Enterprise Development & Microfinance, 36:3s, 762-777

Chinese Development Finance and Economic Development in Nigeria: Reassessing the Debt-Trap Diplomacy Debate

WINIFRED W. WAGWU, DR. IZU S. IRORO

Abstract: *The growing influence of China in Africa has generated significant scholarly debate regarding the developmental implications of Chinese financing and the extent to which it reflects debt-trap diplomacy. This study examines the relationship between Chinese lending and economic development outcomes in Nigeria between 2015 and 2025. Specifically, it investigates whether Chinese loans exhibit characteristics associated with debt-trap diplomacy and assesses their impact on Nigeria's national economic development. The study adopts Marxism/Dependency Theory as its analytical framework and employs a qualitative descriptive case-study design. Data were obtained through semi-structured interviews with thirty purposively selected respondents, including policymakers, academics, civil society actors, and development practitioners, complemented by documentary analysis of policy reports, loan agreements, and institutional publications. Data were analyzed using thematic content analysis.*

The findings reveal that Chinese financing has contributed significantly to infrastructure development in transportation, energy, telecommunications, and other strategic sectors of the Nigerian economy. Projects such as railway modernization, airport terminal expansion, and power infrastructure have enhanced connectivity and supported economic activities. However, the study also identifies concerns relating to debt sustainability, limited transparency in loan agreements, inadequate legislative oversight, weak local content participation, and insufficient technology transfer. While Chinese lending demonstrates certain characteristics commonly associated with debt-trap diplomacy, particularly contractual opacity and growing debt dependence, the evidence does not support the view that China deliberately seeks asset seizure or direct economic control. Rather, Nigeria's vulnerability is primarily linked to domestic governance weaknesses, institutional deficiencies, and ineffective debt management practices.

The study concludes that Chinese financing presents both opportunities and risks. Its developmental benefits can be maximized through stronger institutional capacity, improved transparency, enhanced debt management, local content enforcement, and strategic engagement with China. These measures are necessary to ensure that external financing contributes to

WINIFRED W. WAGWU, Department of Political Science and International Relations
Nile University of Nigeria (NUN)
Dr. IZU S. IRORO, Supervisor, Department of Political Science and International Relations, Nile University of Nigeria (NUN), Abuja-Nigeria

sustainable economic development without undermining national sovereignty or long-term fiscal stability.

Keywords: China-Nigeria Relations, Debt Diplomacy, Debt Sustainability, Economic Development, Dependency Theory, Infrastructure Financing.

Introduction

China's growing economic engagement with Africa has become a defining feature of contemporary international political economy. Through trade, investment, development assistance, and infrastructure financing, China has emerged as a major development partner for many African countries. This engagement has expanded significantly under the Belt and Road Initiative (BRI), which promotes connectivity and economic cooperation between China and developing economies.

Nigeria occupies a strategic position within China's African engagement due to its large market, resource endowment, and economic significance. Bilateral cooperation has expanded considerably in recent years, particularly in transportation, energy, telecommunications, and construction. Chinese financing has supported major infrastructure projects, including the Abuja-Kaduna Railway, Lagos-Ibadan Railway, Airport terminal modernization programmes, and Power-sector investments aimed at addressing Nigeria's infrastructure deficit and supporting economic development.

Despite these contributions, China's growing role in development finance has generated considerable debate. Central to this debate is the concept of debt-trap diplomacy, which suggests that creditor states may use loans and development finance to increase political or economic influence over borrowing countries. Critics argue that excessive borrowing may weaken economic sovereignty and increase dependence, while others contend that debt vulnerabilities often reflect domestic governance failures rather than deliberate creditor strategies.

In Nigeria, concerns regarding Chinese loans have intensified alongside rising public debt levels and growing debt-servicing obligations. Public debates have focused on transparency, loan conditionalities, fiscal sustainability, and the implications of external borrowing for national development. Although Chinese loans constitute only a portion of Nigeria's external debt portfolio, questions remain regarding their long-term developmental impact and implications for economic sovereignty.

The debate remains inconclusive. While Chinese-funded projects have improved infrastructure and connectivity, concerns persist regarding debt sustainability, technology transfer, local participation, and long-term economic transformation. Consequently, there is a need for a balanced assessment that moves beyond polarized narratives of either developmental success or debt dependency.

Existing studies have largely examined infrastructure development, trade relations, and debt sustainability independently. Relatively few studies integrate these dimensions to assess the relationship between Chinese lending, debt-trap diplomacy, and economic development outcomes in Nigeria. This study addresses that gap by examining Chinese lending between 2015 and 2025 and evaluating its implications for national economic development within the framework of Dependency Theory.

Conceptual Clarifications

Debt

Debt occupies a central position in contemporary international political economy as both a financial instrument and a mechanism through which states pursue development objectives. Traditionally, debt refers to financial obligations incurred by governments, institutions, or individuals with the expectation of future repayment under agreed terms and conditions. For developing countries, external borrowing often serves as a critical source of capital for infrastructure development, industrialization, and economic modernization, particularly where domestic resources are insufficient to meet developmental needs.

Scholars have long argued that debt can facilitate economic growth when borrowed resources are invested productively and managed efficiently (Todaro & Smith, 2015). However, excessive borrowing may generate adverse consequences, including debt overhang, fiscal instability, and reduced policy flexibility (Krugman, 1988). Within the broader framework of international political economy, debt is increasingly viewed not only as a financial obligation but also as a potential instrument of influence and power. This perspective is particularly relevant in the context of contemporary development finance, where creditor-debtor relationships may shape policy choices, economic priorities, and diplomatic engagements.

The emergence of China as a major provider of development finance has introduced new dimensions to global debt relations. Unlike traditional multilateral lenders, Chinese financing is often structured around infrastructure development and bilateral agreements. While such arrangements provide alternative sources of funding for developing countries, concerns have been raised regarding transparency, debt sustainability, and the long-term implications of growing financial dependence.

In the context of this study, debt is conceptualized as a strategic financial instrument through which states pursue development objectives while simultaneously creating relationships of obligation that may influence economic decision-making, policy autonomy, and development outcomes.

Diplomacy

Diplomacy generally refers to the management of relations among states through negotiation, dialogue, and other peaceful means. Traditionally associated with political and security issues, diplomacy has increasingly expanded into economic and developmental spheres, reflecting the growing interdependence of states within the global economy.

Contemporary diplomatic practice extends beyond conventional political negotiations to include economic cooperation, trade agreements, investment partnerships, development assistance, and financial engagements. As a result, economic resources have become important tools through which states pursue foreign policy objectives and project influence internationally. This evolution has given rise to concepts such as economic diplomacy, development diplomacy, and financial statecraft.

Within China-Africa relations, diplomacy is often expressed through infrastructure financing, trade partnerships, development cooperation, and technical assistance. These instruments serve developmental purposes while simultaneously advancing broader strategic and geopolitical interests. Consequently, diplomacy cannot be viewed solely as a neutral mechanism of cooperation but also as a process through which states negotiate influence, pursue national interests, and shape international relationships.

For the purpose of this study, diplomacy is understood as the strategic use of economic and financial instruments, particularly loans, infrastructure investments, and development partnerships, to advance national interests and influence development outcomes within bilateral relations.

Debt-Trap Diplomacy

Debt-Trap Diplomacy (DTD) has emerged as one of the most debated concepts in contemporary international relations and development studies. The concept generally refers to a situation in which a creditor state extends large-scale loans to a borrowing country in ways that may increase dependency and create opportunities for political, economic, or strategic influence when repayment difficulties arise.

The concept gained prominence following debates surrounding China’s overseas lending activities under the Belt and Road Initiative. Critics argue that excessive borrowing from China may expose developing countries to debt distress and increase the creditor’s leverage over strategic assets or policy decisions. Cases such as Sri Lanka’s Hambantota Port have frequently been cited as examples of this phenomenon.

However, significant scholarly disagreement exists regarding the validity of the debt-trap diplomacy narrative. Brautigam (2020), Jones and Hameiri (2020), and other scholars contend that many claims associated with debt-trap diplomacy lack sufficient empirical evidence and often overlook domestic factors such as weak governance, poor project selection, corruption, and fiscal mismanagement. According to this perspective, debt distress frequently results from internal institutional weaknesses rather than deliberate creditor strategies.

Consequently, debt-trap diplomacy remains a contested concept. Rather than treating it as an established fact, this study adopts it as an analytical framework for examining whether specific features of Chinese lending, including contractual opacity, debt concentration, limited oversight, and asymmetrical bargaining relationships, contribute to conditions that may increase dependency and reduce policy autonomy.

Accordingly, debt-trap diplomacy is conceptualized as a potential outcome of unequal financial relationships in which debt accumulation, institutional weaknesses, and power asymmetries create opportunities for external influence over domestic development trajectories.

Economic Development

Economic development is a multidimensional process that extends beyond increases in national income or economic growth. While economic growth focuses primarily on the expansion of output and income, economic development encompasses broader structural transformations that improve the quality of life and productive capacity of a society.

According to Todaro and Smith (2015), economic development involves sustained improvements in living standards, reductions in poverty and unemployment, expansion of productive opportunities, and enhancement of human capabilities. It includes investments in infrastructure, education, health, technology, industrialization, and institutional capacity, all of which contribute to long-term socioeconomic progress.

Within developing countries, infrastructure development is often regarded as a critical component of economic development because it facilitates production, trade, mobility, and access to essential services. However, infrastructure expansion alone does not automatically translate into development. Sustainable development also requires technological advancement, employment generation, local capacity building, economic diversification, and effective governance structures.

In the context of this study, economic development is conceptualized as the extent to which Chinese-financed projects contribute to long-term improvements in Nigeria's productive capacity, infrastructure, employment opportunities, technological capabilities, institutional effectiveness, and overall socioeconomic well-being. This conceptualization enables the study to evaluate not only the immediate benefits of infrastructure investments but also their broader implications for sustainable national development.

Theoretical Framework

Dependency Theory

This study is anchored on Dependency Theory. The theory emerged during the 1960s and 1970s as a critique of modernization perspectives that viewed development as a linear process through which developing countries would eventually attain the economic status of industrialized nations. Prominent scholars such as Andre Gunder Frank (1967), Fernando Henrique Cardoso and Enzo Faletto (1979) argued that underdevelopment in many countries is not simply a stage of development, but a condition produced and sustained by unequal relationships within the global economic system.

Dependency theorists maintain that the international economy is structured around a hierarchy of powerful "core" states and less developed "peripheral" states. Within this structure, resources, capital, technology, and economic benefits flow disproportionately toward the core, while peripheral countries remain dependent on external actors for finance, technology, and development assistance. Consequently, development in the core often occurs alongside the continued economic vulnerability and dependence of peripheral economies.

A central proposition of Dependency Theory is that external financial relationships may reproduce structural inequalities when they reinforce dependence rather than promote autonomous development. Foreign loans, investments, and development assistance can contribute positively to economic growth; however, where such arrangements are characterized by asymmetrical bargaining power, weak domestic institutions, and limited productive transformation, they may deepen dependency and constrain national policy autonomy. In this sense, debt is viewed not merely as a financial obligation but also as a mechanism through which unequal economic relationships may be maintained.

The theory is particularly relevant to contemporary debates surrounding development finance and debt diplomacy in the Global South. As emerging powers increasingly provide infrastructure financing to developing countries, concerns have arisen regarding the extent to which such engagements promote sustainable development or reinforce patterns of economic dependence. Dependency theorists argue that infrastructure projects and financial cooperation may generate immediate developmental benefits while simultaneously creating long-term vulnerabilities if they fail to strengthen domestic productive capacity, technology acquisition, and institutional development.

Applied to the Nigeria-China relationship, Dependency Theory provides a useful framework for examining whether Chinese financing contributes to sustainable economic transformation or reinforces existing patterns of external dependence. China has become a major source of development finance for Nigeria, particularly in transportation, energy, telecommunications, and construction sectors. These investments have contributed to infrastructure expansion and improved connectivity. However, concerns remain regarding debt sustainability, limited technology transfer, reliance on foreign expertise, contractual opacity, and the extent to which such projects stimulate domestic industrial development.

The theory therefore enables an assessment of the broader implications of Chinese lending beyond immediate infrastructure gains. It directs attention to critical questions concerning economic sovereignty, institutional capacity, local participation, and the long-term developmental consequences of external borrowing. More importantly, it provides a framework for understanding how financial relationships may simultaneously generate opportunities for development and conditions of dependency.

The adoption of Dependency Theory is justified by the central objective of this study, which is to examine the relationship between Chinese lending and economic development outcomes in Nigeria. The theory offers a suitable analytical lens for investigating whether Chinese-financed projects contribute to autonomous and sustainable development or whether they reinforce structural vulnerabilities associated with external dependence. It also facilitates an examination of the extent to which debt accumulation, governance challenges, and unequal bargaining relationships influence Nigeria's development trajectory within the broader international political economy.

Accordingly, Dependency Theory provides the conceptual foundation for analyzing the opportunities, constraints, and power dynamics embedded within China-Nigeria financial relations and for evaluating their implications for national economic development.

Methodology

This study adopts a qualitative research approach within the broader framework of International Political Economy to examine the relationship between Chinese lending and economic development outcomes in Nigeria between 2015 and 2025. A descriptive–analytical case study design was employed because it allows for an in-depth examination of the political, economic, and institutional dimensions of China-Nigeria financial relations.

Data were generated from both primary and secondary sources. Primary data were collected through semi-structured key informant interviews conducted with thirty purposively selected respondents drawn from relevant stakeholder groups, including officials of the Debt Management Office (DMO), members of legislative committees on debt management and public finance, academics, policy analysts, and development practitioners. Snowball sampling was subsequently used to identify additional respondents with specialized knowledge of Nigeria's debt profile and China-Nigeria economic relations.

Secondary data were obtained from official publications and institutional reports, including documents from the Debt Management Office, National Bureau of Statistics, Central Bank of Nigeria, International Monetary Fund, World Bank, policy reports, academic publications, and other relevant documentary sources. These materials provided contextual and empirical evidence on Chinese lending, debt sustainability, infrastructure development, and economic performance.

Data were analyzed using thematic content analysis. Interview transcripts and documentary materials were systematically reviewed, coded, and organized into recurring themes relating to debt diplomacy, debt sustainability, infrastructure development, economic sovereignty, governance, and development outcomes. This approach enabled the identification of patterns, relationships, and divergent perspectives across respondents and documentary sources.

To ensure the credibility and trustworthiness of the findings, methodological triangulation was employed through the integration of interview data and documentary evidence. Furthermore, consistency checks and respondent validation were used where necessary to enhance the reliability of interpretations. The combination of multiple data sources strengthened the robustness of the study and provided a comprehensive understanding of the dynamics of China-Nigeria debt relations and their implications for economic development.

Empirical Literature Review

Chinese Lending and Infrastructure Development

A substantial body of literature suggests that Chinese development finance has contributed significantly to infrastructure expansion across Africa. In Nigeria, Chinese-funded projects have been concentrated in transportation, energy, telecommunications, and construction sectors. Ahmed and Agbontaen (2023) argue that Chinese loans have facilitated the development of critical infrastructure, particularly railways, power projects, and transport networks, thereby addressing major infrastructural deficits that have historically constrained economic growth. Similarly, Odokuma and Bisina (2025) observe that Chinese-financed projects have improved transportation efficiency and enhanced connectivity between major economic centers.

Beyond Nigeria, studies across Africa report comparable outcomes. Brautigam (2009) contends that Chinese financing has filled infrastructure gaps that traditional development partners were often unwilling or unable to address. Chinese development finance has therefore become an important source of capital for countries seeking rapid infrastructure expansion. However, while infrastructure delivery has generally been acknowledged as a major strength of Chinese engagement, questions remain regarding project quality, long-term maintenance, local participation, and sustainability.

Although the available evidence indicates that Chinese financing has improved physical infrastructure, there is less consensus regarding its contribution to broader structural transformation. Several scholars argue that infrastructure development alone does not necessarily translate into industrialization, technological advancement, or sustainable economic development, particularly where projects are weakly integrated into domestic production systems.

Chinese Lending and Debt Sustainability

Another prominent theme in the literature concerns the implications of Chinese lending for debt sustainability. Critics of Chinese financing argue that extensive borrowing may increase fiscal vulnerability and expose developing countries to debt distress. Concerns have been particularly pronounced in countries experiencing rising debt-servicing obligations and limited fiscal capacity.

Studies by Hurley, Morris and Portelance (2018) identify several developing countries as potentially vulnerable to debt-related risks arising from large-scale infrastructure borrowing. Similarly, Mutai et al. (2024) report that while Chinese loans may stimulate short-term economic activity, they can also contribute to long-term repayment challenges where economic returns from financed projects are insufficient to offset borrowing costs.

However, the debt-trap diplomacy thesis remains highly contested. Horn, Reinhart and Trebesch (2021) found limited empirical evidence to support claims that China deliberately extends unsustainable loans for the purpose of acquiring strategic assets. Likewise, Brautigam (2020) argues that many debt crises attributed to Chinese lending are more accurately explained by domestic governance failures, weak debt-management practices, and broader macroeconomic vulnerabilities.

Within Nigeria, concerns about debt sustainability have intensified as public debt and debt-servicing obligations continue to rise. Nevertheless, existing studies generally acknowledge that Chinese loans constitute only a portion of Nigeria's total external debt burden. Consequently, the debate increasingly centers on the quality of debt management, transparency, and governance rather than the absolute size of Chinese loans alone.

Chinese Lending and Economic Development Outcomes

The relationship between Chinese lending and economic development outcomes remains one of the most debated issues in the literature. While some scholars emphasize the developmental benefits of Chinese financing, others highlight its limitations.

Empirical studies indicate that Chinese-funded projects have contributed to employment creation, improvements in transportation infrastructure, enhanced energy supply, and expansion of digital connectivity. These outcomes have generated positive spill-over effects for trade, mobility, and economic activities in several sectors. Furthermore, Chinese investments have supported the modernization of key public infrastructure that might otherwise have remained underdeveloped due to financing constraints.

Despite these gains, concerns persist regarding technology transfer, local content participation, and domestic capacity development. Several studies report that Chinese projects often rely heavily on imported materials, foreign contractors, and expatriate technical personnel, thereby limiting opportunities for indigenous industrial growth and knowledge transfer. Consequently, while infrastructure outcomes are generally visible, evidence of long-term structural transformation remains less conclusive.

The literature therefore suggests that Chinese financing produces mixed developmental outcomes. Its effectiveness appears to depend largely on domestic institutional capacity, governance quality, project selection processes, and the ability of recipient countries to integrate infrastructure investments into broader development strategies.

Gap in the Literature

Although existing studies have generated important insights into China-Africa economic relations, several gaps remain. First, much of the literature focuses broadly on Africa, with relatively limited empirical attention devoted specifically to Nigeria's recent debt experience. Second, studies often examine infrastructure development or debt sustainability independently, without adequately analyzing the interaction between Chinese lending, debt diplomacy, and national economic development. Third, the debt-trap diplomacy debate remains polarized, with many studies either emphasizing Chinese influence or dismissing debt-related concerns without sufficient stakeholder-based evidence.

Furthermore, limited attention has been paid to how policymakers, debt-management officials, academics, and development practitioners perceive the implications of Chinese lending for Nigeria's economic sovereignty and development trajectory. This study addresses these gaps by providing a qualitative assessment of Chinese lending in Nigeria between 2015 and 2025, focusing on debt-trap diplomacy, economic development outcomes, and the role of domestic institutional factors in shaping these outcomes.

Comparative Perspectives: Lessons from Kenya, Zambia, and Ethiopia

The experiences of Kenya, Zambia, and Ethiopia provide important insights into the opportunities and risks associated with Chinese development finance in Africa. These cases demonstrate that the developmental outcomes of Chinese lending are shaped not only by the characteristics of the loans themselves but also by the institutional capacity, governance structures, and policy choices of borrowing countries.

Kenya's experience illustrates the challenges associated with large-scale infrastructure borrowing. The Standard Gauge Railway (SGR), financed primarily through loans from China's Export–Import Bank, was presented as a transformative project intended to modernize transportation and stimulate economic growth. While the railway improved connectivity and transportation efficiency, concerns emerged regarding project costs, debt-servicing obligations, and the financial viability of the investment. The Kenyan case demonstrates how ambitious infrastructure projects may generate developmental benefits while simultaneously increasing fiscal pressures when projected economic returns fall short of expectations.

Zambia provides a more cautionary example. Prior to its sovereign debt default in 2020, Zambia accumulated significant external obligations, including substantial borrowing from Chinese lenders. The country's subsequent debt crisis exposed weaknesses in debt management, transparency, and institutional oversight. The restructuring process highlighted the challenges that arise when debt obligations become concentrated among a limited number of creditors. Although Zambia's crisis cannot be attributed solely to Chinese lending, the case underscores the risks associated with excessive borrowing, weak fiscal governance, and inadequate debt-management mechanisms.

In contrast, Ethiopia offers evidence of the importance of state capacity in managing external financing. Despite substantial borrowing from China, Ethiopia successfully renegotiated aspects of its debt obligations, including extending repayment periods for major infrastructure projects. This outcome reflected strong bureaucratic coordination, strategic planning, and active engagement with creditors. Ethiopia's experience suggests that the risks associated with external borrowing can be mitigated when governments possess the institutional capacity to negotiate favorable terms and align financing arrangements with national development priorities.

Taken together, these cases challenge simplistic interpretations of debt-trap diplomacy. The evidence suggests that the developmental consequences of Chinese lending are influenced less by the existence of Chinese financing itself and more by domestic governance conditions, institutional effectiveness, and debt-management practices. Countries with stronger institutions and clearer development strategies appear better positioned to derive long-term benefits from external financing while minimizing associated risks.

For Nigeria, these comparative experiences offer important lessons. Kenya highlights the need for rigorous project evaluation and cost-benefit analysis prior to borrowing. Zambia demonstrates the dangers of weak oversight and unsustainable debt accumulation, while

Ethiopia illustrates the importance of negotiation capacity and institutional strength in managing external financial relationships. Collectively, these experiences suggest that the sustainability of Chinese-financed development projects in Nigeria depends not only on the terms of the loans but also on the quality of domestic governance and economic management. Therefore, the comparative evidence supports the argument that external financing should not be viewed as inherently beneficial or harmful. Rather, its developmental impact is mediated by the capacity of recipient states to ensure transparency, maintain fiscal discipline, negotiate effectively, and integrate borrowed resources into broader strategies for sustainable economic transformation.

Findings and Analysis

Chinese Lending, Debt Diplomacy, and Economic Sovereignty

The analysis demonstrates that Chinese lending to Nigeria between 2015 and 2025 exhibits several characteristics commonly associated with debt-trap diplomacy, particularly contractual opacity, increasing debt exposure, and concerns regarding economic sovereignty. However, the evidence does not conclusively support the argument that Chinese lending constitutes a deliberate strategy aimed at securing control over Nigerian assets or undermining national sovereignty. Rather, the findings suggest that the risks associated with debt-trap diplomacy are largely mediated by domestic institutional weaknesses, governance challenges, and debt-management practices.

Interview respondents consistently identified transparency as one of the most contentious aspects of China-Nigeria loan agreements. Many participants argued that the details of major loan agreements are often not readily accessible to the public, thereby limiting accountability and legislative scrutiny. Several respondents expressed concerns that the confidentiality surrounding loan terms creates uncertainty regarding repayment obligations and long-term fiscal implications. These concerns align with broader debates in the literature, which identify contractual opacity as a recurring feature of Chinese development finance.

The study further reveals that concerns regarding debt-trap diplomacy are closely linked to Nigeria’s broader debt profile. Although Chinese loans constitute only a portion of Nigeria’s external debt stock, interview participants observed that rising public debt and increasing debt-servicing obligations have heightened anxieties about fiscal sustainability. Documentary evidence from the Debt Management Office indicates that Nigeria’s debt burden has expanded significantly over the period under review, resulting in growing pressure on government finances. Consequently, respondents viewed Chinese lending not as an isolated problem but as part of a wider challenge of debt governance and fiscal management.

Another important finding relates to perceptions of sovereignty and external influence. While some respondents argued that Chinese financing may increase Beijing’s economic and political leverage in Nigeria, others maintained that Nigeria retains considerable agency in negotiating and approving loan agreements. Participants emphasized that borrowing decisions originate from Nigeria’s development priorities and pass through established approval processes involving the executive and legislative arms of government. This perspective suggests that the debt-trap diplomacy narrative may overstate the role of external actors while underestimating the importance of domestic decision-making structures.

Overall, the findings suggest that the principal challenge is not the existence of Chinese loans themselves but the institutional environment within which they are negotiated and managed. Weak oversight mechanisms, limited transparency, and inadequate debt-management capacity increase vulnerability to external influence and may reinforce patterns of dependency. Thus, concerns regarding economic sovereignty are best understood as outcomes of the interaction between external financing and domestic governance conditions rather than evidence of a deliberate strategy of economic domination.

Chinese-Funded Projects and Economic Development Outcomes

The findings demonstrate that Chinese-financed projects have made substantial contributions to infrastructure development in Nigeria. Respondents overwhelmingly acknowledged the role of Chinese financing in supporting major projects in transportation, energy, telecommunications, and public infrastructure. Projects such as the Abuja-Kaduna Railway, Lagos-Ibadan Railway, airport terminal modernization programmes, and power-sector investments were frequently cited as examples of successful infrastructure delivery facilitated by Chinese development finance.

Evidence from interviews indicates that these projects have generated important developmental benefits. Improved transportation networks have enhanced the movement of goods and people, reduced travel time, and strengthened economic connectivity between major urban centers. Respondents also noted that Chinese-financed infrastructure has contributed to employment generation, particularly during construction phases, while certain projects have provided opportunities for technical training and skills development among Nigerian workers.

Despite these achievements, the findings reveal important limitations regarding the broader developmental impact of Chinese financing. Respondents repeatedly expressed concerns about limited technology transfer, insufficient local content participation, and the continued reliance on imported materials and foreign technical expertise. Many argued that although infrastructure projects have expanded Nigeria’s physical capital stock, their contribution to industrialization and long-term productive transformation remains limited.

The study further finds that the developmental effects of Chinese projects are uneven across sectors. While transportation and telecommunications projects have produced visible improvements in connectivity and service delivery, their capacity to stimulate sustained industrial growth has been less evident. Respondents observed that many projects function as isolated infrastructure interventions rather than components of a broader industrial development strategy. As a result, infrastructure expansion has not been matched by equivalent progress in manufacturing, technological innovation, or domestic productive capacity.

Another recurring concern relates to fiscal sustainability. Although Chinese-financed projects provide immediate developmental benefits, respondents noted that repayment obligations may reduce the fiscal space available for future investment in critical sectors such as education, healthcare, and social protection. Consequently, the long-term developmental value of these projects depends not only on their immediate economic benefits but also on their ability to generate sufficient economic returns to justify borrowing costs.

Taken together, the findings suggest that Chinese financing has produced both opportunities and constraints for Nigeria's development trajectory. On one hand, it has facilitated significant infrastructure improvements and supported economic activities in key sectors. On the other hand, limitations relating to technology transfer, local participation, institutional capacity, and debt sustainability continue to constrain broader developmental outcomes. Therefore, the evidence indicates that the developmental impact of Chinese lending is contingent upon the quality of domestic governance, the effectiveness of project implementation, and the extent to which infrastructure investments are integrated into long-term national development strategies.

Discussion of Findings

The findings of this study contribute to the ongoing debate regarding the developmental implications of Chinese financing in Africa and the validity of the debt-trap diplomacy thesis. Consistent with the assumptions of Dependency Theory, the evidence suggests that external financing relationships possess the potential to generate both developmental opportunities and structural vulnerabilities. Chinese lending has undoubtedly facilitated infrastructure expansion in Nigeria, particularly in transportation, energy, and telecommunications sectors. These investments have improved connectivity, supported economic activities, and contributed to addressing long-standing infrastructure deficits that have constrained development.

However, the findings also reveal that infrastructure provision alone does not automatically translate into sustainable economic transformation. Despite substantial investments, concerns remain regarding limited technology transfer, weak local content participation, and the absence of significant industrial restructuring. These outcomes support dependency theorists' argument that development partnerships may reproduce patterns of external dependence when they fail to strengthen domestic productive capacity and institutional resilience.

The findings further challenge simplistic interpretations of debt-trap diplomacy. While evidence from this study identifies characteristics commonly associated with the concept, including contractual opacity, weak oversight, and growing debt exposure, there is insufficient evidence to conclude that Chinese lending constitutes a deliberate strategy aimed at undermining Nigeria's sovereignty or securing control over strategic assets. Rather, the study demonstrates that domestic governance conditions play a critical role in shaping the developmental consequences of external borrowing.

This position aligns with emerging scholarship that attributes debt vulnerabilities in developing countries to a combination of external financing pressures and internal institutional weaknesses. The experiences of Kenya, Zambia, and Ethiopia further reinforce this conclusion, illustrating that the outcomes of Chinese lending vary significantly according to the quality of governance, debt-management capacity, and state negotiating power.

Therefore, the study argues that the central challenge facing Nigeria is not the existence of Chinese financing itself but the institutional environment within which such financing is negotiated and implemented. Where transparency, accountability, and strategic planning are weak, external borrowing may reinforce dependency and fiscal vulnerability. Conversely, where institutions are effective and development priorities are clearly defined, external financing can serve as an important catalyst for economic development and structural transformation.

Conclusion

This study examined the relationship between Chinese lending and economic development outcomes in Nigeria between 2015 and 2025, with particular emphasis on the debt-trap diplomacy debate. The findings reveal that Chinese financing has played an important role in addressing Nigeria's infrastructure deficit through investments in transportation, energy, telecommunications, and other strategic sectors. These projects have contributed to improved connectivity, economic activity, and public infrastructure development.

At the same time, the study identifies concerns relating to debt sustainability, transparency, limited technology transfer, weak local participation, and institutional oversight. While Chinese loans exhibit certain characteristics commonly associated with debt-trap diplomacy, the evidence does not support the claim that China has deliberately sought to undermine Nigeria's sovereignty through debt dependence. Rather, the study finds that governance weaknesses, inadequate debt-management practices, and limited institutional capacity constitute the primary factors that increase vulnerability to external influence.

The study therefore concludes that Chinese financing represents both an opportunity and a challenge for Nigeria's development agenda. Its long-term benefits depend largely on the ability of domestic institutions to negotiate favorable terms, ensure transparency, strengthen accountability, and integrate infrastructure investments into broader strategies for industrialization and economic transformation. Consequently, sustainable development outcomes are determined not only by the availability of external finance but also by the quality of domestic governance through which such resources are managed.

Recommendations

Based on the findings of this study, the following recommendations are proposed:

1. The Federal Government of Nigeria should enhance transparency by ensuring public disclosure of major bilateral loan agreements and strengthening legislative oversight of external borrowing.
2. The Debt Management Office and related institutions should strengthen debt sustainability assessments and improve monitoring mechanisms for externally financed projects.
3. Government agencies should enforce local-content requirements in Chinese-funded projects to promote domestic participation, employment generation, and technology transfer.

4. Future loan agreements should include clear provisions for skills development, knowledge transfer, and capacity building to maximize long-term developmental benefits.
5. Nigeria should diversify its sources of development finance to reduce excessive dependence on any single creditor and strengthen its bargaining position.
6. External borrowing should be aligned with national development priorities and subjected to rigorous economic evaluation to ensure that financed projects generate sustainable socioeconomic returns.

Conflict of Interest Statement

The authors declare that there are no financial, professional, personal, or institutional conflicts of interest that could have influenced the design, conduct, analysis, interpretation, or reporting of this study.

Funding Statement

This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors. The study was conducted independently by the authors as part of the authors' doctoral research program at Nile University of Nigeria (NUN) and received no external funding.

Informed Consent Declaration

Participants interviewed for this study provided informed consent prior to their participation. Participants were adequately informed about the objectives of the research, the intended use of the information provided, and their right to decline participation or withdraw at any point. Confidentiality and anonymity were maintained throughout the study, and all data were used exclusively for academic and research purposes.

References

Ahmed, A., & Agbontaen, E. (2023). Chinese development finance and infrastructure development in Nigeria.

Brautigam, D. (2009). *The Dragon's Gift: The Real Story of China in Africa*. Oxford University Press.

Brautigam, D. (2020). A critical look at Chinese "debt-trap diplomacy": The rise of a meme. *Area Development and Policy*, 5(1), 1–14. https://doi.org/10.1080/23792949.2019.1689828

Cardoso, F. H., & Faletto, E. (1979). *Dependency and Development in Latin America*. University of California Press.

Debt Management Office (DMO). (2024). *Nigeria's Public Debt Profile*. Federal Government of Nigeria.

Frank, A. G. (1967). *Capitalism and Underdevelopment in Latin America*. Monthly Review Press.

Gelpern, A., Horn, S., Morris, S., Parks, B., & Trebesch, C. (2021). *How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments*. AidData Working Paper.

Horn, S., Reinhart, C. M., & Trebesch, C. (2021). China's overseas lending. *Journal of International Economics*, 133, 103539. https://doi.org/10.1016/j.jinteco.2021.103539

Hurley, J., Morris, S., & Portelance, G. (2018). *Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective*. Center for Global Development.

Jones, L., & Hameiri, S. (2020). Debunking the myth of "debt-trap diplomacy": How recipient countries shape China's Belt and Road Initiative. *Chatham House Research Paper*.

Krugman, P. (1988). Financing versus forgiving a debt overhang. *Journal of Development Economics*, 29(3), 253–268.

Mutai, J., Kiptoo, S., & Wambua, P. (2024). Chinese lending and debt sustainability in developing economies: Evidence from selected African countries.

Odokuma, I., & Bisina, J. (2025). Chinese-financed infrastructure projects and development outcomes in Nigeria.

Todaro, M. P., & Smith, S. C. (2015). *Economic Development* (12th ed.). Pearson Education.

World Bank. (2023). *Nigeria Development Update: Fiscal Adjustment and Economic Recovery*. World Bank.