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INSTITUTE OF DIPLOMACY AND INTERNATIONAL STUDIES

THE ROLE OF FOREIGN AID IN SHAPING THE DEVELOPMENT OF
AFRICAN COUNTRIES
A CASE STUDY OF KENYA-CHINA RELATIONS

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INTERNATIONAL STUDIES

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DECLARATION

This thesis is my original work and has not been submitted or accredited by any other university.

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DEDICATION

I dedicate this work to my family and the Lord Almighty.

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I would like to thank the Lord Almighty who gave me the endurance needed to tread the rocky path of completing this project.

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ABSTRACT

Foreign assistance enables to boost economic development of states faced with challenges of development, infrastructure, climate change, poverty, agriculture and economic factors. Developing countries are the largest recipients of foreign aid in terms of loans. Africa is the largest bilateral trading partner with China and has become the destination hub for foreign aid. Chinese development assistance to Kenya has been through loans, technological Cooperation, Economic and trade agreements, promotion and Protection of Investment Agreement. However, the foreign assistance has brought about a number of problems such as increased loan debts, political rivalry between donor states, inhuman working conditions, facing sanctions, grabbing of job opportunities by donor states in recipient countries, corruption scandals, increased poverty levels and dependency. This study aims at examining Chinese aid policies and framework towards economic development in Kenya, determining the impact of Chinese aid on development in Kenya and establishing China's strategic interests in Kenya. The study was guided by Realism, Marxist and Dependency theories to comprehend specific national interests which drive interactions in the international system. This study examined mixed method approach that combined both qualitative and quantitative research design. Data was collected using questionnaires from a sample of 384 respondents from the Ministry of Foreign Affairs, Ministry of Trade, Chinese officials and Academicians in Nairobi area. The data collected was analyzed using quantitative and qualitative methods. It is evident that, China uses strategic alliances with African countries to fight against the rival powers such as the United States. Forum on China-Africa Cooperation is a method used to control the behavior of African states and the aid policy strategy as a means for trade and investments and to expand its markets in foreign states. Consequently, the findings show that China established foreign aid as an international aid regime to control trade, foreign markets and use state commercial initiatives such as the Belt Road initiatives to realize its national security. Arguably, China loans are criticized for charging exorbitantly high interest rates attached to aid advanced to receiver countries. The Chinese communist ideology has influenced the shift of Africa's dependence on capitalism. However, the change of ideologies is to enable Africa embrace look east policies for its own benefits. Therefore, various recommendations can be made based on the study findings. There is need for China to remove trade barriers in its domestic markets, to allow balance of trade with African countries. Also, China's aid policies and frameworks should incorporate policies of democracy and good governance as they emphasizes on accountability and transparency of funds in recipient countries.

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ABBREVIATIONS

ADB-	African Development Bank
AGOA-	African Growth and Opportunity Acts
AIIB-	Asian Infrastructure Investment Bank
AUCC-	African Union Conference Centre and Office Complex
BRI-	Belt and Road Movements Initiative
CADF-	Chinas-Africa Development Fund
CCC-	Chinese Cultural Center
CI-	Confucius Institute
CITIC-	China International Trade and Investment Corporation
CNOOC-	China National Offshore Oil Corporation Limited
COMESA-	Common Market for Eastern and Southern Africa
EAC-	East Africa Community.
EU-	European Union
Exim Bank-	Export Import Bank of China
FOCAC-	Forum on China-Africa Cooperation
LAPSSET-	Lamu Port South-Sudan Ethiopia Transport Corridor
MDGs -	Millennium Development Goals
OBOR-	One Belt One Road
OECD-	Organization for Economic Cooperation and Development
SASAC-	State Owned Assets Supervision and Administration Commission
SGR-	Standard Railway Gauge
UN-	United Nations
US-	United States
USSR-	Soviet Union

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CHAPTER ONE

INTRODUCTION AND BACKGROUND INFORMATION

1.0 Introduction

This study examines the role of foreign assistance and how it shapes the development of African countries. Foreign assistance enables to boost economic development of states faced with challenges of development, infrastructure, climate change, poverty, agriculture and economic factors.¹ Developing countries are the largest recipients of foreign aid in terms of loans. However these countries show no improvement in terms of economic development. The overall achievement of aid is to provide every country with an opportunity to achieve steady growth and become self-sustaining economies.² Instead these countries have become heavily indebted with loans and some call it debt-trap diplomacy.³ The research therefore, aims at investigating the role of Chinese foreign assistance to the Kenya's economy. This chapter covers the background of the study, statement of the problem, research questions, research objectives, literature review, theoretical framework, research hypothesis, research methodology and chapter outline.

1.1 Background of the Study

Economic development in Asia, Africa and Latin America is being achieved through foreign assistance from China.⁴ In the international community, states such as Russia

¹ Lengauer, S. (2011). Chinas Foreign Aid Policy: Motive and Method. *Culture Mandala: Bulletin of the Centre for East-West Cultural & Economic Studies*, 9(2), 35-81

² Rosentein-R, P. (1961). *International Aid for Underdeveloped Countries*. Cambridge Massachusetts: Massachusetts institute of technology.

³ Fernholz, T. (2018). *China-debt-trap-these-eight-countries-are-in-danger-of-debt-overloads-from-chinas-belt-and-road-plans*. Retrieved from <https://qz.com/1223768>

⁴ Ian, T. (1998). Chinas foreign policy towards Africa in the 1990s: *The Journal of Modern African studies*, 36 (3), 443-460

and North-Korea have received foreign aid from China due to their oil endowment capacity. Since 2014, Russia's economic dependence on foreign assistance from China has grown in terms of loans, grants, military trainings, advanced industrial technologies, bilateral agreements capital and the growing influence of Belt and Road Initiative.⁵ Russian state-owned companies have also received loans from China which enables them remain in power. In return, China imports oil and coal from Russia.

China has also provided loans to countries that are involved in terrorism, manufacture of weapons and war regimes.⁶ North-Korea has been sanctioned by the United Nations due to its manufacture of nuclear weapons program. Despite the sanctions, China has continued to provide assistance and is strengthening its influence with North-Korea through foreign aid. Apart from loans, China also provides aid inform of military assistance to Sri Lanka. The country has become heavily indebted with over \$64 billion and handed over its port to China. China also invested in Sri Lanka by building a new city off the coast of Colombo and Hambantota port, for infrastructure, roads and highways development.⁷ Sri Lanka's geographic location makes it attractive to China, since it is the Sea route where oil shipments pass through from Middle East making it a security interest for China.

Africa is the largest bilateral trading partner with China and has become the destination hub for foreign aid and most important economic partner since. The interest of China in developing countries has been strong to the point it has developed a Chinese Fund

⁵ <https://www.foreignaffairs.com/articles/china/2018-09-24/why-russia-and-china-are-strengthening-security-ties>

⁶ <https://foreignpolicy.com/2017/10/11/russia-is-the-biggest-recipient-of-chinese-foreign-aid-north-korea>

⁷ Xiao'ou, Z. (2018). Demystifying the role of Chinese co actors in shaping china's foreign policy: The case of post war in Sri Lanka. *International journal of security and development*, 1(2), 349–363

for Africa. Chinese aid built the African Union Conference Center and Office Complex (AUCC) building in Addis Ababa Ethiopia. It has also built Confucius institutes in Nairobi Kenya at the University of Nairobi. The trade investment has become large in Africa, due to its rich ability to provide mineral resources and oil which are needed in China's domestic industry. China's domestic economy is facing development constraints due to increasing massive manufacturing industries. The country's major concern is supply in energy, oil and petroleum resource.⁸ China sources raw materials from African countries to maintain its economy and in return offers foreign aid.

Nigeria is the fourth largest China's trade partner in Africa with over 40 official development finance projects from China. Nigeria and China established relation in 2006 for a concessional oil-for-infrastructure development. China invested \$4 billion in oil and infrastructure developments projects in Abuja. It has built railway networks, invested in power plants and telecommunications, houses and water supply in Abuja. In return, Nigeria provides Chinese firms with contracts to explore oil in the Niger Delta and Chad basin. Another rich oil country China invests in is the Democratic Republic of Congo. Congo is the home to cobalt reserves, copper and lucrative minerals and also known as the world's natural wealth. Chinese companies are providing assistance over \$3 billion to build roads, hospitals, universities and infrastructures in Kinsasha, in return it obtains the minerals to fund the aid.

Kenya and China's relations began way back after Kenya's independence. The diplomatic ties began with Ming Dynasty where China became the fourth state to

⁸Liviu S., & Maria, D. *et al.* (2018). *China Angola Investment Model*. Kunming, China: IIEKB Publication

establish its embassy in Kenya. Chinese development assistance to Kenya has been through loans, technological Cooperation, Economic and trade agreements, promotion and Protection of Investment Agreement.⁹ China has had military exchanges with Kenya, where the first military delegation to Kenya arrived in December 1996. Chinese investments have been on infrastructure projects such as Eldoret hospital, Gambogi-Serem road, rural telecommunication project, E-government projects, and expansion of the Jomo Kenyatta International Airport, Construction of Lamu Port South Sudan-Ethiopia Transport Corridor (LAPSSET), plants and oil exploration. It has also invested in Building of Nairobi Eastern-Northern bypass, Kasarani sports ground maintenance and the major project being the Standard Gauge Railways from Mombasa to Nairobi.

Kenya and China have signed many agreements that have strengthened its bilateral ties. Both governments signed agreement on loans financing solar generation, building of Kenyatta university teaching and referral hospital.¹⁰ Other agreements are on state administration of radio film, television and broadcasting Corporation.¹¹ The Chinese economy is dependent on its manufacture industries and exporter of goods it needs a bigger consumer economy which is Africa. Kenya has been the destination market for Chinas finished goods. In return Kenya exports very little raw materials that cannot balance trade due to its dependence on agricultural produce such as maize, coffee, tea, cotton and sisal.¹²

⁹ Hilary, P. (2012). *China in Africa Project, China in Kenya: Addressing Counterfeit Goods and Construction Sector Imbalances*. Johannesburg, South Africa: University of the Witwatersrand

¹⁰ Ibid

¹¹ Nairobi Star. (2016). *East Africa: Kenya, China in Sh8 billion university hospital deal*. Retrieved from <http://allafrica.com/stories2011042505.html>.

¹² Haradhan, N. (2013). Poverty and economic development of Kenya. *International Journal of Information Technology and Business Management*, 18(1), 2304-0777

Apart from economic exchanges there have been numerous diplomatic exchange visits. President Uhuru Kenyatta visits during the opening session of Chinese International Import Expo in 2018 in Shanghai, China.¹³ Diplomatic visits of Ambassador Wu to Kenya, to strengthen Kenya-China cooperation on Belt and Road Movements Initiative (BRI) and to upgrade the bilateral relationship to a comprehensive Strategic Cooperative Partnership.¹⁴ The exchange of cultures is through learning of Chinese languages in the Confucius Institute and Chinese Cultural Center built in Nairobi. The Chinese government also provides more than 200 scholarships annually to Kenyan students in the university to study in China.¹⁵

1.2 Statement of the Problem

Kenya continues to be affected by increased poverty levels despite receiving Chinese aid. The state is not self-reliant instead it has become dependent on loans. The foreign assistance has brought about a number of problems such as increased loan debts, political rivalry between donor states, inhuman working conditions, facing sanctions, grabbing of job opportunities, corruption scandals, increased poverty levels and dependency. China's foreign aid also affects the quantity of Kenya's exports to African Growth and Opportunity Act (AGOA) leading to trade imbalances, killing of infant industries and increasing trade deficits.

Foreign aid has become a tool of foreign policy by the developed states to promote their interests and exploit oil from developing states in the form that loans that are repaid in

¹³<https://www.standardmedia.co.ke/article/2001302281/the-uhuru-raila-secret-visits-to-china>

¹⁴ <https://www.capitalfm.co.ke/news/2019/03/china-sends-new-envoy-to-kenya-commits-to-deepen-bilateral-relations/>

¹⁵ The National Treasury of Kenya. (2015). *Summary statement of public debt as at the end of June 2015, External Public Debt Register Report of June 2015*. Nairobi: Government Printer

natural resources. Developing states have become a dumping site for consumer goods, becoming allies of donor states and realigning their policies to reflect those of the donor country.

1.3 Research questions

- i. What are the Chinese aid policies and framework towards and development in Kenya?
- ii. Does China's aid impact development of Kenya?
- iii. What are the China's strategic interests in Kenya?

1.3.1 Research objectives

- i. To examine Chinese aid policies and framework towards economic development in Kenya.
- ii. To determine the impact of Chinese aid on development of Kenya
- iii. To establish China's strategic interests in Kenya

1.4 Literature review

This section explores literature on the Chinese foreign aid policies and framework and how they influence Kenya's development. This section evaluates the nexus between China's foreign aid and Kenya's economic development. Particularly, the Chapter will examine the China's strategic interests in Kenya and finally the impacts of foreign aid to Kenya's development.

1.4.1 Theoretical Review

This section examines Realism, Marxist and Dependency theories to comprehend specific national interest which drive interactions in the international system. Realism theory explains the behavior of states, their interests behind providing foreign aid to African countries. Realists argue that, states are led by national interests. The interests are to seek power through securing of resources, cultural practices and military gains and not to improve economic development of other states. All states in the international system should be able to secure their own interests. In this case, foreign aid is a tool of foreign policy that China is using to gain economic power, formation of alliances and security.

Marxist theory revolves around economic determinism, that all aspects and behavior in the society is determined by the economic class. Marxist school of thought views that there are two classes in the international system the dominant and the developing. Developed states are exploitative in nature and use foreign aid as an instrument to increase external dependency and internal underdevelopment of third world economies.¹⁶ Marxist theory states that the dominant states are the providers of foreign aid while the developing states are the recipients. The theory further indicates that as domestic economies of great powers run out of consumer markets, it became necessary to expand and find new markets, natural resources and a place to import capital.¹⁷ The theory is important to the study as it showcases the relationship between the dominant states and developing states. The relationship is based on unequal interests as the

¹⁶ Walter, O. (1994). *Politics and Administration in East Africa*: Nairobi: East Africa Publishers. pp. 431

¹⁷Allens, S., & Peter, S. (2002). *Global Politics: Origins, Currents, Directions*. Canada: Nelson Thomson Learning

dominant state is in pursuit of natural resources and exploitation. The developing states become the consumer market and reliably dependent on foreign aid.

Dependency theory manifests itself in developing countries whereby these countries are dependent on dominant countries through foreign direct investments, foreign aid, low prices in exchange of raw materials for finished goods, unequal trade agreements and unequal relations with the dominant state.¹⁸ In this case wealth in form of natural resources and capital interest rates are being transferred from the third world countries to the dominant states. The result of foreign aid is dependency and under development. Foreign aid is a tool for developed states strategically used to create unequal relations with third world economies. Dependency undermines sovereignty, where dependent states are easily manipulated and adopt policies from states they depend on.

1.4.2 Empirical literature review

In this section empirical review is presented. This is done in line with the objectives of the study.

1.4.2.1 Aid Policies and Framework towards Development

Chinese aid is led by policies that guide the distribution of aid around the globe. Among the frameworks is cancellation of debts, trade and investment, non-conditional loans, going out policy, Forum on China-Africa Cooperation (FOCAC), African Development Bank (ADB), China International Development Cooperation agency and Asian Infrastructure Development bank (AIDB).

¹⁸ Martin, G., Terry, O., & Roach, T. (2002). *International Relations: Key Concepts, Second Edition*. Madison Avenue, New York: Routledge

Going out policy is an international financial policy meant to connect China with other countries around the globe through development of infrastructure as One Belt One Road (OBOR) initiative.¹⁹ The policy incorporates China into global capitalism,²⁰ provides, market reform and advanced technology for other countries. One Road One Belt movement seek to connect Latin America, Middle East, Asia and Europe using infrastructure. Road' means it is for overland and rail transportation using high speed railways and the Belt refers to the sea routes. The movement will pass through 60 countries around the globe.

In Africa, the Forum on China-Africa Cooperation summit is another framework for alliances. It is an official forum that is held in Beijing to establish diplomatic relations on development engagements between China and Africa. So far 53 countries from Africa Union established diplomatic ties with China. The aim is to promote infrastructure in Africa, continue to offer loans, infrastructure connectivity, green development, peace and security and capacity building. Forum of China Africa cooperation (FOCAC) summit in 2018 concluded its third meeting in Beijing.²¹

Aid development aims at promoting economic growth and reducing poverty, it flows from the rich to the poor countries. Foreign aid has been met with challenges both from the donors and the recipients.²² It is difficult to identify and monitor the effectiveness

¹⁹ Hongying, W. (2016). *A deeper look at China's Going out policy*: Waterloo, Canada: Centre for International Governance Innovation. Centre for International Governance Innovation

²⁰ Paul, N. (2016). *China's going out strategy, Diplomatic courier: A Global Affairs Media Network*. Retrieved from

<https://www.diplomaticcourier.com/2012/05/10/china-s-going-out-strategy/>

²¹ Yifan, H. (2017). *China Policy China going global*. Beijing, China

²² George, M. (2010). *Foreign for Aid Development: Issues, Challenges and the New Agenda*. Oxford: Oxford Press University

brought about by aid, because recipient countries in the developing states have become dependent on aid.

The international community is challenged by China's policy of no conditionality in receiving aid. The non-conditionality makes Chinese loans attractive thus increasing the incentive to borrow more loans.²³ Unlike aid from traditional donors such as United States, China has no restrictions to any countries receiving aid regardless of the type of government and humanitarian conditions. No conditionality has also led to challenges of accountability. The challenge of no conditionality has been a problem to weak democratic institution where cases of corruption are rampant. In the international arena, global financial institutions such as the International Monetary Fund (IMF) and the World Bank (WB) have been the leading donors but presently China has become a major competing donor.²⁴ In Africa, Chinese aid has led to dependency. Chinas continuous lending of huge amounts of loans with interest to Africa has made African state to rely on aid. Chinas rise in foreign aid as a major donor has led to competition in the world.

The Beijing based bank has funded infrastructure projects in more than 87 countries across the world. The bank aims to loan countries money with little restrictions in comparison to the World Bank which plays the same role of infrastructure development. The Asian Infrastructure Investment Bank (AIIB) works with all kinds of governments including corrupt nations. China Africa Development Fund is another economic institution that funds transport infrastructure, natural resources, electricity generation

²³ Martin, G., Terry, O., & Roach, T. (2002). *International Relations: Key Concepts, Second Edition*. Madison Avenue, New York: Routledge

²⁴ Sun, X., Matti, N., Mikael, M., Mart, F. (2002). *Conditionality in Chinas aid Model. Carnegie Endowment for International Peace*: Massachusetts, Washington, DC: Routledge

in Africa. The Chinese government policy bank is purposely for Sino-African investments.

Kenya has had bilateral agreements with China on infrastructural projects. China has become Kenya's biggest investor. The Chinese strategy of Belt-Road has contributed to infrastructural development of The Mombasa-Nairobi Standard Railway. The railway connects the Indian Ocean, Mombasa with Nairobi. Kenya signed a memorandum of understanding to build the railway. The Export-Import Bank of China is another framework financial loan through foreign aid, foreign trade, diplomacy and industrial state policies so as to source Chinese products and services. Exim bank provided Kenya with loans for the SGR. Kenya has established relations with China through Forum on China-Aid Cooperation summit that was held in Beijing. Other bilateral agreements are Economic and technological agreement, promotion and protection of agreements in 2001.

1.4.2.2 Impact of Aid on Development

Foreign aid influences the domestic political, economic and social structure of a state. Realists view is that each state is driven by nation's interest and that foreign aid is a tool to acquire power and influence. Developed states use development assistance as influence and to control the developing world. Foreign aid can influence the behavior of states either positively or negatively.

Chinese aid has influenced the international area from economic political and cultural issues. To begin with, the development of Asian Infrastructure Bank as a rival, prior to the development of the AIIB bank there were other influential infrastructure banks such

as the World Bank in the international system that provided loans to poor countries.²⁵ Chinese aid has also influenced building of Confucius Institutes spreading its culture in Australia, Canada Russia and all over the world. The huge amount of loans China offers has politically influenced other states into believing it is a superpower.

Foreign Aid has influenced African countries from building of the African Union Headquarters in Ethiopia to influencing democracy. Angolan government has had major issues of transparency and corruption that has been financed by Chinese development assistance.²⁶ Its military influence and technology assistance has aided corruption in the government of Zimbabwe. Chinese government also influence, control and source natural resources in African states such as Nigeria. It's also accused of interference through military in Sudan's on-going conflict. The Chinese government has been claimed to fuel and contribute to the ongoing conflict in order to obtain oil.²⁷ The country has been accused of arms transfer in Sudan and is military exports. China controls about 75% of Sudan oil.²⁸

Chinese aid has played a role in military exchanges with Kenyan government. Politically, Foreign Aid has influenced Kenyan government where officials have become corrupt. Corruption has become the order of the day. China also has influence over Kenyan markets and controls imports. The fish imports banned by Kenyan government were lifted since China threatened to impose sanction. Humanitarian

²⁵ Jean-Jacques, S. (2002). *Global power and Influence, Part 2: China, the rising global power*. Minneapolis: Bethany House.

²⁶ Zachary, H. (2007). *China in Angola: The Pros and Cons of Chinas Aid Structure*. Minnesota: University of Minnesota

²⁷ Daniel, L. (2006). China & the Contradictions of non-interference in Sudan. *Review of African Political Economy*, 18(115), 93-106

²⁸ <https://thediplomat.com/2017/06/sudan-chinas-original-foothold-in-africa/>

conditions have also been neglected due to sanctions imposed by Chinese government on Kenya.²⁹ This is because importation of fish was banned by Kenyan government because it contained mercury that exposed millions to health risks.

China's aid has also influenced Kenya's economy and become the biggest investor in infrastructure development. Kenya has become highly dependent on loans for any development to occur.³⁰ Trade with China has increased tremendously. Chinese scholarships are another major influence to Kenyan Universities. The influence has also grown bilateral exchange visits of Kenyan students to Beijing for University studies. Exploitation of Kenyan markets being flooded by Chinese goods and services. Kenya imports cheap manufactured goods from China. Chinese influence on Kenya through advanced technology and infrastructural development of building a high speed train the SGR.

1.4.2.3 China's strategic interests in Kenya

China's economic interests in Kenya is led by its search for energy and oil resources, mining, extraction of raw materials and market expansion as a source of economic power. Economic power is a tool used by states to determine its external relations, enhance their security and balance of power in the international system. It also has interests in exploration of natural resources such as oil and gas because of its massive industrial manufacturing capacity and the need to sustain the rapidly growing economy. It has signed oil exploration deals with the Kenyan government to explore the oil wells in the coastal waters near Somalia, under the China National Offshore Oil Corporation

²⁹ <https://www.nation.co.ke/news/Chinese-fish-in-Kenya/1056-4971848-q0lgaa/index.html>

³⁰ Kuo, L. (2018). *Africa is changing as much as China is changing Africa*. Retrieved from <https://qz.com/africa/1168130/africa-is-changing-china-as-much-as-china-is-changing-africa/>

Limited (CNOOC) group as one of the Beijing's largest oil companies. China also imports raw materials such as coffee, leather and rubber from Kenya. China also aims at promoting its economic trade investments through the transport sector. For instance, China has provided loans for infrastructural development of Nairobi-Thika Super high way, the standard railway gauge from Mombasa to Nairobi, the Jomo Kenyatta airport terminal and the Confucius institutes. The constructions are done through concessional loans that earn Chinese government high interests.

Additionally, China's goal in Kenya is to change the power structure in the international system that is dominated by United States, which has been a traditional power since the end of cold war era. It also aims at increasing its political power by forming alliances with Kenya, African countries and other countries such as Brazil, Russia and India (BRICs) in its end over to overthrow the existing power (US) in the international structure. The Sino-Kenya relations, is a strategy of promoting South-South cooperation³¹ which involves cooperation where southern emerging power donors such as China, India, Brazil and Russia are providing development mechanisms to developing countries as a rival to the western donors such as United States. The cooperation is geared towards replacing traditional cooperation because the international system has been dominantly led by North-South development cooperation where the northern countries are developed states, which are rich and exploit the southern countries which are developing states and mostly African states.

China's targets pursuing military interests in Kenya as a strategy to increase its military power and dominance in the world. Military power is an important source of security in international system that states use against others during war for the purpose of

³¹ Zhao, S. (2013). Chinese foreign policy as a rising power to find its rightful place. 8(1),101-128

defense deterrence or war itself. Its military activities are aimed at protecting its people from security threats and political instability at the local level in African countries. Accordingly, China tends to spread communist ideology in Kenya and overthrow capitalism which has dominated the country since independence. This ideology will enable China to achieve its legitimacy in the United Nations as a global power. It also promotes its culture in Kenya by providing scholarships for students to study in China and assisted in construction of Confucius institutes for learning Mandarin language. Consequently, ideologies influence international system by structuring the political understanding ingrained in ideas and policies, that help states to influence behavior of other states beliefs and assumptions in order to achieve power.

1.4.3 Gaps in Literature Review

The literature review has shown gaps in identifying the traps Chinas aid has on developing countries. Chinese aid to African countries has rapidly increased over the years impacting on development of these countries. Chinese foreign aid is tied unlike the policy which has no strings attached. This study will identify the aid trap and policies that hinders African countries from developing economically. The study identifies whether foreign aid is a tool for development, or a continuation of imperialism where developed states are looking for markets in Africa since their markets have saturated. The study will establish the effectiveness of aid on developing states as a measure of Chinese foreign aid on economic growth in Kenya. The realist theory will also bring out the motive behind Chinas interest in African continent other than western states in the globe.

1.5 Research Hypothesis

H₁- There is a relationship between Chinese foreign aid and the development of Kenya's economy.

H₀- There is no correlation between development of Kenya's economy and Chinese foreign aid.

1.6 Justification of the Study

Policy Justification

The study formulates development aid policies that will promote development and self-reliance in Kenya. The study contributes to previous researched policies on foreign aid and development. It will also enable the government to strategize other measures and approaches to boost economic growth other than relying on foreign aid. These policies will help in protecting domestic industries, promote fair international economic and trade, expand national investments and attract foreign assistance that contributes to development of Africa.

Academic Justification

Academically, this research contributes to more literature in the field of foreign aid and development. This provokes further studies on the areas of foreign aid, economic growth and development. The study is a resource in addition to prior research work about foreign aid and economic relations between China and Kenya.

General Justification

The study will help the public to understand the problems caused by dependency on foreign aid. This enables the public to learn about the impact of foreign aid and its challenges on economic growth of African countries.

1.7 Theoretical Framework

This study is premised on realist theory. Realist theory explains that states in the international system are led by pursuit of power and national interests. The international system is characterized by anarchy, absence of a central government and each state must seek security of its own.³² Because of this pursuit states must seek power through all means including foreign assistance in order to survive. Realism rather stresses that in anarchical society competition arises to maintain power.³³

Realist theory in this study aims explains the behavior of China why it offers foreign aid. First the realist interest of seeking power through access of resources. Foreign aid is used as a trap to provide aid and in return the developing countries provide for natural resources. A state seeks power through economic, social and military gains. To be able to maintain as a great power, all aspects of a state have to balance. China has a powerful military but needs resources to boost its economic power. It has a strong army and needs to balance other aspects of economic and cultural power. To maintain and improve Chinas economic power, it has to seek natural resources from other states. The interest of power makes China to seek natural resources from developing states to remain

³² Chisholm, R. (1996). *A realistic theory of categories: An essay on ontology*. Cambridge: Cambridge University Press

³³ Martin, G., Terry, O., & Steven, C. (2002). *The Key Concepts: Second edition*. Madison Avenue, New York: Routledge

powerful. Most of China's aid is strategically placed in countries which are rich in natural resources such as Angola with oil, Nigeria and Congo's minerals. Realism argues that states coerce others in order to change their policies. China threatened Kenya to lift its ban in importation of fish which was full of chemicals. In this case human rights are violated and their health thrown to a side.

Realism theory explains that states providing aid are led by greed to enforce their own rules while providing aid. It focuses on implications caused by exploitation of resources from developing countries in from as a repay for the loans. Chinese foreign aid is not guided by moral concerns and development growth of other states. China has provided aid to conflict based region such as Congo region. China has also provided aid to North Korea which manufactures nuclear weapons. Realists also argue that states seek power through formation of alliances. In this case, China has provided aid to African countries in order to gain alliances. The formation of alliances enables states to gain votes in political forums. China seeking votes in the United Nation during their voting session to enable secure a political positions. Realism theory explains that states interest is not to develop other countries. States will use all means to achieve their interests that is coercion, exploitation foreign aid, influencing and if possible war. Foreign aid is a tool that China has used to enable extortion of resources and maintain its economic power.

1.8 Research Methodology

This section identifies research methodology a general framework and approach by which data was collected. The section focuses on the research design, research site, and targeted population, the study sample, sampling procedures, data collection, data processing and ethical considerations.

1.8.1. Research design

This research used mixed method approach that combined both qualitative and quantitative research design. The mixed method complements each other thus responding to limitations. The researcher was not limited; there was diversity and completeness that ensured total representation of all encounters. The research identified themes, gaps and biases in the study.

1.8.2 Research site

This is the specific geographic locality where the researcher collected data from. In this study the data was collected from Ministry of Foreign Affairs, the Ministry of Trade, Chinese officials and Academicians in Nairobi area.

1.8.3 Target population

A target population refers to a specific group of study which the sample is drawn from.³⁴ The target population is from the Ministry of Foreign Affairs, Ministry of Trade, Chinese foreign officials and Academicians as indicated in the table below 1.1.

1.8.4 Study sample

A study sample is a smaller group from a population whose properties are examined to gain information about the whole.³⁵ The study sample was derived from Ministry of foreign affairs, Ministry of trade, China foreign officials and academicians as shown in the table 1.1 below.

³⁴ Mugenda, O.M., & Mugenda, A.G. (2003). *Research Methods: quantitative and qualitative Approaches*. Nairobi: African Centre for Technology Studies.

³⁵ Webster, M. (1985). *Webster's ninth new collegiate dictionary*. Springfield, Massachusetts, United States: Meriam-Webster Inc.

The study applied purposive sampling procedures to the Ministry of foreign affairs, Ministry of trade and Chinese foreign officials because they implement and develop Kenya's external trade, economic and foreign policies that are effective in the study of foreign aid. The study also applied simple random sampling to academicians due it its homogenous. The formula below is used to determine sample size when working with population of more than 10,000 (Mugenda Mugenda 2003).³⁶

$$n = \frac{Z^2 pq}{d^2}$$

Where: +

n = the desired sample size

z = the standard normal deviate at the required confidence level

p = proportion in the target population estimated to have characteristics being measured.

“q = 1-p

d = level of statistical significance set

$$n = \frac{(1.96)^2 (.50) (.50)}{(0.5)^2}$$

$$= 384$$

Table 1.1 The study population and sample procedures

Group	Population	Sample	Sampling procedure
Ministry of foreign Affairs	2,350	160	Purposive sampling
Ministry of Trade and Industries	3,234	134	Purposive sampling
Chinas Foreign Affairs officials	1,600	50	Purposive sampling
Academicians	2,943	40	Simple Random sampling
Total	10,127	384	

³⁶ Mugenda, O.M., & Mugenda, A.G. (2003). *Research Methods: Quantitative and qualitative Approaches*. Nairobi: African Centre for Technology Studies.

1.8.5 Sampling procedure

The study used purposive and simple random sampling as stated in the table 1.1 above. The simple random sampling procedure was used on a large population where each individual had an equal chance of being selected. Purposive technique involved the researcher selecting a group of people based in their education, knowledge and experience that was sampled. The purposive sampling technique selected participants because of their qualities in relation to research questions and objectives.³⁷ The technique was suitable to the study due to limited resources because the researcher is a student. Purposive sampling involves critical techniques and expert sampling. The sampling technique provided the researcher with a wide range of non-probability sampling techniques.

1.8.6 Data collection procedures

The data collection procedure was from both primary and secondary sources. The data was collected by use of questionnaires from respondents. The respondents were both male and female with a level of university education. The secondary sources were from relevant journals, books, reports, online newspapers and online researched information on the role foreign aid on developing countries. Other sources used were observational skills to capture information what was otherwise not depicted in the questionnaire. The questionnaires captured all the objectives and research questions from the group of study.

³⁷ Etikar, I., Suleiman, A., Musa, Y., & Sunusi, A. (2016). Comparison of Convenience Sampling and Purposive Sampling. *American Journal of Theoretical and Applied Statistics*, 5(1), 1-4.

1.8.7 Data analysis and presentation

The process of data analysis started after all information needed was collected for the study. The process involved inspecting, cleaning and modeling data with the aim of obtaining relevant information and suggesting conclusions and recommendations for the study. Qualitative analysis used content analysis for the purposes of identifying quality information in a particular body of materials.³⁸ Quantitative analysis used statistical package for the social sciences (SPSS). The process ensured detected anomalies are corrected before submitting the research. The data collected was used to compile the report. The content is systematic and based on the objectives of the study. Presentations include graphs, pie charts and the final findings of the study are presented as a report.

1.8.8 Piloting

Piloting refers to a small study done to test the data collecting instruments and protocols of the questionnaires.³⁹ It evaluated the cost, time taken, adverse events and feasibility of the study before engaging on the research project. It was important because it analyzed the best procedures to inquire information, the wording of questions and choice of respondent. Pilot testing enabled to find out if the questionnaires worked out in the field by trying out on a few people. Testing helped to hinder out irregularities on the questionnaire. Piloting was done before data collection process.

³⁸ Jankowicz, .D. (2007). Research Methodologies. *Human Journals*, 6 (4), 21-42.

³⁹ Bill Gillham. *Developing a questionnaire. 2nd Edition*. New York: New York Publishers.

1.8.9 Legal and ethical considerations

These are rules and guidelines that defined the conduct of the researcher. The conduct protected the dignity of the participants and publishing information that was well researched. The researcher informed the respondents that the study is for academic purposes. One of the ethical considerations was informed consent where the participants voluntarily gave their consent for the research. There was no coercion of respondents and they could withdraw anytime they felt uncomfortable. The researcher did not ask embarrassing and misleading questions. The researcher protected personal liberty and allowed respondents to participate voluntarily.⁴⁰ The study was confidential to protect the participant's identity because the data being drawn from some officials was sensitive. The researcher did not violate the privilege and abuse of power for the benefit at the expense of vulnerable subjects.⁴¹

⁴⁰ Georgia, F., & Marianna, M. (2011). What are the major ethical challenges in conducting research? If there conflict between Research ethics and the nature of nursing. 5 (1)

⁴¹ Stephen, A., Bretta, K., & Kavutha, K. (2016). Ethical considerations and their application to research: A case study of the University of Nairobi. 5(12), 1-9

1.9 Chapter Outline

Chapter one

The first chapter one is the introduction, background of the study, statement of the problem, research questions, research objectives, and justification of the study, literature review, theoretical framework, research hypothesis, research methodology, sampling techniques and data analysis.

Chapter two

Chapter two of this study examined the Chinese aid and policy framework towards economic development in Kenya.

Chapter three

This chapter covers the impacts of Chinas foreign aid on the Kenya's development.

Chapter four

Chapter four of this study examines China's strategic interests in Kenya which include; economic interests, political interests, military interests, international legitimacy and ideological interests.

Chapter Five

This chapter contains summary of the findings, conclusion and recommendations.

CHAPTER TWO
CHINESE AID POLICY FRAMEWORKS TOWARDS ECONOMIC
DEVELOPMENT IN KENYA

2.0 Introduction

This chapter examines Chinese aid policy and frameworks used in shaping the development of Kenya's economy. Chinese aid policy framework is a subject of debate in the 21st century particularly among developing African countries. The chapter examines these Chinese aid policies which include: Forum on China-Africa Cooperation (FOFAC) policy based on international cooperation, Go Out policy through infrastructural investments, concessional loans through the Exim Bank and Cultural diplomacy. However the chapter also examines the gender and education as the important demographic characteristics of the study as shown below.

2.1 Demographic Characteristics

This section covers; the gender, education level as the most important demographic characteristics for the study.

2.1.2 Gender

The study incorporated both genders to ensure that both male and female are involved in the study. Different gender groups were constructed in this study because different groups are affected differently by socio-economic issues. According to Homer & Kahlen, one gender alone cannot predict overall behavior of the population.⁴² From the Figure, 2.1 below, the study observed that 36% of the respondents are female while the

⁴² Homer, P. M., & Kahle, L. R. (1988). A Structural equation test of the Value-attitude-behavior hierarchy. *Journal of personality and social psychology*, 54(4), 638-646

64% are the male. From the analysis below, different gender groups are affected differently by foreign assistance as shown in the figure below where female gender depicts a more significant influence from foreign assistance.⁴³

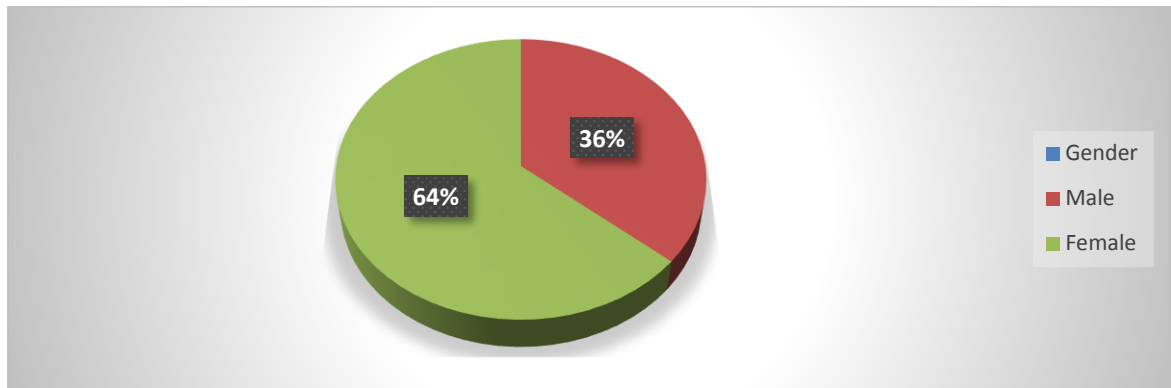


Figure 2.1 Gender

Source: Field Data, 2019

2.1.3 Level of Education

From figure 2.2 below, the study observed that majority of respondents (71.5%) have a degree level of education, followed by respondents with Master's Degree (20.6%), while those with Doctoral degree represented (7.9%) of the study sample. Whereas it is not possible to ascertain the details on level of information concerning the subject under study among different respondents, it is certain that majority of the respondents in this study had acquired at least degree level of education. The level of education acquisition was imperative in this study as it informed the level of know-how on matters related to international relations and those pertaining the continued growth of Chinese influence in Africa.

⁴³ Youngs G. (2004). *Feminist International Relations: a contradiction in terms or why women are and gender are essential in Understanding the world we live in*. International affairs Vol. 80. Issue 1

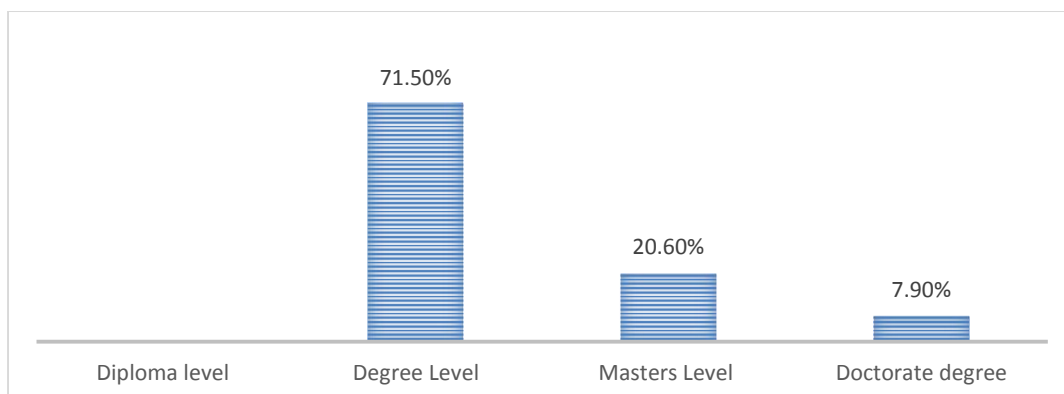


Figure 2.2 Level of Education

Source: Field Data 2019

The respondents who had attained doctoral level of education provided more detailed information essential for the study than those with masters and degree levels of education.

2.2 Chinese Aid Policy and Framework for International Cooperation

Chinese aid policy framework aims at promoting her international cooperation through the initiatives such as the Forum on China Africa Co-operation (FOCAC). This forum was established to foster Chinese international cooperation with African states, where it convenes high level meetings with African heads of state aimed at enhancing matters of trade, economic, social and diplomatic partnerships. The forum provides a framework of policies of promoting China-Africa relations through commerce and trade markets which supports development of direct investments in areas such as air transport, Chinese construction of infrastructure in African countries, increasing cultural exchanges, promoting special talents through technology and greening of Africa's energy.⁴⁴

⁴⁴ Chris, A. (2005). China in Africa: Global politics and Strategy. 47(3), 3-10

The FOFAC policies are based on strengthening of diplomatic relations with Africa, promoting South-South economic ties with non-interference in domestic issues of the recipient countries, provision of competitive military deals, loans for debt relief and supporting of African states in international forums such as World Bank, UN and IMF.

The key agreements in the FOFAC meeting between China and Africa are based on Beijing's Declaration on China-Africa diplomatic cooperation and the programme for China-Africa cooperation in economic and social development. The agreements led to the establishment of trade and economic zones in Africa, to build the African Union Conference and China-Africa development Fund to promote Chinese agricultural investments in Africa.

China has also established international cooperation policies through Belt and Road Movements Initiative (BRI) initiative, a global infrastructure project that links countries through international trade by building of road infrastructure, railway transportation and sea routes. The initiative is to create a network of energy pipelines, special economic zones, highways railways that cut across the world, to invest in port development and expansion of maritime development. The BRI initiative will promote economic cooperation between countries around the world. Sixty countries or more two thirds of the world have signed on the project, Kenya is part of the Belt and Road initiative which has led to construction of the Standard Gauge Railway (SGR) from Mombasa to Nairobi that joins other parts of the country from Naivasha to Kisumu and connecting to the rest of East Africa regions such as Uganda Rwanda and DRC. The International trade route will promote global co-operation by dissolving economic

barriers and allowing easy movement of goods, trade and services, finances and international communication across boundaries.⁴⁵

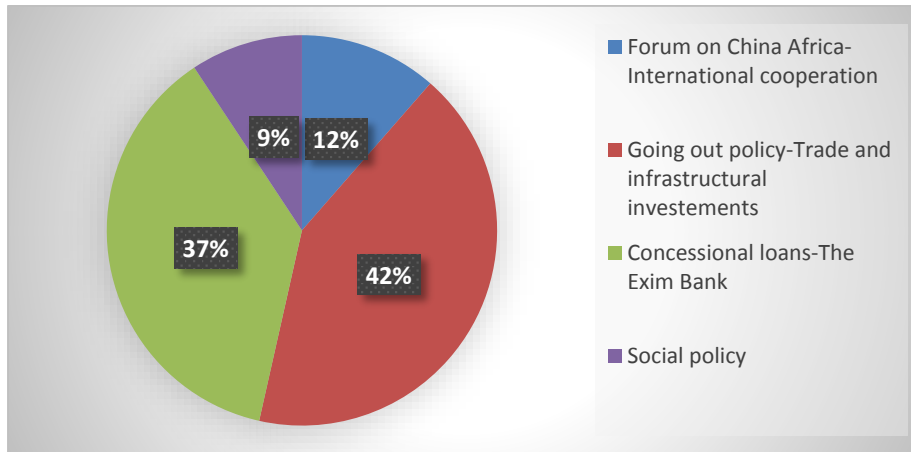


Figure 2.3 Chinese aid policy framework towards economic development in Kenya

Source: Field Data, 2019

The Chinese International Import-Expo held in Shanghai is a market initiative aimed to strengthen Sino-African trade relations by replacing United States goods with Chinese products and technology. The expo's purpose was for Kenya and other developing countries to showcase their domestic economic activities, different cultures, technology and machineries to promote trade and globalization of markets, and to replace United States goods with imported Chinese products from developing countries. The expo is an international trade cooperation forum that provides channels for African countries to export horticulture, agricultural and tourism products in China, and to explore Chinese markets, business communities, technology, exhibitors and international markets.

⁴⁵ Oran, Y. (1989). *International cooperation: Building regimes for natural resources and the environment*. Ithaca, New York, United States: Cornell University Press.

Apart from economic exchanges, the Forum on China-Africa cooperation policy is to strengthen diplomatic exchanges with African countries to enable to fulfill the Millennium Development Goals (MDGs). The China-Africa cooperation represents South-South cooperation, national allies and creation of a new economic and political order, interactions that would enhance future relations. The forum also established China-Africa joint business council to enhance trade and joint ventures through African Development Bank (ADB). China-Africa business council initiative is also established to deal with global financial crisis on commercial relations between China and developing countries.

China is emerging as a global power that is utilizing the forum to lobby for global political power and diplomatic interests with increasing input from developing countries. The US has been a great hegemony wielding enormous political power which rivals China's global emergence in almost all the political and social issues. After the end of Cold War, the world was shaped by capitalist policies of the United States which most African countries adopted leading to failure of socialist policies and strategies. China's policies are aimed at challenging the dominant capitalist policies initiated by the US and which are dominant in majority of African states.

Strategic alliance is the most prominent feature in realignment of global economic, political and military power in the international politics for balance of power. According to Morgenthau, international politics is a struggle for power and the state are the main actors led by their national interests in order to achieve it.⁴⁶ Alignments are

⁴⁶ Morgenthau, H. J. (1948). *Politics among Nations: The struggle for power and peace*. New York: A.A. Knopf

responsible for balance of power relationships and states use alliances to shift traditional superpowers and create a new world order. The cold war era marked an end of bipolar world between the United States and the (USSR) world leading to the rise of unipolar world by United States. Since then, the US has been the global superpower until the rising shift of China's opposing powers in the international system. The formation of alliances is used by rising powers to gain power, to balance the international system and to create a new world order. International cooperation is an alignment policy used by China to create relationships and partnerships with African countries. Alignment policy is used by states to create balance of power by preventing other states from dominating in the international system.⁴⁷ Study finds that China secures its survival by creating alliances with African countries, as a defense mechanism against the western rivals.

According to Keohane, interdependence and cooperation are approaches used for survival by states in competition.⁴⁸ He argued that interstate cooperation exists where one state is dominant and is led by the pursuit of self-interests. States form international regimes and use the policies to adjust the behavior of other states; this reduces the risks of being challenged and maintain cooperation. International cooperation ensures compliance by the allies by providing conditional rules for order of states. China's international regime is the Forum on China-Africa cooperation which has policies that guide and monitor the relations to ensure cooperation. The forum is used to control the advances of developing countries to be in line with Chinese interests.

⁴⁷ Richard, K. (2002). *Conflict After the Cold War: Arguments on causes of War and Peace*. New York: Taylor & Francis

⁴⁸ Keohane, R. (2005). *After Hegemony: Cooperation and Discord in the world Political Economy*. New Jersey: Princeton University Press.

In a realist perspective states adopt aggressive policies to survive in the anarchical international system. Gilpin argues that states use trade and market relations as the primary means of acquiring international cooperation.⁴⁹ Economic power is thus a status symbol for developed countries which can be achieved by strengthening economic cooperation and relations with other states. The Chinese aid policies promote the capacity for co-operation and partnerships with countries to ensure successful implementation of its overseas projects, without foreign cooperation of developing countries, China's domestic growth would not be successful.⁵⁰

Whereas realism theory argues that the international society is anarchical and states are ruled by the urge to attract power, this urge for attracting global influence is manifested by the current Chinese influence on developing States where she employs political, economic and all forms of relations to attract power including creating economic alliances to achieve desired national interests.⁵¹ In international economic co-operations, the developing states serve the economic interests of hegemonic powers China Kenya co-operations is not of mutual balance.

2.3 Go Out policy -Trade and infrastructural investments

The Go Out policy is a strategic national policy employed by the Chinese government to promote its trade investments overseas, to attract foreign investments and capital. Majority of the respondents (42.09%) observed that Chinese aid is tied to trade and infrastructural investments, making it the largest foreign direct investor through multinational enterprises in Kenya and the third leading country in the world in net

⁴⁹ Taylor, I. (2010). *The Forum on China-Africa Cooperation (FOFAC)*. New York: Routledge

⁵⁰ https://www.ide.go.jp/English/Data/Africa_file/Manualreport/cia_04.html

⁵¹ Steffano, G. (1998). *Realism in International Relations and International Political Economy, 1st Ed.* London: London Publishers.

exporting. China has invested in Kenya through Belt and road initiative, Silk Road Economic Belt, technology transfer, capacity building, energy, schools, houses, hospitals and Confucius institutes.

The Go Out principles encourage local Chinese enterprises to explore foreign markets, collaborate strategically with emerging industries in foreign states, to promote cooperation through technology investments and encourage leading enterprises in multilateral and bilateral systems of recognition. The framework promotes Chinese enterprises to bring in capital and go out to invest. Go out policy has liberalized China's domestic trade, the infrastructure investment has enabled the country to grow economically through seeking of assets and resources in foreign markets, investing in foreign reserves and also the capital inflows have boosted surpluses for the economy.⁵²

However, the Go Out policy is criticized of building low labor costs projects in foreign countries to save on capital and to expand its investment opportunities through multinational co-operations by developing an outward economy. To save on capital, the projects use Chinese workers, contractors and the construction material imported from China. The policy has goals of promoting Chinese business brands and companies abroad, to expand financial institutions in African markets, to improve the quality of projects overseas and diversify in production of goods.

Apart from Go Out policy, China has established a State-owned, Assets Supervision Commission (SASAC) of the state council to manage the enterprises in foreign states.⁵³

⁵² Shen, R., & Mantzopoulos, V. (2009). China's going out policy: Inception, evolution and Implication. *Journal of Business and behavior*, 4(34), 6-20

⁵³ Zhiting, C. (2017). *Governing through the market: SASAC and the resurgence of Central State-owned enterprises in China*. Birmingham :University of Birmingham

The commission drafts laws, policies and negotiates for China's state owned enterprises in foreign markets to create a better trading environment with fewer trade restrictions, to promote economic globalization and opening up of economic partnerships. The policy also emphasizes in trade liberalization of developing market roles and market reforms in Africa to boost competition.

China trades and invests in foreign countries to promote its economic power through control and influence on the dependent countries. While the elements of military and social power are important in a global hegemony, China's rise to a global power needs to be sufficient in economic resources and power that are obtained in foreign markets. The economic power guarantees states a competitive position in the global economy. China's-centered industrial production and foreign spread of the market reforms has promoted its economic growth.

Another reason China uses trade and infrastructure investments is due to the decline of its domestic economic growth that are affected by the massive foreign reserves that generated low capital returns.⁵⁴ The low capital returns affected the Chinese government that it changed its method from relying only on foreign reserves as the external capital income to combining it with trade and infrastructure investments. China also suffered from the global financial crisis that hit United States because most of its reserves and assets were invested in US dollar currency, so China decided to invest in other types of assets such as infrastructure development which boosted the foreign direct investments.

⁵⁴ Wang, H. (2016). *A deeper look at China's going out policy*. Beijing: Centre for international governance and innovation.

Go out policy is a trade liberalizing approach of removing market barriers such as tariffs, licensing rules and quotas to allow easy movement of goods and services across borders. China uses the method of trade liberalization in recipient countries through foreign direct investments to access foreign markets, by advocating for bilateral and multilateral trade ties, and economic cooperation.⁵⁵ Trade liberalization improves the exports of a country by providing markets for the goods hence improving the country's economic performance.

According to mercantilism approach, states accumulate wealth through inflows of capital from external markets and minimizes imports. China pursues mercantilist policies which are characterized by states decreasing the input costs and encouraging exports to save on capital, hence preventing domestic influx of cheaper goods by imposing tariffs to enhance economic growth. Chinese trade promotion policy for international investments aims at expanding business overseas, to source for natural resources and oil, to acquire assets and as a source capital for development of infrastructure. Natural resources and international trade are important sources of economic power in the 21st century, their sufficiency is a source of security.⁵⁶ Chinese companies have invested largely on state owned companies and industrial upgrade where Chinese infrastructural projects export their manufactured materials to relieve the challenge of overcapacity in domestic industries. The Go Out policy strategy is to

⁵⁵ Armelia, U., & Santos, P. (2010). Trade liberalization and economic performance: theory and evidence of developing countries. *Journal of The World Economy*, 28(6), 783-821

⁵⁶ Lanteigne, M. (2015). *Chinese foreign Policy: an introduction to policies*. London: Routledge

promote China's economic power through global infrastructural development through One Belt One Road Movement.⁵⁷

2.5 Concessional loans by Exim bank

From figure 2.1 above respondents (37.18%) observed that Chinese aid policies are directed towards extraction of capital from developing countries through provision of technical loans and financial institutions. The means of collecting capital overseas is by lending foreign countries construction loans for infrastructure development and investment, export credit and guarantee loans. These loans are distributed through China Export-Import Bank (Exim Bank), which is the only Chinese bank mandated to provide loans for infrastructural developments through concessional loans on foreign infrastructural projects.

Apart from Exim Bank, China provides loans through other financial institutions such as China International Trade and Investment Corporation (CITIC) Bank which is in charge of supplying loans for advanced technologies, scientific operations and management abroad. The function of CITIC bank is to attract foreign capital through technology invested in foreign markets. The third bank is China's-Africa Development Fund (CADF) that facilitates investments in Africa by funding agriculture, transport and communication sector, to boost urban and rural infrastructure, manufacturing and the energy sector for development. The bank seeks to maintain business relations across the globe and also provide micro lending services to Chinese major investors in recipient countries. The Industrial and Commercial Bank of China and Export- Credit

⁵⁷ Mike, C., & Paul, H. (2016). The Asian Infrastructure investment bank: Multilateralism on the Silk Road. *Economic journal*, 9(2)

Insurance Corporation is for providing credit for foreign exchange capital for goods and services overseas. Lastly, Sinosure bank is mandated to provide insurance for the Chinese debt investment on foreign projects.

However, as enlisted by Zhou Enlai aid principles for China to provide interest free loans that lighten the burden of payment by recipient country and not attaching any conditions, the concessional loans are expensive. The conditions attached require the recipient country to select China as the contractor and exporter of 50% of the construction materials, technology, services and the project should be secured from China.⁵⁸ The concessional loans have high interest rates and take a long period of time for Kenya to pay off. The loans take long which increases the rate of interest leading to debt burden. Apart from that, Chinese aid policies has no restrictions to countries it offers loan, despite their political backgrounds, authoritarian regimes and humanitarian issues.

The Exim bank is also criticized of its repayment methods in terms of natural resources by attaching the infrastructural loans to sourcing oil deals in Africa. The bank also attaches its projects on Chinese made goods, where the recipient country buys the manufactured goods in order to receive aid thus expanding Chinese firms to external markets. The Exim bank is the only bank designed to provide finance and support Chinese projects in foreign market to protect its transactions, due to matters of transparency and accountability.

⁵⁸ Mihama-Ku,W. (2012). *China in Africa: institute of Developing economic Japan External trade organisation*. London: Routledge Press

According to Galina H. and Cheryl L, Chinese firms have found ways of overcoming its financial constraints by investing through different banking institutions in foreign countries that attract capital on behalf of the government through different firms.⁵⁹ China's Exim bank is the most important financial institution that is responsible for distribution collecting and monitoring of its finances abroad.⁶⁰ The bank collects capital through the concessional loans, low cost saving infrastructural projects, with lower inventory and transferred working capital to retain Chinese earnings. The low cost projects prevent China from using huge capital on projects it funds and use of their employees working the projects also save China's investment on foreign employment of workers. Galina and Cheryl argue that China uses small private firms which invest in projects like building of houses also enables to extort capital from foreign markets.

2.6 Social and Cultural Policies

Social cultural policies is described as activities based on the use of exchanging ideas, traditions, values and identity to strengthen social-cultural relations, enhance cooperation, and to promote national interests across borders.⁶¹ From the study (9.30%) of the respondents observe that Chinese aid policies are promoted through cultural practices such as communist ideology, Confucianism and Marxist practices. The Confucian culture is promoted through learning of Chinese language Mandarin and building of Confucius institutes in Kenya and around the world. China's uses infrastructural developments of the Road Belt Initiative and Silk Road trade routes as

⁵⁹ Galina, H., & Cheryl, L. (2010). *The sources of financing of Chinese firms*. Hong Kong: Hong Kong Institute of Monetary Research.

⁶⁰ Cull, R., & Xu, Lixin C., & Zhu, T. (2009). Formal Finance and trade credit during Chinas transition. *Journal of Finance*, 18 (2), 173-192.

⁶¹ Joseph, N. (2004). *Soft Power; the means to success in world politics*. New York: New York public Affairs.

mediums of cultural exchange between the Asia, Western states, and developing countries.

Communism is also another ideology used by China to promote her socio-political and economic practices where the government bases its economic values in common ownership and production of goods and materials as an advantage to sell to the rest of the world. Chinese government uses her industrial capacity to ensure that it exports more than it imports. The common goal of China is the expertise in industrial and manufacturing of goods, and for this reason, China uses its industrial power to pursue foreign relations and economic cooperation.

However, Chinese spread of communism is a rival ideology of the capitalist west. Capitalism has been the dominant global ideology particularly after the disintegration of the Soviet Union following the end of Cold War. China's rise to global power is to attract developing countries to adopt communist ideas of development. Communism opposes values of democracy and good governance which are the distribution policies of western powers in that, economic development can be achieved without democracy. China's aid does not support democracy which is the rivals' ideology, as it is a communist state.

The cultural influence through industrial support and technology is to promote its national culture and imprint the world order with communist values. Culture is an invisible platform used to tie or separate people, it is a form of controlling people by influencing their cultural habits, belief systems and their language.⁶² Confucius

⁶² Ward, S., & Boschner, A. (2005) *The psychology of culture*. London: London publishers.

institute is used as a symbol of foreign power presence in conquest countries, the Confucius institute is a symbol of Chinese power presence and influence of communism in Kenya.

According to Okot Bitek, Cultural influence is a form of soft power that is used by dominant states to exert their conquest in developing states.⁶³ Just like other dominant cultures and languages such as Alliance Francoise and British institutions, cultural dominance is a colonial strategy to mark successful conquest of a territory. It is also a symbol of its rebellious culture against the western powers, for China to Show its power presence in Kenya. Chinese shows imperialism through soft power and digital influence to Kenya by building Confucius institutes in universities to influence the mind of students. The cultural language is also a method of consuming and internalizing foreign ideas without expanding relations and it creates a cultural impact on those influenced. It is also a symbol of long term vision in a foreign state.⁶⁴

2.7 Chapter Summary

China uses strategic alliances with African countries to fight against the rival powers the United States. It uses the forum on China-Africa cooperation as a method to control the behavior of African states. The cooperation is a political strategy of uniting all African countries. China's rise to global power is through international cooperation strategy to improve its strategic alliance with African countries to overthrow the traditional powers as a mean of creating a new world order from the traditional governance of United States. The world system is characterized by dominance of the

⁶³ Okot, B. (1975). *Africa's Cultural Revolution*. Kampala, Uganda: Makerere University Press

⁶⁴ Ibid

US culture which has been the ruling culture of economic development; many African countries had ties to their colonial masters. The rise of Chinese cooperation policy is aimed at shifting colonial dependence and achieving balance of power in the international system.

The aid policy strategy was developed to suit China's economic strategy of the need to expand its markets in foreign states. China uses aid policies as a means to promote trade and investments. The policies put great emphasis on securing of business adventures abroad, improving the economic environment for foreign direct investments, reducing trade barriers through trade liberalization in African countries. China's economic success depends on the stability and free markets in the recipient countries. The policy of no strings attached create an attractive capital environment for recipient countries to continue borrowing loans and challenging the policy existence of traditional donors through the organization for Economic co-operation and Development. Chinese investment companies are encouraged to strategically invest in foreign countries that promote its long term commercial interests and mostly those that yield high economic returns. As an emerging superpower, China established foreign aid as an international aid regime to control trade, foreign markets and use state commercial initiatives such as the Belt Road initiatives to realize its national security.

China loans are criticized for charging exorbitantly high interest rates attached to aid advanced to receiver countries. The terms and conditions attached to acquisition of Chinese foreign aid immensely focuses on oil and other natural resources, access of foreign markets, labor and employments opportunities, the policies are strictly geared towards promoting economic measures that can improve China's domestic economy.

The concessional loans are distributed through structured finance institutions such as the Exim bank which oversees policies that favor China's capital interests. The Exim bank manages and coordinates activities of aid and infrastructural projects, and adjusts the policies to attract foreign states. China's offers more of concessional loans than grants because the concessional loans provide capital interests unlike grant which is capital offered for free.

The Chinese communist ideology has influenced the shift of Africa's dependence on capitalism. The change of ideologies is to enable Africa embrace look east policies. China uses cultural diplomacy to deepen its cooperation and commercial agenda with developing countries. Chinese aid policies attach cultural influence to foreign aid through scholarships and Confucius institutes in Kenyan. The strategy is a means of using soft Chinas soft power and influence internationally through the institutes to maintain its power and dominance in the international system. It is a colonial and imperialist nature that former colonial powers such as France and Britain used to mark territories. Chinas have also embraced the cultural imperialist nature and are using mandarin as a social tool of expansion.

Key findings

This objective established that Chinese aid policies and initiatives are aimed to promote China-Africa ties to foster Chinese international cooperation with African countries. The Go Out policy is established to create a network of international trade and infrastructure development with developing countries to break down trade barriers and attract foreign capital through infrastructure development. The aim of Exim bank is to provide technical loans for infrastructure development to Kenya and other African

countries since it is the only bank mandated as the main Chinese financial institution. And lastly, Chinese aid policies are aimed to spread and strengthen cultural ties through Confucian institutes and to spread learning of Mandarin language.

CHAPTER THREE

THE IMPACT OF CHINESE AID TO THE DEVELOPMENT OF KENYA'S ECONOMY

3.0 Introduction

This chapter examines the impacts of Chinese foreign aid on the economic development of Kenya. Foreign aid is presented with a motive of boosting economic growth. However, China's foreign aid to Kenya has some major implications. This chapter focuses on four major aspects namely: aid dependency and debt burden, corruption and bad governance, infrastructural investment and development and lastly cultural influence.

3.1 Aid dependency and Debt burden

Aid dependency refers to the proportion of government spending which is given by foreign countries or donors.⁶⁵ Aid is not intrinsically linked to dependency where studies have shown that dependency is influenced by many factors, mostly length and intensity of the donation period, and 15%-20% has been identified as the critical point where aid starts to have a negative impact.⁶⁶ This study observes that, the impact of Chinese foreign aid has led to Kenya's debt burden and thus dependency on loans. From Figure 3.1 below, majority of the respondents (37%) observed that Kenyan government is heavily indebted to China. This is because Kenya's culture of borrowing huge amounts of loans with China's debt now standing at 72% of total foreign debt.

⁶⁵ Brautigam, D.A. (2004). Foreign Aid, Institutions and Governance in Sub-Saharan Africa. *Jstor Journals*, 6(4)

⁶⁶ Clements, M.A. (2012). Counting Chickens when they Hatch: Timing and the effects of Aid on Growth. *The Economic Journal*, 112(5), 561

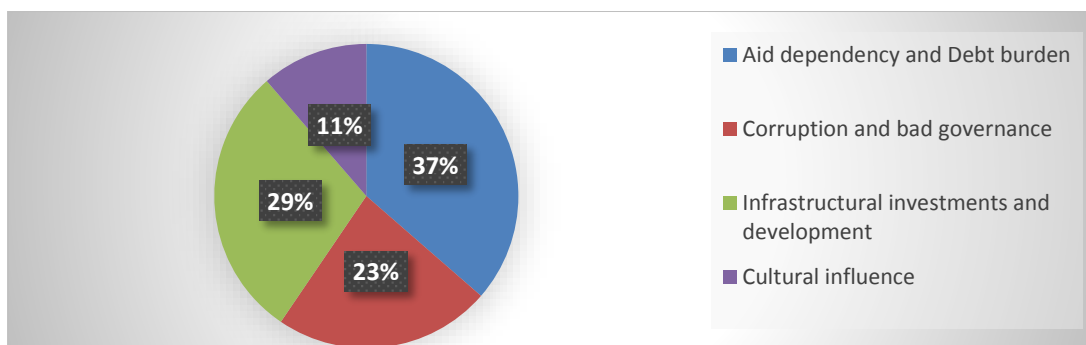


Figure 3.1 Chinese aid impact on Kenya's economy

Source: Field Data, 2019

Dependency on loans has contributed to Kenya's persistent poverty and decline in economic growth as the country is ranked the third most indebted country to China in the Sub Saharan Africa. The public debt amounts to USD 49 billion, that is approximately 4.8 trillion Kenyan Shillings.⁶⁷ Austerity measures such as reduction of employment opportunities, tax reforms and uncapping of interest rates have been employed by Kenyan government in order to service the massive Chinese debt. Due to the debt burden Kenya's government has also sourced for alternative borrowing in securing three Eurobonds.⁶⁸

Kenya's increased debt burden is a result of China's long-term loans with high interest rates. The country receives concessional loans from China which take a repayment period of up to 15 years and a grace period of five years, which is accumulatively twenty years.⁶⁹ The longer the payment period, the more capital China collects from Kenya's government and the higher chances of debt burden with⁷⁰ accumulated interest rates

⁶⁷ GoK. (2019). *Kenya National Bureau of Statistics*. Nairobi: Government Printer

⁶⁸ William, N. (2019). *Kenya's struggle with the burden of Chinese loans*. Paris, France: Radio France International.

⁷⁰ Mathew, O. (2004). Multilateral and Bilateral Loans versus Grants: Issues and Evidence. *The world Economy*. 27(2).

during the twenty year repayment period equivalent to a second loan. In this regard Kenya pays double the price for the actual cost of the loan received.⁷¹

Chinese loan repayment terms and conditions have a commitment and management fee that contribute to Kenya's debt burden. The capital cost of 0.75% of the undisbursed loan is included for servicing the loan, where Kenya pays China for its commitment to lend. To add on the conditions, China charges Kenya a management fee in case it defaults to pay on time. Both the commitment and management fees are separate charges paid before the recipient state receives the loans.

Moreover, Kenya's debt burden results into loss of the country's sovereignty to Chinese government. One of China's aid policies is to attach the recipient's territorial assets to aid in case of defaults, which poses a threat to recipient country's sovereignty. It is because of this reason that Kenya provided the coastal port of Mombasa as collateral attached to the SGR loan. This means that should Kenya fail to pay her loans, then the control and ownership of Mombasa port will be in Chinese power. This is a policy stipulated by Exim Bank of China to secure loans through collaterals. The bank places collateral on significant territorial sources such as seaports and airports of a country to gain control of the economic policies.

An economic survey on Kenya's international trade observes that Kenya-China trade imbalance has contributed to the debt burden as Kenya imports more goods amounting to (3.9%) from China and exports less (0.01%).⁷² The trade imbalance created a trade

⁷¹ Saite, L. (2014). *An Overview of China's international Development Finance- Issues and the way forward. Article*. Cambridge: University of Cambridge.

⁷² GoK. (2018). *Economic Survey*. Nairobi: Kenya National Bureau of Statistics.

deficit for Kenya meaning that the government spends more of its domestic currency in purchasing the Chinese goods, instead of selling more to collect revenue to service the loans. Kenya-China trade imbalance has also contributed to increased unemployment rates, decreased currency value of Kenyan shilling and increased interest rates. In this case, Kenya could service the loan using bilateral trade but due to low capital from the exports, it makes losses to China. Balance of trade enables a country to repay her loans but deficit leads to increased debt burden.⁷³

Exporting of raw materials from Kenya has created a trade imbalance between Kenya and China.⁷⁴

Kenya exports raw materials (coffee, tea, skin and hide) to China but at the same time imports (transport and machinery equipment's, rubber, leather and chemicals) as manufactured products. Kenya losses capital through the value of goods sold in raw form which is lower than the value of those sold as finished products. Exportation of goods such as raw material has affected Kenya's local manufacturers who have shut down industries due to influx of cheap Chinese goods a factor which has led to increased rate of unemployment due to loss of jobs in manufacturing industries.

Chinese trade restrictions and high tariff policies on Kenya's exports has also contributed to the debt burden. The high tariffs make Kenyan goods unattractive and expensive in Chinese markets preventing consumers from purchasing the products. A recent study found out that China uses high tariffs as a barrier to prevent Kenyan goods

⁷³ David, G., & Chris, M. (1981). Trade imbalance effects in the measurements of intra-trade industry. 117(4).

⁷⁴ Ibid

from accessing Chinese domestic market.⁷⁵ The trade balance is skewed heavily in favor of China where the former places tariffs to protect its domestic industries from foreign competition and also prevent dumping of goods. For instance, in 2018, Kenya exported goods amounting to \$ 111.328 million to China and imported goods worth \$ 3,708.3 million.⁷⁶ This prevented Kenya from exploring foreign markets to balance trade exchanges and to boost its industrial and manufacturing capacity.

According to Adam Smith, foreign aid causes deterioration of the economy and leads to debt burden.⁷⁷ This is through wastage of public funds by governments and the expenditures transferred to the next generations. For this reason, Smith argues that governments should limit the amount of borrowing for infrastructure investment and find other means of capital such as taxes to boost the economy. Smith observed developing countries should borrow short term loans instead of long-term loans; this is because loans given for a short period of time, for instance, a period of 5 years and below they prevent piling of debts, while the long-term loans provided by donors for more than 5 years increase debts. Such loans have capital markets in high interest rates than shorter ones and are usually referred to as irredeemable debts. Smith concludes that foreign aid has an effect of increasing the nation's income when providing capital. And it has a decreasing effect on the economy when the loan is being paid.⁷⁸

⁷⁵ K'onyango, O. (2019). *The East African-Kenya uses expo to grab larger China market*. Nairobi. Retrieved From <https://www.theeastafrican.co.ke> Accessed on 10/2/2019

⁷⁶ Ibid

⁷⁷ Joseph, S. (1959). Adam Smith's theory of economics growth: Part 1. 25(5).

⁷⁸ David, H. (1994). *Political essays*. Institute of Advanced Studies, Australian National University. Cambridge: Cambridge University Press

3.2 Corruption and Bad Governance

From the graph above, 23% of the respondents observe that Chinese foreign aid fuels corruption in Kenya. China offers loans to all kinds of governments regardless of their political governance. This is because of Chinese aid policy of no strings attached, which does not place conditions or require the recipient country to have good governance in order to receive aid. Unlike Chinese aid policy of no strings attached, traditional donors are governed by policies of Organization for Economic Cooperation and Development (OECD) which adhere to norms of aid transparency, aid effectiveness and good governance when providing aid to recipient country. However, China does not follow the global norms to improve governance and development in recipient countries it offers aid, but for Kenyan government to effectively use aid, it needs good governance and transparent political systems. Research suggests that donors funding corrupt countries actually contribute to governance problems.

Concerns have been raised about China's tendency to support corruption because it fails to publish the aid records causing difficulties in monitoring and leading to lack of transparency and accountability. According to Paris Declaration on aid effectiveness, donor countries need to be transparent by sharing out of the information on the amount of aid offered with the public. The release of aid data ensures effective monitoring and evaluation, according to Paris declaration it enables a legitimate and accountable governments in ensuring successful funding and disbursement of projects. Study finds that the deals and negotiations between China-Kenya Standard railways were unknown to the public; the information about the amount of loan was leaked information through the press.

China is considered a rogue donor because its aid investments are tied towards exploitation of natural resources, by aligning the projects with countries that are rich in natural resources. The mandate is to secure Africa's natural resources for the domestic growth of Chinese huge industrial needs. China's aid policies work with countries that provide the highest capital returns, it links trade investments to valuable resources in the recipient countries.

According to Ricardo, governments that heavily depend on borrowing huge amounts of foreign aid end up being corrupt.⁷⁹ Corruption is epidemic in African countries and recipient government officials misuse public funds investing in projects that do not add value to the country. Developing countries misuse funds because access to external capital is much easier and is also a free source of income for the country unlike domestic source of capital which requires monitoring and accountability.

Ricardo urges that external borrowing causes a decline of economic growth, it increases poverty levels and high debt burdens. According to Dambisa Moyo, most African governments are corrupt and despite the fraudulent environment China provides aid to these governments.⁸⁰ Dambisa urges that global aid institutions created policies of ethics and good governance to improve transparency and efficiency of aid between donors and recipient countries. Therefore, foreign aid works effectively where there are efficient governance institutions which are corrupt free.

⁷⁹ Ricardo, D. (1999). *On the Principles of Political Economy and Taxation*. London: London Publishers.

⁸⁰ Dambisa, M. (2009). *Dead Aid: why aid is not working and How there is a better way for Africa*. New York: Farrar, Straus and Giroux.

3.3 Infrastructure investments, trade and developments

According to figure 3.1 above, (29%) of the respondents observe that Chinese aid has led to trade and infrastructural development in Kenya. Poor infrastructural development in Kenya, attracted Chinese investors into the country, who are the world's largest distributors of machineries and construction materials with expertise in infrastructural developments to build the projects. China's aid investment has contributed to Kenya's economic development through improvements in transportation networks, power, telecommunications and technology. The investment has led to development of Mombasa-Nairobi Standard railway gauge, safaricom stadium that was previously known as Moi International Sports Centre at Kasarani, Thika highway, Lake Turkana power lines, hospitals, Confucius institute and University of Nairobi towers among others.

This study shows that the Chinese investments have brought about improvement in Kenya's development through infrastructure. The construction of road networks is a boost to Kenya's transport sector because it is an agriculturally based economy which highly depends on road networks for transportation of goods.⁸¹ The infrastructure development has enhanced Kenya's economic competitiveness in trade relations and integration with the neighboring East African countries. The SGR railway network connects Kenya to South Sudan, Democratic republic of Congo, Rwanda, Burundi through Uganda when completed thus enhancing regional trade cooperation.

The regional trade infrastructure enables farmers to easily transport goods and access markets across the border. This also boosts regional employment opportunities because

⁸¹ Ibid

workers will move across borders in search for employment opportunities in foreign countries and trade investments for business owners. Contrastingly, Chinese investment projects are often heavily criticized for dumping their manufactured goods in Kenya.⁸² The study shows that China is promoting its national interest by looking for foreign markets to sell its building materials and electronics because its domestic markets are flooded and cannot consume products. China is largest manufacturer and exporter of technology and machinery in the world coupled with low domestic consumption which forces the country to look for foreign consumer markets.

Critically the search for a consumer market has forced China into signing trade agreement(s) with Kenya to create a free trade economic zone that enables Chinese goods to access Kenyan markets at lower rates. The trade zone is a liberated economic area that removes trade barriers, reduces tariffs and import quotas on goods. The free economic zone opens Kenyan markets to flooding of Chinese goods that destroy the domestic industrial capacity to manufacture goods due to competition from Chinese goods and people lose jobs because the industries close down.

This study finds Chinese infrastructural projects are not of value addition to Kenya's economic development but instead China uses the projects as a source of collecting capital for its domestic economy. China does not allow Kenya to choose what type of projects to invest in, instead China chooses on what projects it funds and if the recipient country denies, it does not fund. The SGR project was chosen by China, it does not collect enough capital to service the loans that have been borrowed for funding the

⁸² Martha, F. (1996). *National Interests in international Society*. New York: Cornell University press.

project, Kenya is still paying for the loan for the first completed phase of the SGR and it borrows more loans to complete the remaining part of the project.

Additionally, Chinese foreign aid is also criticized for out-sourcing labor engaged in infrastructural development projects by employing 50% of Chinese workers on the projects it funds.⁸³ The projects according to the aid policy should also use Chinese building materials hence denying Kenyan industries the opportunity of selling their manufactured goods. China then collects capital through its workers, selling of the construction materials for the infrastructure projects and from loans lent to Kenyan project. The projects are more of benefit to Chinese than they are to Kenyans as they source for capital from Chinese government.

David Ricardo argues that through comparative advantage, states engage in international trade by specializing in a type of good or products for which they have a comparative cost advantage in producing over those states which incur huge production states. In this case, China enjoys comparative advantages in manufacturing of infrastructure materials over other states in the world and uses the advantage to sell the products through foreign aid. China is efficient in producing construction materials at low costs than Kenya where it enjoys economies of scale thus adopts an outward looking foreign ambition of looking for consumer markets in foreign countries. In this regard China has found that consumer market in Africa and in case of this study here in Kenya.

⁸³ Deborah, B. (2011). Aid 'with Chinese Characteristics': Chinese foreign aid and development Finance Meet the OECD-DAC Regime. 23(5).

China's aid provision is based on mercantilist approach. As stipulated by Jean-Baptiste Colbert, mercantilism is an approach where countries increase their wealth and power by increasing exports and reducing their imports.⁸⁴ This approach protects Chinese markets from being over capacitated and to increase its access to foreign markets, however it contributes to economic imbalance in Kenya, currency depreciation, poverty and unemployment rates. China's mercantilist approach enables the country to source capital in foreign markets through provision of loans, infrastructure development bonds and direct foreign trade investments.

From a realist perspective, states are unitary actors led by greed to pursue their national interests in the international system through foreign policy.⁸⁵ In this study China's foreign policy is through foreign aid to boost its domestic economic development through bilateral trade with Kenya. As realists observe, states that are greedy for power will use all means to achieve their nationalistic interests. China uses foreign aid and its strong economic power to pursue foreign relations and accumulate capital from the infrastructure projects. Economic power is a status symbol for security for developed states and all states primary concern is to pursue their foreign policy and national security interests.

3.4 Cultural Influence

From Figure 3.1 above, 11% of the respondents examine that Chinese aid impacts Kenya's economic development through cultural influence. China's cultural influence has grown on Kenyan people through learning mandarin from Confucius institute at the

⁸⁴ Glenn, A. (2016). *Mercantilism and the French quest for Asian trade*. DeKalb, Illinois, United States: Northern Illinois University Press

⁸⁵ Andre, S. (2000). *Realism and Social Science*. California: Sage Publications Ltd

University of Nairobi. China also spreads its culture through the exchange programs and scholarships opportunities given to Kenyan students to study in China. China also spreads its culture through media influence; it has established a radio station in Nairobi called China Radio International CRI 91.9 FM that broadcasts in Mandarin.

Chinese culture teaches Confucian values, ideas, social norms, behavior and work ethics to Kenyans. The Chinese communist ideologies enhance bilateral ties and the cultural relationship is built around goal of achieving universal peace and harmony as one on the main Confucius beliefs.

In contrast to China's Cultural influence, the state is criticized of using culture to promote soft power influence around the world. China is a developing great power that has military might, economic strength and soft power. As an added advantage, the state needs economic mighty and cultural strength, to be all rounded in all forms of power in the international system to become a great power. Just like western powers China uses cultural influence to spread its communist ideology in Kenya. The Chinese foreign policies are shaped towards increasing cultural influence to shape global power.

According to Joseph Nye, one of a state's foreign policy is to increase its cultural influence over other states.⁸⁶ Cultural influence is a symbol of soft power used in international relations to build networks and compel countries and making them attractive. Joseph Nye examines that China uses political values such as communism, culture and foreign policy to strength it soft power. Soft power is promoted through

⁸⁶ Joseph, N. (2004). *Soft Power: The means to success in the world Politics*. New York: New York Public Affairs

enterprises, educational, digital influence, international forums and government's ideologies.⁸⁷

3.5 Chapter Summary

From this study, Chinese aid impact on Kenya's economic development has led to debt burden, infrastructural development, cultural exchange influence and intensification of corruption. Kenya's debt burden has been exacerbated by increased dependency on Chinese loans which attracts high interest rates, leading to reduction of employment opportunities in Kenya. The collateral security attached on the port of Mombasa for acquisition of Chinese loans has contributed to decline of Kenya's sovereignty. Kenya losses discretion on decision making on projects and investments because of the Chinese tough loan policies. The debt burden has also led to loss of economic growth, through inflation and debt repayment burden.

China-Kenya trade imbalance has affected the latter's external sources of capital from exports. Kenya losses capital because it imports more goods from China than it exports and the tariffs placed on Kenyan goods makes them unattractive and expensive for Chinese markets. China uses protectionism strategy as an approach that prevents foreign competition from accessing its local markets, to curb outflows and retain domestic capital.

Chinese aid is also criticized of exploitation by tying foreign aid to exploration of natural resources. China strategically works with governments that are rich in resources

⁸⁷ Joshua, K. (2007). *Charm Offensive: How China's soft Power is transforming the world*. New Haven and London: Yale University Press

in order import oil. Its domestic industries consuming huge barrels of oil, and for this reason China is forced to import oil. Chinese aid is criticized of fanning corruption in Kenya. This is because China's aid policy places no governance conditions to the recipient governments regardless of their political persuasion. Unlike Chinese aid policy of no strings attached, traditional donors are governed by policies of OECD which adhere to norms of aid transparency, aid effectiveness and good governance when providing aid to recipient country. Developing countries receives huge amounts of aid and because of this most governments misuse resources and they cannot be held accountable.

The infrastructure development has both a positive and negative impacts on Kenya's development. First, the infrastructure created employment opportunities for Kenyans while the agricultural sector benefits from road networks and spread of technology. However, China is criticized of using infrastructural development as a method of extorting capital from foreign markets. The infrastructural projects extort labor from Kenyan employees because half of the workers are Chinese nationals with the construction materials being imported from China.

Chinese government utilizes cultural instruments as a component of soft power to exert her influence in Kenya. Cultural diplomacy is the new international norm being used to control and exert power on other nations indirectly. The Chinese culture is being propagated through teaching of Mandarin in Confucius institute established in Kenyan public universities. This is achieved through media and Chinese exchange programs. The cultural influence is used to strengthen bilateral and diplomatic ties with Kenyan government. From this study, it is evident that China uses foreign aid as a tool of foreign

control to pursue its economic political, social, security and ideological interests in Africa as evidenced in Kenya by this study.

Key Findings

Kenya's economic development has been impacted by Chinese aid and findings show that the government is heavily indebted due to the continuous culture of borrowing loans. Due to the increased debt burden, the cycle of borrowing has led the country's economy to depend on aid thus leading aid dependency, inflation, increased poverty levels, and loss of job opportunities. The study also established that recipient countries are heavily indebted due to misuse of funds, failure to account for the capital spent on the infrastructural projects, issues of corruption and bad governance. In contrast, Chinese foreign aid has led to development of infrastructure, schools, road networks, and health facilities. Chinese culture has influenced people to learn of Mandarin language and the students have been awarded Chinese scholarships programs to study in China.

CHAPTER FOUR

CHINA'S STRATEGIC INTERESTS IN KENYA

4.0 Introduction

In the 21st century, states national interests have become the most important factor used by emerging powers to balance the economic, political, social and diplomatic might in the international system. This chapter therefore, examines China's strategic interest in Kenya which includes; economic interests, political interests, military interests, international legitimacy and ideological interests.

4.1 Economic Interests

Economic interests is a process where states secure access to foreign trade investments, markets, industrial capacity and natural resources such as energy, raw materials as an absolute need to increase its economic security.⁸⁸ China's economic interests in Kenya is led by its search for energy and oil resources, mining, extraction of raw materials and market expansion as a source of economic power. Economic power is a tool used by states to determine its external relations, enhance their security and balance of power in the international system.

According to Marxism, international system revolves around economic determinism and economic classes where the dominant classes are the developed states who control the means of production, influence decisions and pursue their foreign policies to

⁸⁸ Ahmed, M. (2015). (The Nexus of Political Economy and Economic Factors in International Relations. Helsinki, Finland: Swedish School of Economics and Business Administration

achieve their national interests. The subordinate classes are developing countries which are poor and rely on the decisions of the dominant classes.⁸⁹

China's economic interest in Kenya is in exploration of natural resources such as oil and gas because of its massive industrial manufacturing capacity and the need to sustain the rapidly growing economy. It has signed oil exploration deals with the Kenyan government to explore the oil wells in the coastal waters near Somalia, under the (CNOOC) group as one of the Beijing's largest oil companies. China also imports raw materials such as coffee, leather and rubber from Kenya. Beijing is also involved in mining of mineral resources in Kenya such as gold iron, gemstones, soda ash and niobium reserves from Kwale County.

The need to become a global power in energy through exploitation of oil and gases resources drives Chinese interest in Kenya. This is in regard compared to its rival power (the United States) which is a dominant state and whose economic might and security is partly invested in energy power. The growing need has led to the establishment of Chinese oil diplomacy in African states which are rich in resources, in order to secure oil supplies, with an aim of enhancing its domestic energy security and to position itself as a powerful global actor in the international oil market. This therefore makes China the fifth largest oil producer and importer in the world. The process is done following the government importing oil policy China's 13th Five year plan of oil and gas reforms, which opens up oil markets for private and foreign companies.⁹⁰

⁸⁹ Marx, K., & Engels, F .(2002). *The Communist Manifesto*. Westminster, London: Penguin Publisher

⁹⁰ Dollar, D. (2013). China's engagement with Africa: From natural resources to human resources. Washington, D.C.: John L. Thornton China Center at BROOKING

More so, demand for new consumer market opportunities by China is another leading interest in Kenya. Majority of the respondents posited that, Kenya is considered because of its geographic locality, as the leading destination hub for business ventures in East Africa Community (EAC), where international and regional foreign companies have assembled their firms to benefit from markets such as, Common Market for Eastern and Southern Africa (COMESA) and EAC.

China has exhausted Latin, Asian and Western markets with its goods and services but emerging markets in Africa are new and not saturated, hence an presenting an excellent opportunity for its investment returns, especially in Kenya because it's an attractive market location for Chinese goods. This opportunity enables China to access the Kenyan market, a middle income economy of more than 400 million people from COMESA and EAC markets.

Additionally, China's market interest in Kenya is driven by the need to create an open trade market in Kenya, which has led to cooperation in planning and construction of special economic zones especially, in Lamu Mombasa which comprises of industrial zone, technology area and education, tourism zone, logistics, the port and the Pearl River special economic zone in Naivasha.⁹¹ According to John Tomasi a free economic zone is a market distorting policy that removes taxes, economic regulations, subsidies and trade laws by contributing to economic growth through foreign investments which increases the capacity of states to import capital. The free trade zones have opened markets for Chinese imported goods, which have flooded Kenyan markets with cheap

⁹¹ Mutai. E. (2019, August). Chinese company close to Shs. 250 billion Lamu Port Special Economic Zone Deal. *Daily Nation*

commodities that have led to a decline in domestic manufacture and exportation of Kenyan goods.⁹²

One of the respondents argued that, through free access of Kenyan markets, some Chinese small entrepreneurs have taken over small scale trade in Nairobi area at Gikomba, Kamukunji and Nyamakima markets selling their products at a cheaper price without considering the local people. In the process, the Chinese repatriate the profits hence benefiting their home country at the expense of Kenya.⁹³ Apart from the special economic zones, China has trade deals with Kenya to reduce the processes of getting investment permits and reducing taxes to attract Chinese investors.⁹⁴

China also aims at promoting its economic trade investments through the transport sector. For instance, China has provided loans for infrastructural development of Nairobi-Thika Super high way, the standard railway gauge from Mombasa to Nairobi, the Jomo Kenyatta airport terminal and the Confucius institutes. The constructions are done through concessional loans that earn Chinese government high interests. It has also invested in building of houses for sale in Nairobi, where private investors are allowed to access Kenyan markets for housing ventures.

Kenya's port of Mombasa presents another interest for Chinese market to secure trade routes. This is because it is the regional's sea route that transports goods from the port of Indian Ocean through Nairobi to the East Africa region. As a strategy to access the port, China is in the process of completing the standard railway gauge from Mombasa

⁹² Tomasi, J. (2012). *Free Market Fairness*. New Jersey, United Kingdom: Princeton University Press,

⁹³ Githuku, E. (2019, June). Kenyans worried at Gikomba Market. *Kenyans.co.ke*

⁹⁴ Brown, D. (2012). *Hidden dragon, crouching lion: How China's advance in Africa Is underestimated and Africa's potential is underappreciated*. Monograph: Strategic Studies institute

through Nairobi to connect to other countries in the region such as Uganda, Rwanda and the Republic of Congo, hence a strategy of securing the port for international business ventures. This strategy will enable China to access the sea route and easy transportation of its goods and services to the emerging markets in East Africa and across the world.

China tends to eliminate the presence and influence of colonial economic markets (United States) by diverting and reducing exports of raw materials to the African Growth and Opportunity Act (AGOA) market. The (US) has been Kenya's traditional trading partner that has enabled it to boost its economic growth, through AGOA an international market that is established to support value added exports from Kenya and other developing countries to boost their trade.

4.2 Political Interests

China's political interest in Kenya is to create an international system with a new world order by formation of alliances through trade, joint ventures and the (FOFAC). From the study, majority of respondents observed that, china strategic interest is to advance its political interest through formation of allies with Kenya. According to Emerson, an alliance is formed when countries partner to pursue collective security strategies with respect to each other and create conditions that are necessary for the system, to be stable against those not in the alliance.⁹⁵ Alliances are formed due to lack of formal government in the international system that balances and regulates power.⁹⁶

⁹⁵ Emerson, M., & Peter.C. (1994). Alliances in Anarchic International Systems. *International Studies Quarterly*, 38, (2) 167-191

⁹⁶ Kenneth, W. (1979). *Theory of International Politics*. Boston: Addison-Wesley Publishing Company

The goal of China is to change the power structure in the international system that is dominated by United States, which has been a traditional power since the end of cold war era. In order to achieve its goals, China aims at increasing its political power by forming alliances with Kenya, African countries and other countries such as Brazil, Russia and India (BRICs) in its end over to overthrow the existing power (US) in the international structure.

China's however aimed at developing Sino-Kenya relations, as a strategy of promoting South-South cooperation.⁹⁷ South to South cooperation is involves cooperation where southern emerging power donors such as China, India, Brazil and Russia are providing development mechanisms to developing countries as a rival to the western donors such as United States. The cooperation is geared towards replacing traditional cooperation because the international system has been dominantly led by North-South development cooperation where the northern countries are developed states, which are rich and exploit the southern countries which are developing states and mostly African states. Therefore, China aims at cooperating in attainment of sustainable goals in areas of health, education and agriculture, through South-South aid, regional trade agreements and links such as FOFAC and the Chinese One Belt One Road programme.⁹⁸ More so, it uses the southern development cooperation strategy to decrease governance and influence of the North in world affairs and to provide an alternative to hegemonic powers, of the northern influence in Kenya, by intensifying industrialization, financial capacity and partnership for development. China is lessening the relations between Third World countries and the dominance of the global North.

⁹⁷ Zhao, S. (2013). Chinese foreign policy as a rising power to find its rightful place. 8(1),101-128

⁹⁸ Quadir, F. (2013). Rising Donors and the Narrative of South-South Cooperation: What Prospects for Changing Development Assistance Programmes. *Journal. Third World Quarterl*, 34(2)

Additionally, China focuses on ending Taiwan's presence and relations in African countries. China and Taiwan have had a tug of war over diplomatic ties that have lasted for decades. Taiwan is a separate province that broke away from China and it (Taiwan) has been gaining allies from states such as United States and United Kingdom.⁹⁹ The separation has been the cause of conflict between the two countries as China wants to control it. Taiwan aims at winning recognition from the African states in its search for territorial recognition and sovereignty. Under Article 2 of the UN charter, states can choose to recognize a new state, through an official declaration or tacitly and this implies that, the new state will be treated as a sovereign state as any other international legal territory.¹⁰⁰

As a result, China has established the policy of One China to African countries as a means of preventing Africa's engagement with Taiwan.¹⁰¹ The One China policy argues that, there is only one China in the world and that Taiwan is part of it, and all other states should not recognize Taiwan as an independent state. This policy prevents Kenya and other countries from interacting and engaging with Taiwan because of its crisis with China. Therefore, the strategy is used by China to isolate Taiwan from interacting with African countries, as a means of preventing its territorial sovereignty. China also does not offer any assistance to countries that recognizes Taiwan and gifts countries that have changed their allegiance from Taiwan to Beijing.¹⁰²

⁹⁹ British Broadcasting Corporation News (2019, January) .Whats behind the China-Taiwan divide?. *BBC News*

¹⁰⁰ United Nations.(1945). *Charter of the United Nations*. San Francisco, USA

¹⁰¹ Hanauer, L., & Morris, L. (2014). *Chinese engagement in Africa: How China-Africa Relations have developed*. Santa Monica:Rand Corporation Publisher

¹⁰² Ibid

4.3 International Legitimacy

China's interest is to promote its international legitimacy and opposition of policies through international political forums such as United Nations which has an autonomous authority over states. According to Seymour Martin Lipset international legitimacy is the ability of international organizations to provide and maintain authority over states that have consented.¹⁰³ The United Nations is an international institution for global governance in world politics where all states that are under it, have granted the organization political authority, in shaping their beliefs and creating compliance through, values of democracy and human rights of governments and people.

China depends on diplomatic support and cooperation from Kenya and other African countries because of the issues in multilateral forums and international arena. A third of the votes for the resolution on People's Republic of China to resume its permanent seat at the United Nations came from African countries. This shows the importance of Africa's political support in international forums, as 54 countries account for more than a quarter of the U.N member states and votes, thereby passing or revoking resolutions. African countries again saved China which faced international isolation and sanctions from the west, due to Tiananmen Square massacre in which large scale of protestors were crushed by communist rulers. China depends on Africa's support to remain silent in discussing hostile matters, regional security, human rights and China's core interests.

International legitimacy according to realists is power by which states use to advance their interests through incorporating their principles and policies into international organizations of which are acceptable global laws. In this case, majority of the

¹⁰³ Lipset, M. (1963). *Political Man: The Social Bases of Politics*. Garden City, New York: Doubleday

respondents viewed that, China uses the advantage of Kenya and other developing states, as an alliance to vote against or support policies that are not in the interest of Beijing's such, as issues of human rights and democracy and to develop new rules and norms in the international system. This therefore, shows that China is using strategic alliances as a defense mechanism to shift democracy and existing policies in global institutions.¹⁰⁴

As China's power and influence grows in the United Nations, it is willing to challenge and protect its' interests in African countries.¹⁰⁵ The Chinese influence in the UN reduces pressure on western democratic values such as human rights, accountability and political freedoms which are their fundamental values. This is because China is not a democratic institution and does not support democracy and human rights issues. The ally's votes also help to shield China from the critics of western powers, as African states account for more than a quarter of member states in the UN and represent an important bloc for voting of policies against western powers.

4.4 Military Interests

From the study, respondents observed that, China's targets pursuing military interests in Kenya as a strategy to increase its military power and dominance in the world. Military power is an important source of security in international system that states use against others during war for the purpose of defense deterrence or war itself. China's aims at securing a military base, to increase its security, because of the country's port of Mombasa on the Indian Ocean that will enable Beijing access the naval waters. Kenya has been identified as one of the region for China's national armed police forces

¹⁰⁴ Reno, W. (1997). African weak state and commercial alliances. *African Affairs Journal*. 96(383), 165–186

¹⁰⁵ Brooks,P., & Ji Hye S. (2006). *China's influence in Africa: Implications for the United States*. Washington, D.C: The heritage Foundation.

to operate and train Kenyan security personnel. The port of Mombasa was used as a naval military base by United States during cold war; therefore, China seeks to enhance its military power by strategically positioning its aid with countries that have sea ports in Africa. There is increased insecurity in the international system where states are advancing their nuclear weapon and securing military territory in order to boost their security. In this regard, due to security dilemma in the international system, China is building its military power and deploying military troops to different naval states, to protect its country and secure its power.

China's military activities are aimed at protecting its people from security threats and political instability at the local level in African countries. Most of China's foreign investments are usually in rich resource countries that are under civil war or face political instability. However, the country has to protect its projects in the foreign countries from labor disputes and attacks as failure to do so, undermines its international prestige. Thus, China's military interest in Kenya and African countries are defensive and aims at protecting its nationals and economic interest.

4.5 Ideological Interests

According to Joseph Schumpeter, ideological principles impact on foreign policies of states, where opposing ideologies are a threat and those aligned show support for domestic interests.¹⁰⁶ Ideologies are elements of national power used by states to secure and promote their national interests. They are used by states to prevent dominance of other states because conflicting ideologies can lead to war. From the study, respondents posit that China's interest towards Kenya and developing countries is to promote its

¹⁰⁶ Schumpeter, J. (2010). *Capitalism, Socialism and Democracy*. London: London Publishers

ideological interests which are against capitalism, colonialism and imperialism from the West. During Cold War, the Soviet Union used communism to fight against capitalism in the United States which led to the defeat of communism and the rise of capitalist ideas.¹⁰⁷ Capitalism has been the dominant ideology in Africa until the rise of China's communism and as a result promoted its communist ideas across the globe, to beat United States which supports capitalism and democratic values governing the international system.

China tends to spread communist ideology in Kenya. Kenya's development ideology since independence has been towards the capitalist West; whereas China's interest has been to change the status from capitalism and promote communism ideology. It believes that, the current international system is designed by United States and benefits them at China's expense. Since China is becoming a rival power the global governance systems should reflect its ideologies. It blames past economic crisis in the world to the western capitalist nature and that Beijing's system of governance is superior to the US. The country is also pushed to boost its ideological dominance due to the fall of western democracies and dismantled alliances such as United Kingdom leaving the (EU) and Trumps isolationist foreign policy which creates a stronger role for communist dominance. The US isolationist policies disengage it from multilateral arena enabling China to increase its popularity in global dominance. The anticipation of Britain's exit from EU (BREXIT) and US isolationist policies has weakened liberal democratic principals in world affairs and promoted the influence of communist authoritarian governance.¹⁰⁸

¹⁰⁷ Madeleine, M., & Wan, E. (2018). *China in Africa. A form of Neo-Colonialism. E-international Relations Students*. Bundoora, Australia: La Trobe University

¹⁰⁸ Hart, M. (2019). *Mapping China's global governance ambitions: Democracies still have leverage to shape Beijing's Reform Agenda*. Washington, DC: Center for American Progress.

In this perspective, China's ideologies are used as a source of power to control and reject rivals ideas and perception. China's influence through media by sharing information covering the Belt and Road initiative including conferences such as FOFA. It has also established a radio station in Kenya that broadcasts its news in Mandarin language. The effort of China to achieve its legitimacy in the United Nations as a global power is through influencing the ally states through communism. China's interest is for the (UN) to adopt communist policies in their process of governing and forming of policies. Chinese leaders acknowledge that in order to achieve legitimacy as a power, the prospect must be welcomed by popularizing its communist ideology.¹⁰⁹

China promotes its culture in Kenya by providing scholarships for students to study in China and presence of Confucius institutes for learning Mandarin language. Consequently, ideologies influence international system by structuring the political understanding ingrained in ideas and policies, that help states to influence behavior of other states beliefs and assumptions in order to achieve power. Ideologies are therefore, used for setting goals to encourage activism to shape the nature of global political systems into a new world order. The current political systems are based on western values of liberal democratic values, but China's goal is to shift the capitalist nature to a communist order. Ideologies helps to create a form of social togetherness, whereby states and societies are identified by unifying beliefs and values, hence establishing a sense of belonging that bind together different states to achieve common goals.

¹⁰⁹ Shullman, D. (2019). *Protect the Party: China's Growing Influence in the Developing World*. Washington, D.C: Brookings Institution.

4.6 Chapter Summary

China's interest in Kenya is to boost its economy through market expansion, importation of capital, promotion of ideology and international legitimacy. China has achieved its interests by using bilateral agreements such as FOFAC which ensures its economic interests are achieved. Due to overproduction, China acquires markets in foreign countries to sell its goods and promote trade investments. China also protects its domestic businesses by enhancing economic cooperation with other countries, negotiating for reduction of trade barriers and liberalizing markets to boost its exportation. The strategy enables free flow of goods and services to the Kenyan market. Therefore, china is imperialist in nature for using its power to exploit natural resources and markets in Kenya.

More so, China aims at providing high loan interests to the Kenyan government in order to trap it into debts to surrender the territorial sovereignty. China's aid collaterals are important assets in the recipient country such as the port of Mombasa and Kenya airways, although, failure to pay as agreed will led to China grabbing the assets and taking control. The strategy will also help China to set up its military bases at the port to use during global wars. China also focuses on African countries in order to boost its political powers in international matters. Internationally, China is known to oppose western policies of democracy, good governance and humanitarian rights in the UN. Blockings of the UN resolutions are supported by Kenya and other African countries as China's allies which helped it acquire permanent seat in UN Security Council. Additionally, China aims at blocking all western ideologies adopted by African countries especially Capitalism which allows political and economic relations with other states.

Key findings

China's strategic interests in Kenya is evident that it is to secure access to foreign markets for their goods and services and natural resources. China also focuses on creation of an alliance with Kenya and other African countries to enable promote international legitimacy, influence policies and secure political positions in the international forums such as the United Nations. It also aims to secure strategic positions for military operations and create military bases at the coastal areas to provide its security and increase power. China's ideological interests is to spread its Confucian culture through teaching of Mandarin and scholarships that is a rival to capitalist ideology of the west that has been the dominant ideology in the international system since the end of Cold War.

CHAPTER FIVE

SUMMARY FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents summary of the study, conclusion and recommendations in line with objectives of the study.

5.1 Summary findings

The first objective of the study was “to establish Chinese aid policies and framework towards economic development in Kenya”. The findings obtained show that an initiative such as framework on China Africa Cooperation aims at fostering Chinese international cooperation with African states. The Go Out policy is established to promote trade and investments overseas which attracts foreign capital through infrastructure development for Chinese government. China’s capital policy through concessional loans provides technical loans for infrastructure development through Export-Import bank as the main financial institution. Its cultural policies strengthen cultural ties through Confucian culture, scholarships and spread of Mandarin language.

Secondly the study sought “to determine the impact of Chinese aid on development in Kenya”. The findings show that Chinese aid to Kenya’s economic development has led to major implications of debt burden, where the government is heavily indebted due to its acquired culture of borrowing that has led the country to aid dependency. Due to unaccounted massive amounts of loans given to the government, the study established that, problems of corruption and bad governance arise, as the recipient countries misuse funds and fail to account for the projects. In contrast foreign aid has led to the establishment of trade and infrastructure developments in Kenya such as building of

roads, railway network, health facilities and Confucius institutes. Chinese cultural influence has grown on Kenyan people, where students have gotten scholarships to study in China and learn Mandarin language and Chinese culture.

Lastly, the study sought to establish China's strategic interests in Kenya. It's evident that its economic interest is to secure access to foreign markets and natural resources such as oil, gas and minerals. It also focuses on creating alliances with Kenya and developing countries, as a strategy to change the power structure in the international system, that is dominated by the west and establish a new world order. China's also aims at promoting its international legitimacy and oppose traditional policies in multilateral forums such as the United Nations, which has autonomous authority over states that have consented and have dominance in influencing decisions. The study also established that in terms of military power, it has strategized on acquiring military capabilities and creating military bases at the coast of Mombasa Kenya, because of the uncertain and conflicted environment in the international system. Additionally, China's ideological interests in Kenya are based on spreading communism values and norms that is a rival to capitalist ideology of the west.

5.2 Conclusion

The study concludes that, Chinese aid policy frameworks are strategically established in-line with Africa's development needs to provide aid and in return benefit from the continents resources. The forum on China-Africa cooperation is a strategy aimed at creating alliances to boost China's dominance in the balance of power in the international system. The go out policy is a capital strategy aimed at acquiring financial capabilities through loans for infrastructure project in the recipient countries.

However, its concessional loans are expensive to repay and the high interest rates have led Kenya into debt burdens. The Social policies are a strategy to provide platforms for its cultural influence and dominance across the globe. Kenya's debt burden and dependency is due to the huge amounts of loan Chinese offer, with interest rates that take lengthy repayment period. Chinese aid has no policy restrictions that promote good governance, accountability and transparency which contributes to corruption, misappropriation of funds and bad governance in recipient countries. The study established that, China's cultural influence is used as a form of soft power that is used to shape, influence and compel countries to make Beijing attractive.

Lastly the study concludes that, China's strategic interests in Kenya is to secure resources to boost its economic power, dominate in the international system as a global energy power for consumer market to sell its finished products and to remove trade barriers in order to allow free flow of goods. It also aims at creating alliances that prevent the traditional powers (United States) from its governance and influence on decisions in the international system which shape the global structure. One China policy is a strategy for preventing Kenya and other developing countries, from recognizing Taiwan as a sovereign state but instead support Beijing's policy where Taiwan is part of China. Chinas aims at being supported by Kenya and other countries in changing international decisions, norms and policies made in the United Nations and other multilateral forums, in its role in the international legitimacy and authority in the world politics. Its military activities are focuses on enhancing its military capability, in order to secure a naval military base, so that it can have both sea and land military power. This will enable it protect its business ventures from local attacks and its citizens in foreign states.

5.3 Recommendations

China's aid policies and frameworks should incorporate policies of democracy and good governance as they emphasize on accountability and transparency of funds in recipient countries. Through the going out policy, China should provide friendly trading policies that boost Kenya's goods, remove Chinese trade barriers that allow Kenyan goods to reach their markets. China should allow recipient countries (Kenya) to choose on valuable projects that add value to the country and create fast revenue to boost economic growth. They should also adopt up to date machineries and rails that are modernized and advanced. Lastly, China should create aid policies that promote Africa's development.

China should also provide low interest rates on the concessional loans in order to decrease the dependency of African countries on loans, or alternatively provide grants. However, Chinese aid should not be tied to trade and infrastructure investments, and search for markets and employment as aid for development needs to be separated from its advances to secure business adventures. More so, it should use its military capabilities and peace operations in preventing civil wars that are rampant in developing countries in order to boost their economic growth.

Lastly, it should remove trade barriers in its domestic markets to allow balance of trade with African countries. China should also support policies that boost development in African countries in multilateral forums such as the United Nations for better governance and equal representation of states in world politics. In this regard, it should use its ideology and cultural dominance to influence and encourage cooperation in matters of economic, political and cultural development.

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APPENDICES

Appendix: 1 Introduction letter

University of Nairobi
P.O. BOX 30197-00100
Tel: 318262

Faith A. Ludeki

Mobile No: 0725509832

Email: faithanzemo@gmail.com

Dear Respondent,

The aim of this questionnaire is to collect data on the role of China's foreign aid in African countries and Kenya is the representative state. The final thesis will be submitted as a fulfillment of the reward of Masters in International Studies at the Institute of Diplomacy and International Studies at the University of Nairobi. The research and any information gathered will be conducted with dignity, confidentiality and no coercion.

Your cooperation will be highly appreciated.

Yours Sincerely,

Faith .A Ludeki

Appendix 2: Questionnaire

Kindly tick where applicable

Section A: Bio Data

1. Gender

Male ()

Female ()

2. Institution/Ministry.....
.....

3. Age group: (Tick) 20- 29 years () 30-39 years ()
 40-49 years () 50-59 years ()

Section B

1. Does foreign aid promote development of African countries?

Yes ()

No ()

2. If Yes/No how?

.....
.....

3. What are the strategic interests of China in Kenya?

.....
.....

4. What are the positive impacts of Chinas aid on Kenya's development?

.....
.....

5. What are the negative impacts of Chinese loans on Kenya's development?

.....
.....

6. What challenges does Kenya experience from Chinese aid?

.....
.....

7. What are the Chinese aid policies towards Kenya's economic development?

.....
.....

8. How has Chinese aid policies influenced Kenya's economy?

.....

9. What other development measures can Kenya take on to ensure economic growth?

.....
.....

10. Recommendations

.....
.....


Thank you

Appendix 3: Research Permit

Permit No : NACOSTI/P/19/26327/31596
Date Of Issue : 6th September,2019
Fee Received :Ksh 1000

THIS IS TO CERTIFY THAT:
MS. FAITH ANZEMO LUDEKI
of UNIVERSITY OF NAIROBI, 45801-100
NAIROBI,has been permitted to conduct
research in Nairobi County
on the topic: ASSESSMENT OF THE
ROLE OF FOREIGN AID IN SHAPING THE
DEVELOPMENT OF AFRICAN COUNTRIES:
A CASE STUDY OF KENYA CHINA
RELATIONS.

for the period ending:
5th September,2020



Applicant's Signature


Director General
National Commission for Science,
Technology & Innovation

THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013
The Grant of Research Licenses is guided by the Science, Technology and Innovation (Research Licensing) Regulations, 2014.


CONDITIONS

- 1. The License is valid for the proposed research, location and specified period.**
- 2. The License and any rights thereunder are non-transferable.**
- 3. The Licensee shall inform the County Governor before commencement of the research.**
- 4. Excavation, filming and collection of specimens are subject to further necessary clearance from relevant Government Agencies.**
- 5. The License does not give authority to transfer research materials.**
- 6. NACOSTI may monitor and evaluate the licensed research project.**
- 7. The Licensee shall submit one hard copy and upload a soft copy of their final report within one year of completion of the research.**
- 8. NACOSTI reserves the right to modify the conditions of the License including cancellation without prior notice.**

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CONDITIONS: see back page