

UNIVERSITY OF NAIROBI

INSTITUTE OF DIPLOMACY AND INTERNATIONAL STUDIES

THE IMPACT OF CHINESE LED INFRASTRUCTURAL DEVELOPMENT ON

SINO-AFRICAN RELATIONS: THE CASE OF KENYA

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DECLARATION

This Project Paper is my original work and has not been presented for a degree in any other university.

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DEDICATION

I dedicate this research project to my family for their unconditional support during the whole process. I will forever remain grateful.

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First of all, I would like to thank the Lord Almighty who has brought me this far by providing me with strength, resilience, knowledge and vitality to make this project a success. Secondly, I would wish to thank my family for moral and financial support, encouragement and understanding during the period I was working on this project.

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ABSTRACT

The study set out to investigate the impact of Chinese led infrastructural development on Sino-African relations with Kenya as the case study. The main objective of the study was to examine the impact of Chinese involvement in infrastructural development in Kenya. The study explores China's foreign policy in general then moves to tackle China-Africa relations and Chinese diplomatic relations with Kenya. The type of research design that was used for this study was the explanatory design. The data collection tools for the secondary data that was used were information gathering and document analysis. In section one; the study explores China's foreign policy, China-Africa relations. Section two examines Chinese investment in African countries; it also provides some data on what kind of investments is being undertaken. Section three examines China's diplomatic relation between China and Kenya and the status of their trade balance. The findings of the study were: i) The Chinese businesses do not operate like conventional profit maximizing firms, they are often willing to provide concessions in order to gain access to markets. ii) Chinese development aid in Africa assists in the financing of infrastructure projects, hydropower stations, stadia, hospitals and schools. iii) To the extent that China is contributing to the development of Kenya through the direct creation of employment opportunities, others have however contended that the types of jobs created are of low quality. The research project affirms that the no strings-attached aid policy pursued by the Chinese leads to a decrease in the strain on governments to advance on issues such as development. The policy affirms to the hypothesis that China's relation with African countries aims at achieving tangible developmental results and the terms are favourable. Also, China views Kenya as a gateway to the East African region and is a focal point in terms of China's trade and economic strategy in Africa, this therefore asserts to the other hypothesis that China's infrastructure development

investment has a negative impact in Kenya's political economy. In the light of these findings, recommendations are suggested that policy makers should come up with policies that will favour both parties. Also, checking the risks to economic diversification and monitoring the working conditions in Chinese firms. The political implication of investments should also be managed, maximize linkages with local suppliers and finally protect indigenous small scale businesses. The study concludes that the bilateral economic and trade relations between China and Kenya has increased and both sides have made rapid development in areas of cooperation.

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LIST OF ABBREVIATIONS

KeNHA -Kenya National Highways Authority

KURA- Kenya Urban Roads Authority

KURRA- Kenya Rural Roads Authority

KNBS- Kenya National Bureau of Statistics

UN- United Nations

UNCTAD- United Nations Conference on Trade and Development

SSA- Sub Saharan Africa

GOC - Government-owned Corporation

SOE - State-owned enterprise

CNOOC-China National Offshore Oil Corporation

FOCAC- Forum on China-Africa Cooperation

PRC-People's Republic of China

EAC- East African Community

EU-European Union

FDI- Foreign direct investment

CCCC- China Communications Construction Company Limited

CRBC- China Road and Bridge Corporation

CHAPTER ONE

1. Background

Africa and China have been in partnership for centuries with each other but the level of their relations has grown tremendously in the 21st century.¹ China's existence has notably been witnessed in the sub-Saharan Africa in the recent years with their presence rising at a very rapid state while having an interest in infrastructural development and investments in Africa, their interest has somehow been under scrutiny.² A large number of Africans are concern with the growing Chinese interest while others are optimistic due to the investments that have been witnessed in many countries in Africa in the recent years. However, many have argued that the commitment is meant to copy what the western countries did during the colonial times when they exploited African natural resources and left it unable to industrialize. This has led to many questions of whether China is a new colonizer, an exploiter or a partner for development in Africa. China is keen on exploring the opportunities Africa presents and ready to continue offering development assistance to African countries.³

The study is aimed at investigating the Chinese led infrastructural development in Africa and specifically the impact of the increased China-Kenya relations on infrastructure development in the 21st century.

In Kenya, China has emerged as a key partner majorly in financing and constructing large-scale infrastructure projects. It has become the dominant trading partner with bilateral trade and

¹Anne O. Krueger, The World Economy at the Start of the 21st Century, First Deputy Managing Director, IMF

²Manuel MANRIQUE GIL, Something new out of Africa? Chinese, US and EU strategies for the continent

³Thompson Ayodele & Olusegun Sotola, China in Africa: An Evaluation of Chinese Investment

foreign direct investment (FDI) growing in the 21st century. ⁴Despite the development and economic growth witnessed, a number of challenges still linger, such include those emerging from persistent infrastructure shortfalls not only in Kenya but other African countries.

The relationship between China and African countries opens up majorly due to the history of their relationships they had with other Western countries predominantly in the construction of African infrastructure and institutions.⁵The processes of construction of infrastructure in Africa, including institutions and a wide range of physical infrastructure, have been fundamentally incomplete in important respects which have contributed to persistent poverty and instability in a number of African countries.⁶

Consequently the past experiences and contemporary relationships between African countries and China is filtered through how they have partnered in the long-ago. Their relations have thereafter led to the development of state-of-the-art infrastructure in Africa and are still taking place to date.⁷ What is learnt from the history, however, advocates that consideration must be paid to the processes of both deconstruction and construction that accompany external relationships either with China or other external authorities.

⁴<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.360.7493&rep=rep1&type=pdf>

⁵Manuel MANRIQUE GIL, Something new out of Africa? Chinese, US and EU strategies for the continent

⁶Beriwan Dadvar, China's role in African infrastructure development – Cooperation or Exploitation?

<http://lup.lub.lu.se/luur/download?func=downloadFile&recordId=8891061&fileId=8891062>

⁷Olufunmilayo B. Arewa, Constructing Africa: Chinese Investment, Infrastructure Deficits, and Development

1.1 Problem Statement

In its search for infrastructural development among other things, African countries have turned to China for assistance, since China has vast experience in regards to construction and they have the knowhow on complex infrastructural projects.⁸ However, China currently has an agenda of deepening its interests in the Sub-Saharan region so as to increase its global standing and counter the dominance by the West and by other world bodies like the United Nations and the World Trade Organization.⁹

The recent re-emergence by China into Africa is mainly due to their frantic need to find oil and industrial raw materials to fuel their burgeoning economy.¹⁰ It is recorded that the economy of China has grown by averagely 9 per cent annually in the last 25 years and its energy consumption has also outstripped the domestic energy production by doubling its production.¹¹ Between 1990 and 2000, China's consumption of aluminum, copper, nickel and iron ore extremely increased from 7 per cent to a whopping 15 per cent and has highly grown when compared to other countries.¹² Rapid industrialization has also led to overproduction of its industrial goods and most Chinese firms are so much in need of cultivating new export markets for their manufactured goods.

This trend by African countries of seeking assistance from China is deemed as a problem and while they continue to open their doors to China, particularly for infrastructure development, they may become disadvantaged by the collaboration with China in a context that may not be

⁸ http://www.constructcanada.com/wp-content/uploads/2014/08/report_the_construction_sector_in_china.pdf

⁹ Kenya: Bilateral Relations". Ministry of Foreign Affairs of the People's Republic of China. 2003-10-12. Retrieved 2007-11-06

¹⁰ Bossard, "China's role in Financing African Infrastructure"

¹¹ http://www.science.uwa.edu.au/_data/assets/pdf_file/0003/102567/04_22_Crompton_Wu.pdf

¹² Bossard, "China's role in Financing African Infrastructure"

between equals but rather one where they will be the junior partner. Nevertheless, the problem is even multifaceted since Kenya and other African policymakers perceive the partnership with China as a win-win situation.¹³

Scholars studying Sino-African relations have not fully explored this relationship and its negative impact on socio economic development, therefore, to fill this gap in knowledge, this research project investigates and analyses the trends and overall impacts of Chinese investments in Africa and its contribution towards the human development, through infrastructure investment relations between China and Kenya. This study also aims to draw lessons from the Chinese model of development in a manner that can promote human development in Africa.

1.2 Research questions

1. What are the history, nature and impact of Chinese involvement in infrastructural development in Africa?
2. What are the areas of divergence and convergence of China-Africa national interest?
3. What is the impact of China's involvement in Kenya's political economy and infrastructure projects?

¹³ Aleksandra Gadzala and Marek Hanusch, "African Perspectives On China-Africa: Gauging Popular Perceptions And Their Economic And Political Determinants" 2010

1.3 Research Objectives

The main objective of the study was to establish the effect of China-Kenya relations on infrastructure development in Kenya. The specific objectives that guided this study are;

1. To examine and analyze the history, nature and impact of Chinese involvement in infrastructural development in Africa.
2. To evaluate areas of divergence and convergence of China-Africa national interest
3. To examine and analyze the impact of China's involvement in Kenya's political economy and infrastructure projects

1.4 Literature Review

This section commences by generally exploring China's role in the development of Africa's infrastructure, China's edge in the infrastructure Sector and finally the implications and challenges of the Sino-Africa Relations.

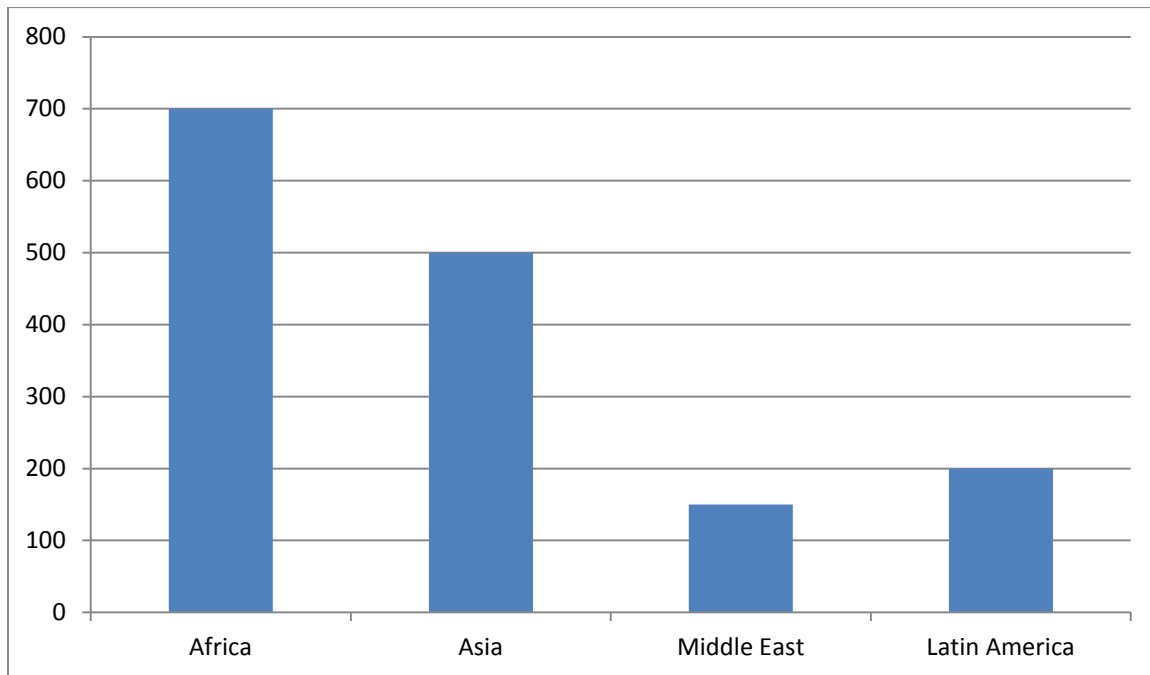
1.4.1 China's role in Africa's infrastructure development

China's role in Africa in regards to development assistance in the form of infrastructure dates back to the Tan-Zam railway project that was successfully completed and handed over to the Zambian government in 1976. Such like projects which was under Mao Zedong during the Cold War era, were distinctly more ideological in purpose.¹⁴ The intention of the development of the Tan-Zam railway for instance was to provide a transport corridor to African nations that circumvented the need to enter the South African market which was by then imperialist in nature. China's current engagement in Africa, while more commercial in nature, has no less of a focus

¹⁴Taylor, "China's foreign policy toward African in the 1990's", p 444

on infrastructure development and rehabilitation, their relations has also grown speedily over the past decade when compared to other continents.

Table 1: China’s investment in Infrastructure in four developing nations (1995-2000)



Currently, China is among the leading trading countries globally with strong ties to Africa, Latin America and the Middle East.¹⁵ The above table clearly reveals that China which was once an isolated nation has lifted many of its own people out of poverty and is now reshaping the developing world.¹⁶

According to Jean-Christophe Servant, Sino-African trade grew by 700 percent during the 1990s. At the same time, many influential visits were also witnessed from around the period of 1995¹⁷. The Forum for China Africa Co-operation which was established in 2000 marked the start of the 2006 China’s African Policy Paper in January. The Africa Policy Paper highlighted

¹⁵ <https://tcf.org/content/report/rising-china-eyes-middle-east/>

¹⁶ <http://www.allchinareview.com/a-different-global-power-understanding-chinas-role-in-the-developing-world/>

¹⁷ Servant, “China’s trade safari in Africa”

infrastructure as one among the ten key sectors for economic collaboration.¹⁸ Subsequently, the Beijing Action Plan¹⁹ (2007- 2009) which makes specific reference to co-operation in the construction and infrastructure sectors was also implemented.

All these then brought led to the many Chinese companies particularly the state-owned enterprises (SOEs) advancing seriously not only in Africa's road and railway rehabilitation, but also in several other large infrastructure projects. Apart from that, it is not a coincidence that most of the widespread infrastructure operations in Africa are in the more resourceful African countries, such as Angola and Zambia which are rich in minerals. Critics have nonetheless made an observation on China's newfound mercantilist attitude toward Africa, in the global race for energy and in the procurement of raw materials to fuel China's burgeoning economy.²⁰

Nevertheless, it is also worth noting that unfortunately, the most resource rich states are the ones mostly in dire need of infrastructure development and support.²¹ This is a sad affair since; the rich countries that have most minerals should be the ones with better infrastructure to help in the transportation of the end product. Recent events further confirm the growing intended role of China in rebuilding countries in the Sub-Saharan region albeit on its own terms. Significantly, during the annual meeting of the African Development Bank that was held in May 2007, in Shanghai, the Chinese State Council approved the creation of US\$ 5 billion China-Africa Development Fund, to be administered by the China Development Bank.²² This was only the second such meeting to take place outside of the African continent.

¹⁸ PRC Government "China's African Policy"

¹⁹ This document was drawn up during the Forum on China-Africa Co-operation (FOCAC) Beijing Summit in November 2006.

²⁰ Jaffe & Lewis, *Survival*, pp 115; Naidu & Davies *South African Journal of International Affairs*, pp. 80

²¹ <https://www.imf.org/en/News/Articles/2015/09/28/04/53/socar101313a>

²² People's Daily, "China approved China-Africa Development Fund"

It was disclosed through several discussions that the funds were meant to make available capital for development, investment, economic and trade activities in Africa. The fund is furthermore supposed to provide support for the agricultural, manufacturing and energy sectors, as well as support for urban infrastructure and the extractive industries in Africa.²³ Furthermore, China Exim Bank's Vice President Li Jun once said that US\$ 20 billion would also be committed to refurbishing infrastructure in Africa.²⁴

1.4.2 China in Africa

An estimate number of 800 Chinese firms are currently active in Africa. The companies which are engaged in several sectors dominate the energy²⁵ construction and infrastructure sectors. Since 2006 China has clearly expounded their commercial footprint in Africa and their focus is undoubtedly centered on the resource-rich countries such as Angola, Nigeria, Kenya, Tanzania, Sudan and Zambia.²⁶ A good case study is in Zambia and Tanzania where over a period of five to ten years Chinese construction companies speedily gained just about 30 to 40 percent of the respective markets.²⁷

Soft loans from Chinese governments help in financing infrastructure projects in Africa undertaken by Chinese companies but on condition that they are carried out by Chinese companies. This is in correspondence to the "go out" strategy which is mainly spearheaded by the Chinese government so as aid in promoting the internationalization of Chinese companies.²⁸

The Chinese government concessional loans are disbursed by China Exim Bank- this is currently

²³ Xinhua, "ADB Meetings Promote Financial Co-operation between China and Africa".

²⁴ Financial Times, "Transcript of interview with Donald Kaberuka"; Bank Information Centre, "IFC and China Exim to co-finance investments in Africa"

²⁵ China- Africa Relations Moving into an Era of Rapid Development", Inside, p. 6

²⁶ Ibid

²⁷ Moss & Rose, "China Exim Bank and Africa: New Lending, New Challenges"

²⁸ Corkin, "Chinese Multinational Corporations in Africa" Inside, p. 10

one of the largest institutions in the world that loans out funds for large projects globally.²⁹ China Exim has disbursed over US\$ 12.5 billion for large-scale infrastructural projects in Sub-Saharan African alone; this is according to World Bank estimates.³⁰ Over 80 percent of the disbursements in terms of value were directed to resource-rich African countries, such as Angola, Nigeria, Zimbabwe and Sudan.³¹

According to the Exim Bank, Chinese contractors must be awarded the infrastructure contract financed by the loan and this is given as a requirement. Besides that, in principle at least 50 per cent of the contract's procurement in regards to the equipments, materials, technology or services must be gotten from China.³² As a result of access to such substantial liquidity, it is no shocker therefore that Chinese SOEs are at the forefront of China's engagement with Africa. However, as the size and capacity of private firms rapidly grows, SOEs still lead China's construction market and continue to dominate in the international contracts.

Further to all these, in places where China wants to increase its area of influence, the Chinese government normally commissions SOEs for infrastructural aid projects. Frequently, the government chooses construction companies for these projects through a competitive tendering process that is done in China and is open to local firms.³³ Once a tender is won by a Chinese company, a government-endorsed contract make possible for the Chinese company to secure low-cost capital from the Central Bank which is the known as The People's Bank of China so as to assist with the expensive start-up costs which majorly comes with the moving of equipment

²⁹ <https://www.ft.com/content/0f534aa4-4549-11e7-8519-9f94ee97d996?mhq5j=e6>

³⁰ Bossard, "China's role in Financing African Infrastructure", p 2

³¹ Broadman, Africa's Silk Road: China and India's New Economic Frontier, p. 275

³² China Exim Bank, "Chinese Government Concessional Loan"

³³ Servant, "China's trade safari in Africa"

into place so as to get the job done to perfection.³⁴ Private Chinese sub-contractors frequently engage with the chosen companies so as to help provide different services in areas of construction, including; plumbing, electrical engineering and air-conditioning among other sectors. Once the project is embarked on within the respective country, the company will then consume the opportunity to gain first-hand knowledge and experience of the local environment in an attempt to identify future opportunities.³⁵

Chinese enterprises often seek to expand the scope of their operations, both geographically and in terms of the types of projects undertaken once they are established in the specific country.³⁶ Most Chinese companies for instance, look for opportunities within regional contexts, this is seen through the Nigerian and Guinean based firms which are expanding their presence into surrounding countries, such as Sierra Leone, since the demand for construction and infrastructural projects increases.³⁷ Similarly, while seeking large-scale projects by their government, the companies also engage in small scale private projects hence expanding their flexibility. This has therefore been important in allowing Chinese companies to flourish in Africa.

1.4.3 China's edge in Africa's infrastructure

Given the rapid inroads that they have made in Africa's construction industries in a short period of time, it is evident that Chinese companies have a degree of competitive advantage over other market players. The most important factors are access to capital, supply-chain costs and labour

³⁴ <https://www.wsj.com/articles/peoples-bank-of-china-has-fintech-on-its-mind-1502109079>

³⁵ https://www.cgdev.org/files/14424_file_AidingTransparency.pdf

³⁶ <http://www.ccs.org.za/downloads/DFID%203rd%20Edition.pdf>

³⁷ https://www.cgdev.org/files/14424_file_AidingTransparency.pdf

productivity.³⁸ One of their biggest advantages however is often through the PRC Government in how they assist them in getting the concessional loans. In addition, the Chinese construction companies, mostly the SOEs are capable of securing the necessary funds for advance payment and performance bonds from their head offices in China. They can thereafter make full use of their accessibility to priced capital and are also able to secure flexible loans from the Chinese banks.³⁹

The latest Afro barometer survey shows that averagely, 63% of Africans believed that China is a positive influence in their countries while only 15% see it as negative influence.⁴⁰ Findings from Afro barometer's 2014/2015 surveys in 36 African countries, which included a special series of questions on China, suggest that the public holds generally favourable views of economic and assistance activities by China.⁴¹ Africans rank the United States and China No. 1 and 2, respectively, as development models for their own countries. Remarkably, in three of five African regions, China either matches or surpasses the United States in popularity as a development model. In terms of their current influence, the two countries are outpaced only by Africa's former colonial powers.⁴²

Public perceptions not only confirm China's important economic and political role in Africa but also generally portray its influence as beneficial. China's infrastructure/ development and business investments are seen as reasons for China's positive image in Africa, though that image is tainted by perceptions of poor-quality Chinese products.

³⁸ PRC Government "China's African Policy"

³⁹ <http://www.ccs.org.za/downloads/DFID%203rd%20Edition.pdf>

⁴⁰ China Daily (11 April 2004)

⁴¹ <http://www.chinaafricarealstory.com/>

⁴² Ibid

This has significant implications for the companies' overheads. Thus, while local and foreign construction companies operate on profit margins of 15-25 percent, Chinese companies usually operate on margins of under 10 percent, thereby making them extremely competitive on price. An executive representative of a large SOE interviewed in Tanzania (and speaking on condition of anonymity) disclosed that his company and many other SOEs operate on profit margins as low as five percent. There have also been reports of a large Chinese SOE in Ethiopia slicing projected profit margins to as low as three percent.⁴³

Chinese companies may occasionally undercut competitors by up to 50 percent on the price of the overall bid.⁴⁴ While this may not be a hard a fast rule, it is clear that Chinese companies' entry into Africa's construction sectors has intensified market competition. Competition with Traditional Players in Africa's Construction Sector The initial arrival of Chinese construction companies has had an enormous impact on the local industry. The other foreign companies, mainly from Europe and South Africa, which had traditionally dominated the construction sector, were the first to experience this competition. A case in point is that of Zambia and Tanzania where Chinese construction companies, over a period of five to ten years, rapidly acquired approximately 30-40 percent of the respective markets.⁴⁵

Though the Chinese presence continues to grow incrementally, this market share since adjusted to Chinese competition and have begun to stabilize. Chinese firm share only just entered Angola and are expanding rapidly causing considerable alarm as many of the traditional players find themselves unable to compete.⁴⁶ Very few local industries in African countries have the capacity

⁴³ Leggett, The Wall Street Journal

⁴⁴ Bosten, "China's Engagement in the Construction Industry of Southern Africa: The Case of Mozambique" p. 5

⁴⁵ Burke & Corkin "China's Interest and Activity in Africa's Construction and Infrastructure Sectors", p 75

⁴⁶ <https://s4rsa.wikispaces.com/file/view/China's+Interest+and+Activity+in+Africa's+Construction+and+Infrastructure+Sectors.pdf>

for large-scale projects required for Africa's infrastructural rejuvenation to and rarely find themselves competing with Chinese companies in the early stages of the latter's market penetration. Many Western companies maintain a slight competitive edge over the Chinese when it comes to specialized or technical areas of construction, in finishing and reliability as well as quality and timeliness, which enables them to secure work and access finance, especially from local sources but it would appear that the gap is closing.⁴⁷

Chinese development aid helps to finance infrastructure projects, including road and railway rehabilitation, hydropower stations, stadia, hospitals and schools. By 2005, Chinese companies had been contracted to 722 turn-key projects across Africa. By mid-2006, total China Exim bank concessional and non-concessional loans for infrastructural development in Africa, excluding projects in the petroleum and mining sectors, were US\$12.5bn.⁴⁸

Angola, Nigeria, Mozambique, Sudan and Zimbabwe account for over 80 per cent of these loans, and the power sector makes up about 40 per cent of total commitments, followed by "general" or multiple sector commitments (24 per cent), transport (20 per cent), telecom (12 per cent) and water (4 per cent). Concessional loans from the OECD for infrastructural development in Africa amounted to only US\$4bn in 2004,⁴⁹ suggesting China may be providing greater support for the development of Africa's infrastructure than are the OECD.⁵⁰

In 2002, Angola's post-war reconstruction received a boost with a US\$3 billion oil-backed credit line from China to rebuild the war-torn country's shattered infrastructure. The China Road and Bridge Co-operation has won the bid to rehabilitate a 371km stretch of road to link Luanda, the

⁴⁷<http://scholarship.law.cornell.edu/cgi/viewcontent.cgi?article=1877&context=cilj>

⁴⁸http://siteresources.worldbank.org/INTANNREP2K5/Resources/51563_English.pdf

⁴⁹http://siteresources.worldbank.org/INTANNREP2K5/Resources/51563_English.pdf

⁵⁰<https://www.wsj.com/articles/for-more-chinese-firms-it-pays-to-make-it-in-the-u-s-a-1488127931>

capital, to Uige, an agricultural and mining province in the north of the country. The Chinese government is providing a loan of US\$211 million to finance the project. In addition, the China International Fund Ltd based in Hong Kong is undertaking a US\$300 million rehabilitation of the Benguela railway line destroyed during the civil war.⁵¹ For a continent with poor infrastructure and limited intra-regional trade, such investments constitute a significant development and have the potential to boost trade among African countries.

In Ghana, Sino-Hydro, one of the largest Chinese hydropower engineering firms, has been contracted to build a US\$600m hydropower project financed largely by a Chinese government loan to solve the African country's cyclical power crisis.⁵² Following the visit of President Hu in 2006, the Nigerian government reached an agreement with the Chinese government for a \$2.5bn loan to part-finance the construction of a railway line. The project includes a fast rail system between Lagos and Abuja, and a light rail system from Murtala Mohammed International Airport to Lagos as well as from Nnamdi Azikiwe International Airport to Abuja. The project is being executed by the state-owned Guangdong Xinguang International Group.

In Kenya, China finances key infrastructure and construction projects such as the standard gauge railway or the port at Lamu Island, and offers affordable and diverse products for consumers. Kenyan retailers benefit from greater profits by selling low-cost Chinese products like plastic shoes or motorbikes.⁵³

⁵¹http://www.anatomised.com/wp-content/uploads/2014/07/China_in_Africa_5.pdf

⁵²http://www.nepad.org/sites/default/files/documents/files/DFS_Brochure_EN.pdf

⁵³<https://www.brookings.edu/blog/future-development/2016/05/16/three-myths-about-china-in-kenya/>

1.4.4 Implications and Challenges of the Sino-Africa Relations

Africa has been greatly transformed by China's growing presence and at the same time arguments have also come about with expanding interaction, particularly with labor practices and market strategies, competing commercial and national interests, China is blamed for flooding African markets, destabilizing local economies and selling goods of lesser quality to Africans. With Chinese businesses and manufactured goods flowing into Africa, conflict over differing labor practices and market strategies has arisen between Chinese and African enterprises. Chinese entrepreneurs rarely employ local workers in Africa. Rather they are accustomed to bringing laborers from China and most management positions are filled by Chinese nationals.⁵⁴ Chinese company practices also lead to discontent among the communities in which these enterprises operate, who perceive that Chinese companies are not contributing enough to local economies and employment.

Another source of conflict arises from the success of Chinese goods in African markets, which are often better quality and cheaper than local products. While African consumers are happy, parallel domestic industries suffer as a result.⁵⁵ And as these relationship grows and the institutional tendrils become more ensnared, possible problems of African people arise in western fears, being locked into China for many years to come but equally the Chinese are 'locked' into Africa, which brings its own risks.

The West also frets about China's closeness with oil and mineral rich countries in Africa and its military connections with these states in Africa. Chinese infrastructure projects in the continent are also predicted to end up as white elephant projects.

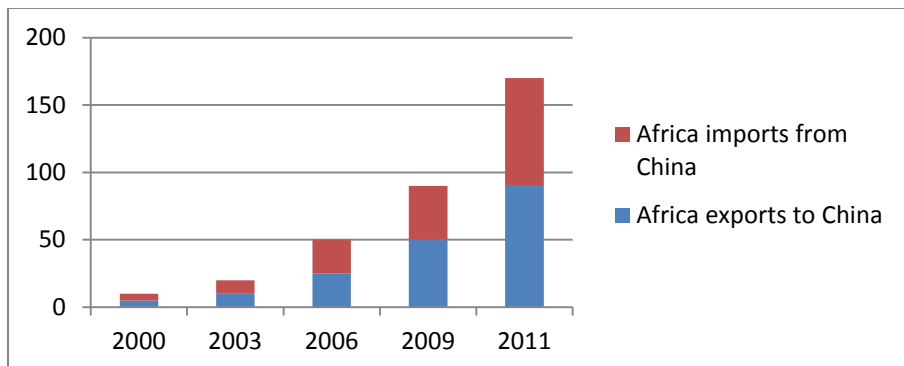
⁵⁴<http://www.academicjournals.org/journal/AJBM/article-full-text-pdf/69022C529990>

⁵⁵<http://www.academicjournals.org/journal/AJBM/article-full-text-pdf/69022C529990>

1.4.4.1 Current China-Africa relations

When it comes to Chinese investment in the infrastructure sector in Africa it can be tracked back in history as far as 1976 when a railway was completed for Zambia.⁵⁶ In those days ideological motives seem to have been the dominant factor behind the investment. Since then the relationship between China and Africa has grown massively and during the 1990s the trade between the two parts increased by 700%.⁵⁷ Furthermore, the forum for African and Chinese cooperation was established in 2000 and in 2006 The Africa Policy paper was published were one of the ten key elements that were mentioned for Africa's economic development in the paper was an improvement of the infrastructure.

Graph1: China-Africa trade relations in US\$ billions (2000-2011)



As earlier mentioned, Sino-African relations have increased in importance in the past decade. Recent trends point to Chinese involvement in three areas of interest: economic policy, diplomacy, and military cooperation. Beijing's policies with reference to sub-Saharan Africa (SSA) reflect clear goals: expanding export markets, gaining access to the continent's mineral resources, and increasing China's international influence.

⁵⁶ <http://lup.lub.lu.se/luur/download?func=downloadFile&recordId=8891061&fileId=8891062>

⁵⁷ Ibid

Moreover in 2007-2009, the Beijing Action Plan notes a specific reference to a development process of a continuing cooperation in the construction and infrastructure sectors.⁵⁸

In November 2006, delegations from 48 African countries gathered in China's capital city for the Beijing Summit of the Forum on China-Africa Cooperation. The then Chinese leader, Hu Jintao provided the delegations with a structured plan for a new strategic corporation and an expanding of an economic relationship with African nations. It was promised from China's part that the aid would be doubled, further intensified investments in infrastructure and trade and let duty-free entry for many African exports. Furthermore, it was stated that China would build around one hundred new schools, thirty hospitals and create easier zones for trade in between the countries.⁵⁹

According to China, this strategic relationship would be based on "win-win cooperation".

Following this China was starting to become Africa's biggest trading partner, outperforming Britain and the United States. By 2009, almost 900 companies, most of them private businesses had started to invest in sectors such as energy, banking and infrastructure and this was essentially a result for a decade of planning and developing the relationship.⁶⁰

Investments for the development of infrastructure have been focusing mainly on countries such as Angola and Zambia. The reason for this is that these countries are the most resource rich countries in Africa and it had been demonstrated before the investments that they were the countries that were most in need of a support for the development of their infrastructure.⁶¹ Other specific examples are investments focused on loans offered for infrastructure in countries that were recovering from conflict, such as the Democratic Republic of Congo (DRC).

⁵⁸ Corking, L. Burke, C. Davies, M. (2008) China's Role on the Development of Africa's Infrastructure

⁵⁹ Brautigam, D. (2009) The Dragons Gift – The Real Story of China in Africa, Oxford University Press

⁶⁰ Ibid

⁶¹ Corking, L. Burke, C. Davies, M. (2008) China's Role on the Development of Africa's Infrastructure

1.4.5 Industrial Policy and Trade Capacity

For Africa, continuing rapid growth in China may lead to complementary positive effects by increasing demand for and revenues from, Africa's resource exports. The Chinese may continue to ramp up aid and investments in Africa, particularly investments in Africa's exports infrastructure, but Chinese export competitiveness in manufacturing may continue to have exterminatory effect on local manufacturing, and consequently job creation, possibilities, particularly in the clothing and textiles and footwear industries, if serious policy measures are not taken to address trade capacity problems in Africa.⁶²

With their current capability levels, African countries have little chance against Chinese competition in reciprocal trade relations. South Africa has shown the way by negotiating a quota system that limits Chinese textiles exports to South Africa.⁶³ Given growing popular discontent in other parts of Africa against cheap Chinese products, it is in China's interest, as it is in Africa's, to replicate the South African agreement across Africa. China stands to lose little because except in the textiles and clothing industry, Africa has little cross-product specialization with China.⁶⁴

In spite of the Chinese way of doing business and language barriers, it is possible that the absence of local African players to enter into joint ventures with giant Chinese multinationals may be limiting opportunities for technology transfer. Except in textiles, and to a less extent in footwear, industries, Chinese companies do not compete with African companies. In sectors like telecommunications and construction and engineering works, the major competitors are foreign

⁶²http://www.anatomised.com/wp-content/uploads/2014/07/China_in_Africa_5.pdf

⁶³http://www.anatomised.com/wp-content/uploads/2014/07/China_in_Africa_5.pdf

⁶⁴<https://www.sais-jhu.edu/sites/default/files/China%27s-Role-in-the-Development-of-Africa%27s-Infrastructure.pdf>

multinationals, with which Chinese companies often cooperate in large contracts. Except South African firms to some extent, local African firms in these sectors are often small and weak players.⁶⁵

Opening the 10th UNCTAD African Oil & Gas Trade and Finance Conference in Algiers, Algeria, the former UNCTAD Secretary-General, Mr. Supachai Panitchpakdi once noted that the international companies, including from Asia and Latin America, are stepping up their investments in Africa.⁶⁶ There is no doubt that Africa's hydrocarbon sector has become very attractive. But how much will the continent benefit from this in the end? The answer will depend not only on the use that governments make of their large revenues and windfall gains, but also on the efforts of these oil companies to integrate into their host economies and on the effectiveness of local content strategies.

In November 2006, China and the United Nations Development Programme (UNDP) jointly established the China-Africa Business Council to support China's private sector in promoting business in Cameroon, Ghana, Mozambique, Nigeria, South Africa and Tanzania. But African governments need to design policies to equip domestic industries to collaborate with Chinese and other foreign investors. Some of the large windfalls from resource rents should encourage African governments to pursue aggressive national development goals, including strategically consolidating their local firms and positioning them as a matter of policy to partner, and learn from, Chinese companies in major contracts.⁶⁷

⁶⁵ Burke & Corkin "China's Interest and Activity in Africa's Construction and Infrastructure Sectors"

⁶⁶ https://www.wto.org/english/news_e/spsp_e/spsp_e.htm

⁶⁷ Burke & Corkin "China's Interest and Activity in Africa's Construction and Infrastructure Sectors"

1.5 Justification of the Study

The re-emergence or emergence of China to Kenya in the 21st century is an important developmental issue that needs to be delved into in order to understand how it shapes foreign bilateral relations of Africa with China. My view of the literature reveals that while some studies have been conducted on this subject, few have addressed the role of infrastructure development as a foreign policy tool. This study seeks to examine and analyze the role of soft power approach as used towards Kenya by the Chinese government.⁶⁸ Towards this end, the study focuses on the role of infrastructure investment by China in its development and partnership with African countries including Kenya.

Central to this study is the assumption that although China portrays its involvement in Kenya as pure and selfless with no hidden intentions, trends in Chinese policies towards Africa reveals that China's presence in Africa is driven by its need for natural resources and promotion of trade to satisfy the robust economic growth at home.⁶⁹

While China's investment in infrastructure has made some contribution towards Kenya's economic development,⁷⁰ Chinese policies and practices are also shaping Africa's and Kenya's foreign relations in a manner that may produce a negative impact on an overall human development.

In conclusion, since more Chinese businesses are coming to Africa, meaning that the Africa-China relationship is diversifying away from simply government-to-government relationships, it makes it harder to characterize the relationship as either good or bad. However, it is viewed that

⁶⁸<http://dga.rutgers.edu/sites/default/files/uploads/2012/10/Ding-Soft-Power.pdf>

⁶⁹Rotberg, R., (2008). China into Africa: Trade, Aid and Influence. Brookings Institution Press, Washington, D.C

⁷⁰<http://www.ide.go.jp/English/Publish/Download/Dp/pdf/261.pdf>

the growing Chinese presence in Africa is part of a rapidly changing reality that presents enormous opportunity for them.⁷¹ On the other hand, Kenya will need to carefully manage its bilateral relationship if it is to be successful in the long-term. Kenya continues to struggle to boost the volume of its exports to China in the face of a large surplus in China's favor, and it will continue to be tested when Chinese businesses engage in poor environmental practices.

1.6 Theoretical Framework

This study draws from the theory of neo-liberalism which is deemed to be the most applicable tool to utilize in this study. Neoliberalism refers to a school of thought who believes that states are, or at least should be, concerned first and foremost with absolute gains rather than relative gains to other states.⁷² The theory explains why states do or do not cooperate since their approach tends to emphasize the possibility of mutual wins; they are interested in institutions which can arrange jointly profitable arrangements and compromises.⁷³

Neoliberalism is a response to Neorealism; while not denying the anarchic nature of the international system, Neoliberalism argues that even in an anarchic system of autonomous rational states, cooperation can emerge through the cultivation of mutual trust and the building of norms, regimes and institutions.⁷⁴ Robert Keohane and Joseph Nye are considered the founders of the neoliberal school of thought⁷⁵ where they argue that even in an anarchic system of autonomous rational states, cooperation can emerge through the cultivation of mutual trust and the building of norms, regimes and institutions.

⁷¹<http://www.worldbank.org/en/news/speech/2015/01/13/lessons-for-africa-from-chinas-growth>

⁷²[https://en.wikipedia.org/wiki/Neoliberalism_\(international_relations\)](https://en.wikipedia.org/wiki/Neoliberalism_(international_relations))

⁷³ Ibid

⁷⁴ Robert Keohane "After Hegemony: Cooperation and Discord in the World Political Economy"

⁷⁵https://www.revolvy.com/topic/Neoliberalism%20in%20international%20relations&item_type=topic

The key argument states that Chinese development fits in to the model of a developmental state whose politics have revealed adequate power, autonomy and capacity whose aim is to shape, pursue and encourage the achievement of explicit developmental objectives, whether by establishing and promoting the conditions and directions of economic growth, or by organizing it directly, or varying combination of both and this is evident in Africa's case.⁷⁶

Infrastructure development in China transpired successfully because states intervened to consciously promote social transformation and industrialization and it cannot be compared to how it is taking place in Africa. China did this by use of selective protection for their industries from cheap imports from the established overseas industries and intervened to secure investment in dynamic sectors;⁷⁷ discipline of both capital and labour through corrective measures against capital export and workers' rights; and the forcible removal of people from the land in order to secure labour force for the new industries. These issues are authoritarian measures and do not correspond with liberal views of development as a process based on consensus, but made China and the East Asian countries industrialize using such measures while Africa is still struggling and over depending on other developed countries for assistance in regards to their infrastructure development.⁷⁸

⁷⁶Kiely R (2007). *The New Political Economy of Development: Globalization, Imperialism and Hegemony*. Palgrave Macmillan

⁷⁷Kaplinsky RD, McCormick D, Morris M (2007). *The Impact of China on Sub Saharan Africa*

⁷⁸Moyo D (2009). *Dead Aid: why Aid is Not Working and How There is Another Way for Africa*.

1.7 Hypotheses

1. China's investment in Africa aims at achieving tangible developmental results in Africa and the conditionality is suitable for African countries.
2. Sino-African relation aims at satisfying China's own national interest.
3. China's infrastructure development investment has a negative impact in Kenya's political economy.

1.8 Research Methodology

This chapter deals with the research methodology of the study, including the research design, setting, population, sample and data-collection instrument.

A research design as a blueprint, or outline, for conducting the study in such a way that total control will be exercised over factors that could interfere with the validity of the research results. The research design is the researcher's overall plan for obtaining answers to the research questions guiding the study.⁷⁹

The type of research design that was be used for this study will be the explanatory design. This involves explanation of causes and effects of the Chinese led infrastructural development on Sino-Africa relations. The study mainly relied on primary and secondary data from books, journals and academic papers. Exploratory research studies what has not previously been studied and attempts to identify new knowledge, new insights, new understandings, and new meanings and to explore factors related to the topic.⁸⁰

⁷⁹<http://uir.unisa.ac.za/bitstream/handle/10500/2127/04chapter3.pdf>

⁸⁰<https://www.scribd.com/document/210038543/04-Chapter-3>

The data collection tools for the secondary data involved information gathering, and document analysis and this technique mainly was involved in literature research. Secondary data, especially on China's investment practices, general business practices of China in Africa and other Chinese-owned firms in Kenya has been obtained from existing academic and policy literature. Data collected in this procedure included quotations, opinions and background information relating to the Chinese influence on the Kenyan infrastructure.

The descriptive survey method was also applied where participants answered questions administered through questionnaires.⁸¹ This method is preferred because it allows for prudent comparison of the research findings.⁸² The qualitative design chosen for this research is natural inquiry. Research unfolds and emerges empirically from the data and is more responsive to contextual values rather than researcher values.

1.8.1 Research Setting

The research setting refers to the place where the data is collected. In this study, data will be collected from several places like the Embassy of the People's Republic of China in the Republic of Kenya, Ministry of Transport, Infrastructure, Housing and Urban Development, The World Bank and Institutions of Higher learning among other places.

1.8.2 Research Population and Sample

Population is defined as the totality of all subjects that conform to a set of specifications, comprising the entire group of people that is of interest to the researcher and to whom the

⁸¹ Jackson, S.L. (2009). *Research Methods and Statistics: A Critical Thinking Approach* 3rd edition. Belmont, CA: Wadsworth

⁸² D. R. Cooper and P. S. Schindler, *Research Methods* (7th ed. New York: Irwin/McGraw-Hill, 2000) p 112

research results can be generalized from.⁸³ Therefore, the research population for this study will involve authorities from the places mentioned under the Research setting.

Chapters Summary

The study paper examines the China-Africa relations with special focus on Infrastructural development in Kenya.

Chapter 1: Introduction.

Chapter 2: China's involvement in infrastructural development in Africa

Chapter 3: Areas of divergence and convergence of China-Africa national interest

Chapter 4: Impacts of China's involvement in Kenya's infrastructure projects

Chapter 5: Data presentation and analysis

Chapter 6: Conclusion and recommendations

⁸³<https://www.scribd.com/document/210038543/04-Chapter-3>

CHAPTER 2

CHINA'S INVOLVEMENT IN INFRASTRUCTURAL DEVELOPMENT IN AFRICA

2.0 Introduction

China has become a primary financier of infrastructure projects in Africa. China Exim Bank, the country's official export credit agency, has approved a billion in loans for Africa, most of which is for infrastructure investments.⁸⁴ China Exim Bank loans are often part of larger cooperative arrangements between China and African countries, which may include trade deals, arms exports, student exchanges, and the presence of peace keepers.⁸⁵

The rapid emergence of Chinese infrastructure financiers in Africa has raised a variety of concerns among international financial institutions, non-governmental organizations, and Western governments. This chapter delves into China's involvement in Infrastructural development in Africa.

2.1 History of China in Africa

China's assistance towards infrastructure development to Africa boasts a long history, dating back to 1976 during the Tanzam railway project that was constructed to link the port of Dar es Salaam in Tanzania with the town of Kapiri Mposhi in Zambia's Central Province.⁸⁶ During the Cold War, such projects, under Mao Zedong (Former Chairman of the Communist Party of China) were distinctly more ideological in purpose.⁸⁷ For instance, the railway was mainly

⁸⁴ <http://asiandrivers.open.ac.uk/ChinaEximBankAfrica.pdf>

⁸⁵ Ibid

⁸⁶ https://en.wikipedia.org/wiki/TAZARA_Railway

⁸⁷ Taylor, "China's foreign policy toward African in the 1990's"

intended to provide a transport corridor to African nations that circumvented the need to enter imperialist Apartheid South Africa.

The Sino-Africa relations have grown exponentially over the past decade. During the 1990s trade between the two regions grew by 700 percent⁸⁸ and many high-level visits took place from 1995. The Forum for China Africa Co-operation was established in 2000, the culmination being the release of China's African Policy Paper in January 2006. The Africa Policy Paper emphasized infrastructure as one of ten key sectors for economic collaboration.⁸⁹

Apart from the above, the Beijing Action Plan (2007- 2009)⁹⁰ makes specific reference to co-operation in the construction and infrastructure sectors. Indeed, many Chinese companies, particularly state-owned enterprises (SOEs) have recently invested heavily in Africa's road and railway rehabilitation,⁹¹ as well as in several other large infrastructure projects. It is not totally unplanned that some of the most extensive infrastructure operations are in the more resource-endowed African countries, such as Kenya, Angola and Zambia; critics have further noted China's newfound aggressiveness towards Africa in the race for energy, security and in the procurement of raw materials to fuel China's burgeoning economy.⁹²

It is worth noting that most at times the resource-rich states are the ones in dire need of infrastructure development and support.⁹³ This is confirmed by the recent events which reveal the intended role and interest of China in rebuilding Africa, albeit on its own terms and also during the annual meeting of the African Development Bank that was held in May 2007, in Shanghai

⁸⁸ Servant, "China's trade safari in Africa"

⁸⁹ PRC Government "China's African Policy"

⁹⁰ <http://en.pkulaw.cn/display.aspx?cgid=100670561&lib=tax>

⁹¹ This document was drawn up during the Forum on China-Africa Co-operation (FOCAC) Beijing Summit in November 2006

⁹² Jaffe & Lewis, *Survival*, pp 115; Naidu & Davies *South African Journal of International Affairs*, p. 80

⁹³ *Ibid*

(the second such meeting to take place outside Africa) the Chinese State Council approved the creation of a whopping US\$5 billion China-Africa Development Fund, to be administered by the China Development Bank.⁹⁴ The funds are intended to provide capital for Chinese enterprises engaged in development, investment, economic and trade activities in Africa and also to provide support for African countries' agricultural, manufacturing and energy sectors, as well as support for urban infrastructure and the extractive industries.⁹⁵

This section will trace the rise of Chinese construction companies in Africa and their nature, motive and involvement on infrastructure development in Africa. The prospects for China's role in developing infrastructure in Africa will be delved into within the context of China's strategic engagement with Africa.

2.2 Construction work in Africa by Chinese

By the end of 2006, it was estimated that 800 Chinese companies were active on the African continent, engaged in a variety of sectors.⁹⁶ Construction and infrastructure is possibly the sector in which China has made its largest commercial footprint in Africa. The PRC is however expanding its presence across the African continent relatively quickly, with an established market presence in many African countries. A case in point is that of Zambia and Tanzania where Chinese construction companies, over a period of five to ten years, rapidly gained approximately 30 and 40 percent of the respective markets.⁹⁷

Infrastructure projects undertaken by Chinese companies are often financed by soft loans from the Chinese government, on the condition that they are carried out by Chinese companies. This is

⁹⁴ People's Daily, "China approved China-Africa Development Fund"

⁹⁵ Xinhua, "ADB Meetings Promote Financial Co-operation between China and Africa"

⁹⁶ <http://www.tandfonline.com/doi/abs/10.1080/14765280802604714?src=recsys&journalCode=rcea20>

⁹⁷ ibid

in line with the “go out” strategy driven by the Chinese government to promote the internationalization of Chinese companies.⁹⁸

Table 2: Number of projects by Chinese in sub-Saharan Africa between 2010 and 2015

	Generation capacity			Transmission and distribution capacity		
	Completed projects	Current projects	Planned and financed projects	Completed projects	Current projects	Planned and financed projects
East Africa	14	9	5	10	10	1
West Africa	17	4	2	6	2	2
Central Africa	8	5	2	5	1	2
Southern Africa	15	7	8	4	5	1
Total	54	25	17	25	18	6
	96			49		

China’s approach to investment in infrastructural development in Africa differs from that of the West. While the latter emphasizes the model of “democracy first,” China believes in driving the economic growth of the receiving country through infrastructural development. As a result, the West often questions the motive for China’s investment and construction support in Africa from its own point of view.⁹⁹

The World Bank estimates that the China Exim Bank has disbursed over US\$ 13 billion for large-scale infrastructural projects in Sub-Saharan African alone¹⁰⁰ with more than 80 percent of these in terms of value were to resource-rich African countries, such as Angola, Nigeria, Zimbabwe, Sudan and recently Kenya. According to the China Exim Bank’s concessional loan requirements, Chinese contractors must be awarded the infrastructure contract financed by the

⁹⁸Corkin; Chinese Multinational Corporations in Africa

⁹⁹ “Boosting the Power Sector in Sub-Saharan Africa: China’s Involvement.” July 2016

¹⁰⁰Bossard, China’s role in Financing African Infrastructure

loan. Furthermore, in principle no less than 50percent of the contract’s procurement in terms of equipments, materials, technology or services must come from China.¹⁰¹With access to such substantial liquidity, it comes with no surprise therefore that Chinese state-owned enterprises (SOE) are at the forefront of China’s engagement with Africa. Thus, while the size and capacity of private companies is growing rapidly, SOEs still dominate China’s construction market and continue to win the majority of these international contracts. The Chinese government regularly commissions SOEs for infrastructural aid projects in countries where it wishes to expand its sphere of influence. The government selects construction companies for these projects through a competitive tendering process conducted in China open to local firms. Provincial governments, primary shareholders in many of the larger state-owned construction companies, partake in lobbying activities in Beijing in attempts to influence project allocation decisions.¹⁰²

Building is what China has been doing, on a massive scale, with projects of all kinds sited in Africa. Having built the US\$150 million gleaming new conference centre at the headquarters of the African Union in Addis Ababa, China signed a contract worth US\$12 billion to build the Coastal Railway in Nigeria stretching 650 km across the country from Calabar in the east to Aba, Port Harcourt, Warri, Benin City and Lagos in the west.¹⁰³ Never before in human history have we seen the spectacle of a continental-sized China, which was as poor as most African countries only 30 years ago, building up Africa’s infrastructure on such a scale that could assist the region in catching up in development.

¹⁰¹ 5 China Exim Bank, Chinese Government Concessional Loan

¹⁰² Jean-Christophe Servant, 'China's trade safari in Africa'

¹⁰³ <https://constructionreviewonline.com/2016/07/china-to-construct-the-lagos-calabar-coastal-railway-line-in-nigeria/>

China's dominant role in building Africa's infrastructure has been controversial despite two generally agreed positions. The first is that Africa lags behind other developing regions in infrastructure and has a craving demand for catching up.¹⁰⁴ The second is that China is meeting that demand more than any other country, with its companies, especially state-owned enterprises (SOEs), and workers labouring away on projects that range from municipal buildings and dams to roads and railways that begin to stitch together poorly connected African cities and regions.

State-led economic development and infrastructure provision in China often implies that its central government can extend its experience in shaping the scale and speed of infrastructure development in Africa.¹⁰⁵ Some even suggest that China is exporting its infrastructure production as a political leverage in Africa.

2.3 China's aid to Africa

According to Kiely,¹⁰⁶ aid is a loan to a country at concessional or nil rates of interest. Moyo¹⁰⁷ categorizes aid into three extensive categories, specifically, Charity-based aid, humanitarian or emergency aid and methodical aid. This research paper paths on systematic aid which is the type of aid payments that is made straight to governments and in this case it is the official growth assistance from the Chinese government to African countries.

The development aid Africa obtains from China differs significantly from that originating from Western donors. In the first instant the adjustment captures the terms and conditions imposed,

¹⁰⁴<http://www.europeanfinancialreview.com/?p=6110>

¹⁰⁵Ben Lampert and Giles Mohan, "Making Space for African Agency in China-Africa Engagements."

¹⁰⁶Kiely, R., (2007). *The New Political Economy of Development: Globalization, Imperialism and Hegemony*. Palgrave Macmillan.

¹⁰⁷Moyo, D., (2009). *Dead Aid: why Aid is Not Working and How There is Another Way for Africa*. Penguin books Ltd.

and secondly, on the aspect of ‘tying’¹⁰⁸ China is not so much concerned about the issues of human rights, internal governance and democracy in Kenya like the donors from the West. Besides subscribing to the ‘One China Policy’, in the case of China, there is no any other conditionality imposed on the recipient country.

Chinese’ aid is ‘tied’ to using Chinese companies and procurement of materials in China, but nonetheless, most government officials believe that China is perhaps one of the most price-competitive sources whether its development aid is ‘tied’ or not.¹⁰⁹ In respect to scholarships and technical training, decisions are made by the relevant ministries. China is considered to be much more flexible than the Western donors in accepting domestic constraints. It does not change its reporting and accounting procedures like the Western donors once aid has been disbursed.

China’s African Policy states that they will provide assistance “with no political strings attached”. The single radical ailment China provides for the establishment of its relations with African countries is the ‘one China’ principle, i.e. not to give formal recognition to Taiwan.¹¹⁰

Chinese aid varies from monetary and monetary aid packages which cover grants and loans for equipment, infrastructure, plant and training opportunities, scholarships, and technical assistance.¹¹¹ McCormick notes that monetary aid from China is tied to the use of Chinese goods and services and the only adherence required is the “One China” policy but not “good

¹⁰⁸ McCormick, D., (2008). China & India as Africa’s new Donors: The Impact of Aid on Development. (Review of *African Political Economy Journal*, March 2008, Vol. 35, 115. P. 73-92)

¹⁰⁹ Onjalla, J., (2008). *A Scoping Study on China – Africa Economic Relations: The Case of Kenya*. African Economic Research Consortium (AERC), Nairobi, Kenya (5th March 2008).

¹¹⁰ Pere, G., (2006). *China in Africa: mercantilist predator, or partner in development?*. Institute for Global Dialogue Midrand, South Africa

¹¹¹ McCormick, D., (2008). China & India as Africa’s new Donors: The Impact of Aid on Development. (Review of *African Political Economy Journal*, March 2008, Vol. 35, 115. P. 73-92)

governance" as the conditionalities that currently characterize the western donors. This suggests that Chinese aid and trade are intertwined in many ways and is hard to separate the two.¹¹²

Kenya is among the beneficiary countries of Chinese aid, but the sources of information do not specify if the companies are state owned or private sector firms. However the assistance from China to Kenya is project based though in diverse ways.¹¹³ Since the establishment of the political associations, the projects of aid and support delivered by China to Kenya mainly include: Confucius Institute at Nairobi University, methane-generating pit and the expansion project of Eldoret hospital, Moi International Sport Center, Teaching Chinese and Joint Research Work on Vegetables with Egerton University, several road construction projects, construction of malls among others.¹¹⁴

2.4 Chinese Investment in Africa

Africa, according to Sautman and Hairong (2007) has the highest return on FDI, ranging from 29% in 1990 to 40% in 2005.¹¹⁵ Although China's trade with Africa is small compared to US\$1.76 trillion in world trade, it has grown from US\$3 billion in 1995 to US\$55 billion in 2006. It is predicted that Chinese investment will top the US\$100 billion mark by the end of the decade.¹¹⁶ As evidence of this trend, there are more than 800 Chinese companies in Africa in 2006, one hundred of which are medium to large state owned firms. China is having a profound impact on African economies.

¹¹²Moyo, D., (2009). *Dead Aid: why Aid is Not Working and How There is Another Way for Africa*. Penguin books Ltd.

¹¹³Onjalla, J., (2008). *A Scoping Study on China – Africa Economic Relations: The Case of Kenya*. African Economic Research Consortium (AERC), Nairobi, Kenya (5th March 2008).

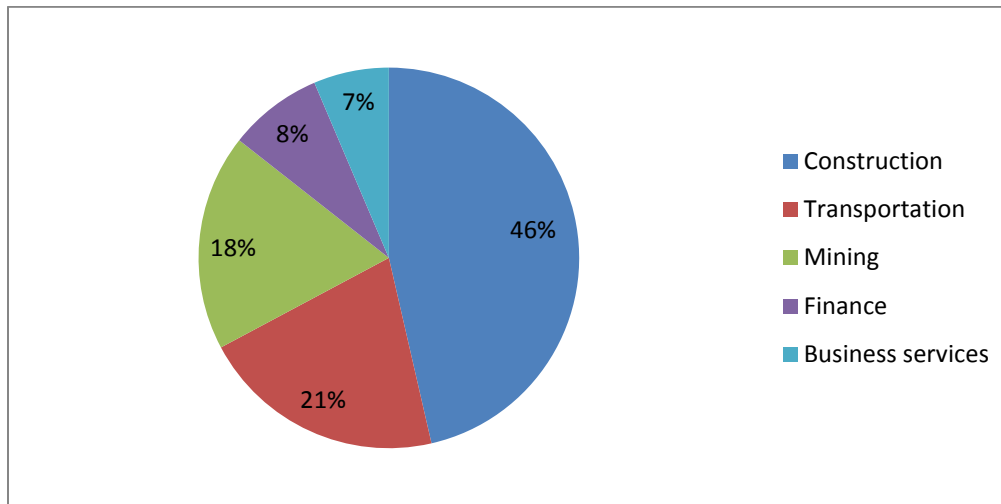
¹¹⁴ China- Kenya embassy <http://www.kenyaembassy.cn>

¹¹⁵ Sautman, B., & Hairong, Y. (2007). Friends and Interests: China's distinctive links with Africa. *African Studies Review*, 50(3), 75-114.

¹¹⁶ Taylor, I. (2006). China's oil diplomacy in Africa, *International Affairs*

The figure below shows the Composition of Outward Chinese Industrial Distribution FDI Flows in Africa in 2014 (in %) ¹¹⁷

Chart 1: China's Investment in Africa (2014)



Source: Statistical Bulletin of China's Outward Foreign Direct Investment, 2014.

The increasing economic expansion is particularly evident in Sub-Saharan Africa. In the last decade, the Chinese have built a network of trade, aid and investment with close to fifty countries. ¹¹⁸ Chinese companies are mining oil in Angola and Sudan, building roads in Ethiopia, generating electricity in Kenya, building infrastructure and encouraging tourism in Sierra Leone, and servicing mobile phones in Kenya and Nigeria.

China's rapidly developing oil consumption seems to have a bigger effect on Chinese-African trade. ¹¹⁹ This is the main reason behind the whole raft of new contracts between 2002 and 2006. During this period, Chinese oil companies have signed deals to buy refineries and explore oil and

¹¹⁷ <https://oxfamafricachinadialogueplatform.wordpress.com/2016/09/10/africa-china-dialogue-platform-monthly-newsletter-august-edition/>

¹¹⁸ Zafar, A. (2007). The growing relationship between China and Sub-Saharan Africa: macroeconomic, trade, investment and aid links. The World Bank Research Observer, Advance Access

¹¹⁹ McLeary, P. (2007). A different kind of great game: Are China and United States heading for a showdown over Africa?

gas in Algeria, Gabon, Angola, Nigeria, Ivory Coast, Kenya, Congo Brazzaville, Namibia, Ethiopia, Madagascar and Sudan. Additionally, China also helped in treating infectious diseases such as malaria and HIV/AIDS and launched the first overseas radio station in Kenya. Recently, China and Nigeria just signed a major oil deal worth US\$23 billion which calls for China to build three refineries in Nigeria.

As a result, trade between them has increased making China the continent's third largest trading partner after the European Union and the US. China has continued to push closer ties with Africa and has awarded US\$10 billion in aid for the next three years and dispatched volunteers to provide medical assistance and build hospitals and schools.¹²⁰ Western criticisms of China's human rights record and other international issues have induced the Chinese to seek closer ties with non-western nations in an effort to build international coalitions.

2.5 China vs. the West investment and incentives in Africa

Since many scholars who challenge the China-Africa relationship are Western observers it is significant to mention that Western investments in Africa exists often more than what we are aware of. Since the 1950s Western countries have expended a trillion US dollars or more to Africa in aid money, however, for the most that has been spent on the continent not enough effects have been shown and so the model which westerners go by to help African countries develop have throughout the years been criticized by authors around the world. The main argument for why the Western World has failed Africa is that Western countries never saw the needs of African countries and instead tried to impose ideas and models coming from the west.¹²¹

¹²⁰ Ewing, K. (2009). China's new 'win-win' strategy in Africa.

¹²¹ Pratyush (2013) Role of China and India as Development Partners in Africa – A Critique of NeoColonialism

Furthermore, while it has been argued that Chinese primary incentives with investments in Africa is to get access to new technology and establishing long term contracts with high brands the intentions of the Western World has shown different motives. European and American firms are mostly interested in cost advantages, consumer markets and new platforms for exports. When it comes to these sectors, Africa offers cost advantages and consumer markets easily, whilst when it comes to new export platforms it has resulted to more challenges, however there are still opportunities to establish that also.¹²²

In 2014, it had been estimated that Western Europe was in charge of more than half of all Greenfield investment into Africa with an estimated number of US\$50 billion according to FDI Intelligence agency. Africa's relationship with China has been explained more as two business partners coming together, where goods and services are exchanged. Currently, China needs Africa for the oil, minerals the existing space for growth within the private sector and also for its political commitments.

Nevertheless, Africa is in need of China's support in areas where many African countries are lacking development such as infrastructure, technology, training of new skills and also access to capital. Due to these circumstances the relationship is viewed by themselves and also outsiders as a more equal relationship than the one that Africa has with the Western World due to its colonialism but also due to the fact that Western countries are not investing where Africa's governments and populations are as hungriest for development and help.¹²³

¹²²Pratyush (2013) Role of China and India as Development Partners in Africa – A Critique of NeoColonialism

¹²³Haroz, D. (2011). China in Africa – Symbiosis or Exploitation?, The Fletcher Forum of World Affairs

2.7 Conclusion

The chapter reveals that Sino-African relations are not something new, but rather they date way back. However, the chapter points out that past Sino-African relations are different from contemporary Sino-African relations. Current relations are purely commercial in the sense that China's new global position as an economic power has led it to search for raw materials to feed its ever growing manufacturing industry. This development has strengthened relations between Africa and China as they are becoming one of the leading investors and trade partner in Africa.

China's economic involvement in Africa presents both challenges and opportunities and the Kenyan case study has shown that in light of decreasing Western investments in Africa, Chinese investments serve as a new source of foreign direct investment. Chinese investments have already contributed to the economic growth of some African countries; therefore, they have become favorable to many African countries, since they do not have conditions attached. The lack of conditions is favorable to Africa's development, because African countries can come up with their own indigenous policies that serve their economic interests rather than having exotic policies, which have further intensified poverty in many African countries.

The findings on this chapter therefore asserts to the hypothesis that China's investment in Africa aims at achieving tangible developmental results in Africa and the conditionality is suitable for African countries.

CHAPTER 3

AREAS OF DIVERGENCE AND CONVERGENCE OF CHINA-AFRICA NATIONAL INTEREST

3.0 Introduction

This chapter paper will focus on the rapidly-growing links between China and Africa. Chinese involvement in Africa is driven predominantly by the quest for material gains (oil and other primary commodities)¹²⁴ required for its infrastructural investments and booming manufacturing sector. At least in the early years of this involvement, there appears to be close coordination between Chinese involvements in these three related fields.¹²⁵

The aim of this chapter is to develop several portfolios of possible deals, bargains, or arrangements between Africa and China that: illustrate the convergent and divergent interests between China and Africa, suggest how the convergent interests can be enhanced for mutual benefit, illustrate how the divergent interests might be mitigated by reciprocal concessions that can produce “win-win” outcomes that both sides would view as preferable to present circumstances that are potentially negotiable, verifiable, and sustainable.

Based on preliminary work, it is assessed that several potential “win-win” outcomes can be reached by China and Africa through reciprocal concessions. This chapter should be of interest to China’s and African foreign affairs and defense policy makers who are involved in managing the Sino-Africa bilateral relationship.

¹²⁴<https://opendocs.ids.ac.uk/opendocs/handle/123456789/4142>

¹²⁵Kaplinsky, R., D. McCormick & M. Morris (2007) The impact of China on sub-Saharan Africa.

China's involvement in Africa has important policy implications for growth, distribution and policy. Whilst it has prompted some of Africa's key commodity exporting economies, its impact on manufacturing (both that destined for domestic and export markets) has not been fully favourable.¹²⁶ Even some of the benefits of the commodity price boom are ambiguous, since these are often associated with rising exchange rates, corruption and violent conflict.

Commodity-based production also has adverse distributional impacts when compared to manufacturing.¹²⁷

The rapid growth and significance of enhanced Chinese participation in Africa has important implications for both future research (there are many unknowns and the picture is changing so fast) and for a poverty-focused policy agenda.

“Africans are particularly pleased that in our relationship with China we are equals and that agreements entered into are for mutual gain.”¹²⁸ This statement was made in 2012 by Mr. Jacob Zuma, president of South Africa.¹²⁹ Mr. Zuma's predecessor, Mr. Thabo Mbeki, had also this to say on the same subject six years earlier: “The potential danger, in terms of the relationship that could be constructed between China and the African continent, would indeed be a replication of that colonial relationship.”¹³⁰

Empirical evidence seems to lend support to the contradictory claims suggested by the two African statesmen: one lauding China for treating Africans like equals and the other virtually

¹²⁶ Ewing, K. (2009). China's new 'win-win' strategy in Africa

¹²⁷ [file:///C:/Users/YVONNE/Downloads/Opportunities and Challenges_Olu.pdf](file:///C:/Users/YVONNE/Downloads/Opportunities_and_Challenges_Olu.pdf)

¹²⁸ L. Hanauer and L. J. Morris, Chinese Engagement in Africa: Drivers, Reactions and Implications for US Policy (Washington, DC: Rand Corporation, 2014)

¹²⁹ Ibid

¹³⁰ J. Eisenman, “China-Africa Trade Patterns: Causes and Consequence,” *Journal of Contemporary China* 21, no. 77 (2012): 808

implying that China was behaving like a neocolonial power in Africa. We seem not only to welcome such contradictions but even expect them in contemporary discourse.

Why do contradictory claims about China in Africa coexist? This is so partly because the knowledge we acquire from this form of discourse is a social knowledge that is based on judgment and interpretation. No empirical fact could tell us more than what an observer/analyst wants to tell us: what she or he thinks had happened, would happen, and/or ought to happen.

In other words, observation and evaluation are inseparable. In the case of the discourse on China-Africa relations, the problem is particularly compounded by the fact that it takes place both at political and intellectual levels.¹³¹ In any case, sometimes it is as though the more one reads about China in Africa and there are many books to read—the less one knows about it.

3.1 Economic relations and sustainable development

Alongside security concerns, recent years have also seen a growing emphasis on the need to harness the economic potential of the continent. China's growing involvement in Africa – despite some criticisms of its excessive focus on natural resources has been one of the main driving forces placing Africa's economic potential at centre stage. The EU and the US, however, are increasingly recognizing this and promoting more economic engagement with Africa (which requires an active engagement from the private sector).

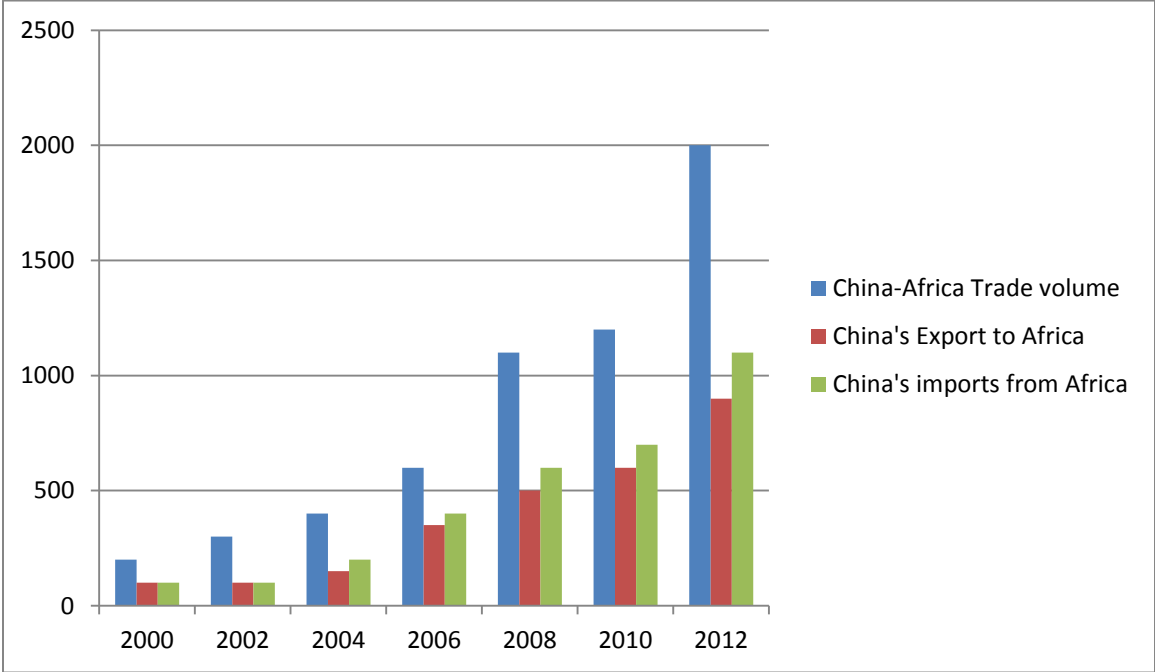
Increasingly, all three actors have adopted a narrative of 'win-win' economic engagement which presents increased trade and investment as a central element in the promotion of sustainable development. Interestingly, this has also meant that the EU and the US are shifting some of the emphasis (at least in the political discourse) away from traditional development cooperation,

¹³¹Hanauer and Morris, Chinese Engagement in Africa

despite remaining the largest donors to Africa. This shift could have an important significance, as development cooperation spending – at least for the EU – is usually more centred on social sectors (education and health), governance and support for civil society, which are not necessarily strengthened by economic growth¹³².

Interestingly, China not only continues to expand its aid package to Africa, but the character of this aid is also changing. Chinese aid responds to a different logic from that of the US and the EU, emphasizing, for example, the principle of ‘mutual benefit’. This is translated in practice into the requirement, when receiving aid, to use a part of it to purchase Chinese goods and services (a practice known as ‘tied aid’ which the US and the EU have largely reduced or eliminated in line with aid effectiveness principles).¹³³

Table 3: China-Africa Trade Volume (2000-2012)



¹³² <http://asiandrivers.open.ac.uk/ChinaEximBankAfrica.pdf>

¹³³ [http://www.europarl.europa.eu/RegData/etudes/IDAN/2015/549031/EXPO_IDA\(2015\)549031_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2015/549031/EXPO_IDA(2015)549031_EN.pdf)

In the above graph, as the volume of China-Africa trade continues to grow, its proportion to China's and Africa's respective total foreign trade volume has also increased.¹³⁴ From 2000 to 2012, the proportion of China-Africa trade volume as a part of China's total foreign trade volume increased from 2.23% to 5.13%: the proportion consisting of China's imports from Africa up from 2.47% to 6.23%, and that of China's exports to Africa from 2.02% to 4.16%. On the African side, the changes are even more remarkable. From 2000 to 2012, the proportion of China-Africa trade volume as a part of Africa's total foreign trade volume increased from 3.82% to 16.13%: the proportion contributed by Africa's exports to China up from 3.76% to 18.07%, and that by Africa's imports from China from 3.88% to 14.11%.¹³⁵

The publication of China's second White Paper on foreign aid in 2014¹³⁶ is interesting in that it points to some of the changing orientations and discourse around its aid. This second White Paper appears to move away from 'hard sectors' (mining, infrastructure) towards social and public sectors and infrastructure, and to put a stronger emphasis on poverty reduction, helping to improve people's livelihoods, and regional cooperation mechanisms. Even more interestingly, in 2014, Beijing and the African Development Bank set up a USD 2 billion investment vehicle, called the 'Africa Growing Together Fund', which represents China's first multilateral contribution in Africa.

Over the past decade, Africa's economic expansion has been remarkably strong, with an average GDP growth rate of 5.07 % per year between 2005 and 2014 and this is majorly as a result of the Sino- Africa relations.¹³⁷ This impressive performance has fostered an optimistic 'Africa rising'

¹³⁴ http://english.gov.cn/archive/white_paper/2014/08/23/content_281474982986536.htm

¹³⁵ Ibid

¹³⁶ <http://english.gov.cn/>

¹³⁷ http://repository.up.ac.za/bitstream/handle/2263/57149/Alden_South_2016.pdf?sequence=1&isAllowed=y

narrative and renewed international interest in the continent. These numbers, however, partially mask continued vulnerabilities in many of the 54 African countries.

Political crises and armed conflict are accompanied by public health emergencies (such as the Ebola epidemic in West Africa) and volatile global markets. A considerable challenge remains: transforming economic growth into sustainable development and poverty eradication for the 400 million people (36 % of the population) still living on less than USD 1.25 a day.¹³⁸ While China, the US and the EU are, arguably, the most important external actors in Africa, they are not the only ones.¹³⁹ Japan has traditionally maintained intense development cooperation with Africa, and most recently there has been a growing interest in Africa on the part of ‘emerging’ international players, including Turkey, Qatar, the United Arab Emirates, India and Brazil.¹⁴⁰ Even Russia, which after the collapse of the USSR largely abandoned the continent, has recently and in a context of conflict with the West sought to reengage with Africa.

Some view this stronger Chinese engagement with a lot of caution, considering it to be an exclusively self-interested pursuit to exploit Africa’s resources. However, leaving aside the debate on the character and merits of Chinese economic activity in Africa, it is undeniable that China’s growing involvement has both increased international interest in the continent and brought Africa’s economic potential to the centre of discussions.¹⁴¹

The economic potential of a continent of 1.1 billion people (forecast to double in size by 2050) with a growing purchasing power – consumer spending by the middle class reached an estimated

¹³⁸ file:///C:/Users/WInuser/Downloads/Trilateral_Report.pdf

¹³⁹ Ibid

¹⁴⁰ <https://thielemanst.wordpress.com/tag/africa/>

¹⁴¹ UNCTAD (2010). Economic Development in Africa Report

quarter of Africa's GDP in 2012 according to the African Development Bank (AFDB) and endowed¹⁴²

3.2 Sino-Africa areas of convergence and divergence

Closer examination of the context and recent evolution of the China-Africa relationship discerns key circumstances that drive relations in positive and negative directions. The result shows that the security dilemma and competition that China is facing from countries like USA is more constrained than seen in the great divergence, while the economic cohesion has eroded.¹⁴³ The areas of divergence and convergence between the two regions cause widespread uncertainty, especially among the policymakers, concerning ways the Africans can manage these differences as China's power and influence grows.

Nonetheless, prevailing interests of both parties generally incline leaders on both sides to pursue pragmatic engagement, seeking better cooperation and careful management of differences though China appears to be the one with the say.¹⁴⁴ As seen recently, those circumstances can change and in turn alter how officials in several African countries like South Africa for example perceive their interests, leading to changes in policy. Nevertheless, the mix of incentives and disincentives for strong action disrupting the pragmatic engagement that has prevailed in recent years argues for continuity rather than major change in the relationship.

Notwithstanding the professed good relations and the goodwill, policy-makers in both regions believe that there is more scope for deepening the substance of political and economic relations.

¹⁴² [http://www.europarl.europa.eu/RegData/etudes/IDAN/2015/549031/EXPO_IDA\(2015\)549031_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2015/549031/EXPO_IDA(2015)549031_EN.pdf)

¹⁴³ Avery Goldstein, "First Things First," International Security, Spring 2013

¹⁴⁴ http://www.risingpowersinitiative.org/wp-content/uploads/Orbis_Sutter_ChinaAmericaDivergence1.pdf

Capacity constraints on both sides are partly to blame for slow implementation, as indeed are different emphases and priorities.¹⁴⁵

For example, South Africa has been characterized as ‘too coy’ about expressing its world-view, which the Asians feel ought to be similar to them. However, South Africa’s concern about not breaking African ranks on matters where the continent has taken a position is often a constraining factor.

3.3 Challenges and opportunities for cooperation in Africa

In discussing possible areas of cooperation between China and Africa, with or without Northern partners, three questions require consideration. Is there a convergence of interests between China, Africa and the beneficiary? Is there a sufficient level of trust between the two parties and the beneficiary countries to execute a project? What value is added by China and Africa respectively in a particular project?

It is clear from the preceding discussion on the relationship as well as on the drivers of their foreign policies in Africa that there are a number of areas of potential competition, especially in accessing unsaturated markets or natural resources.¹⁴⁶ Pursuit of these ‘hard’ interests is linked to the desire to build up ‘soft power’ and influence within the continent. South Africa is part of the continent and, although it may not be blunt about it, regards Africa as a key economic and political arena for the advancement of its own interests, which are increasingly taking on a politically driven commercial agenda.

¹⁴⁵ https://www.saiia.org.za/images/stories/research/extn/india_sa_chatham_house_paper_march_2011.pdf

¹⁴⁶ http://www.risingpowersinitiative.org/wp-content/uploads/Orbis_Sutter_ChinaAmericaDivergence1.pdf

Arguably there are a number of areas of potential synergy and agreement. Relevant to this issue is the fact that China has recognized the importance of engaging with Africa's regional architecture. The India–Africa summit of 2008 gave impetus to that and a work plan has been developed with the AU. India's commitment is to support and create centres of excellence in Africa in ICT, mineral beneficiation and medicine. These projects fit neatly with what South Africa wants to achieve in Africa.¹⁴⁷

3.4 Conclusion

China and Africa may look like natural partners in development cooperation in Africa. However, on closer examination it becomes obvious that each has significant constraints as well as differing interests. Constraints relate to capacity, but also to politics and the presence of real competitive elements. There is debate over a more overt, commercially driven approach in Africa's engagement with China, with some officials maintaining that this should not be Africa's approach and others arguing that Africa should get something out of its efforts to build continental structures, peace and security. The different interests also arise from their size and potential power-projection. Thus in the short term, any cooperation in developmental initiatives in Africa is likely to be limited in scope and tend to react to opportunities as they present themselves.

While the interests of China and Africa may not always clash, there are still too many issues in the relationship that need to be addressed for a partnership to develop and this confirms the hypothesis that China's relations with Africa aims at satisfying their own national interests.

¹⁴⁷ https://www.saiia.org.za/images/stories/research/extn/india_sa_chatham_house_paper_march_2011.pdf

CHAPTER 4

IMPACTS OF CHINA'S INVOLVEMENT IN KENYA'S INFRASTRUCTURE PROJECTS

4.0: Introduction

Since reforming its economy into a market economy, China has experienced tremendous growth. Its influence is felt worldwide and especially in the developing countries.¹⁴⁸ Kenya is one of the countries that have received assistance and bilateral support from China either through infrastructure projects, construction of hospitals, and sports facilities among other things.

Most of the assistance is received through concessional loans approved by the Chinese government and made out to Chinese companies in order to provide foreign direct investment in Kenya.¹⁴⁹ These loans are then repaid by the various government bodies and individual clients engaging the Chinese companies. The chapter seeks to determine the impact of the involvement of China in Kenya in terms of infrastructure development thereby discerning whether the impact is positive or negative or both.

China has certainly been contributing to Kenya's economic growth, both in terms of trade and with building infrastructure. It has built roads, railways, ports, airports, and more, filling a critical gap that western donors have been shy to provide and unblocking major bottlenecks to growth. With regard to co-operation in development and use of new energy, China has provided Kenya with 490 sets of small scale solar energy equipment, constructed the Irati Small Hydropower Station and the Chemoisit Small Hydropower Stations; and drilled boreholes in the Eastern and Rift Valley provinces¹⁵⁰ The first Standard Gauge Railway passenger train which

¹⁴⁸ <http://www.ijmbs.com/41/robert.pdf>

¹⁴⁹ <https://academic.oup.com/wbro/article-abstract/22/1/103/1654902>

¹⁵⁰ <https://www.standardmedia.co.ke/business/article/2000062865/china-s-role-in-kenya-s-development>

commenced operations on May 1, 2017 has currently recorded tremendous improvement on passenger numbers that have hit more than 2,000 daily bookings. The project was undertaken at a cost of USD3.8 billion.

The project is the largest infrastructure project with a Chinese concessional loan so far, it is the biggest individual overseas project constructed by a Chinese company and the largest overseas project implemented by China Communications Construction Company Limited (CCCC) which is putting it up jointly with the China Road and Bridge Corporation (CRBC).

With regard to credit and financing, China has offered concessional loans and preferential export buyer's credit to support a large number of infrastructure projects and social development projects in Kenya. These include Nairobi Eastern and Northern Bypass, Nairobi Southern Bypass, Nairobi-Thika Highway (Lot 3), Kenya Power Distribution Upgrading and Strengthening Project, Kenya E-government Project, Technical Industrial Vocational Entrepreneurship Training Project, Olkaria Geothermal Field Production Well Drilling and Kenyatta University Teaching and Referral Hospital.¹⁵¹ China has also offered Special Loan for the Development of African small and medium enterprises (SMEs) in Africa to support the Kenyan SMEs in the areas of tea production, power generation, rural power grids and regional aviation.

4.1 Impact of Chinese Involvement in Kenya's infrastructure development

It is by now an established fact that China is in a position to shape Kenya's economy and influence its politics to an unprecedented degree. Underlying this situation is the fact that China

¹⁵¹ Ibid

is set to be Kenya's largest trading partner and its more significant year-on-year investor,¹⁵² surpassing traditional donors and international financial institutions.

To put China's growing weight as a development partner in perspective, In order to export produce from Kenya the country needs effective transportation infrastructure. Current transport infrastructure in Kenya equates to 177,500 KMs of roads, with 63,000 KMs making up classified roads and 114,500 KMs of unclassified roads.¹⁵³ With that in mind, major investment is still required for approximately 40% of roads in an unmaintained condition located mainly in rural areas.¹⁵⁴ Connecting these areas is clearly the key infrastructure task at hand for the Kenyan government, and to its credit it has actively tried to encourage such development, promoting itself as a stable and geographical "gateway" to East Africa. The European Commission has been significantly involved in developing Kenya's transport infrastructure, specifically when it comes to the rehabilitation or construction of new roads. The Chinese government, having its largest African embassy in Nairobi¹⁵⁵, have also seized on the opportunity to develop major transport links to support its own economic interests and employs Chinese firms to carry-out the work. Chinese investment in Kenyan roads began in 2006 and has resulted in the rehabilitation or construction of approximately 905.4 KMs of road at an estimated cost of € 316 million.¹⁵⁶

The development impact of Chinese investments in infrastructure in Kenya has been generally quite positive, though not without controversy in certain settings, while the impact on governance matters has been on the whole more contentious. In both case, however, it is

¹⁵² http://paperroom.ipsa.org/papers/paper_3240.pdf

¹⁵³ Kenyan Road Board, Road Network Classification. See: www.krb.go.ke/classification.php

¹⁵⁴ Kenyan Road Board, Road Condition. See: www.krb.go.ke/Roadconditions.php. (Accessed 3 January, 2010)

¹⁵⁵ J. Onjala, A Scoping Study on China–Africa Economic Relations: The Case of Kenya, (Nairobi: Institute for Development Studies, 2008).

¹⁵⁶ Ibid

necessary to go beyond the media accounts to get a fuller understanding of the Chinese role and impact in these areas.¹⁵⁷

4.2 China in Kenya: Trade, investments and development co-operation

The historical relations between Kenya and China goes back to the era of barter trade, in which there were exchanges of goods and services along the Kenyan coastline as archeological findings have shown. Kenya gained its sovereign status in 1963 and has enjoyed good relations politically, economically and socially, with its close border neighbors; Uganda, Tanzania, Rwanda and Burundi that together they form the East African Community (EAC), and the rest of the countries on the African continent, as well as other countries in the rest of the world. Trade forms a basic pillar of the relations between different states worldwide. Kenya has maintained trade relations with the United States of America (USA), as well as with China, which is steadily on the rise in terms of trade on the world stage, and the European Union (EU), which has been, for a long time been Kenya's trading partner. Once a colony of the British Empire, this did not close the link between both countries as trade has been maintained from then to date.

In the past decade, exports from the EU, China and India to Kenya have steadily increased, except for in 2009 when trade volumes declined due to the 2008 financial crisis. Traditional partners such as the US and Japan have moderate trade volumes with Kenya, while Russia and Brazil are the least significant trading partners.¹⁵⁸ Despite declining marginally in 2009, China's trade has increased steadily in Kenya.¹⁵⁹ This steady growth has translated into a one-sided trade pattern in China's favour and an increasing trade imbalance that reached a high in 2010. The

¹⁵⁷ http://paperroom.ipsa.org/papers/paper_3240.pdf

¹⁵⁸ Rampa F & S Bilal, Emerging economies in Africa and the development effectiveness debate, ECDPM, DP107, March 2011

¹⁵⁹ Ibid

reason for the higher increase compared to other countries is that Kenya exports unfinished goods to China, whereas Chinese imports¹⁶⁰ mainly finished manufactured goods into Kenya. Recognizing this widening trade imbalance, the two governments recently agreed to work towards bridging the gap.¹⁶¹

4.3 Leveraging the benefits from China's engagement with Kenya

Despite the obstacles and the associated potential risks of China's engagement with Kenya, bilateral relations between China and Kenya have played an important role in fostering growth and development.¹⁶² Economic diversification based on high competitiveness through skills and technology transfer would be the main catalyst of China's contribution to Kenya's transformation. Thus, the infrastructure renaissance brought about by Chinese investment provides expanded opportunities for accelerated economic diversification in Kenya.¹⁶³

As a result, building bridges with Kenyan firms by promoting their presence in China could be an opportunity for them to extend their activities towards new markets. Political and economic governance are as important for Kenya as they are for China in fostering inclusiveness.¹⁶⁴ The synergies that may be created from collaboration in these areas could benefit both regions as the world is steadily moving towards a more inclusive approach of economic development.¹⁶⁵

¹⁶⁰ Nairobi Star, 'East Africa: Kenya, China in Sh8 billion university hospital deal', 22 April 2011, <http://allafrica.com/stories/201104250544.html>

¹⁶¹ For an in-depth analysis of key products traded between China and Kenya, see Onjala J, Impact of China–Africa trade relations, AERC, April 2010

¹⁶² Ibid

¹⁶³ <https://www.afdb.org/en/blogs/afdb-championing-inclusive-growth-across-africa/post/the-expansion-of-chinese-influence-in-africa-opportunities-and-risks-9612/>

¹⁶⁴ Ibid

¹⁶⁵ The Inclusive Growth and Development Report 2015 is published by the World Economic Forum http://www3.weforum.org/docs/WEF_Forum_IncGrwth.pdf

4.4 The Pros and Cons of Chinese Investment in Kenya

There are certainly benefits to Chinese investment in Kenya, such as improvements in infrastructure and economic development and this has highly been felt in the country.¹⁶⁶ As economies grow, poverty decreases and populations become better educated and more politically involved, leading to better governance. Nevertheless, there are also some questions about the negative impact that China's involvement the country could be having.

For example, the Chinese have been less discerning in terms of the countries they invest in, entering countries that are tend to be less developed and often less democratic than would be acceptable for the US or other Western countries.¹⁶⁷ Whereas Western countries may pressure the countries they invest in to become more democratic or have a stronger respect for human rights, Chinese investors have not shown any interest in doing this.

Instead, Chinese investment in Kenya seems to be motivated solely by the prospects of Chinese economic gains. They are looking for the opportunity to extract raw materials and sell manufactured products to the Kenyan market, a scenario that somewhat resembles the colonial past. In addition, many Chinese investments also involve the use of extensive Chinese labor, which creates problems for local unemployment.¹⁶⁸

Whether Chinese investment in Kenya will have predominantly negative or positive consequences in the future remains to be seen. However, it is important to note that Chinese investment in Kenya will certainly increase its influence in the region, allowing China to have a stronger influence than the USA.¹⁶⁹ What this will mean in practice is unclear, although if

¹⁶⁶ <http://www.borgenmagazine.com/the-pros-and-cons-of-chinese-investment-in-africa/>

¹⁶⁷ Ibid

¹⁶⁸ <http://www.smallstarter.com/curated-content/chinas-investments-in-africa-are-they-good-or-bad-for-us/>

¹⁶⁹ Li Anshan, "China-African Relations in the Discourse on China's Rise," World Economics and Politics

Chinese support helps prop up authoritarian regimes, the geopolitical consequences for the US could be serious. It would be wise for the US and other Western nations to take this into account as they consider both their development and aid projects as well as their level of investment in the region.¹⁷⁰

4.5 Positive and negative impacts on infrastructure development

On the positive side of the development ledger, China has made a substantial contribution to provisions for ‘hard infrastructure’ such as roads, railroads and hydropower in Kenya. As underscored by a recent World Bank study, the investment backlog in infrastructure is set at US\$22bn annually and Chinese investment, peaking in 2006 at US\$7bn, is making a major contribution to addressing this need.¹⁷¹ China is financing 10 major hydropower projects with a combined capacity of 6000 megawatts that will increase sub-Saharan Africa’s total hydropower generation by 30% while its firms are rehabilitating 1350 kilometers of existing railroads and building 1600 kilometers of new railroads, a significant addition to the 50,000 kilometers of railroads in Kenya and other African countries.¹⁷² These activities tailored nicely to the over-capacity in China’s domestic construction industry, which had like other sectors, been encouraged by Beijing to ‘go global’ and is a fine illustration of the principle of ‘mutual benefit’ in developing country co-operation. Chinese project finance, which has in some instances ignored the conventional assessments of risk produced by Western banks, has set off a process of reviewing industry standard risk metrics and, concurrently, the investment potential in Kenya.¹⁷³

¹⁷⁰ <http://foreignpolicy.com/2015/12/04/5-myths-about-chinese-investment-in-africa/>

¹⁷¹ PPIAF/World Bank, ‘Building Bridges: China’s growing role as infrastructure financier for Sub-Saharan Africa’, Washington DC, July 2008

¹⁷² Vivien Foster et al, ‘Building Bridges: China’s growing role as infrastructure financier for sub-Saharan Africa’, Washington DC: World Bank/PPIAF, July 2008

¹⁷³ Ibid

It should also be noted that while poverty reduction is not being addressed directly as such in Chinese investments into mineral commodities but, in so far as provisions for hard infrastructure release untapped or underexploited resources, the Chinese are making an important contribution towards alleviating it nonetheless. The elimination of bottlenecks by providing new transport, port facilities and increasing power generation are all contributing to laying the foundation for Kenya's economic take-off.¹⁷⁴

On the contrary, features of the relationship are the willful ignoring of some of the features of financing which have been designed to improve African governance (so-called 'soft infrastructure'), the accompanying lack of transparency in financial support (primarily concessional loans) for investment projects and the conduct of some Chinese companies (state and non-state owned) in violating labour and environmental standards in host countries. In the mining sector specifically, this has resulted in practices such as the illegal use of child labour and sub-standard health and safety conditions.¹⁷⁵

More broadly, there are concerns around the structural impact of Chinese investment on African economies. These include the overall pattern of trade relations which replicate Africa's traditional standing with the industrialized West as a provider of primary products in exchange for finished manufactured goods.¹⁷⁶ The recent fall in commodity prices highlights the dangers of reliance on this sole source of revenue and the need for a diversification. Thus the desire to enhance Kenya's development prospects through pursuit of beneficiation strategies that complement the extraction of resources is seen to be imperative to breaking Africa's poverty

¹⁷⁴ http://paperroom.ipsa.org/papers/paper_3240.pdf

¹⁷⁵ 'Young Workers, Deadly Mines', Bloomberg Markets 17:9 September 2008, pp. 89-90

¹⁷⁶ Transparency International, Corruption Perception Index 2007

cycle.¹⁷⁷ Finally, there are concerns as to the structure of loans being provided by the Chinese which could potentially put Kenya into a new cycle of debt, something that is especially disturbing given the hard fought concessions necessary to win debt-forgiveness in the last decade.

Therefore, Kenya should also adopt policies aimed at diversifying the future financing of economic growth. A possible slowdown in the Chinese economy could unravel Africa's growth momentum by constricting financial viability of major projects due to potential tightening trade and investment credit from Chinese banks actively involved in Africa.¹⁷⁸ In this regard, intra-Africa trade and investment financing from regional financial institutions including the African Development Bank may offer an option to stable long-term finance.

4.5 Conclusion

Many projects are currently being done in Kenya by Chinese companies and the success of the projects depends on how the Kenyan governments execute and maintain them; there are currently a lot of negative aspects that come with Kenya over relying on China for infrastructure development which eventually affects the political economy. Investments in Kenya by the Chinese are largely resource seeking and to this end, China has been concentrated in the construction, trading and manufacturing sectors. The growth of these investments has however been steady over the years and is likely to remain the same in the near future though majorly to their own advantage.

Most of the Chinese firms operating in Kenya are state owned and/or are strongly supported by the Chinese state, which is of advantage to them over other competitors. The Chinese businesses

¹⁷⁷ Ibid

¹⁷⁸ http://www.cebri.com.br/midia/documentos/china_and_africa_policy_and_challenge.pdf

do not operate like convention profit maximizing firms, often willing to provide concessions in order to gain access to markets. Such of the practices engaged include bidding at very low prices, settling for low profit margins, sourcing cheap inputs from China, using access fairly skilled Chinese workers, and collusion. These practices have enabled them to remain in business where their western competitors have failed.

Even though the Chinese are doing business in Kenya and helping in the growth of the nation by developing the infrastructure and creation of employment, others have contended that the type of jobs created are of low quality and standard. Additionally, the Chinese Foreign direct investment (FDI) contributions to Kenya notwithstanding, has also been marked with widespread criticism.

The discontent of workers employed in Chinese firms has had political ramifications, with some leaders using this as a selling point during their political campaigns. These ramifications have highlighted pitfalls of Chinese firm practices, and drawn attention to similar experiences in other African countries. This therefore confirms the hypothesis that China's investment on the infrastructure development on Kenya has a negative impact in their political economy.

CHAPTER 5

DATA PRESENTATION AND ANALYSIS

5.0 Introduction

This study sought to establish the impact of Chinese led infrastructural development on Sino-African relations with a focus on Kenya. The study was guided by three objectives namely: To examine and analyze the history, nature, motives and impact of Chinese involvement in infrastructural development in Africa. To evaluate areas of divergence and convergence of China-Africa national interest and to examine and analyze the impact of China's involvement in Kenya's political economy and infrastructure projects

Three hypotheses guided the study namely: China's investment in Africa aims at achieving tangible developmental results in Africa and the conditionality is suitable for African countries. Sino-African relation aims at satisfying China's own national interest and China's infrastructure development investment has a negative impact in Kenya's political economy.

The data was obtained from Embassy of the People's Republic of China in the Republic of Kenya, Kenya National Highways Authority (KeNHA), Kenya Urban Roads Authority (KURA), Kenya Rural Roads Authority (KURRA), Ministry of Foreign Affairs in Kenya, Kenya National Bureau of Statistics (KNBS), United Nations as well as empirical studies by others published in specific journals. The nature of this study is both qualitative & quantitative data in the sense that it provides a detailed account of China's involvement in infrastructure development in Kenya within a particular time period of the 21st century.

5.1 Social/ Demographic factors of respondents

In this category the demographic factors of the respondents were looked into and explained. This is in terms of the age of respondents, the gender of the respondents and their nationality.

5.1.1 Classification according to Age of Respondents.

The selected age of the respondents for the study was of individuals between the ages of 18 years and 44 years old. This was because people from the age of 18 years and above are the ones more likely to own phones and are registered for they are legible to have national identity cards and can register to use the money service provided by the mobile networks.

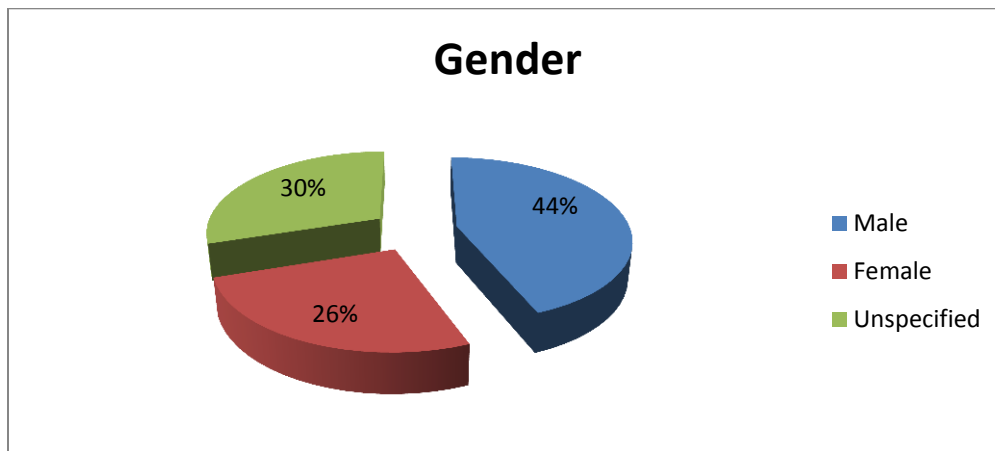
Age of Respondents

Age Group	Respondents	Percentage
28 – 30	25	42
31 – 35	35	25
36 – 54	40	33
TOTAL	100	100

Out of the 100 respondents, 25 were aged between 28 and 30, representing 42% of the population. 35 respondents were aged between 31 and 35 representing 25% of the population. 40 were aged between 36 and 54 accounting for 33% of the population. Many of the respondents were of between 36 and 54 years because they are professionals who have a wider idea of how relations between China and Kenya have been and they can easily foretell their future relations as well. Ages 31 and 35 years were few since it is likely that most of them do not have a concrete idea of how the Sino-Africa relations have been in the 21st century, this is similar to those of aged between 28 and 30 years.

5.1.2 Classification according to gender

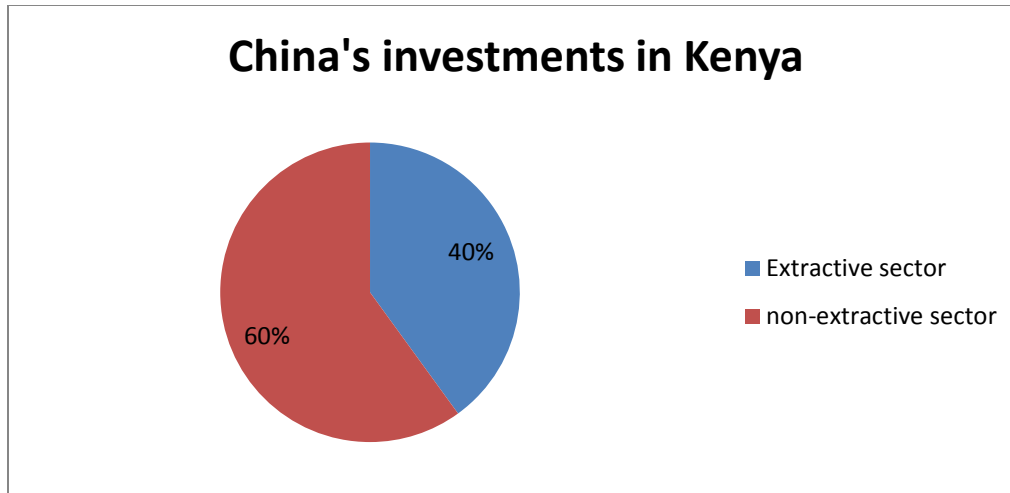
In this classification the gender of the respondents was given in terms of males and females. This was done in order to cut across society in terms of ensuring each gender class had a representation in the study. Out of the 100 respondents, 44 were male, 26 were female and the rest did not specify their gender.



The male gender was dominant due to the fact that most of them were the ones in charge of certain departments. Also, most government bodies in Kenya have many men especially in the age group 36-54 who were in a position to fill the questionnaires.

5.2 China's investments in Kenya; extractive sector or non- extractive sector

Out of the 100 responses, it was revealed by 60% of respondents that most of China's investments in Kenya are in the non-extractive sector, contrary to what most people know or think. 40% of the respondents think that the extractive sector is still dominated by other firms from US, UK and also South Africa.



The respondents were asked to indicate whether China-Kenya relation is advancing and if it is a positive or a negative. With respect to aid, Most Chinese respondents feel that China has intensified its aid and technical assistance to Kenya especially in the 21st century. China’s aid prior to 2000 was minimal since Kenya was mostly seeking assistance from the West which had dominated the market. In sectors like infrastructure, communication, transport, and energy majorly electricity; according to their response, Kenya is overly depending on China for development, China on the other hand is more than willing to be of help. Most respondents however feel that Kenya should instead be taught how to do construction works and help develop their country themselves since this will be an asset to the country. Additionally, other respondents feel that China offers a number of scholarships and training courses to several Kenyan students and artisans although the training is arguably of low standard.¹⁷⁹

From the data presented in this chapter, several respondents mentioned the dominance of China in Kenya as part of the contributory factors to Kenya’s poor performance. However, China has been among the leaders in the global production and supply of Infrastructural goods. In fact

¹⁷⁹ <https://constructionreviewonline.com/?s=china+in+Africa>

China became the leading producer in 1990s and has maintained the lead since.¹⁸⁰ After a massive decline in output and employment levels in the industry, and after much calls from industrial players on the government, the government churned out some policies to bail out the sector.¹⁸¹ While the China factor could play a role in exacerbating the current modest performance of the sector, it is blown out of proportion to the neglect of pressing domestic militating factors in need of urgent address.

¹⁸⁰ <http://www.latimes.com/world/asia/la-fg-china-africa-ethiopia-20170804-htmstory.html>

¹⁸¹ <http://www.latimes.com/world/asia/la-fg-china-africa-ethiopia-20170804-htmstory.html>

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

Africa in its relations with China is predominantly assumed to look like they perfect associates in regards to development cooperation in Africa. On closer examination however, it is evident that both parties have major constraints and differing interests and the limitations not only refer to their capacity, but also to political factors as well as the presence of real competitive elements. China's policy towards Africa is articulated through a national-interest prism and this is in regards to terrorism, energy security and potential markets. African countries on the other hand are still reassessing how to articulate their policy and national interest in the context of their African agenda.

Recently, a discussion ensued over a more explicit, commercially driven approach by Africa in how it does its engagements with China since it has a growing interest in the African market. Some experts also added that Africa's approach should be amended, others also argued that Africa should get something worthwhile out of its efforts to build continental structures and peace and security. In all probability the biggest challenge for Africa is not only in how it does its relations with China now and in the future but also in the relations with other emerging countries.

South Africa on the other hand which is the third richest country in Africa as of 2015¹⁸² often believes that it should be vocal on African issues when given an opportunity at global forums, China and any of the other emerging powers most at times runs with that opening. However, their interests deeply arise from their size and potential power-projection and temporarily, any

¹⁸² [https://en.wikipedia.org/wiki/List_of_African_countries_by_GDP_\(PPP\)](https://en.wikipedia.org/wiki/List_of_African_countries_by_GDP_(PPP))

developmental cooperation in Africa mostly by Chinese companies is likely to be limited in scope and tend to react to opportunities as they present themselves.

African countries need to seize the unprecedented opportunity for China and Africa to team up in planning and promoting infrastructural development and industrial collaboration, so as to accelerate industrialization and modernization. Financing should only be carried out after scientific assessments of each party's risk tolerance to minimize any dangers of insolvency.

6.2 Recommendations

Political stability and continuity is the foundation and guarantee of successful Sino-Africa collaboration in infrastructural development. To attract much-needed investment, including from China, African countries need to put in place far-sighted and appealing investment policies and provide a macroeconomic environment and micro-operations settings that are politically stable, business friendly, and open. Certain complementary preferential policies need to be in place during the initial stage at a time when there are risks to be managed, including opaque policies, corruption, and security concerns.

Trade, investment, and aid between China and Kenya will undoubtedly increase in the coming years. Kenya-China relationship in this context mirrors, to a great extent, the wider Sino-African engagement in terms of economic complementarities. China is in need of energy, trade, and investment whilst Kenya also needs China for growth and as a market for its commodities.

Besides, Kenya needs the various aids, technical assistance, and infrastructures provided by the

PRC. The relation could be regarded as that which is guided by mutual benefit, and reciprocity grounded in bilateral agreements.¹⁸³

However, there are concerns regarding the effects of this bilateral relation via the three vectors on local industries particularly the construction industry. While these concerns are genuine, the China factor in this industry is exaggerated. More so, the dominance of the Chinese and other construction firms in the construction industry is due to the incapacity of most local Kenyan firms to take up most projects. The endogenous causes of the poor performance of these industries must be addressed first and foremost before attending to the exogenous causes. When the internal factors are well addressed the external elements could easily be turned into opportunities for the local industries rather than a threat.

Robust policy recommendations are therefore needed for the survival, sustained growth, and development of these industries. Some of the bailout plans which seemed efficient were compromised with ineffective implementation; monitoring, and inconsistency. The Kenyan government must have a comprehensive policy for promoting the construction and several other industries in the country. The suggestions made in chapter three and four could be helpful in this respect.

¹⁸³ Vivien Foster et al., "Building Bridges: China's Growing Role as Infrastructure Financier for Sub-Saharan Africa" (2008), xiv.

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APPENDIX I

SAMPLE QUESTIONNAIRE

Hello,

My name is Yvonne Martina Andiva, a student at the University of Nairobi studying masters in International studies. I am collecting data on my research project titled ‘The impact of Chinese led infrastructural development on Sino-African relations: the case of Kenya.’

You have been purposefully chosen to participate in the interview as part of the study. I would appreciate your cooperation in answering some questions relating to your knowledge and experience of the same.

Nationality

Age

Gender

Female

Male

Prefer not to say

1. Is China’s relations with Africa advancing?

Yes

No

Other:

2. If yes, in what sense?

3. Name one or two factors that lead to the deepening relationship between China and Africa?

1.

2.

5. Is the relationship between China and Kenya a win-win?

Yes

No

Other:

6. Kindly support your answer

7. What is the main impact of the Chinese led infrastructural development in Kenya?

8. Political stability and continuity is the foundation to successful Sino-Africa collaboration in infrastructural development.

Agree

Disagree

Other

9. If yes, why?

10. The dominance of the Chinese construction firms in Kenya is due to the incapacity of most local Kenyan firms to take up most projects

Disagree

Neutral

Agree

11. If you agree, what can be done to counter their dominance in the industry?

12. Any other comments in regards to China-Kenya's relation in terms of infrastructure development

13. How do foreign investment policies in China influence their relationships with African countries?

14. Are there other present initiatives by the Chinese government to increase bilateral trade with Kenya?