” for both sides, especially when seen from the perspective of common

ideologies, the struggle for independence, and the need for developmental and economic progress.

To date, China is one of the topmost global development financiers, investors, and builders of infrastructure in Africa, which is in turn expanding the PRC's influence on the African countries. The CCP employs SOEs like the China Export-Import Bank and CCECC to give out a significant portion of its foreign lending as well as to carry out overseas investments and development projects in African countries. Whether this is a deliberate attempt or not, it is not wholly out of Chinese generosity or simply aid or assistance to the African countries. Chinese loans are neither unconditionally commercial nor interest-free, and they tend to be backed by collateral liabilities in the host country, which essentially absorbs the economic risks for the Chinese SOEs.<sup>225</sup> Recent trends further suggest that the Sino-African relationship departs from what CCP leaders often claim to be the “guiding principles” of China's interaction with developing countries. The prevailing cooperation appears to facilitate Chinese access to energy, raw materials, markets for Chinese goods and businesses, including international political support for China on the African continent, amongst others. Again, mounting Chinese loans have put pressure on some of the economies of African countries, while the potential loss of local asset control to the Chinese in lieu of debt settlement further stands to challenge the Sino-African cooperation.

Reciprocally, the African countries have to some degree, reaped development and economic benefits from engaging with China. The establishment of FOCAC has greatly enhanced the existing Sino-African economic relationship, with the integration of Chinese-driven infrastructural projects in African countries like Ethiopia, Kenya, and Nigeria, into China's BRI concept, as the highest point of the cooperation. A major push factor into the China-Africa cooperation for the African countries is their huge dearth of critical infrastructure and lean respective financial budgets, which drive them to seek external funding and infrastructure development support. Most of the African nations seem to have

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<sup>225</sup> Karen M. Sutter, Andres B. Schwarzenberg, and Michael D. Sutherland, *China's “One Belt, One Road” Initiative: Economic Issues*, CRS Report No. IF11735 (Washington, DC: Congressional Research Service, 2022), <https://crsreports.congress.gov/product/pdf/IF/IF11735>.



found it more convenient to do business with Chinese entities rather than soliciting the services or assistance of international organizations and Western entities, as they would have done some time ago. One reason for their increasing preference for China is the relatively affordable Chinese technology, coupled with the financial capacity of the PRC to timely address their immediate infrastructural needs. Another cause is the willingness of the Chinese government or companies to take up projects in developing countries without requiring those countries conform to certain ideological terms, obvious stringent lending conditions, and political or domestic interference. The African countries have nonetheless begun to realize that the PRC's usual "no strings attached policy" inadvertently gives Chinese SOEs and expatriates the room to exploit flaws in local regulatory or environmental laws and good governance, amongst others.

In its particulars, Nigeria's economic interaction with China is not too different from that observed of other African or developing countries. As argued in Chapter III, China and Nigeria are linked by economic aid, loans, trade, and FDI. Chinese SOEs and companies have penetrated Nigeria's commercial sectors, including energy, ICT, the manufacturing industry, and health. To mention a few of the highs and lows of the Sino-Nigerian relationship, Nigeria has earned foreign revenues from its bilateral trade with China, while Chinese-led developmental projects and FDI have partly improved the deteriorated conditions of infrastructure in the country. Conversely, substandard and cheap Chinese products have flooded Nigeria's market, while the operations of many Chinese companies in the country have forced local firms out of business owing to lack of comparable technology and finished products. Moreover, profits made by Chinese businesses in Nigeria are often taken away from the country rather than put into local reinvestment.

In terms of railway development, the subject of Chapter IV, the coming of Chinese SOEs at the turn of the 21st century to offer the needed funds, as well as implement the development plans and reforms for Nigeria's national railway system, was largely driven by Nigeria's desire for an urgent solution to fix the railway system and transform of Nigeria's economy and the transport sector. This coincided with President Xi Jinping's latest revolutionary approach to expand China's economic influence by aggressively"

exporting” Chinese SOEs and making more FDI in infrastructure projects abroad. Suffice it to say, a functional and modernized railway infrastructure offers many advantages to both a host nation and the foreign infrastructure investor or developer. Nigeria’s railway development and construction by Chinese SOEs has provided opportunities for both Nigeria and China.

But then, who gains more from this relationship? The Chinese-constructed railways have generated domestic revenues, provided local employment, and facilitated the transfer of engineering skills and technology in Nigeria. Despite these advantages, however, the Chinese investments in Nigeria’s railway sector tend to support more of the Chinese goals than they do Nigeria itself. As of now, the Chinese-built railways have yet to entirely satisfy Nigeria’s developmental needs in the sector, despite leaving a debt burden that the country will likely carry for some time to come. Besides, the prices of the railway tickets which are unaffordable for the majority of Nigerians belonging to the lowest income commuters contradict the societal goals of the “billion-dollar” railway investments. China’s engagement in Nigeria’s railway construction serves to expand the PRC’s economic influence and bolsters the Sino-Nigerian political connection for potential future clout. Finally, the incorporation of Chinese infrastructure development contracts, like Nigeria’s railway construction, into China’s BRI projects naturally fulfills the CCP leaders’ desire to create global value chains, export industrial capacity, and maintain Chinese overseas strategic presence.

## **B. WAY FORWARD**

Sino-African interaction suggests, to a large extent, a relationship formulated on mutual economic aspirations. China has enormous financial and technological capacity, which can aid African countries to attain higher levels of economic growth and development. Reciprocally, African countries do possess some of the energy and raw materials that China needs for its economic prosperity. But for the PRC, countries of the African continent still form only a small part of China’s global economic partners.

African countries are still in dire need of external funding to address the gaps in their infrastructure—a necessity in which China has been supportive. There is, however,

the need for African countries to avoid overreliance on Chinese loans and, consequently, to reduce the economic burden that excessive Chinese debts put on these countries. They should equally strike a balance on genuine requests for Chinese aid and loans with a practical consideration about what the PRC and other organizations like the IMF or World Bank can offer under customary conditions. Specifically, the Nigerian government should reexamine the cost and benefits of the huge loans it took from China for railway construction and development.

African countries, including Nigeria, must think carefully and resist the temptation posed by China's purported "no strings attached" to economic projects; particularly long-term infrastructure investments that come with concealed demands, unfulfilled pledges, and environmental degradation. They should build a robust negotiation capacity for securing more lasting and favorable terms rather than focusing only on the immediate impact of a Chinese project or contract in question. As strict monitoring and oversight of Chinese projects on the African continent is lacking, the AU and ECOWAS should clearly communicate the African countries' position on their development objectives to the PRC. African countries could also leverage a non-aligned stance to balance economic relations with China and other great powers. Finally, to address environmental degradation and abusive labor practices, African countries need to sanction Chinese SOEs that fail to abide by the local laws and regulations of the respective countries.

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