CHINA-KENYA RELATIONS EFFECT ON KENYA'S ECONOMIC, SOCIAL AND POLITICAL ISSUES

BY;

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DECLARATION

This research is my original work and has not been presented for any academic award in any other university.

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This research has been submitted for examination with my approval as the University Supervisor.

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ABSTRACT

The Kenya – China relationship is affecting Kenya’s political, social and economic landscape. China has made Kenya a key focus for trade and economic strategy in Africa because it sees it as a gateway into the region. Even with the existing relationship, China has had with Africa, African and western intellectuals are raising concerns over the strategies and tactics china employ in the search for resources. Because both parties benefit in a way, the relationship is likely to continue. It’s crucial to some African countries as it offers distinct rules of the game and development model proposed as the “Beijing Consensus” following its strong interest in the African continent. Specifically, the study sought to: (1) establish the link amid Kenya and china regarding medical and trade growth; (2) to establish the evolution of infrastructure in Kenya and how it has led to building working relationships with China; and (3) to determine the influence of FDI received from China have on Kenya’s relation with other states. The research utilized a descriptive and explanatory study approach. The data was obtained from Kenya National Bureau of Statistics (KNBS), empirical studies by others published in journal articles, Kenya Urban Roads Authority, from People's Republic of China in the Republic of Kenya, Ministry of Foreign Affairs in Kenya, United Nations, Kenya Rural Roads Authority, and Kenya National Highways Authority (KeNHA). The study is both qualitative & quantitative data in nature in that it offers a comprehensive account of China’s engagement in infrastructure development in Kenya within a particular time period of the 21stcentury. According to the findings, FDI has continued to grow through Kenya’s service and manufacturing industry, and the interest in Kenya by china has increased to include mining and mineral exploration. These trends are in conformity with the hypothesis that Kenya-China ties seek to attain physical developmental outcomes, and the terms are promising and are also boosting the relationship between Kenya and other states. Also, China

sees Kenya as an entry point to East Africa and it's the point of focus concerning china's economic and trade approach in African countries. This can be attested through China's increased investment in many road construction projects. Additionally, China presently gives Kenya leans for technological development, school, and health expansion in underdeveloped regions; China has established centers for malaria prevention and control. It has also offered volunteers to train the local folks. It's now evident that monetary aid from China is connected to the consumption of their services and commodities, and the only requirement is complying with the "One China" policy as opposed to the policy of "good governance" imposed by western donors.

Contents

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

There has been an increase in trade investments by China across the world, and it has experienced steady growth in the economy thus allowing the country to focus on the international market for its services and products. There has been the establishment of tangible investment and trade relations with countries from Africa. Today, China's political and economic participation in African countries is undeniably the most significant growth across the continent. Though there has been inter-trade between China and Africa over an extended period, the intensity and degree of their commercial ties have grown significantly starting in 2000(Onjala, 2010).

The present China-Kenya diplomatic relations arrangement covers a wide area. During the first days following the formation of the ties amid Kenya and China, there was fair growth for both states. However, past 1965, the relationship between them was reduced to the level of 'chargé d'affaires" and in the early 1970s, it steadily reverted to normal. Following the establishment of the new government in 2002, the government at that time showed its strong ties with China and was wanting to further increase the relations between the two nations.

Several government States around the world are interconnected by a number of similar circumstances and situations and this interrelation is known as diplomacy. The fact that all countries need this interaction to enhance their economic, social and political settings, they have set ways, policies and even laws to make the level and quality of interaction beneficial to the states involved in various levels of interactions. These interactions can be used to push various agendas such as Security, financing, aid and, of course, technological and medical advancements.

Diplomacy is defined as an art of dealing, communication as well as negotiation amid two countries via their administrative channel and is a well-known approach of impacting the behavior and decisions of overseas governments and general public via dialogue, bargains, together with other actions devoid of violence or war with a view to finding a solution of problems above all difficulties (Shivam, 2017). Kenya is a rapidly growing economic hub and therefore it needs to establish relations with other countries for continuity of its economic, social and political prowess. Moreover, it is crucial since coming together of various countries makes developmental, economic and social growth possible. However, in order to have sustainable and meaningful interactions between various countries, there is a need for structured organizations to push for growth and eliminate chances of exploitation and misunderstandings between the countries that are working together.

The increasing growth in economic ties between China and African countries is drawing attention and this cooperation was spotted following the summit for FOFAC in Beijing in 2006 and the AFDB in China in 2007. Questions have been raised regarding China's spreading presence as it may impact negatively on African development despite the growth in investment and trade among China and Africa is promising.

Several empirical works have concentrated on economic cooperation between Africa and China. A study by the world bank examined the policy challenges or constraints "between the borders", "at the border", and "behind the border" for growing trade and investment between Asia and Africa (Broadman, 2007). In other studies, Edwards and Jenkins (2005) analyzed trade-poverty relations; Alden (2005) reviewed the development of some-African economic ties from the 1970s, and Edwards and Jepkins (2006) investigated the impact of indirect and direct trade of Idia and China on sub-Saharan regions. The latest research by the staff team of OECD puts emphasis on FDI and trade, drawing attention on the role of India and China in certain energy and commodity markets (Goldstein et al., 2006). Elsewhere, Kennan and Stevens (2005) tried to pinpoint potential losers and winners among countries in Africa while China dominates the global trade.

Kenya-China's diplomatic cooperation has notable historical dimensions. According to Kamau (2007) in as much as Kenya at independence adopted a capitalist system and China has welcomed communism, the relationship between them has greatly remained pleasant with China being the 4^{th} state to acknowledge the independence of Kenyan people in 1963 when both nations swapped diplomatic symbols.

In general, the presence of Chinese in Kenyan economy is manifested either in manufacturing 0r trading practices with a majority of Kenyans importing Chinese goods that they via their own outlets or distribute to retailers who finally sell to final consumers in the Kenyan market. Chinese have actively engaged in the manufacturing of apparel starting in early 2000. Some Chinese in Kenya have joined the motor vehicle sector in which they import auto-spare parts from countries in Asia.

According to (POK, 2006) the bilateral relations have developed smoothly and steadily with the conventional ties constantly strengthened and friendly ties continuously deepened in all areas. Such joint links have attained new advancements and cooperation in terms of the project contract, investment, electric power, and communications that have rapidly grown between the two sides. They have maintained close ties and consultations as well as made significant headway in humanities exchanges in international relations.

1.2 Statement of the problem

There have been concerns raised on Kenya – China's relationship, the ties between these two countries are believed to be having several impacts on Kenya’s economic, social and political landscape. With China currently being Kenya’s largest bilateral lender, the present Kenya-China diplomatic cooperation plan extends to a wide area.

This thus calls for a careful examination at Kenya-China cooperation which implies that the economic friendship between Kenya and China is mutual. However, the Chinese economy continues to grow by getting many contracts for Chinese firms in the construction of major infrastructural projects like the Standard Gauge Railway and relying heavily on African resources.

Arguments have emerged that the government of Kenya is reaping from the growth of physical infrastructure and is collecting good prices for its commodities as it does with countries in the west. Conversely, a debate has also emerged greatly because Kenya-China’s balance of trade is intensively spread towards the Chinese economy with Kenya bringing in more than it sells to China as evident with Kenya's debt to china increasing daily and sending a red alert. The problems this study addressed include; how then will Kenya pay for this debt with a balance of trade deficit so skewed towards China? This research work purposes to respond to the following questions. What the relationship that exists between Kenya and China concerning trade, and medical development? What is the Evolution of infrastructure in Kenya and how it has led to building working relationships with China? What impact FDI received from China have on Kenya’s relation with other states?

1.3 General Objectives

The overarching goal of the research work is to determine how Kenya's collaboration with China has impacted its diplomatic ties with other states, its economic capabilities, infrastructure enhancement, medical advancements, and technological developments.

1.3.1 Specific Objectives

i. To find out the existant link between China and Kenya concerning trade, and medical development.

ii. To establish the evolution of infrastructure in Kenya and how it has led to building working relationships with China.

iii. To determine the effect of FDI received from China have on Kenya's relation with other states

1.4 Research Questions

i. What is the linkage amidst China and Kenya concerning trade, and medical development?

ii. Evolution of infrastructure in Kenya and how it has led to building working relationships with China?

iii. What impact FDI received from China have on Kenya's relation with other states?

1.5 Literature Review

1.5.1 Introduction

In this sub-section, analysis of the impact of the economic ties between Kenya and China on Kenya's economic and social development discussed by other is done while carefully and critically analyzing their views under the following topics; China Kenya Investment, China's Aid to Kenya, China Kenya, Economic cooperation and China Kenya Cultural cooperation. In the past five decades, the cooperation between Kenya and China has evolved greatly, and there are three separate phases over this period. At the start, links were formed between African countries and China following their independence. The second phase after China was allowed a permanent seat in the UNSC in 1971. The last period takes in the post-Maoist amount and is exemplified by the relief and later expansion of the Chinese economy.

1.5.2 China-Kenya Investments

As recorded by Investment Promotion Center Act, Chapter 518; Kenya's FDI refers to investment in overseas assets, including property, benefits, foreign currency, rights, or credits, carried out by international states with an intention of producing services and products that are to be exported oversees or marketed in the local market. In Kenya, the records about foreign direct investment are with the central bank. Just like most African states, Kenya has liberalized conditions for investment.

In addition, (Central Bank of Kenya, 2006) indicates that there is fierce rivalry amongst countries in Africa in foreign direct investments; this made it a necessity for the Kenyan government to deal with the local barriers to FDIs. Foreign ownership, as illustrated in the Investment Act of 2004, is only limited to 75 percent of companies quoted at NSE, 77 percent of the insurance sector, and 70% of telecommunication firms. Over the years, these stocks have kept growing. But the inflows of foreign direct investments have been fluctuating, especially in the last ten years.

Small-scale entrepreneurial investment in Kenya seems to be growing from China, occasionally assisted by the establishment of certain shopping centers selling Chinese goods across the country. Kaplinsky et al, 2007 records that possibilities of technology transfer are practical.

However, with such developments, potential and existing domestic producers are displaced; reduced spin-off to the home country compared to different international contractors; whereas high FDI from China could result in relocation and withdrawal by different investors from oversees including furniture and clothing.

According to Winters and Shahid (2007), China's labor environments continue to yield intense interest among overseas development agencies, policymakers, and labor movement activists. To the level that these labor environments can be foreign into the African nation via FDI may be an issue of interest, particularly within the Export processing zone wherever already rebels are common because the working conditions are poor.

1.5.3 China's Aid to Kenya

Generally, foreign aid refers to the assistance a country accords to another via a variety of donations. Also, both the recipients and donors are non-governmental or public entities. These donations may pass through other bodies or go directly from the donor to the recipient. As mentioned by McCormick et al (2007), the aim of aid dissent, however square measure unremarkably classified into 3 broad categories: relief, military, together with development aid. The current study seeks to trace a specific variety of assistance, authorized development aid received by Kenya from the government of China.

McCormick et al (2007) posit that many of the Chinese development assistance focused on Africa's liberation movements until the mid-1990s. As a matter of fact, in its early years of independence, the Republic of Kenya benefited from the Chinese development aid. As reported by the Daily Nation (2006), the government of Kenya received military support from china to fight a Somalian attack. During this time, however, the Chinese government was reluctant to offer Kenya any form of financial assistance. It was until the early 1990s that China altered its policy of development aid from liberation to the human resource development support, reduction of death, and promotion of investment. The Republic of Kenya is the main receiver of Chinese aid; however, data sources don't show if the business square measure lies in hand firms or personal sector corporations. The kind of support China accords to Kenya is exclusively based on the project it wants to pursue. China has provided diverse aid and assistance to Kenya since the establishment of diplomatic relations. Projects square measure largely a part of larger package deals that embrace different kinds of cooperation with the Republic of Kenya.

China presently provides each financial and non-financial aid to the Kenyan government. Chinese development aid assists expenditure in humanitarian relief, tariff exemptions, infrastructure, technical and academic training, as well as in plant and equipment. In the just-concluded five years, Kenya has received grants and loan from china to support plant, equipment, and infrastructure, particularly in the modernization of power distribution, construction of malaria prevention center, water, road construction, medical and drugs for malaria control, renovation of international sports center, as well as rural electrification. For a long time, the Chinese government has offered students from Kenya scholarships to pursue various courses in China. Each year, China awards Kenya about 100 scholarships, with 20 being in medical-related areas. With technical coaching, close to five hundred folks from the general public and personal sectors profit once a year. In the past few years, Kenya has been receiving tariff exemptions on different export products with the aim of encouraging trade amid the two nations (Kenya, 2006).

Kenya has received loans and grants from China to invest in projects such as the supply of drugs and medical equipment; upgrading of Moi International Sports Complex; and renovation of Moi Referral Hospital. The country has also received concessional loans for a Maize Flour process project in Bomet City and road constructions, including Gambogi_serem road, Kipsigak-Serem-Shamakhokho road, and Kima/Emusustwi Road. Kenyan students who pursue science courses receive Chinese scholarships once a year. Also, two postgraduate students from China are admitted to universities in Kenya. In 2006, 20 more scholarships were awarded (Kenya, 2006).

In the past few years, China has contributed greatly towards capacity building, especially for short-term courses. About 500 Kenyans are beneficiaries of these courses with 16 under the China-Africa Forum Framework Cooperation. Since 2002, Chinese loans and grants became vital in size. Before that time, China used to fall in the class of other donors in Kenya’s national statistics. But today, china is in the category of binary donors. Out of the total loans and grants awarded to Kenya, China constituted 1.67% and 9.98% in 2002 and 2005, respectively. Save for 2004, the ratio of loans and grants from China is quite high. According to Xinhua (2005), Kenya was the first country in Africa to obtain Chinese financing of cultural and educational exchange programs via the Confucius Chinese and Language Centre, presently hosted by the Tia Jin Normal University in China and the University of Nairobi in Kenya.

Chine assistance to an independent agency falls into six broad categories (Kaplinsky., et al 2007). These include: limited debt-relief program; financial support for major investments; coaching program; technical assistance to SSA-over 15000 doctors and 600 teachers from china have worked in 52 SAA nations, such as Kenya; tariff exemption for 25 independent agency economies-the program covers 190 products like machinery, textiles, food, and minerals.

According to Peopl’s Daily (2005), the policy was adopted at the beginning of 2005. These trade references square measure demanded since Chinese tariffs on imports from independent agency, though usually lower compared to tariffs from India, were greatly higher relative to those in other countries from Asia. We don't have information on the disparity tariffs imposed by individuals independent agency countries on imports from china relative to those levied by China on imports from an independent agency. Lastly, a few years ago, China has begun to produce military help to the Republic of Kenya

1.5.4 China Kenya Economic Cooperation

In 1964, China and Kenya jointly ratified a Trade Agreement, which was later amended in 1978. To date, the Ministry of Trade is making consultations to amend this contract to conform to the requirements of the global economy, and therefore the extraordinary expansion of the economy of China. In order to successfully adopt the already ratified bilateral relation agreements, the Chinese government persistently inspired its business to bring in merchandise from Kenya, increase investment in Kenya. This helps the participants in its resource exploitation, infrastructure, and construction and energy as it expands the relationship with Kenya in agriculture and process industries. The Chinese government can go on giving aid inside the market resources and strength which seeks to help the development of human resources in Kenya. The Chinese government has established a unique fund to inspire corporations in china to bring in some Kenyan merchandise, as well as occasional rose seeds, sisal, beans, and black tea all of which are marketed in raw form. attempts were made to bridge bilateral trade ought to target an increase in price prior to export. On the twenty-fifth Gregorian calendar month 2006, the third Economic and Trade meeting between China and Kenya surfaced. Various issues of concern affecting the two countries such as how to bridge the balance of trade were addressed; however, the outcome of the meeting still favored China (POK, 2006).

1.5.5 China Kenya Cultural cooperation

Several initiatives are on-going as a step forward to improve cooperation in areas of sport, culture, tourism, journalism, health, environmental conservation, and education as well as further create joint friendship and understanding between the two countries. Some African countries, including Kenya, have been granted “Approved Destination Status” to encourage Chinese investment in the tourism industry and promote indirect flight connections between Kenya and China. The international tourism of China is 18 strongly controlled. The most famous destinations for tourists in South Africa and Egypt were the first states to attain such a status. The other eight countries, including Tunisia, Ethiopia, Zimbabwe, Zambia, Mauritius, Kenya, and Seychelles were accorded the same status after FOCAC’s Addis Ababa Action Plan. in Gregorian calendar month 2006, Kenya and China signed “Kenya-China Economic and Trade Cooperation”, a memorandum for fixing the website. Both countries agreed that China can import a lot of occasional from African nations and at the same time gave Kenyan government the foremost developed occasional process instrumentation. The influence of China is not entirely restricted to raw materials. While the Ministry of Information officials attends exchange programs, Kenyan universities such as Egerton University and the University of Nairobi are developing technical-scientific cooperation and Chinese language programs respectively.

1.6 Theoretical Framework

This study is anchored on the theory of both the Global Political Economy (GPE) and International Relations (IR). Therefore, the theoretical framework is hinged on the model coming from the two traditions. Theories of IR include realism, Marxism, and liberalism, and are useful for the behavior of states in the global arena. In IR and GPE, critical theorists like Marxists concentrate on the framework of the foreign system, mainly the production system (Nel, 1999). In view of this, the architecture of market relations is exploitative, and the framework of world capitalism is contradictory because it extends world inequality (Williams, 2004; O’Brien, 2004). Though the decision by China to take part in Africa can be understood from a critical viewpoint, particularly because of the inequality in economic relation and some even perceive it as exploitive, it has some analytical problems, mainly due to the fact that China is a member of Global South (constituting mainly of Africa, Asia, and Latin America), and at times even adopts a similar critical rhetoric against the “Global North”. Given this, the Critical Model cannot be entirely relied upon as a tool of analysis in the current research.

According to Nel (1999), liberalism in both IR and GPE sees the global system as mainly cooperative due to interdependence. Therefore, the main assumption for liberalism is that the global system can be regulated via the growth of regimes, evident in foreign regulatory bodies like the UN. Liberalists argue that pluralities of actors play a crucial role in the global arena, and the results in foreign relations are contingent on power relations as well as other factors that come into play (Nel, 1999: 60). In foreign affairs, the theory of liberalism puts emphasis on morality as a means to prevent anarchy and ensure cooperation (Nel, 1999). Within the Global Political Economy, liberalism perceives people, not states, as primary actors in the economy, and that companies are important in wealth creation (O’Brien & Williams, 2004). In consideration of this view, the state’s role in the market is least, because government disruption is considered a twist of the mechanism of the natural market, leading to an economic failure (O’Brien & Williams, 2004).

However, Liberalism is not very useful in explaining why China is involved in Africa. For instance, though the Chinese government is integrated into the overseas market, and hence more inter-reliant, it has not always resulted in cooperation. In the succeeding chapters, the study will uncover how china uses its position on the UNSC to advance its interest and fails to cooperate on matters like abuses of human rights. More so liberalists argue that any foreign intervention by other states results in market distortion. But this argument does not apply in the case for China whereby almost all of its economic ties are state-controlled, not excluding china's involvement in African countries. At odds with liberal claims, this has not caused a failure in the economy; the economy of China has continued to grow in the past ten years, and its economic influence has grown substantially. Therefore, the behavior of China within the international affairs with the continent doesn't simply match with the liberal framework of analysis.

However, it will be uncovered that the realist perspective of international relations is helpful in explaining china's involvement in the continent. This is for the reason that it is the model that most appropriately detail the political position of China towards Africa and from the Political Economy's viewpoint, the Economic Nationalism theory is most apt for comprehending the political economy of the Chinese government taking part in Africa. As per Hans Morgenthau (1973), the great supporter of political realism, states participate in the international arena to advance their national interests, "manifested through power".

Because of the architecture of the global system, therefore, governments are innately self-interested organizations seeking to create power in order to acquire and maintain a competitive edge with regard to the balance of power. The main argument of this author was that the national interests are considered in the cultural and political milieu of international policy abolishment (Morgenthau, 1973: 8). Therefore, its obvious that the meaning of power and the way it is used is dependent upon the extant cultural and political context (Morgenthau, 1973: 8). Because of this, Zhao (1996:12) posits that China's external behavior and foreign policy response to the varying dynamics of the global conditions. The concept of "energy security", for instance, is becoming increasingly famous as a strategic goal for influential states. Given this, states whose conduct can be accounted for regarding realism, like China, will focus on "getting hold of trade routes and guaranteeing links with export nations favorable for ongoing energy trade" (Heller, 2003: 354).

Another argument by realists is that states should not concern themselves with the questions of morality for them to be politically powerful. Therefore, no intervention ought to be carried out under moral doctrines (Morgenthau, 1973: 10). According to realism, the primary aim of foreign policy is for the state to survive in the global arena (Zhao, 1996: 9&41). Thus governments act reasonably towards the attainment of this objective and bash away any issues of morality that may hinder it from achieving its goal. Realists believe that states are major actors within the global arena. but the important contribution of non-state actors within the global community isn't ignored on realism: for instance, governments can benefit from the podium afforded by global corporations to enhance their global stance and exploit any chances to gain economically via corporate means (Heller, 2003: 355). Based on Chinese case, it's contended that China's strong involvement in foreign system and trade in recent days is not due to the need to become economically and politically integrated but instead the willingness to be strong economically and diplomatically (Roy, 1998: 229). As a result, realism is a powerful tool for analyzing and explaining the behavior of Chinese policy. The realist views of moral skepticism and self-interest, for instance, help one to comprehend why the foreign policies of China have been considered as "overall self-serving and always ruthless" (Roy, 1998: 229). But it is not good to focus on china's participation in the continent merely via the realist perspective. The Chinese foreign policies in Africa defies some of the major claims put forth by realism, including the firm argument that states prioritize militia security above economic interests (Roy, 1998: 235). I view of this, it's also important to perceive china's participation in the African continent from the lens of economic nationalism.

Some elementary similarities between people of economic nationalism and realist assumptions exist. Actually, a number of researchers propose that economic nationalism is consequently the economic change of political realism (O'Brien & Williams, 2004: 17; Helleiner, 2002: 309). Therefore, Economic Nationalism partners well with political realism in this conceptual framework.

Just like realist views, economic nationalism advocates for the importance of the part played by the state in foreign affairs (O'Brien & Williams, 2004). The main argument of economic nationalists is that the role of the sate has not gone down due to globalization since the globalization process is in fact shaped and driven by states, and more so since national economies are the major actors in the processes of the international economy (Pickel, 2003: 113). Additionally, economic nationalism is related to realism in that it is preoccupied with power. According to Nakano (2004a:222), the man's interest in economic nationalism is to bolster national power. Nakano takes national power to mean a combination of economic and political power; political power increases when economic power is maximalized, and the reverse is true.

Therefore, nationalists of the economy acknowledge that an intense affiliation amid power and wealth exist (O'Brien & Williams, 2004: 15). To them, the health condition of a nation is key in power augmentation (Nakano, 2004a: 222). An incentive for economic modernization and development is the ability of the state to mobilize the nation via state policies (education, monetary, legal, etc), and in this way develop a national market (Nakano, 2004a: 219). According to Nakano (2004b:33), the role of the state in economic growth finally adds to the creation of national identity since "economic growth establishes and strengthens the notion of the nation that increases the state's political power." Therefore, the connection amidst the nation and economy is a very crucial matter for economic nationalism.

The theory of economic nationalism has for a long time been related to protectionism and mercantilism; but in reality, it differs from these concepts (Helleiner, 2002: 310). While the goals of economic nationalists are to maximize national power, attain national unity, and autonomy, Mecantilist's objective is autarky (Nakano, 2004a: 212).

According to Nakano (2004a:224), where economic nationalists support free trade if it improves national power, mercantilists will back up protectionism. Even Friedrich List and Alexander Hamilton, the greatest supporters of economic nationalism, were in support of the notion of free trade (Harlen, 1999: 734). The method is somewhat reasonable: embrace the policy that increases national power. Therefore, Fredrich List favored government intervention and protectionism in the economy only in certain incidences like "when a country with the ability to industrialize is yet to do so" (Harlen, 1999: 741). Nationalists of the economy believe that policies of the liberal economy do not demand liberal policies within the system-instead, government intervention is a requirement for effective involvement in the global economy (Nakano, 2004a: 224).

Nakano (2004a: 222) says that as per economic nationalists, the state's economic policies are often designed in a way to reinforce national unity. Examples of common economic nationalist economies include currency manipulation, industrial policy, and Keynesian policy (Nakano, 2004a: 226). Because China has a long history of nationalism, and its international orientation policy remains distinctly nationalist, then the theory of economic nationalism is most apt in understanding foreign relations in the Chinese economy. Zhu (2001:4) affirms that Chinese nationalism was prompted mainly by western rule over some Chinese regions and western hostility towards china from the time of Opium Wars during the 19th century. It's in this historical framework that rulers in China encouraged nationalism as a way to reject hostility from outside and push for their independence (Chen Zhimin, 2005: 36; Zhu, 2001: 4). For most of the 20th century, Chinese foreign policy was mainly driven by nationalism.

From 1949, the government of China has proactively encouraged state nationalism (Zhu, 2001: 4); and this concept still dominates the foreign policy orientation within the country. Changes in this global policy are normal adaptations specific to the context that seeks to accomplish the primary objective of Chinese nationalism: “to obtain and safeguard the national independence of china”

(Zhu, 2001: 2). According to Chen (2005), the primary concern of Chinese nationalism is international prestige, economic development, as well as national unity and independence. Out of these concerns, economic development is the most vital concern; the one that comprises all different national goals (Zhu, 2001: 5; Chen Zhimin, 2005: 52). It’s therefore within the structure of these theoretical views that china’s participation in the continent will be understood and analyzed.

1.6.1 Kenya Perspective: FDI Effects

Different from their national administrators, the World Health Organization ar auxiliary of alliances, China’s magnified presence in the continent has raised concerns from many social groups and student organizations in Africa (Konings,2007). Whereas some academicians look more critically at China’s conduct in Africa and see its parallel to the neo-colonial past (De Lorenzo, 2007), others see China’s growth in the economy as a positive development model for the developing countries (Alden, 2005). In this study, the model proposed by Hood and Young (1981) that evaluates transnational activity is used to support the trade, social, and competitive approach

1.6.2 Social Effects;

It’s not easy to examine the pros and cons of Chinese behavior in the African continent. The growth in the African economy during 2007, the highest growth ever witnessed to date, is partly because of the Chinese investment (Hanson, 2008). The country has sent doctors to treat Africans, hosted many students and workers in their training centers and universities, as well as written-off debt value 10 billion US dollars. More so, dams, roads, and bridges constructed by the government of china contribute greatly to the continent's infrastructure. Conversely, the cooperation has encouraged the states to restrict their development towards economic and political restructuring.

1.6.3 Economic Effects;

However, there are hotly contested topics associated with social, trade, and commerce fields.

. As per Kaplinsky et al. (2007) affirm, trade, particularly in the sub-Saharan regions of Africa, is affected in two ways. First, is the element of rivalry in outside markets from the export-oriented sector, and second is the competition in the internal markets for locally-focused manufacturers. Alden (2005:156) argues that the balance of trade supports China as local merchants and industries are affected by the increasing flow of cheap retail and wholesale outlets want to set up networks to market goods. Additionally, producers in Africa cannot compete with Chinese firms even in African markets because producers from China have low market prices and cost (Tull, 2006). The effects of competition; the utilization of Chinese labor, instead of domestic workers in projects sponsored by China in Namibia, Ethiopia, and Sudan has been condemned (Alden, 2005). The same sentiment is echoed by De Lorenzo (2007) who argues that what is even more worrying is the effect of Chinese rivalry on exports and enterprises. In west Africa, especially Nigeria, international textiles have pushed local factories out of the competition, to the degree of shutting down. According to Onjala (2010), Africa should react to the falling prices and import competition, brought about by Chinese exports of manufactured products that may displace exports in markets of developing nations and decimate production in the local market. But due to momentary bilateral agreements between states that restrict Chinese imports, South Africa has not suffered that much. The Kenyan economy, especially small scale retailers, face fierce rivalry from the Chinese who take part in retail, manufacturing, and wholesale trade. In Kenya, small scale traders feel the heat of competition by the Chinese who engage manufacturing, wholesale and retail goods. Kenya experiences competitive price pressure from China in the domestic market for manufacturing, particularly soap, textiles, and footwear and clothing, thus displacing Kenya's manufacturing exports in Tanzania and Uganda

1.6.4 Unemployment Effects;

The problems are not solely tied to rivalry. With the increasing flow of Chinese products, disputes over market strategies and labor practices are becoming a crucial issue. The fondness to hire Chinese nationals as well as long labor hours demanded by Chinese supervisors is imposing disputes with local labor cultures and laws. Furthermore, industry practices result in conflict in societies. World Health Organization understands that Chinese corporations aren't causative enough to extend native employment and strengthen the native economy.

1.6.5 Aid, Africa, and Development

Foreign aid is described as the assistance one nation accord to another via kind of donation (Onjala, 2008). Either, aid is a loan granted to a state at zero or concessional rates of interests (Kiely2007:45). The donor and the recipient may be government or non-governmental organizations. The donation can be from the giver directly to the beneficiary or via other organizations. The intention and purpose of the aid may differ but they follow under three groups: relief, military, and development assistance (Onjala, 2008). In recent years, Africa has fallen almost completely off the map in a geopolitical version of the geological phenomenon (Calderisi, 2007). This claim seems premature especially to those who attended the 2006

FOCAC summit in Beijing when the downtown was decorated with African iconography and 48 countries were present (FOCAC, 2006).

Away from becoming little-known after a period of popularity, the African continent has become valuable and the government of China is among the few, fast industrializing countries that perceive Africa in terms of strategic economy. Following this revived economic interest have return diplomatic efforts that have raised major concerns among others attracted to the continent. Among the questions is the intentions and sustainability of Africa-China cooperation (Bennett 2007: Marks, 2006). The work by Calderisi is one of the bundle of writings that focuses on Africa as well as the collapse of the aid. Those coping with aid normally (Riddell, 2007: Easterly, 2008) concentrate on OECD's DAC donors as well as those from the western world. China is not a member of the Development Assistance Committee (DAC). The level of foreign aid from China is still low. However, with the interlinking of assistance with other monetary flows, it's clear that aid is greatly influencing the growth of fortunes in the continent. Perse, the major driver for African development is the focus on DAC donors underplays. Collier (2008:86) remarks that where such publications concern China, they warn about authoritarianism in the continent because " the government of China is worsening it since they are too insensitive when it comes to matters of governance." Naim (2007) states that this governance-aid relationship has turned out to be the main battleground in contesting the effectiveness of Chinese aid. The Zambian economist Dambisa Moyo, in his intervention book "Dead Aid", claims that the emergence of China present good opportunities for African continent (Moyo, 2009: 120), giving Africa a "win-win" option to the situation an economy that depends on aid and in its place concentrating on investment and trade as well as by offering the infrastructure that will help the continent to grow (Moyo, 2009: 122). Whereas it's obvious to agree with Moyo's claim that foreign aid hasn't resolved the poverty situation in Africa, it is necessary to recall that his recommendations are flawed as much as they concentrate on neoliberalism of development and do not appreciate the adverse effects that such prescriptions have always had on the continent. Even with these controversies, few visible analyzes of aid from China in action that assesses its impacts on the development prospects of the recipients exist. A critical and comparative research method was utilized to conduct three-year research work on china's involvement in African development. The purpose Was to explore multiple effects of Chinese assistance in Africa; case studies for Angola and Ghana, with the aim of offering a more disaggregated and nuanced analysis. This piece attracts on-field analysis undertaken between Gregorian calendar month 2007 and 2009 in Angola, London, China, the U.S., and African nation comprising detailed semi-structured interviews with agents from civil society organizations, government agencies, and international bodies. Several case studies were chosen for varied linkages they provided with Chinese, mainly on various resource endowments they have and forms of government. And within these case studies attention on certain Chinese projects as good cases of development collections (Murray Li's, 2007). The current project seeks to examine the changing modalities and motivations of Chinese assistance in the two case studies through an empirical analysis of the type of aid that has succeeded in the two cases.

1.7 Literature Gap

Chinese trade relations both globally and for Africa specifically, Kenya is fueled by its desire of the latter's natural resources and the need to sustain the economy is a matter of interest. To date, the Chinese policy of "no strings attached" that applies to African states following the independence of most nations is still into use.

1.8 Justification and Significance of the Study

Creating wealth associate degree exceedingly|in a very} country isn't solely an indoor activity however conjointly an external activity wherever totally different countries exchange resources. Kenya is a beneficiary of this process from other countries. These benefits come through trade, foreign direct investments, and Aid. The impact of foreign trade, Foreign Direct Investment, and Aid differs from one country to the other. The impacts thus depend on the ability of a country to attract robust trade connections, gain a competitive edge and therefore have continued investment. This means that countries must have sound policy reforms and a clear strategy. The lapse in policymaking is detrimental to the gains accrued from trade, FDI and Aid. Loss of such investments such as FDI that is invested in the manufacturing, agriculture, business, and financial solutions, tourism, telecommunication, and others will impact negatively affect economic growth and subsequent development. At the same time allowing too much external or foreign investment to be it in aid, FDI or trade will also harm the local industries and businesses.

The purpose of this research project is to contribute to not only existing information but adding knowledge valuable to policymakers to make sound and objective decisions hence tangible policies. It also seeks to elucidate the effects of trade, Foreign Direct Investment and Aid on the socio-economic welfare of the people of Kenya especially the small scale traders. The findings are crucial in understanding trends that trade, investments, and Aid take in Kenya. The findings can kind necessary information helpful to each native, foreign investors, policymakers and the Government. Policymakers will be able to come up with sound policies that will enhance the trading environment, attract more private capital and more foreign investors.

Further, policymakers will be in a better position to guide investors where and what to invest, as well as give directions and make sound decisions on the types of services and goods that are good for the country. Also, it will be crucial in making policy proposals on how to cushion domestic producers in clothing and textiles on how to add value and diversify to stay ahead of the competition with goods imported from China. To the local contractors vital beware of how to interpret opportunities in order to stay relevant in the building and construction industry. Finally, it'll facilitate determining the skills and technological transfer, together with the way they will be preserved in economic growth. Therefore, the current study adds to the extant knowledge of Aid, Trade, and Foreign Direct Investment with a focus on third world countries.

1.9 Hypotheses

The study intends to test the following hypotheses:

i. The effect of embracing China- Kenya relations in boosting its diplomacy agenda with other countries.
ii. How the launching of several technological, medical and cultural ties creates a beneficial rapport between Kenya and other countries inclusive of China.
iii. The framework underlying China–Kenya trade relations was ad hoc.

1.10 Research Methodology and Site

The study seeks to use qualitative research data because it is more applicable to the kind of study that has been proposed which measures the impact of one variable against another. The study uses secondary data as the main source whereas primary data is used to supplement and crosscheck the information that has been obtained. The technique for data collection included questionnaire.

Methods for gathering data to be used include conclusive open-ended interviews which will allow the interviewer to relate well with the interviewees and ask questions in a manner that is understandable. The population of interest is; KNBS, Ministry of Industry Trade and Cooperatives, Kenya Revenue Authority - Customs. Kenya Association of Manufacturers (KAM) Export Promotion Centre, Investment Promotion Centre.

1.11 Research Instruments

The main Research instruments in this instance will be the use of questionnaires as the primary source of data collection (Appendix 1). It will contain a series of questions or short statements that require answers to, either by choosing from among given alternatives, wiring their own responses, or producing clear responses to questions that are better described while spoken as opposed to when in writing. The questionnaires and interview questions guides will also contain both closed and open-ended questions. Similarly, sources of secondary data included journals, books, newspapers, unpublished works, and the internet.

CHAPTER TWO

Impacts of Kenya's Collaboration with China

2.1 Introduction

In this section, a critical analysis of the first objective of the study is done to establish how Kenya-China's collaboration has impacted its diplomatic relations with other states, its economic capabilities and technological developments are done.

In the last ten years, the increasing presence of the Chinese government in Africa is a worrisome trend in policy analysts, the international media, and economists. Though it is arguable that the exceptional economic strategy employed by China in the continent accomplishes the needs for infrastructure projects and funding for many African countries, it has however been strongly condemned and frowned upon by most. The natural resource-backed loans granted by the Chinese government are a concern for the future of the African continent together with its ability for growth sustainability. Empirical works on the strategy employed by china on Africa have greatly concentrated on the role played by Chinese companies and government, economic interests of the Chinese government on the continent, as well as the socio-economic effects of such practices on the ground. There is a high likelihood to defend moral judgments in the analysis, though there are few exceptions: the behavior of China in Africa is always considered "evil" when they represent the ill-motive of acquiring national resources and harms the fragile efforts of African countries to build a sustainable future and improve governance. They can, however, be branded as "virtuous" especially when they have witnessed the organization assisting them for lasting economic growth via revenue creation, infrastructure projects, and economic funding. Africa's broader role in the international agenda for China is yet to be explored in as much as economic issues are crucial to the strategic placement of Africa in china's overall foreign policy. This is because in the process of China becoming a global political and economic power, Africa, on the other hand, continues to be the major supplier of raw materials in China certainly ignoring other important elements of African within China's foreign policy. Similarly, given diverse policies and goals for China, minimal attempts have been put towards the internal administrative processes of China via security, political, and economic decisions that are made in regards to African strategy. China is in the look for support for its policy of "One China" together with its policy motives in triangular meetings like the world organization. In regards to the economy, Africa is perceived as a source of market opportunities and natural resources to which china seeks to bolster its local developments. In terms of a security perspective, the constantly increasing dominance of China in Africa has resulted in the increasing security challenge Chinese growth, because the safety of Chinese personnel and investments come back underneath threats thanks to criminal activities and political instability on the bottom. Lastly, China jointly perceives associate lying behind the philosophic interest in the continent, as a result of the realization the "China Model" in non-democratic African states provides indirect help for the political ideology of China and provides evidence that democratic ideals from the western world don't seem to be universal.

Chinese relations with Africa don't seem to be simply a post-Cold War development. According to Robison (2006), fledging communications started over the past 200 years. However, the outlook of the present relations between Kenya and China can be traced back to the 1950s and the linkages built during the revolutionary period of China's international policy between the 1950-1970s and the anti-colonial struggles for independence (Mohan, 2008:23-42). In the entire period of the Cold War, doctors from china treated 180 million African patients (Brookes & Shin

2006), whereas the Chinese government-sponsored infrastructure and offered financial and technical aid (Lyman, 2005). China and Africa claim about the shared and similar trajectory of civilization. This argument posits that the two states are in the category of the developing world and hence have shares enemies (Mohan, 2008).

These countries shared a common history and perception of domination and brutality by the West. Bearing similar contours, they, therefore, form a joint strategic interest and a common view on global affairs. They belonged to the same club that of the third world, and they were against the same opponent of the West and North (Snow, 1995; 285-286).

International developments are influenced by factors poignant the economic, social similarly because of the political setting. These factors have a correlation to the processes and structures that shape the world economy. Today, economic diplomacy is rapidly becoming a focal point for foreign affairs, particularly for third world countries that seek to boost their economies. Given the history of diplomacy in Kenya and the continuing shift towards improved economic relations, it's crucial to analyze Kenya's new diplomatic niches in line with the realization of Vision 2030.

Putting into consideration the changing dynamics occurring at both international and regional scales, for the case to e significant and competitive globally and regionally, Kenya should strategize well for its economic imminence. Parts of economic choice, with specific regard to trade and commercial orientations, are based on mutual relations between States. The underlying principle, as a result, is that the approaches States use is different based on the prevailing political as well as economic ties with their partnering states. To promote and increase in the growth of the economy, it's critical to deal with the demand and supply balance.

2.1.1 China Kenya Economic Relations

Jointly, China and Kenya ratified a Trade Agreement in 1964 that was later on amended in 1978. Until now, there are ongoing consultations by the Ministry of Trade to amend this agreement to meet changes within the global community and hence the exceptional development of the economy of China. To ensure the implementation of the already-ratified joint relation contracts, Chinese government ensures that its firms bring in Kenya's merchandise, to ensure the expansion of investment in the country, expand ties with African countries in agriculture and process industries, as well as take part in its infrastructure construction and resource exploitation. The Chinese government can go on providing a gift at intervals its out their valuable assets and reinforce help for the development of human resources in Kenya. The Chinese government has set up a unique fund to stimulate corporations in China to bring in Kenyan merchandise, as well as occasional sisal, beans, black tea, and rose seeds that are exported while still raw. Attempts that aims to bridge a bilateral trad ought to specialize in adding value prior to export. On the twenty-fifth Gregorian calendar month 2006, the Third Economic and Trade forum involving China and African countries became effective. In this forum, several issues, including how to bridge the balance of trade, were discussed that remains to benefit China to a great deal (POK, 2006).

2.1.2 Impact of Economic Diplomacy in China- Kenya Ties

The past decade has been Associate in the Nursing era of comparatively sturdy growth for the geographic region. In general, trade with China increased by thirty-ninth between 2004 and 2005; reaching 55.5 billion dollars in 2006, up from 4 billion dollars in 1996. The increasing oil prices have undoubtedly vied a section in formalizing the high development rates in several of those states, however even not as well as countries rich in oil, the rapidly-growing cluster has had a mean rate of growth of over four.5% from the mid-90s. For sections that have been pierced with impoverishment and low growth levels for man years, this can be a welcome amendment.

Over a similar time, trade with China has been bigger than before noticeably. Within the past 5 years, exports to China are surging at a mean rate of forty-eighth each year and currently, constitute 10% of all exports. The increasing growth of the Chinese economy has resulted in high demand for most of the leading export products from Africa, particularly for oil and products like timber, minerals, and metals. Chine serves as a huge export market food products like semi-processed or light manufactured agricultural commodities, especially for African countries that have diversified and even moved up to the technology ladder. However, the balance of trade is still angled towards the Chinese with the volume of imports from china far outweighing the exports to china from African countries.

A study conducted by the World Bank on export promotion agencies and investment promotion indicated the worth noting impact of investment advancement agencies and the contribution of export promotion agencies. The studies guaranteed that by and large a 10% expansion in the investment promotion financial plan prompts a 7.5% increment of FDI flows and each extra dollar of export advancement, leads to increment export by 40 dollars for the middle office. Extra to the hugeness and size impact of export promotion contemplates managed the local impact of export promotion; the impact of the level of improvement on the effect and the impact of export promotion when it comes to the broad and concentrated edge of trade and investment. A second strand in the late writing manages the commitment of the discretionary administration on exchange and venture streams took the lead in distribution at the macroeconomic level impacts of the system of international safe havens and departments in general Afman and Maurel studied the impacts brought about by this network and gave an analysis on the heterogeneity caused by the various representation in the network.6Studies on global network through the unification of trade missions in the form of state visits showed that they yield positive coefficients. Furthermore, a well thought out economic strategy should be considered when it comes to collaboration. A country's visibility abroad contributes to potential partnerships. Embassies largely affect trade than Consulates, while privileged Consulates by and large don't enhance trade16. FDI refers to investment inflows, particularly utilized in the acquisition of 10+ percent interest in an enterprise in a nation other than his native country. Thus when Kenya acquires significant investment from MNCs, this is referred to as FDI and borders on economic diplomacy. There are two types of FDIs namely; outward FDI which refers to capital outside a country always done by an outsider into the home country. There is also inward FDI where there is capital outflow. The others include horizontal FDI; production of the same line of products by a firm in different plants across different countries, vertical FDI is where production is divided into upstream and downstream for instance export which makes use of large economies of scale due to vertical integration of production. There is the Greenfield FDI where MNE construct facilities in the host country and Brownfield FDI which mostly uses acquisitions and mergers of an already prevailing firm in the recipient nation. FDI is used by firms for several reasons. The first benefit that Kenya will reap concerns its ability to circumvent trade barriers that companies may be exposed to, for example, the company might not be treated as an overseas organization. The economic landscape in Kenya will also have the chance to set foot into emerging markets that they couldn't access formerly. Besides, FDI allows the firm new opportunities for co-production and an increase in production capacity for example when the firms use the joint venture to enter new markets.

There are a variety of ways through which a firm can enter into an FDI. They include entry into joint ventures with another firm or investor, acquiring of shares in another enterprise, entry into mergers or acquisition or the incorporation of a fully owned company or subsidiary in the host country. Kenya has been chosen as the potential host country for the FDI due to two main reasons. The first is that the telecommunication and computer hardware and software sectors in India have registered very high rates of investment in the recent past. The second reason why India is chosen is that it has recorded a very high growth rate in FDI, especially in the period following the global market slump. This can be noted from the high FDI inflow into Kenya which stood at an all-time high of 7.78 billion dollars in the first two months of the 2010/11 fiscal year as compared to the 4.4 billion dollars which were recorded over a similar period in the last fiscal year. The figure represented an increase of over 70 percent in FDI inflow into Kenya. The above favorable conditions were brought about by the reduction in the charges on access deficit as well as an increase in the limit of foreign investment equity limit to 74 percent from the previous 49 percent. The Indian major policy shift towards the support of FDI

2.1.3 China –Kenya Trade flows

The size and volume of Kenya’s imports and export to China have been surging in recent years. Among 24 states that trade with China in southern and eastern African regions, Kenya comes third. In 1991, trade performance reveals that joint trade was around 26 million dollars, with the figure rising to 136 million dollars in 2000. Scholars have given various analyses of trade trends between Kenya and China. According to Onjala, it was until the mid-1990s that China-Kenya trade flourished where there was a low value of Kenya exports to China and an increase in Kenya’s imports from China. 14 Onjala contends that two factors led to increased China’s import to Kenya. First, as part of the economic liberalization initiative supported by world bank and IMF, Kenya liberalized its exchange rates in 1994.

Secondly, the industrial modernization initiative of China resulted in the manufacture of commodities that people of Kenya needed at more rivalry prices compared to other supplies, building materials, timber, drugs, motor, motorcycles, steel and iron commodities, rubber tires, home electrical appliances, and textiles (Kenya Daily Nation, 2010). More important, approximately 40 percent of imports from China to Kenya comprised of transport and machinery equipment, for the service sector, agricultural and industrial production16. Due to the increased growth of the ICT sector, in February 2006 the government removed all duties on the importation of computers. This resulted in an increase in goods from China. In 2002, the value of trade between Kenya and China reached 186.7 million dollars with imports from China totaling 5.8million dollars whereas exports took 180.6 million dollars. It is important to note that over 20 Chinese companies are running their operations in the Kenyan economy. They include China Import and Export (Group), Sichuan Co Ltd, China Road, and Bridge Construction Company, and Jiangsu International Economic and Technological Cooperation Co among others (China-Kenya Embassy).

Despite the picture of a rosy affair between Chinese and Kenyan government balance of trade, it must be stressed it favors China. According to Kiprono Kittony the Chairman of Kenya Chamber of Commerce and Industries (KCCI), there has been a trade imbalance, which leans heavily in support of the Chinese government. He further asserts that Kenya imports manufactured goods from China while only a very small assortment of Kenyan products enter the Chinese market.18 For example, in 2002, the joint trade between the two nations totaled 186.37 million dollars. China has been noted to have imported 5.8 million dollars of Kenyan products while exporting about 180.6 million dollars to Kenya 19. In 2011 China's export to Kenya amounted to US$2.8 billion which was two and a half higher than in 2008 when the value was US$909 million. On the other hand, Kenya's exports remained low at $52 million.20 According to the above statistics on the trade flows among the two suggests that the relationship between the two nations is almost exploitative.

2.1.4 Conclusion

It is clear that Chinese economic infiltration into the Kenyan economy has kept growing in the last 20 years, spreading to various economic sectors with far-reaching effects. There are several ways in which these Chinese contracts in Kenya are financed. However, they are classified into three broad groups. In the first place, it is financed through direct Chinese financing, through the Exim Bank, of Chinese multinational corporations operating in Kenya. The goal of this kind of financing is to endure the minimal risk of mismanagement of funds. In so doing, the Export-Import Bank directly compensates and hires a Chinese owned firm like Wu Yi or China Road Co to undertake construction work. The government of Kenya authorizes the contract and promises to be responsible for repaying the loan to the Export-Import bank.

Along these lines, the activities of Chinese firms are subsidized by Exim bank. It is important to also note monetary plans where an infrastructural loan to which resource security is attached is granted. Such types of loans are widespread in countries endowed with natural resources like the Democratic Republic of Congo; although Kenya too has such deals. In such contracts, China agrees to build infrastructure projects, and In return, the governments of Africa states offer a certain fixed or ratio of natural resources. Take CNOOC, for instance, it has agreed on a contract with the government of Kenya to explore oil in the North-Eastern region. In return for the infrastructure construction meant for oil exploration, including pipelines, CNOOC will take a fixed amount of any oil products discovered. Lastly, monetary contracts can be a combination of grants, credits, and loans. According to Exim bank, such an arrangement is called "package financing mode" and comprises some portion of grant money, concessional loans, as well as buyers and sellers' credits meant to finance engineering and large construction projects. Since these contracts are more sophisticated, needing many departments, they are less common forms of foreign aid.

Furthermore, amalgamated loans are as famous as concessional loans that have zero interest rate feature. Therefore, bilateral loans are the main means through which china finances Kenyan projects, although a considerable amount of grant funds is also provided. For example in 2010, Kenya received a grant worthy of 1.2 billion from the Chinese government, and a huge amount of this money was to be used in the construction of road and rail corridor from Mombasa to Isiolo and in the development of the port of Lamu. Although many of the loans are offered at zero interest rates, it's still clear that the government of Kenya will have to repay these loans in full in the near future. Such future monetary ties hence are influenced or will be influenced by the continued Chinese involvement in Kenya.

Furthermore, the total number of Chinese firms with its operations in the Kenyan economy is worrisome to many citizens of Kenya, not forgetting the many contracts these firms get from the government of Kenya without struggles. The decision by the Kenya government to award a majority of its projects to Chinese firms leaves the local construction firms with minimal chances for growth. And this applies to all sectoral economies, whether is resource extraction or telecommunications. Besides, the absolute size of such contracts bothers a great deal of Kenyans who feel insecure that wealth and money are flying away to just benefit businessmen from China. Another major worry is that Chinese firms tend to prioritize employees from China particularly in senior management positions compared to African colleagues. Yet MNCs from China understand this condemnation, and like Huawei, they have promised to hire more Kenyans in these firms.

More so, the government shows no or little signs for trying to award huge contracts to Kenyan citizens. In 2010, the NYS of Kenya bought earth-moving and road construction equipment from china in a deal amounting to 4.3 billion Kenyan shillings. Although this equipment was supplied by China, the project was to be undertaken by an organization in Kenya.

The overarching goal for which this study was conducted was to establish how Kenya's collaboration with China has impacted its diplomatic ties with other states, its economic capabilities, and technological developments. This study has endeavored to analyze to identify the above and according to the researchers findings it must be stated that although there are major problems such as the balance of trade deficit in the China-Kenya relations the overall effect on the economy of Kenya is positive in that, for example, Kenya has been able to develop major infrastructural projects with the help of the Chinese. These projects are expected to spur the development and growth of the economy in the country.

CHAPTER THREE

The Relation of Kenya and China and its effects

The second study objective was; to uncover the relationship and effect that China – Kenya relations has on the boosting of the inter-country relationship between Kenya and its partner countries and to examine the effect and consequences of the partnership of Kenya and China.

1.0 Introduction

The concept of globalization refers to a situation where states are interconnected in almost all spears of life. In this era, both third world and developed countries are presented with both challenges and opportunities. Because of this, bilateral relations have assumed a more crucial role in alleviating the challenges and making good use of emerging opportunities, particularly between the third world and developed states. A good case for this is between Kenya and China that have signed many cooperations and agreements. The emergence of advanced econometric techniques is a good proof of the positive relations amid economic growth and the impact of bilateral ties. According to Stein and Zozan (2013), cultural, political, and economic ties among states may be branded by shared understanding, community awareness, and knowledge about other nations, together with any extant relations among them. Cooperation is thus a requirement for improved bilateral ties. The common measures of bilateral ties include foreign aid, foreign loans, and FDI granted to any country. As reported by China Customs, in 2005, the joint trade between Kenya and China increased to 480 million dollars, translating to rise by 29.7% from the previous year. During the same period, exports from China amounted to 460 million dollars-representing a 31% rise, whereas the imports from Kenya totaled 20 million dollars, translating to a 4% increase from the previous year (MOFCOM, 2015). In 2005, the volume of the newly signed contracts reached 67.24 million dollars whereas the turnover of accomplished engineering contracts by Chinese firms in the Kenyan economy stood at 35.32 million dollars. In the same year, the volume of the newly assigned labor service cooperation contracts totaled 5 million US dollars while that of the finished labor service cooperation agreements was.67million US dollars (MOFCOM, 2014). Mugendi (2011) argues that the foreign aid that Kenya obtained from China did not come with any conditions; but with time, Beijing updated its international aid policy and inflicted more ceilings. The aid grants were substituted with joint ventures and other forms of aid while the government loans became expenditure cut loans awarded through Chinese banks.

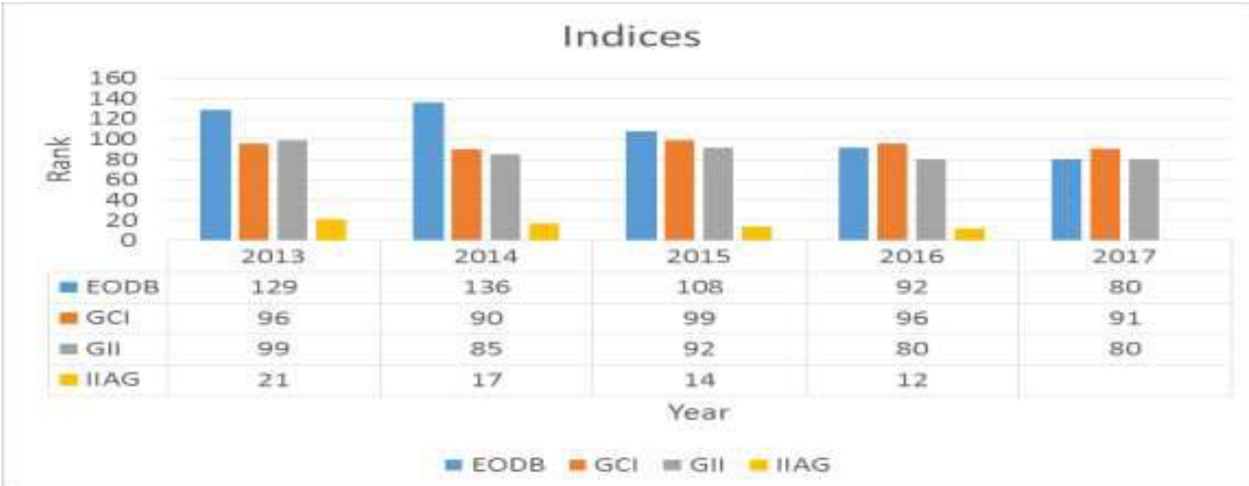
In terms of loans, chine is presently the largest bilateral lender for the Kenyan government. As of June 2015, Kenya owed China a total of 2.6 billion dollars, the highest debt ever compared to 2010 and 2014 where it stood at 146million dollars and 821 million US dollars, respectively (CBK, 2015). According to the National Treasury of Kenya (2015), this debt has continued to grow rapidly, averaging an annual growth rate of 54% between 2010 and 2014.

The period between 2000 and 2008 demonstrates a constant and slow growth induced by the start of cooperation with the east after it showed that any foreign aid from the western world was accompanied by political relations. The remarkable change in 2014 was because of the regime change that saw Kenya's president focus more on china for the alliance. At this time, China and Kenya established ties so as to conduct development projects within the nation. The drop in 2014 was prompted by a decreased in lending to the Kenyan government because the government was unable to maintain the rate of borrowing since the architecture and outcome of the country’s development project are in distant-future.

In terms of chines foreign direct investment in Kenya; the effect of FDI differs among various areas influenced by commodities and relations involved (Broadman et al.,2006; Jenkins &Edwards, 2005; Kaplinsky& Morris, 2006). Due to the availability of cheap labor, all major manufacturing firms are situated in China; a surge in the increase in FDI can be attributed to the political regimes and the openness of the economy the country has had in the last twenty years.

In the early 2000s, FDI from China was very low because the Kenyan government had focused on investment from the western world where the majority of its manufacturing plants were established. In 2000, Kenya-China FDI totaled 137 million US dollars, with 4million dollars being exports from Kenya to china whereas 133 million dollars being Chinese imports to Kenya. Two years later, the FDI between the two states reached 186.7 million dollars, with 5.8 million dollars being in Chinese imports while 180. 6million dollars being exports from China. The decision by countries to outsource their labor to China has been the major reason behind an increase in FDI from 46 million in 2008 to 265 million dollars in 2015. Foreign aid is one of the major components of overseas capital inflows and outflows to underdeveloped states (Radelet, 2006). Foreign aid is positively correlated with growth in the economy via the provision of human expertise and capital needed by states that have an inability to do so (Rosenstein-Rodan,1961; Chenery & Bruno, 1962; Chenery & Strout, 1966; Mosley,1980; Mosley, Hudson &Horrell,1987; Karras, 2006). In the year 1963, international assistance was considered a vital element in economic restructuring and over time has turned out to be an important component for growth in the economy. The ratio of foreign aid to Gross Domestic product has remained low averaging 6.3% between 2000 and 2015 (annually) but still, the country's economy has witnessed some growth.

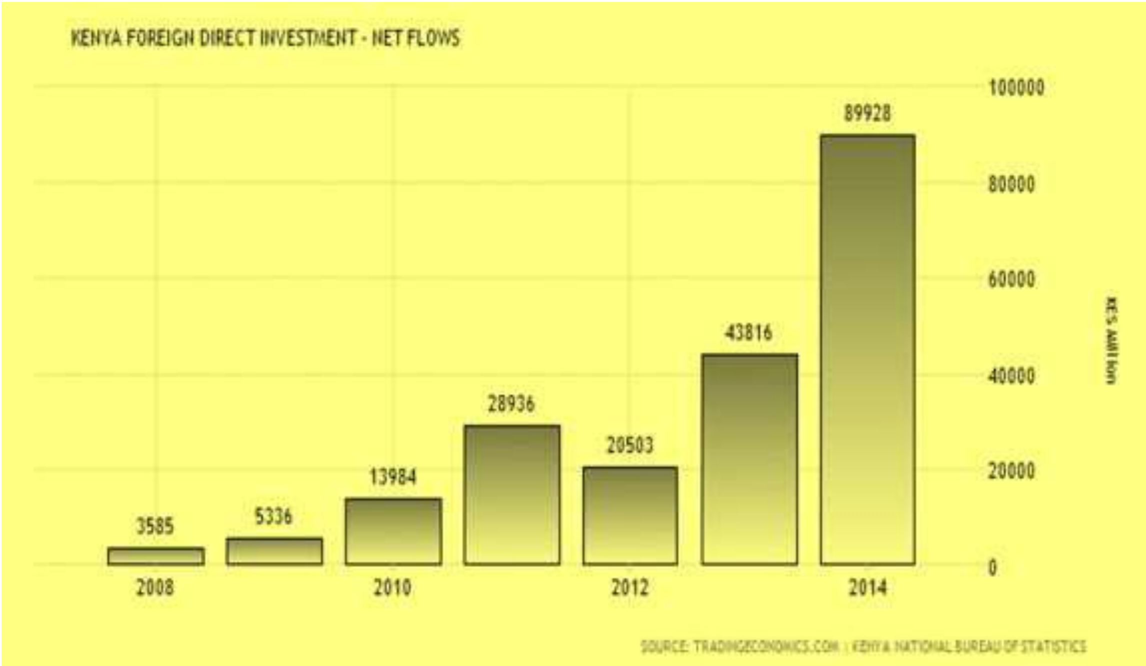
Fig 1: Comparison of Global Ranking Indices for Kenya from 2013 to 2017



Examining the trends FDI in Kenya, the findings uncover that the volume of investment inflows into Kenya increased from Sh 133 billion in 2014 to Sh 143 billion in 2015, this represented an 8% increase. Data from KNBS shows that China outdid America and Europe to become the leading FDI source in the Kenyan economy. This indication amplified the ascendancy of the Asian dragon over Kenya’s exterior do business.

The recent study carried out by the KNBS on foreign investment revealed that foreign direct flows from the Far East, particularly China, surpassed that from the EU. This decline was mainly due to a 27% drop in the volume of FDI emanating from the UK over the two-year period, even as China was still the ascendancy source, representing 40% of total investment from the European Union.

Fig 2: Kenya's Foreign Direct Investment-Net flows for the period 2008 to 2014



Further analysis of the trend of FDI unearths that the inflow of investment from the United Kingdom dropped to Sh 15 billion in 2015 down from Sh. 20 billion in 2014 with Netherlands, France, and Sweden contributing Sh 2.3 billion, Sh 11.2 billion, and Sh. 4.6 in that order, amassing the top resources of FDI from the European Union. The decline in FDI from the European Union is in correspondent with tourism slouch caused by travel recommendations delivered by countries in North America and Europe following the 2013 Westgate Shopping Mall invasion.

The investment inflows from the Far East grew by 113%, with China ranked first contributing to Sh 41.8 billion in 2015, translating to Sh 27.9 billion increase from 2014. In the same period, India brought in Sh 7.9 billion in FDI while Japan recorded Sh 10.8 billion. The expansion of tigers ventures stock of Asia in the Kenyan economy was at the expense of declined investment from both the US and UK. The outcomes of the investigation reveal that the volume of US FDI to Kenya dropped from 24 percent to 8 percent. In general, the foreign liabilities stock of Kenya presently totals Sh .08 trillion with Europe having a lion's share at 34 percent while both the US and Asia coming second at 14 percent each 36. As per the world investment report (2018) undertaken by the UN Conference on Trade and Development (UCTAD), the strong domestic demand and inflows into information and communication sectors saw Kenya's FDI inflows rise by 71 percent in 2016 to 672 billion dollars. In view of this, it can be argued that Kenya should do more to ease the procedure and process of doing business to attract overseas investments into the country. Therefore, its investment policy should be effective, coherent, and flexible and be directed toward Trade rather than foreign aid.

Conclusion

“The buy and sell not support” notion is extensively contested by global researchers and academicians with differing standpoints. The discourse and argument concern whether or not aid or trade efficacy matters and influences the growth of global economies. Opponents of the impact of aid have turned out to be more vocal since the campaigns to improve aid have gathered momentum. Likewise, the effectiveness of the trade campaign has undoubtedly been increased with scholars and supporters in diverse global trade meetings including Round Table Talk and World Economic Forums sponsored by UNTCAD.

The current study’s findings uncover that the net trade investments between China and Kenya have amplified to a great deal. China stiffened its grasp on the financial system of Kenya with data showing that it extended about Sh. 165 billion in loans the previous year. Asia has seen then stretched its lead as the state’s largest two-pronged lender, with its liability stock growing by 52.8 percent from Sh 313.1 billion in 2016 to Sh. 478.6 billion in 2017. The second-largest economy across the globe currently controls 66 percent of the total two-pronged liability of Kenya, which totaled Sh 722.6 billion in 2017. This rivals global organizations like the UN and World bank whose collective debt stock approximated Sh 526 billion in 2016.

This rivals worldwide institutions such as the World Bank and United Nations, whose collective debt stock stood at Sh526.6 billion last year. Chinese government’s money owing stock is almost sure to surge further this year as the building of the SGR is about to enter its second stage, with rumors saying that the government has further borrowed 165 billion shillings to expand the rail from Nairobi to Naivasha. Having already spent over Sh 440 billion on SGR running from Mombasa to Nairobi, by the time the railway ends at the Malaba border, the Kenya government would have spent up to Sh 1 trillion.

Today, the Kenyan market is flooded with an influx of low-quality Chinese products following the removal of trade restrictions to allow for the mobility of factors of production. This was due to the fear to create fierce competition to Kenyan local manufactures and other African countries. With china's upper hand in superior technologies, it's likely that the domestic manufacturers in Kenya will collapse. Disturbingly, the Chinese comparative exclusive loans are rapidly drawing level with zero-interest loans offered by many-sided organizations like IMF and the world bank. The debt owed by Kenya to MNSc increased moderately to Sh 844.4 billion in 2017 from Sh 798.8 billion in 2016. As of 31^{st} June 2018, Kenya's eternal debt sits at Sh 4 trillion, taking 60 percent of GDP. As per Global rating agency Moody's Investors Service, this represents 13 percent points above IMF's proposed benchmark for developing states.

While the investment and trade relations between Kenya and China is perceived as a golden opportunity for the two states, the current study makes recommendations that Kenya should adopt an effective trade policy as opposed to Aid helpfulness as an approach to advance and build up economic development in Kenya. Also, China being her development partner should pursue her promises on the role of trade agenda engineering that forms part of Sino-Africa many-sided agreement through "increasing pains" in Sino-Africa relations, amid claims by African states of lack of respect for labor laws as well as poor construction, in long-term, be significant. This implies that the Kenyan government should learn to both improve productivity and competitiveness for sustainable development as well as diversify its economic base and utilize its prospects via trade and investment.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

The data obtained from the field is interpreted and presented in this section. It presents the respondents' background details, analytical findings of the analysis in correspondence to study goals. Both inferential and descriptive statistics were employed to analyze the study outcomes. Out of the 55 respondents that the researcher targeted, 50 of them were able to fill in and return the feedback forms; translating to a 90.9% rate of response.

This rate was satisfactory in drawing study conclusions and was representative. Mugende and Mugenda (1999) recommend that a response rate of over 70%, 60%, and 50% is excellent, good, and adequate for analysis and reporting, respectively. And because of this claim, the study's rate of response was deemed excellent.

4.2 Demographic Information

Table 1: Gender of the respondent

Gender	**Frequency**	**Percentage**
Male	26	52
Female	24	48
Total	**50**	**100**

The researcher endeavored to find out the respondent's gender and thus were asked to show their gender. The findings revealed that 48 percent and 52% of the respondents were females and make respectively, implying that both genders were engaged in the research work and hence the study findings were not subjected to prejudice.

Table 2: Age distribution

Age Bracket	Frequency	Percentage
21-30 Years	22	44
31-40 Years	11	22
41-50 Years	13	26
51 Years -Above	4	8
Total	**50**	**100**

The researcher sought to determine the age of the respondents and thus each participant was asked to indicate their age. The study outcomes revealed that 8 percent of the participants were aged above 51 years, 26% aged between 41 and 50 years, 22% were found to be between 31 and 40 years, while 44% of the participants showed to be in the range of 21 to 30 years. These findings show that the participants were well-distributed as per their age.

Table 3: Period of service in the current institution

Years of service	**Frequency**	**Percentage**
1 to 3 years	10	20
4 to 7 years	17	34
8 to 11 years	12	24
Above 11 year	11	22
Total	**50**	**100**

Respondents were also asked to show the number of years they had served in their respective positions. The study findings demonstrated that 20% of the participants showed they have been in service for 1 to 3 years, 34% stated they had been in service for 4 to 7 years, 24 percent remarked they had been at the company for a period ranging from 8 to 11 years, while 22 percent of the participants showed they have been in service for more than 11 years. One implication of these findings is that most of the respondents have been in service for a period exceeding 4 years. Another implication is that the majority of the participants had extensive experience and knowledge that could be dependent upon by the researcher.

4.3 The relationship between China and Kenya in terms of trade, and medical development

Table 4: Effects of China – Kenya relations boosting the inter-country relationship between Kenya and its partner countries

Policies and practices	Frequency	Percentage
Yes	10	20
No	40	80
Total	**50**	**100**

The study endeavored to ascertain the effect of China-Kenya relations with regard to trade and medical development. The majority of the findings of the respondents were of the opinion that China-Kenya relations have affected trade and medical development and have boosted the inter-country relationship between Kenya and its partner countries as indicated by 80% whereas 20% of the participants had contradicting view. This means that China-Kenya relations have greatly changed the trade and medical development in Kenya and have boosted the inter-relation between Kenya and its partner countries.

Exports from Kenya to the Chinese economy continually growing despite still being small at the moment. The primary products exported include scrap metal, tea, fish, leather, and sisal fiber. A close examination of the patterns and trend of Kenya's export expansion to China has serious ramifications: exports of tea products still takes a small share of the total export market accounting for below 1 percent. Today, China is the main source of Kenya's export market.

But the Chinese market constitutes just 4 percent of the total value of export. Sisal fiber from Kenya is valued highly due to its quality and is an input for Kenya's high-quality special paper and carpets. The exports for sisal can be argued to benefit the export destination to a great deal.

Moving to leather subsector, raw hides and skins exports from Kenya to China increased to 33 percent (2.988 million dollars) in 2005 up from 6 percent (0.3 million dollars) of the total hides export. This share dropped significantly in 2008 to 10 percent (.05 million dollars) after a levy on raw skins and hides was imposed. Similarly, equine or bovine animals exports to china have significantly amplified in value but dropped in terms of the proportion of the total value of exports globally as a whole. The volume of exports for lambskin or sheep to the Chinese market has remained constant over time. As of 2000, sheep or lambskin exports were valued at 1 percent of total products exports (.037 million dollars) while in 2008 it grew sharply to .079 million US dollars. This has seen the export of kidskin or goat leather to China increase greatly with regard to the proportion of total exports and export value.

It should be remembered that China has not been a conventional export destination for scrap metals from Kenya. However, in the past decade, there has been phenomenal growth in Kenya’s scrap metal exports to the Chinese market.

Growth in Copper export has also seen a rise in its exports as compared to aluminum. Whereas fish exports in Kenya to the Chinese market has been prone to fluctuations due to demand and decrease of fish supply, exports for fishery products in Kenya may, however, be of great demand in the Chinese economy, and hence the country can benefit from the hicked export earnings and increased prices. But the chances for expanding fish fillet exports in the Chinese market seem to be lower mainly due to the absence of investments to ensure sustainability to the resources as well as the restrictions inflicted by the local environmental conditions. The fishing industry is still underdeveloped whereas fishermen are languishing in poverty.

Overall, the trend and patterns of Kenya's major export commodities to the Chinese market implies that Kenya has gained a lot from trade ties. This is seen in them being able to participate in the international market and also enabling them to support and sustain their economic activities through employment, and overall development.

Conversely, major import products from the Chinese economy include vehicles other than the railway; organic chemicals; steel and iron; crocheted or knitted products; pharmaceutical products, ceramic products; and electrical and electronic equipment. Looking at it with regard to value denotes that electrical and electronic equipment is ranked first imports. It should also be recalled that local manufacturers in Kenya produce footwear, ceramic products, and crocheted or knitted fabric, hence Chinese imports can be said to rival with Kenya's domestic manufacturing firms. However, Kenya as a country can be said to improvise by allowing the use of fake products that are widespread in the market.

4.4 Evolution of infrastructure in Kenya and how it has led to building working relationships with China.

Table 5: Extent of the evolution of infrastructure in Kenya and how it has led to building working relationships with China

	Frequency	**Percentage**
Very great extent	30	**60**
Great extent	12	**24**
Moderate extent	5	**10**
Less extent	3	**6**
Total	**50**	**100**

The study purposed to examine the level to which infrastructure has evolved in Kenya and how it has led to building working relationship with Kenya, from the findings, most of the participants were of the opinion that evolution of infrastructure in Kenya have an effect on building a working relationship with Kenya to a very greater extent as indicated by 60%, 24% of the participants showed to a great degree,10% of the respondent showed to moderate, whereas 6% of the respondents indicated to less extent, this is an indication respondent felt that Kenya's infrastructural evolution has contributed positively to building a working relationship between Kenya and China.

The role of China in Africa in regards to development assistance in the form of the infrastructure goes way back to the Tan-Zam railway project that was successfully concluded and given to the government of Zambia in 1976. Such like projects which were under Mao Zedong during the Cold War era were particularly ideological in intent. The intention of the development of the

Tan-Zam railway, for example, was to offer a transport passage to African states that by-passed the need to enter the South African market which was by then imperialist in nature. China‘s current participation in the continent, whereas more commercial-oriented, focuses less on the development and rehabilitation of infrastructure, their links have also grown speedily over the past decade when compared to other continents.

4.4.1 Impacts of China's Involvement in Kenya's Infrastructure Projects

China has witnessed remarkable growth following the reformation of its economy into the market economy. Its impact is hitting the whole world, particularly in third world countries. The government of Kenya is one of the many states that have obtained bilateral support and assistance from China either via sports facilities, infrastructure projects, and construction of hospitals among other things. Many forms of support obtained via concessional loans authorized by China and availed to Chinese firms to offer FDI in Kenya. The loans taken are afterward repaid by the different public entities and individual clients who directly engage the Chinese firms. The chapter seeks to determine the impact of the involvement of China in Kenya in terms of infrastructure development thus determining if the effect is favorable or adverse or both. It is obvious that the government of China has been playing a key role in the growth of Kenya's economy both in terms of infrastructural construction and trade. It can be said to have aided the construction and upgrading of airports, railways, ports, and roads, unblocking major bottlenecks to growth and filling a critical gap that western donors have been afraid to offer. Concerning relations in the creation and utilization of new energy, the government of China has constructed the Chemoisit Small Hydropower Stations and the Irati Small Hydropower Station, drilled boreholes in the Rift Valley and eastern provinces, and provided the country with 490 sets of small scale solar energy equipment. The first Standard Gauge Railway passenger train which commenced operations in 2017, has currently experienced remarkable improvements in the number of passengers that have grown to over 2000 bookings per day.

So far, SGR is the biggest infrastructural project undertaken via a concessional loan from the Chinese government. It is the largest foreign project adopted by CCCC that is establishing together with the CRBC as well as the largest individual foreign projected built by a Chinese firm. In terms of credit and financing, the government of China has through goodwill given preferential export buyer's credit and concessional loans to enable the country to finance much social development and infrastructural projects currently ongoing. Candidates are Nairobi-Thika Highway (Lot 3), Kenyatta University Teaching and Referral Hospital, Olkaria Geothermal Field Production, Nairobi Eastern and Northern Bypass, Technical Industrial Vocational Entrepreneurship Training Project, Kenya Power Distribution Upgrading and Strengthening Project, Nairobi Southern Bypass, and Kenya E-government Project. Chinese government similarly granted a special loan for the growth of SMEs in African countries to sponsor SMEs in Kenya in areas of their prowess such as regional aviation, tea production, rural power grids, and power generation.

4.4.2 Impact of Chinese Involvement in Kenya's infrastructure development

By now, it's a known fact that China is in a pole position to shape Kenya's economy and impact on its politics to an unmatched level. Fundamental to this condition is the idea that China is ready and prepared to be the biggest trading partner with Kenya and it's a considerable annual investor, eclipsing international financial institutions and traditional donors.

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Kenya requires an effective transportation infrastructure to be able to export its produce. The present Kenyan transport infrastructure totals 177, 500KMs of roads, with 114, 500 KMs constituting of unclassified roads and 63, 000 KMs of classified roads. Recalling this fact, increased investment is still needed for around 40 percent of roads that are in poor condition found in rural regions. At the moment, the Kenyan government is tasked with ensuring connectivity of these areas, and we can agree that this government strived to stimulate this development with an aim of elevating itself as a geographical and stable corridor to the East African region. There has also been unceasing interest from the European Commission to engage in the development of Kenya's infrastructure, especially in terms of construction or rehabilitation of new roads. More so, the government of China, with Nairobi as its biggest embassy in Africa, has grasped the chance to create major transport connections to employ Chinese companies to undertake the project as well as to support its own economic interests. The government of China began its investment in Kenyan roads way back to 2006 and has consequently lead to construction or rehabilitation of around 905.4KMs of the road which is thought to have cost € 316 million. The growth effect of Chinese engagement in Kenya's infrastructure has been overall very promising, although with some debates in certain contexts, whereas the effect on matters of governance has generally been controversial. However, in the two cases, it’s important to transcend the media reports to have complete knowledge of the role and effect of Chinese involvement in these regions.

4.5 Effect and consequences of the partnership between Kenya and China

Table 8: Effects and consequences of the partnership of Kenya and China

	Frequency	Percentage
Yes	**29**	**58**
No	**21**	**42**
Total	**50**	**100**

The study sought to determine whether China- Kenya partnership has effects and consequences in terms of diplomacy from the greater part of the findings of the participants came to an understanding that the China- Kenya economic cooperation affects the social and economic development of Kenya as shown by 58% whereas 42% of the respondent disagreed with the argument,this indicates that China- Kenya economic cooperation affect the social and economic development of Kenya.

Table 9: Extent to which China- Kenya partnership has effects and consequences in terms of diplomacy

	Frequency	Percentage
Very great extent	3	6.0
Great extent	22	44.0
Moderate extent	13	26.0
Less extent	12	24.0
Total	**31**	**100**

The inquiry endeavored to examine the level to which China- Kenya partnership affects diplomacy, from the findings, most of the participants felt that China- Kenya partnership affect the social and economic development of Kenya to great extent as indicated by 44%, 26% of the respondents were of the opinion that China- Kenya relations affect the social and economic development of Kenya Moderate extent 24% of the respondent indicated to less extent, whereas 6.0% of the participants showed to very great extent, this is an indication respondent felt that the China- Kenya relation affects the social and economic development of Kenya to a moderate extent.

4.6 Effect of China Foreign Direct Investment

Table 10: Effects of China foreign direct investment on the relationship of Kenya with other states

Policies and practices	**Frequency**	**Percentage**
Yes	15	30
No	35	70
Total	**50**	**100**

The study sought to establish whether foreign direct investment by the Chinese government has any effects on the relationship of Kenya with other states. From the bulk of the findings of the participants felt that FDIs by the government of China has influenced the cooperation of Kenya with other countries as indicated by 70% whereas 30% of the participants had contradicting views. This implies that foreign direct investment by the government of China has greatly changed the socio-economic relationship of Kenyan and other states.

Table 11: Extent to which China foreign direct investment affects the Kenyan social and economic development with other states

	Frequency	**Percentage**
Very great extent	30	**60**
Great extent	12	**24**
Moderate extent	5	**10**
Less extent	3	**6**
Total	**50**	**100**

The sought to examine the extent to which foreign direct investment by Chinese Government has effected relations of Kenya with other states socially and economically, from the findings, most of the respondents were of the opinion that foreign direct investment by Chinese Government have an affected social and economic development of Kenya to a very greater extent as indicated by 60%, 24% of the respondents indicated to a great extent,10% of the respondent indicated to moderate, whereas 6% of the respondents indicated to less extent, this is an indication respondent felt that FDI has contributed positively on social and economic development of Kenya.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

This chapter sums up the findings of the study, draws a conclusion, and makes relevant recommendations.

5.2 Summary of Findings

The existence of fake and substandard goods in the local market adversely affects the lives of innocent customers. The overflow of fake products in the Kenyan market makes it hard for genuine goods to enter the market thus killing fair competition. A joint approach has to be encouraged by the geographical area community in their commerce participation with the Chinese government. In explicit, because Kenya is probably going to be the most important loser, it ought to take the number one approach to settle the issue. The Kenyan government should reconsider its competitive edge in sisal, tea, and leather exports to the Chinese economy. She might capitalize on an institution of additional Chinese worth addition ventures domestically. In the case of the animal skin business, technology is still the most important barrier in exploiting this market.

Different factors specific to an area of operation contributed to the creation of Africa-china relations (Sautman & Hairong, 2007). Besides migration and foreign aid policies, the "Beijing Consensus", a Chinese approach of infrastructure and investment, is a critical model that calls for further discussion. According to Ramos (2004), it's a replacement angle towards a global power balance, politics, and development. overall, it put weight on the concept of international and political ties of peaceful co-existence, multilateralism, and consensus (Wenping, 2007).

According to Sautman and Hairong (2007); Fine and Jomo (2005); this model differs from the Washington consensus, a neoliberal concept factors in poverty reduction, democracy, and good governance.

Bilateral relations are developing hand in hand with the normal relationship gathered and friendly cooperation altogether areas more and more developed. Joint trade and economic ties made new headway and either aspect has created quick progress in relations at intervals in the fields of investment and project contracts, electric power, and communications, maintained shut cooperation and consultations affairs as well as attained new ends up in humanities exchanges. Basically, the Chinese investment model guides trade and investment decisions in Africa and brings economic process objectives and policy along with unconditional technical and monetary aid (Zafar, 2007).

China seeks resources and with construction comes loans for infrastructural development and victimization investment. Brautigam (2003) contends that these loans area unit are normally issued at a zero interest rate or afford reimbursement in natural resources such as oil. For instance, the Chinese government provided 2 billion US dollars in aid for infrastructure comes, thus obtaining a previous Shell Oil block in Angola by outdoing a proposal from India. Yet in another case, a company from China gave America 7 billion dollars in rehabilitation and investments in power stations to safeguard an oil region sought by firms from the western world (Alden & Davies, 2006). The majority of African states see investment from China is very unique from those in the western world. The government of China does not impose the neo-liberal reform package that is often a requirement by the world bank under its conditionality provisions (This Day, 2005). On the other hand, Chinese aid comes with "no string attached", and are considered to be in support of programs by African countries to manage development problems not dealt with investments from the west (Sautman & Hairong, 2007).

The cooperation between Africa and China has witnessed some significant growth. China's foreign policy is functioning for each party in several ways, particularly in debt forgiveness, investment, and foreign aid. This idea is promising considering the diverse agendas and cultures of these states. Thus far, Chinese investment hasn't yet started to compete with investment from the western world. But this doesn't bring down the important steps that have been made and there appears to be a focus to keep this forward impetus. From the associate degree African view, the investment from the Chinese government has been useful in countless situations. However, just like any other investment, it's accompanied by the significant cost such as the dominance of domestic culture and considerations.

Furthermore, it has adversely affected domestic trade. In many incidences, labor from African states has not gained from the country's investment. More so, this investment has supported a number of rapscallion administrations. It's too early to inform whether the global recession has had adverse effects on china's investment. Obviously, China has robust data of investment in the African continent and verbally they back up sustainable growth. It will be interesting to see how these patterns change as more data becomes available and accessible. In theory, the economic model proposed by Dunning looks to try and do a decent work of forecasting investment by China as always seen in extraction firms. The main concern for Chinese firms is oil products. A further suggestion is the inclusion of the impact of the government of China on the process of decision making.

5.3 Conclusions

As a final point, in as much as Chinese ties with African states including Kenya have been positive several areas, several concerns are raised by diplomats and scholars about strategies and tactics that China adopts in its quest for resources. According to (Brooks and Shin, 2006) several authoritarian African heads have welcomed the Chinese strategy enabling them to have a tight grasp on political influence. Meanwhile, Economy and Monaghan (2006) opine that African heads of state see China as the aptest strategy for their economies and countries.

Several projects currently run in Kenya by China with the successful implementation of these projects being dependent on how the government of Kenya executes and maintains them; there are currently a lot of negative aspects that come with Kenya over-relying on China for infrastructure development which eventually affects the political economy. Investments in Kenya by the Chinese are largely resource seeking and to this end, China has been concentrated in the manufacturing, construction, and trading industries. The development of these investments has however been steady over the years and is likely to remain the same in the near future though majorly to their own advantage.

In as much China is doing business with Kenya and helping in expediting growth of the nation in terms of infrastructural developments and creation of employment, others have argued that the type of jobs created are of low quality and standard at the same time Chinese FDI contributions to Kenya notwithstanding, has also been marked with widespread criticism.

It is, therefore, noted that the Chinese perceive Kenya as a corridor to East African areas and the point of focus with regard to Chinese economic and trade model in the continent. This can be attested through increased investment by the Chinese government in infrastructural projects such as road construction. Besides, the country grants loans to the Kenyan government for school and hospital construction in underdeveloped regions, provide volunteers to train the local folks, and it has established malaria control and prevention centers.

It has conjointly been noted that china's financial aid is attached to the employment of Chinese merchandise and services and also the sole adherence needed is that the "One China" policy but not the "good governance" as this makes Kenya conditional ties that are quite commonly associated with the donors from the western world. This means that Chinese trade and foreign aid are interconnected in several ways and it's hard if not impossible to put the two aside. In general, the effect of Chinese diplomatic ties, aid, FDI, and trade in the Kenyan economy are intertwined since they harbor losses and gains altogether. This spans from cheap imports for each client and producer merchandise that offer low-cost products in spite of the quality. But this creates rivalry whenever native suppliers become losers and this spread to native companies that collapse thanks to lack of suggests that to resist rivalry then staff finish up losing jobs too.

5.4 Recommendation

The guaranteed success of the economic, social and political relationship in China-Kenya collaboration is subject to political stability and continuity being the pillar and foundation. The empirical studies show that trade with China has positively influenced both petroleum and non-oil nations.

Hence, in the case of this study, the first recommendations focus on policies aimed at bolstering the volume of trade between Kenya and China. Aid, trade, and investment aid between China and Kenya will without a doubt grow in the coming years with Kenya-China relations in this context reflecting, to a great extent. This relationship could be considered as that which is geared by mutual benefit, and reciprocity grounded in bilateral agreements between the Chinese and Kenyan governments.

Secondly, Kenya's exports to China should be encouraged and Kenya should improve and encourage product diversification to meet the demands of rising incomes in China. Kenya can achieve this by moving towards movement towards improving the tourism sector, improving agricultural production and also venturing in manufacturing. This will increase Kenya's value of exports to China by exploiting opportunities for value-added processing as opined by (Broadman 2006) the processing work on aluminum or on parts along the cotton-textile-apparel chain may be done regionally before exportation to China. Therefore China should be encouraged to have more manufacturing industries in Africa to limit exportation of resources which after making finished products are shipped back to Africa at higher prices

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