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Nigeria: Oil-Hungry China to Help Revamp Railway

By Toye Olori

Kajola Village — China is extending a hand into the Nigerian transport sector in a deal to help the Nigerian government put back on track the country's foundering railway system.

China's offer of a grant and expertise comes after the formulation of a 25-year comprehensive railway development plan that includes redesign of the existing railway tracks and expansion of the lines to new areas across Nigeria.

In October 2006, the government signed a 2.5 billion U.S. dollar loan facility with China, a substantial part of which will be used to finance the refurbishment of the railway system.

A major portion of the railway expansion project will be carried out by China's Civil Engineering Construction Company (CCECC), which was also invited in 1996 by the late General Sani Abacha's regime to revamp the railway. The regime was widely reviled at that time over the execution of Ken Saro-Wiwa and eight other Ogoni environmental activists.

In all, an estimated 7,800 kilometres of standard gauge railway network, to connect all 36 state capitals and major cities in the country, will be built by concession-holders, which then will be responsible for infrastructure upgrades, expansion and maintenance, and train operations.

The CCECC is handling the first phase of the project, put at 8.3 billion dollars. Some of the phases will be financed through private investors over a period of time. The entire railway modernisation and expansion project is estimated to cost over 30 billion dollars.

A consortium of international and domestic private investors and banks have already come together to offer 1.4 billion dollars over 10 years for the development of rail infrastructure and services, according to Transport Minister Habib Aliu.

The contract for the first phase covering 1,315 km of double-track, standard gauge line (1,435mm) from the commercial centre of Lagos in the southwest to Kano in the north -- with a branch from Minna (central Nigeria) to Abuja, Nigeria's capital -- was signed Oct. 30, 2006 by Nigeria and the CCECC.

This phase of the project, to be completed within the next four years, was flagged off in November, in this sleepy village of Kajola in western Nigeria, some 70 km from Lagos, by President Olusegun Obasanjo.

"Kajola", in the Yoruba language spoken in western Nigeria, means "let us all prosper together". Prosperity may soon come its way but the village may no longer know serenity, as it is providing 120 acres of land for the first locomotive repair workshop and shunting yards.

The railway modernisation and expansion project will be operated and managed as a private sector organisation and will be able to run 36 trains per day, from Lagos to Kano and back -- and move about 40 million tonnes of goods per year. Currently, the Nigerian Railway Corporation (NRC) is fully owned by the Nigerian government.

Today, goods are transported mostly by road, with frequent damage during accidents due to the bad state of most highways. Perishable goods like tomatoes and other foods, which are moved from the north to the cities in the south, become spoilt during the long truck trips. It takes about five days for a cargo truck to travel from Maiduguri in the northwest to Lagos: a distance of 1,680 km.

The railway modernisation is one of the key components of the government's economic reform package, aimed at a 10-percent annual growth rate and a 13-percent yearly growth rate for the transport sector. Nigeria's economic growth stands at about 2.6 percent, according to figures released by the Federal Office of Statistics for November 2006.

"Today's historic ground-breaking ceremony and flag-off of the standard double-gauge rail line from Lagos to Kano marks the first major step in Nigeria's quest for a modern railway system to drive and complement our economy regeneration efforts," said Obasanjo.

He stressed the multiplier effect of the project on job creation, technology development, economic improvement of communities along the rail routes, and of the nation at large -- as well as the development of railway-related industries.

Nigeria's railway system has continued to decline in the last two decades due to financial and administrative problems, and corruption, leading to ageing and dilapidated infrastructure, and unpaid salaries and pensions for retirees of the Nigerian Railway Corporation (NRC), a government entity.

And passengers have abandoned the trains. Statistics from the NRC made available to IPS show that rail passengers declined from 14 million in 1980 to less than one million in 2005, while freight traffic fell from three million tonnes to less than half a million tonnes during the same period.

Railway pensioners are still owed 3.2 billion naira (about 256 million dollars), according to Simeon Babatunde, general secretary of NRC Pensions Welfare Association.

IPS learnt that the NRC has a pension bill of 250 million naira (about two million dollars) a month, a salary bill of 210 million naira (about 1.68 million dollars) a month, while the corporation generates revenue of only 22 million naira (about 176,000 dollars) a month.

But why is China interested in investing so much in this West African country?

Experts say the Asian giant needs raw materials, especially oil -- which Nigeria has in abundance -- for its fast-growing industry as well as outlets to sell its cheaply-produced products.

Ogaba Oche, a senior researcher at the government-run Nigerian Institute of International Affairs, says China is the fastest growing economy worldwide and is in search of the main ingredients for its industrial growth.

"Petroleum happens to be most needed for that growth. The Chinese economy is also booming, so is looking for outlets, and Nigeria is providing the outlet, being the largest market (more than 120 million people) in Africa. It is a prime area in China's economic boom," adds Oche.

China's national petroleum company, CNOOC, is already involved in oil exploration in Nigeria. In May 2006, the firm secured four oil exploration blocks, after President Hu Jintao visited Abuja in April.

China is investing four billion dollars in oil and infrastructure projects in Nigeria in return for the four drilling licenses. According to the deal reached between presidents Obasanjo Hu Jintao, China will also buy a controlling stake in the Kaduna refinery in north-central Nigeria. The refinery has capacity for refining 110,000 barrels of crude oil per day.

Oche told IPS in an interview that the Chinese have a better understanding of Nigeria's economy than the developed countries of the West: "A large part of China is still rural and on the same economic development level as we are, so they understand us better. The Chinese government also deals with developing countries on the basis of equality, and they are not tampering with the internal economy and politics of the African countries."

But Shina Loremikan, director of the Lagos-based Committee for the Defence of Human Rights (CDHR), does not agree that the Chinese foray in Africa is all good news. However, he welcomes Chinese investment as a positive development for the growth of the West African country.

"In spite of a declaration at the first China-Africa Cooperation Forum in 2000, which stated that the Chinese government would cooperate in stopping the illegal production, circulation and trafficking of small arms and light weapons in Africa, reports show that Chinese light arms are found in the Congo and other troubled regions of Africa. That should not be," Loremikan told IPS.

China's relations with African governments that have poor human rights records, such as Zimbabwe and Sudan, he said, is not in the best interest of the African Union's quest for democracy on the continent.

He also cautions against totally opening up of the local market to Chinese products.

"The opening up of Nigeria's market to Chinese products such as textiles is a threat to the existence of local companies. We have witnessed the closure of several textile mills in the last few years due mainly to the influx of uncontrolled cheap cloths from Asia. That is injurious to the development of our local industry," he said.

However, international affairs expert Ogaba does not see any negative economic consequences for Nigeria in particular or Africa in general: "China sees itself as a Third World country and is coming into the African economy without the usual structural reforms that western institutions demand. Even in areas where they advance loans to us, they do not carry high interest rates as those of the western institutions."

Over the past three to four years Chinese leaders have embarked on tours of Africa, lobbying governments for the mineral resources China's fast growing economy needs, and promising economic deals and grants. This has borne fruit, as 48 African leaders -- including Nigeria's Obasanjo -- were in Beijing in November for the third China-African Summit where bilateral agreements were signed.

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