The impact of China’s one belt one road Initiative in Africa: the Evidence from Kenya

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Abstract

One belt one road is big initiative that is proposed by president Xi Jingping in 2013 to boost the global economy. The initiative concerns China and 64 countries especially Asia, Europe and Africa, the purpose of the initiative is to promote international trade itself. China considers Kenya in Africa the hub who is the way that can help to enter Africa because Kenya is trying to growth its economy. The aims of this article is to show the positive impact of one belt one road initiative in Kenya in terms of regional Economic cooperation in East Africa, Economic growth, Infrastructure development.

Keywords: one Belt and one Road, Kenya, Economic growth, Infrastructure Development,

1-Introduction

In the past decade China has been deeply involved in the economic growth of the African continent. And now under president xi jingping's globalization initiative called one belt one road it will invest close to trillion US dollars. I'm building infrastructure all across the globe. And if you are looking at the map. It shows that Kenya is the hub for Africa. Where it will play a ambitious role in opening up the whole east African region. Both the government and the China companies have made massive investment in Kenya over the past decade and now the country is far ahead in looking at China as an example for their own development. You can already notice this across business, education and increasingly in social initiative as well. In the Nairobi, the capital of Kenya. To look beyond the economic headlines. And to witness the force of China globalization. The government of China is clearly putting a lot of focus a d money into Africa but as much as you would base of the result they are getting vast amounts of influence over a whole continent. There are two key numbers to look at. In 2015, China loaned just $12billion to African countries. In the Same year, the country invested a mere $3billion in the continent. That's just not much but the reason China is gaining this enormous influence over the continent is because the Chinese government no longer has to force this phenomenon. Private Chinese industry is taking hold of Africa. Of the estimated 10,000 Chinese businesses in Africa, 90% of them are privately owned rather than one of the numerous Chinese state-run companies.

The Chinese companies in Africa are actually making money some substantially so. The Chinese government certainly has provided a considerable push to the industrialization of Africa but now that that’s done, economic forces are moving the initiative further forward. A Chinese small business is gripping the continent. Much of western world is ignoring the prospects of the continent -ignoring that business in Africa can now be as profitable as business in China was when its period of tremendous growth began. Right now, Africa is establishing itself as the source of labor and resources for China, until the west pays attention; Africa will continue inching forward on its path toward becoming China's China. One of the techniques used to predict the GDP or GDP growth of a country, which is of course used to decide which country to invest in, is machine learning. For example, here's what a machine learning model predicted a country's GDP would be over three months and here's what it actually was. It forecasted the country's GDP far better than human did. The science behind predictions like this is complex but fascinating. It is considered by China as a potential economic leader in east Africa who china help to connect in the others countries in the region in terms of infrastructure (airport, railway, highway). This initiative received the
support and active participation from many Asian European and African countries as it will put forward the mechanism of a multi-tier cooperation platform (Zhu, 2016). The 16+1 mechanism and one belt one road initiative have played a big role to promote the economic growth and trade cooperation between china and central and eastern European countries. The two countries are deciding to explore the potential of economic complementarities and constantly promote cooperation in fields such as machinery manufacturing, energy, finance and infrastructure (LI, 2017). The important benefits of one belt one road initiative to the world is also regional cooperation, the one belt one road initiative will transform the economic environment in which economies in the region operate. For example, by sea shipment from china to Europe it will take around 30 days. But shipments by train are about half as long, yet given current infrastructure, much cheaper. Therefore improving the capacity and network of railway infrastructure must radically change travel times. The time and cost diminution will have significant impact for certain goods impacting the mod choice and flows of international trade (Boffa, 2018).

figure1: the map of one belt on road proposed by china

How will the initiative one belt one road impact Kenya economy? How the one china’s belt one road can make can make Kenya powerful in east region? What is the current trade situation between china and Kenya? Is there may trade potential between two countries? Before the china’s one belt one road how is it Kenya’s economy? And then after the initiative was started how it is going now? This article provides answer to these questions.

2-Literature review

One belt one road initiative is one biggest initiative proposed by president Xi jingping in 2013 to boost the world economy especially international trade, finance and the tourism. According (FIANO, 2018) explained the stories of the one belt one road and then gave to us the opportunity of the one belt one road to world. He also defined the initiative as the largest infrastructure plan of all the time. (B.Shrestha, 2017) Tried to explain that the one belt one road is vast initiative to open the opportunities to the world especially in Eurasia and in Africa. He also described that the one belt and road will play the important role in regional cooperation like how to connect china to others countries to make deeply investment, create jobs opportunities and enhance people-to-people exchange. This will impact not only Africa and Eurasian regions but the global Economy. (Lili, et al., 2018) Tried to define the initiative by two ways, first one belt which means Silk Road or economics road and one road means 21st century maritime Silk Road. They also gave the purpose of one belt one road which is to promote china’s integration into a more global economy. (Cheng, 2016) Posed three majors questions to explain the content of one belt one road initiative who concerns the real objectives behind the initiative, trade and investment considered the principal task of the initiative by china and the foreign aid is it considered gains on losses. The examination of china’s official statement as contained in “vision and action on jointly building silk road Economy belt and 21st-century maritime road” , a
The opportunities opened by the new Chinese silk routes and the policy of industrial relocation led by Beijing fueled promises of investment and development dream, Monday, at a China-Africa forum held in Marrakech. Emphasis was put on “accelerating investment cooperation,” said Wang Yong, vice president of the China-Africa Development Fund, at the opening of the two-day forum more than 400 businessmen, including 150 Chinese. In October, the 19th Congress of the Chinese Communist Party had given "clear and powerful signals: China must open and accelerate the program of the Silk Roads," he added. For the Moroccan Minister of Industry Moulay Hafid Elalamy, “Chinese and Africans share the same quest for development (...) and the initiative of the Silk Road will change the map of international trade.” In less than 20 years, China has become Africa's leading economic partner. Their trade reached $ 190 billion in 2016 and is now larger than those of the continent with India, France and the United States combined, according to figures released at the forum. After Kenya, Ethiopia, Egypt and Djibouti, Morocco has just joined the project "New Silk Roads" which provides for the construction of roads, ports, railway lines and industrial parks in 65 countries for more than 1,000 billion dollars. Called China's "Belt and Road", this infrastructure program includes a land belt linking the world's second-largest economy to Western Europe via Central Asia and Russia, and a sea route to Africa. Europe by the China Sea and the Indian Ocean. This initiative "already concerns East Africa and we hope that the phenomenon will increase (...) to West African countries,” said Jean-Claude Brou, the Ivorian Minister of Industry. "The world is undergoing a profound and complex change with a new global industrial transfer (...) and Africa is an abundance of natural and human resources,” said China's Li Li, China's ambassador to Morocco. For the Ivorian Minister Brou, this industrial transfer represents "a great opportunity" for Africa. With the rising cost of its workforce and its concern to maintain its competitiveness, China is now turning towards countries that have low production costs, he said, pointing out that "for the outsourcing announced, Africa has a strong advantage in terms of wage costs."China was in 2016 the first foreign investor in Africa with $ 36.1 billion committed on the continent. By the end of that year, Chinese companies had helped build about a hundred industrial parks, thousands of railways and highways, as well as several airports and power plants, according to figures presented at the forum."We never imagined that China, which took all our textile industries, would invest today in the textile industry in Morrocco," said the Moroccan Minister of Industry. "Everything has changed," according to him, with the desire to create a middle class in China, where "the increase in wages has led to an erosion of competitiveness.""China needs Africa and Africa needs China, we need to strengthen ties," said Tony Dong, head of the Federation of Sino-European Entrepreneurs, who came to Marrakech to "find investment opportunities". East Africa is particularly successful and three countries are at the forefront: Kenya, Ethiopia and

1 Interview: belt and road initiative help expand global cooperation: Ethiopian scholar(source Xinhua 2017-05-13)
Djibouti. On the spot, ports, railways and roads are largely financed by China: 4 billion dollars (3.7 billion Euros) to connect Ethiopia to Djibouti, 13 billion to irrigate Kenya with a mesh. More than half of China's planned investment in this new Silk Road will go to Africa. It is mainly the port facilities that are concerned. The encirclement of the continent by a dozen ports financed by China thus corresponds to this "belt" evoked by Beijing. 90% of Africa's imports and exports go through the sea. Durban in South Africa and Port Said in Egypt being the two largest container ports on the African continent, it was essential to offer other ports of entry into the African continent. Horn of Africa and West and North Africa.

4-Kenya, an open door to Africa

The brakes on the development of Africa to which China, much criticized for its expansion on the continent, says want to put an end. Kenya is currently considered one of the largest economic partners in China, which has already invested a lot and assisted in the realization of many projects, including infrastructure. A few days before his departure for China, Uhuru Kenyatta thought it worthwhile to remember all this: "As the Kenyans know very well, our country has greatly benefited from Chinese investment, especially in infrastructure. The roads and transmission lines we develop are all the result of our partnership with China. “According to Kenyan local media, China would consider investing in other sectors such as agribusiness, fertilizer production or technology. President Kenyatta also called on Beijing to invest in the Kenyan oil sector. While China is regularly criticized for its policy in Africa, the Senegalese economist Sanou Mbaye thinks instead that it "made the difference on the continent." According to him, his investment in many African countries has had positive effects. "China has built infrastructure, roads, and railways. Moreover, she is building a railway that will leave from Ethiopia to Djibouti! Currently, it is important to know that among the 19 countries that have the best performing economies in the world, 10 are African! I am particularly speaking about Eastern and Southern African countries, such as: Tanzania, Ethiopia, Kenya, Rwanda, Burundi, Ghana, Nigeria, Angola, South Africa and Djibouti."

5-Maritime Silk Road Opens New Chapter in China-Kenya Relations

The Maritime Silk Road has opened a new chapter in cooperation between China and Kenya, said a Chinese diplomat. Guo Ce, an economic and trade adviser at the Chinese Embassy in Kenya, said in an editorial in a local daily newspaper, The Standard, that a new chapter in China-Kenya cooperation has opened as soon as Kenyan President Uhuru Kenyatta's visit to Beijing for the International Cooperation Forum of the New Silk Road, where he was the only African president. "During this forum, China signed economic and trade cooperation agreements with 68 countries and international organizations, including three agreements signed with Kenya, namely the Agreement on Technical Cooperation in Financial Assistance and the "Framework Agreement for Strengthening Cooperation in Productive Capacity, " Guo said. In terms of cooperation, the Chinese official noted that the two friendly countries have pursued together the spirit of "peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit" specific to the new road Silk. In May, bilateral cooperation between China and Kenya was brought to the stage of global strategic partnership. The Presidents of the two countries also agreed to continue the construction of roads and ports and the integration of the Mombasa-Nairobi Normal Channel Railway project, Mombasa Port Terminal and Mombasa Special Economic Zone. More Intensive and Enhanced Synergy of Kenya's National Development Strategy with the Belt and Road Initiative (New Silk Road) Will Strengthen Pragmatic Mutual Cooperation, Bringing a Better Future to Common Development and More Concrete Benefits for the people of both countries, he said. The friendship between China and Kenya goes back more than 600 years when Zheng He, a great navigator of the Chinese Ming Dynasty, landed on the east coast of Kenya. Zheng He arrived in Malindi and brought back to China a giraffe, which was welcomed as a sign of fortune and kingship because of its resemblance to the creature named "Kylin" in Chinese mythology. Subsequently, Zheng He's fleet made frequent visits to Kenya and other parts of Africa to spread the "blessing of peace" of ancient China. In 2013, Presidents Xi Jinping and Uhuru Kenyatta jointly announced the adoption of the China-Kenya Global Partnership, Guo said. "Over the past four years, economic and trade cooperation between China and Kenya has become deeply intertwined and has reached
superb historical levels,” he added. Currently, China is the largest trading partner, the largest supplier, the largest lender, and the largest source of foreign tourism, in terms of Kenya's rapid growth.

6-The impact of one Belt one Road in infrastructure in Kenya

(Perkins, 2016) Studied that economic infrastructure must be taken as the foundation of a building and said that it plays a principal role facilitating the multitude of productive economic activities. He found also the correlation between economic growth and infrastructure development. (Srinivasu & P. 2013) Explained that the infrastructure investment is a crucial conducing force to achieve quickly and sustained economic growth. They said that the infrastructural in term of transport play a strategic role in development process and make a significant contribution toward growth. At the beginning the president said that the purpose of the initiative is to galvanize the global cooperation. With a GDP of 63.40 billion dollars and population of 46 million as at 2015 (World Bank, 2016), Kenya is the point of entry for the maritime silk road into Africa from Asia. Trough an analysis of document and news items, the projects linked to OBOR initiative could be deciphered. Amongst the core project are upgrading of Mombasa port, building of ultra-modern port in Lamu, building a new standard gauge railway line linking Mombasa port, the capital Nairobi, and land locked neighboring countries. The railway and pipeline is envisaged to link the port in Kenya to oil fields in south sudan and Uganda, while are joining with Ethiopia, Rwanda, Burundi facilitating export for these countries. The railway line is expected to cover 2700 km with phase I, the 610 kilometer stretch from Mombasa to Nairobi construction underway. The cost is estimated to 25 billion US dollars, with China Exim bank being the dominate financier covering 90% of the cost. Financing for the construction of the new port and pipeline is unclear, with ambiguity on what role the OBOR institutions AIIB and SRF hanve in the Kenyan chapter of this initiative. Worth nothing here is the lack of a clear bilateral agreement speciality highlighting knows Kenya and china will work toward the new Silk Road adventure (Raphael & zhao, 2016). Infrastructure plays big role in Chinese- Africa union cooperation. In 2015 and 2016 the two parties have signed memorandum of understanding (MoUs) on cross-continental infrastructure development including railways, highways, and aviation as good as on the high speed train network which is a vision of Africa’s Agenda 2063. In Kenya the most main impact is on the infrastructure front, with an estimated foreign direct capital investment of USD 25 billion on the railway modernization, pipeline from Kenya to south Sudan ay USD 4 billion, while Lamu port and associated infrastructure investment will be USD 27 billion when complete (daily nation, march 6 2016). This is capital which Kenya as a country cannot raise, but the OBOR and its associated financial institutions can come in and bridge the deficit. When fully operational, these projects will benefit oil export from Uganda and south Sudan, whose conflict with Sudan has led to challenges on exporting her oil to china and others countries. At the height of successful oil production by Sudan before the conflict and retained 75%. With conflict still persisting, china’s investment in Sudanese oil is not bearing fruits as optimum production of oil has not been attained. The Kenyan route therefore offers an opportunity for south Sudan to export her oil to china without being frustrated by north, a win-win situation for south Sudan and china. On the same breath, discovery of oil through Kenya, as she is landlocked. With the Kenyan route secure, china has also taken care of any prospects for future OBOR expansion into the African hinterland, while getting a strategic port for call in the event of any secure challenge in the horn of Africa region.

7-Chinese aid for the development of road infrastructure of Nairobi

Despite the absence of official figures, the amount of Chinese commitments for the road infrastructure sector in Nairobi can be estimated around $500 million. In this area, China ranks third after the World Bank and the African Development Bank, ahead of the European Union. In Nairobi, several roads are currently under construction or have been built by the Chinese. Project management by Chinese donors can be examined against the methods of other bilateral donors such as the European Union or Japan. It presents several differences. The speed of completion of the

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2 BBC (may12, 2014) and CNN (may15, 2016) report how the Africa community will eventually be linked together by the railway line, with china being the principal financier.

3 2017 Belt and Road Forum and African countries
projects and the lower level of costs are systematically underlined. They are explained first by a shorter project cycle. While the European Union finalizes a road in about ten years between the identification of the project and its operational delivery, the Chinese do not exceed four years. The preparatory phases are conducted much more quickly. On the European side, the identification, the formulation, the validation and the award of a contract can last about six years, whereas six months are enough for China. This difference is partly due to the shortcomings of the studies carried out by Chinese companies, while environmental impact studies and detailed plans are carried out by independent consulting firms before a construction contract is awarded for any European project. On the Chinese side, the practice is exactly the opposite: studies are often conducted internally by the company holding the contract after attribution. The Chinese practice of tied aid, characterized by the absence of international tenders, also makes it possible to avoid lengthy procedures and to launch projects more quickly⁴. Second, the lack of a social approach to projects helps to shorten deadlines. While the Europeans or the Japanese, for example, set up compensations for the inhabitants displaced by the projects, the Chinese are criticized for the expulsions they undertake. Houses were destroyed during the construction of the Thika highway. The Kenyan government reportedly allowed Chinese companies to do their job and even occasionally provide security ⁵. This agreement allows the authorities to blame the Chinese while saving the cost of relocation of the inhabitants. Finally, the rate of supervision by Chinese managers in relation to the local workforce is greater than in Western companies. In fact, one more hierarchical level is occupied by expatriate executives in Chinese companies, up to the level of work leader. This increased local presence promotes better control of deadlines.

8. The outcome of one Belt one Road in Kenya’s Economy (Kenyan activity accelerated in 2016 to 6.0%, after 5.6% in 2015.)

(BLog, 2018) In 2015 the outcome of one belt one road in term of world export is 37%, up from 21%in 1995. In the worldwide the performance of BRI in term of good export is 42% which is very strong. Kenyan activity has been supported by the tourism sector, which is gradually recovering from the plummeting crowds following the terrorist attacks of 2013 and 2015, by the energy and construction sectors, and finally by agriculture, which benefited from favorable past weather conditions. The external situation improved in 2016 for both exogenous and domestic reasons. The current account deficit rose from 6.8% to 5.5% of GDP. This improvement is primarily due to the lightening of the oil bill (due to low international oil prices) and the relative weakness of imports of capital goods (due to delays in the deployment of infrastructure projects). The level of reserves reached USD 7.8 billion at the end of 2016, or approximately 4.8 months of imports. The improvement in the external accounts has allowed the Kenyan shilling to depreciate slightly throughout the year 2016. The latter lost 1.4% of its value against the dollar throughout the year, a lower level by compared to the depreciation of 10.7% observed in 2015. In 2015/16, according to the IMF, the public deficit reached 7.8% of GDP¹. Budgetary revenue was higher lower than expected (19.2% of GDP compared with 20.4% forecast) as public spending (27.1% of GDP against 28.4%). The overstatement of public expenditure is mainly due to the limited disbursement of investment expenditure (7.3% of GDP compared to 8.7%) while current expenditure has evolved as expected (19.6% of GDP compared to 19.5% of GDP). In perspective, for 2017, growth would suffer from the law of framing rates while the deficits public and current would remain high. The law on the control of interest rates, which came into force in September 2016, sets a ceiling for lending rates of commercial banks at 400bp above the CBK’s key interest rate. Due to the negative impact of this law on bank credit among SMEs in particular, activity should slow down to 5.3% in 2017. The slowdown in activity is also motivated by the drought that hit the first half of the year 2017 Kenya. The current account deficit is expected to slow in 2017, to 5.7% of GDP: imports of capital goods could resume, thanks to the lifting of uncertainties after the August elections, while exports would benefit a more buoyant international context. Finally, the public deficit, although in decline, would remain high at 6.9% according to the IMF, and 6.0% according to the local authorities: the current expenditure would not be the object of any adjustment contrary to the expenditure of

⁴ Les entreprises chinoises sont toutefois mises en concurrence entre elles.
⁵ Entretiens à Nairobi avec l’Agence française de développement, l’Agence de coopération japonaise et avec la Représentation européenne à Nairobi en octobre-novembre 2012.
development. All these projections, however, are subject to significant, rather bearish, risks: uncertainties about the amplitude and duration of the effects of the law on the control of rates on the banks' health and their loan policy are strong; new security incidents or the exacerbation of volatility in capital flows could blacken the outlook.

Figure 1: Kenya - Top-10 exports of goods to China in 2017 (value in millions of US Dollars)

Source UN COMTRADE DATABASE, 2017

Figure 2: Kenya - Top-10 exports of goods to China in 2017 (value in millions of US Dollars)

Source UN COMTRADE DATABASE, 2017

Regarding the COMTRADE website tracking of official bilateral trade volumes between Kenya and China, among the products that China exports in huge quantities to Kenya include Machinery, nuclear reactors, boilers; Electrical, electronic equipment; Vehicles other than railway, tramway; Articles of iron or steel; Knitted or crocheted fabric; Plastics and articles thereof; Rubber and articles thereof; Furniture, lighting, signs, prefabricated buildings; Iron and steel; and Ceramic products among others. Exports on the other hand is comprised of, among
others, the following items: Copper and articles thereof; Raw hides and skins (other than fur skins) and leather; Coffee, tea, mate and spices, Vegetable; Textile fibres, paper yarn, woven fabric; Oil seed, oleaginous fruits, grain, seed, fruit; Plastics and articles thereof; Ores, slag and ash; Fish, crustaceans, molluscs, aquatic invertebrates. This confirms that China one belt one road strategy and Kenya emerging country by 2030 strategy are strategies that can be associated. (Omolo, 2016)

9-Sino-Kenyan relations with diversified modalities

A favorable reception frame

In response to the needs generated by development and urbanization, the Kenyan authorities welcome contributions from foreign countries, but not limited to members of the OECD Development Assistance Committee. The so-called emerging donors are an alternative. At the end of the 2002 elections, the governing coalition in power establishes a strategy policy of openness towards Asian countries, called "Look East Policy" This positioning is based on the principle that Asia, through its development can contribute to the development of Kenya at a lower cost compared to Western countries. Several agreements have been concluded with China, but also Japan and Korea, in the areas of infrastructure, mineral exploration, agriculture, retail trade, etc. The absence conditions imposed by these countries on policies and reforms also contribute to this orientation of the Kenyan authorities. At the institutional level, the reception of foreign financing is controlled flexibly according to the partners. Direct investments foreigners are facilitated by the Investment Promotion Authority which grants licenses to foreign companies without the obligation of partnership with a local company. In 2012, there were 67 Chinese companies registered in Kenya, including 25 in the building and construction sector public, and nine in real estate

10-Conclusion

The one belt one road is big strategy to promote international economic in term of regional cooperation. It is implemented in a state capitalism model. Given its vast geographical coverage and the scope of economy. This paper aims to evaluate the impacts of one belt one road in Kenya. It is found Kenya is considered as the hub of the initiative in Africa. China unquestionably participates in the development movement in Kenya in Capital. While the urban infrastructures of the city still rest on the achievements of the colonial period or the first years after independence, the very operational dimension and speed implementation of Chinese projects on roads and housing in large scale contribute to the current catch-up. Chinese development aid and Chinese private investors are distinguished from other foreign players by providing more immediate responses to population. Projects are not preceded by lengthy preliminary studies and coordination meetings, or subject to environmental, social or good governance conditions. The response to the emergency and the scale of the needs reflects a pragmatic approach. As an analyst from the Kenyan government think tank points out: "The flow of concepts of the Nordic countries does not fully meet our priorities". Beyond tangible material contributions, Chinese public and private actors contribute to strengthening China's pulling power; even if the export of urban planning practices stems from a transnational process wider circulation of urban models and depends on their insertion local. Without claiming to impose any model, these actors still carry on the African continent their own practices and know-how. China's urbanization experience is not transferable in the Kenyan context, but it is no less successful. Playing a growing role, Chinese actors accompany the rise of a class local average. The local reception of Chinese projects will deserve from here a few years to be studied.

6 « The flow of concept from the North may not really address our priorities » : entretien à Nairobi avec le think tank Kenya Institute for Public Policy Research and Analysis (Kippra) en novembre 2012
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