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The EU and China in Africa: The Case of Kenya

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This paper compares the economic and developmental activities of the European Union and China in Kenya in order to address some pertinent questions. To what extent is China interested in Africa solely for natural resources and does it operate in any other economic sector? What is the Chinese strategy for development in particular African countries and is it necessarily harmful to the host country? How do the EU's activities compare to China's? How do African governments view the EU's and China's presence on the continent?

Introduction

Proclamations such as the "New Scramble for Africa" have become synonymous with China's growing political and economic presence in Africa.[1] Greater Chinese involvement on the continent has alarmed many in Europe and the United States, best characterised by media headlines such as *Why China is trying to Colonise Africa*[2] and think-tank pieces entitled *Beijing's Safari*[3]. China's recent activities, such as the November 2009 pledge of US$ 10 billion in low-cost loans for Africa over the next ten years, and its debt-forgiveness for many of Africa's poorest states, have only added to Western suspicions about China's activities in Africa. Some have linked China's economic activities in Africa with its refusal to condemn the regimes in the Sudan and Zimbabwe, and – more specifically to the focus of this paper – China's silence during Kenya's electoral-turned-ethnic strife in 2007.[4] The combination of a lack of human rights conditionality for loans and China's increasing natural resource stocks accrued in Africa is a heady mixture some find hard to swallow.

Is it not, however, paternalistic to suggest that Africa somehow needs "saving" from China?[5] Certain African governments have shown a remarkable ability to forge international connections and partnerships. Increased Sino-African cooperation under the Forum on China-Africa Co-operation (FOCAC) is evidence of this. To take a more specific example, the Democratic Republic of Congo's recent rejection of a US$ 3 billion "infrastructure for resources" loan in favour of an alternative offered by the International Monetary Fund shows that African governments do not automatically opt for China.[6] If anything many African governments now see the possibilities of dealing both with China and traditional partners such as the EU as a way 'to arrange for favourable terms on a range of issues'[7] and to secure and increase economic gains.[8]

Much of the anxiety of China's activities in Africa can be explained, in part, by misperceptions of the actors involved. "Africa", "China" and the "West" are words that fail to do justice to the intricate characteristics of each actor – they are not monolithic actors operating in an undifferentiated land-mass. China, like the EU, is not a single *Leviathanesque* actor and one must be careful not to associate every action with the central state apparatus. As an illustration, many have been quick to suggest that because

[1] R. Southall & H. Melber, (eds.) *The New Scramble for Africa: Imperialism, Investment and Development in Africa*, (Scottsville: University of KwaZulu-Natal Press, 2009).
[2] D. Blair, 'Why China is trying to Colonise Africa', *The Telegraph,* (31 August, 2007). See: www.telegraph.co.uk/comment/personal-view/3642345/Why-China-is-trying-to-colonise-Africa.html. (Accessed 23 December, 2009).
[3] J. Kurlantzick, 'Beijing's Safari: China's Move into Africa and its Implications for Aid, Development and Governance', *Carnegie Endowment for International Peace,* (Nov., 2006). See: www.carnegieendowment.org/files/kurlantzick_outlook_africa2.pdf. (Accessed 21 December, 2009).
[4] *The Economist*, 'The Sound of Silence: The Murky Role of one of President Mwai Kibaki's Closest New Allies', (7 February, 2008). See: www.economist.com/world/middleeast-africa/displaystory.cfm?story_id=E1_TDGVPJNQ. (Accessed 21 December, 2009).
[5] An insightful analysis of this phenomena can be found in the pages of W. Easterly, "Can the West Save Africa?", *Working Paper 27*, Brookings Institute, (Oct., 2008).
[6] B. Jopson & W. Wallis, 'Congo Cuts Back Aid Deal with China', *Financial Times,* (12 November, 2009). See: www.ft.com/cms/s/0/dd360fca-cf2b-11de-8a4b-00144feabdc0.html. (Accessed 13 November, 2009).
[7] C. Alden, 'Leveraging the Dragon: Toward "An Africa That Can Say No"', *Yale Global Online*, (1 March, 2005). See: http://yaleglobal.yale.edu/content/leveraging-dragon-toward-africa-can-say-no. (Accessed 22 December, 2009).
[8] For an in-depth expose of the benefits of increased competition in Africa see H.G. Broadman, *Africa's Silk Road: China and India's new Economic Frontier*, (Washington, D.C.: World Bank, 2007), pp. 33-34.

of the Chinese government's direct control over the China National Offshore Oil Cooperation (CNOOC) and the China Export-Import (EXIM) Bank[9], Chinese firms *en masse* are mere satellites of the Chinese state. In reality while many of these are 'non-state owned' firms they – representing 85% of total Chinese firms in Africa during 2006[10] - can gain assistance from the EXIM for "going global"[11], but public institutions 'do not enjoy direct lines of authority' over them[12] and firms are left to wither on the vine of bankruptcy by the Ministry of Commerce (MOFCOM) if their venture proves unsuccessful.

It is the aim of this paper to address some of these misperceptions by focusing on a single African country: Kenya. Having already benefitted from the development of hydro-power plants and a loan of US$ 16 million for roads, plus recent news that Chinese firms will construct a multi-billion dollar port near Lamu (on the East coast), Kenya is an apt case for closer examination.[13] What types of investments are being made in Kenya? Are these investments being made by the Chinese state or by private firms? How do these investments compare to those being made by the EU and its Member States? Does the Kenyan government display a greater willingness to deal with "China" at the expense of the EU? This paper will investigate these issues with an analysis of EU and Chinese commercial and developmental activities in Kenya related to its natural resources, manufacturing sector and road infrastructure. First, however, follows a brief survey of Kenya's economy.

Kenya: An Economic Survey

Kenya, once touted as the African economic "darling" and "African tiger", has in recent years spent much of its time replenishing itself after the political crisis that struck in 2007. Indeed, before the electoral crisis Kenya registered real Gross Domestic Product (GDP) percentage changes of 5.4%, 6.1% and 6.7% over the period 2004-2006 respectively. However, over 2007-2008 – following the political crisis – this rate plummeted to a rate of 3.9%. This still placed Kenya in a better position than Mali (2.8% real GDP) in 2007 but behind Senegal (4.6% real GDP).[14] Kenya's economy is dominated by agricultural output with intensive production of commodities such as tea, coffee, coconuts, wheat and cotton. The East African country is also not known for its mineral resources but the government has increasingly sought to offer exploration contracts in the hope of acquiring oil and gas supplies. However, until substantive natural resource stocks are discovered Kenya will have to continue to rely on current levels and types of Foreign Direct Investment (FDI).

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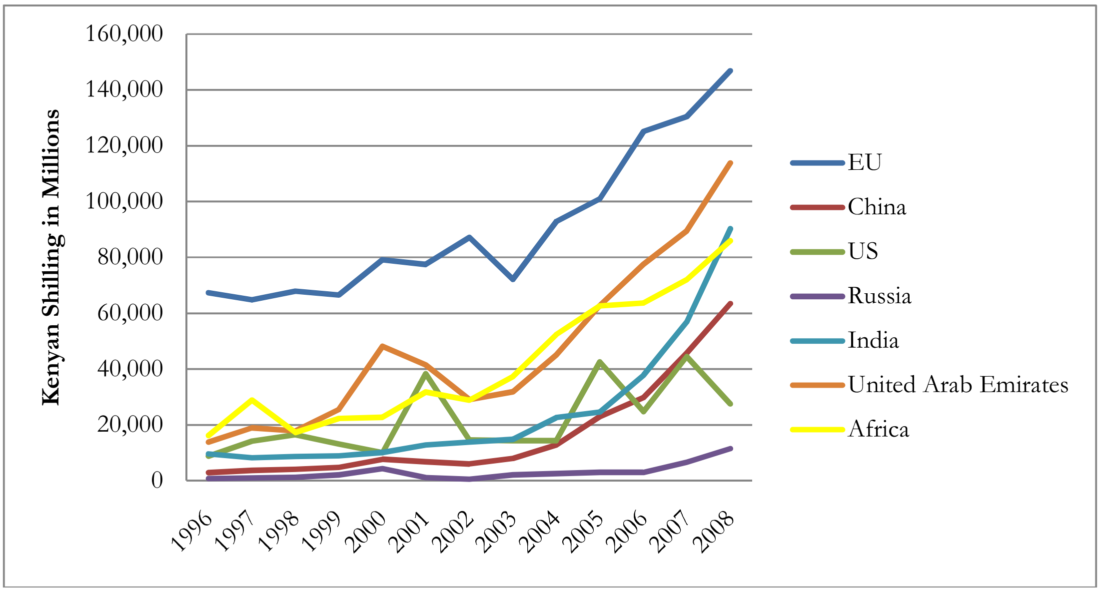
[9] M. Davies, H. Edinger, N. Tay & S. Naidu, *How China Delivers Development Assistance to Africa*, (Stellenbosch: Centre for Chinese Studies, 2008), pp. 21-22.
[10] M. Ofosu *et al*, 'Volume II: Key Dimensions of Chinese Engagements in African Countries', in *Looking East: A Policy Brief on Engaging China for African Policy-Makers,* (Accra: African Centre for Economic Transformation, 2009), p. 8.
[11] *Op.Cit.*, Davies, p. 22.
[12] B. Gill & J. Reilly, 'The Tenuous Hold of China Inc. in Africa', *The Washington Quarterly*, Vol. 30, No. 3 (Summer, 2007), p. 49.
[13] B. Jopson, 'China and Kenya in Infrastructure Talks', *Financial Times*, (14 October, 2009). See: www.ft.com/cms/s/0/c8254a10-b8f1-11de-98ee-00144feab49a.html. (Accessed 22 December, 2009).
[14] United States Government, See: www.cia.gov/library/publications/the-world-factbook/index.html. (Accessed 23 December, 2009).

As Figure 1 shows, the Kenyan National Bureau of Statistics (KNBS) show's that the country's imports come from a variety of states. It must be noted that the rate of imports since 1996 has generally increased and imports from China have increased the most dramatically at a rate of 2,084% from 1996-2008. Only Russia nears this rate with a 1,281% increase. Imports from the EU realised the smallest percentage increase at a rate of 118% over the same period, and the USA managed a 213% increase over 1996-2008.[15] Nevertheless, the overall picture is quite clear with the EU remaining the largest exporter of goods and services to Kenya. Interestingly, in 2008 the United Arab Emirates imported more into Kenya than all of Africa combined.

Figure 1 – Imports into Kenya[16]



Where exports by Kenya are concerned the KNBS – see Figure 2 - calculates that Africa as a whole is far in front, only to be followed by the EU. Indeed, Africa as a whole registers the strongest upwards curve in received Kenyan imports from 2001. Since 2004 the US has also increased its imports of Kenyan products. Exports to China are the lowest on show here, however, China again registers the largest increase in imported Kenyan products from 1996-2008 with an increase of 3,730%. Only the United Arab Emirates manage to match this increase at a rate of 1,308%. The EU registers the lowest percentage increase over 1996-2008 with a rate of 142%. The US registered a 541% increase, India a rate of 829% and Africa as a whole 183%.[17] Where both Kenyan imports and exports are concerned, therefore, the EU is still one of the most important trading partners and whilst China pales in comparison to the real rate of imports and exports, it, of any country, has seen the largest percentage increases in exports and imports since 1996.

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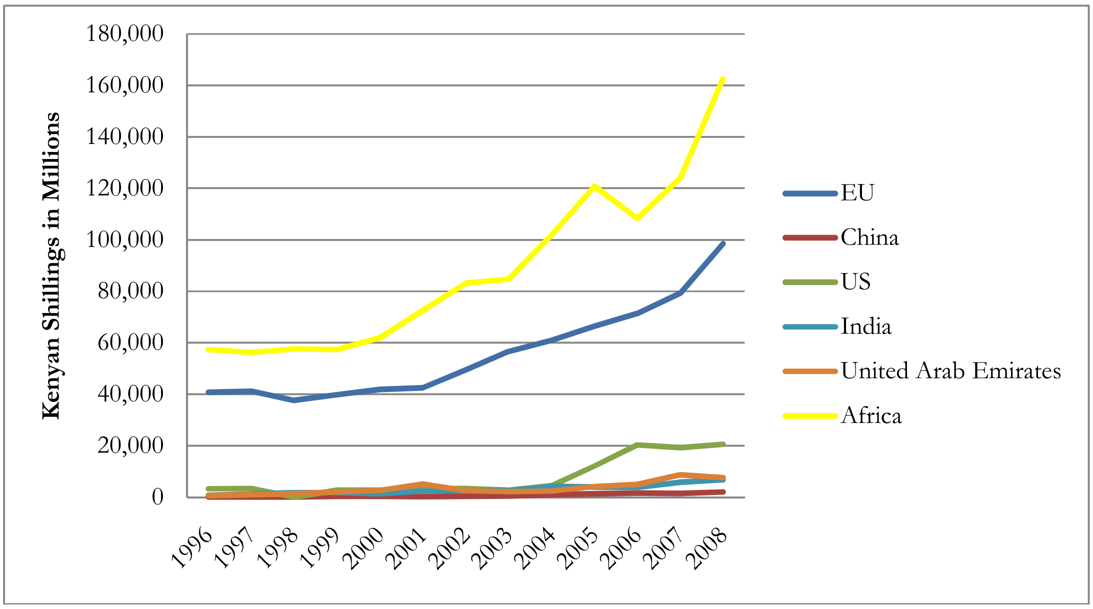
[15] Kenyan National Bureau of Statistics. See: www.knbs.or.ke/. (Accessed 4 January, 2010). Please note that figures for 2008 are provisional.
[16] *Ibid.*
[17] *Ibid.*

Figure 2 – Exports by Kenya[18]



The significance of Kenya's imports and exports should not be overlooked, especially when one considers that one of the aims of the Kenyan government under its Vision 2030 economic development plan is to increase intra-African trade and to diversify its economic base away from agriculture.[19] One of the other key aims of the government is to transform the country into a regional economic hub.[20] If this is to occur successfully investment over the longer-term will be required in transport, energy and telecommunications infrastructure. Indeed, in their study of Kenyan maize growers, Renkow *et al* identified that the excessive costs arising from a lack of transportation 'are a significant deterrent to market participation by agricultural households' in the country.[21] Ten years on from Collier's and Gunning's question "why has Africa not grown?", the fact remains that in Kenya – as with many African countries - 'poor service delivery [handicaps] firms through unreliable transport and power'.[22]

Kenya's economy benefits from international aid[23]. The EU's 10th EDF (2008-2013) makes available € 399 million. In 2008 the World Bank's International Development Association gave approximately € 223 million, and the African Development Bank contributed € 84.6 million. EU Member States also donate but these funds cannot be classed as official EU

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[18] *Op.Cit.*, Kenyan National Bureau of Statistics.
[19] National Economic and Social Council of Kenya, *The Kenya VISION 2030 Programme.* See: www.nesc.go.ke/News&Events/KenyaVision2030Intro.htm (Accessed 4 January, 2009).
[20] UNCTAD provides a good overview of the problems associated with this. See: UNCTAD, *Investment Policy Review: Kenya*, (Geneva/New York: 2005), p. 78.
[21] M. Renkow, D.G. Hallstrom & D.D. Karanja, 'Rural Infrastructure, Transaction Costs and Market Participation in Kenya', *Journal of Development Economics*, Vol. 73, No. 1 (Feb., 2004), p. 364.
[22] P. Collier & J.W. Gunning, 'Why has Africa Grown Slowly?', *The Journal of Economic Perspectives*, Vol. 13, No. 3 (Summer, 1999), p. 10.
[23] *Op.Cit.*, Hedvall *et al*, p. 74 but see also OECD-DAC figures for verification of European aid donations at http://stats.oecd.org/Index.aspx?DataSetCode=ODA_RECIPIENT. (Accessed 8 March, 2010).

assistance even if the resulting work from funds are dispersed in an integrated fashion by the Donor Coordination Group (DCG) and in particular the Harmonisation, Alignment and Coordination Secretariat (HAC).[24] As the European Commission highlights, Member States 'have their own bilateral agreements with developing countries that are not financed by the EDF or any other Community funds.'[25] Accordingly, and among many European donors, in 2008 the *Agence Française de Développement* (France) donated approximately € 43.7 million and the *Kreditanstalt fur Wiedeaufbau* (Germany) approximately € 40.9 million.[26] China does not donate development aid to Kenya in the traditional sense: i.e. it does not have a year-on-year pledge for aid. How then do the Chinese involve themselves in the Kenyan economy?

China-EU Economic Involvement in Kenya: The Scale and Shape

Natural Resources

Is Chinese involvement in Kenya simply a case of giving the government some of the proceeds gained from extracting natural resources? While the country has little proven actual resources such as oil and gas[27] 'an offshore exploration deal was signed between (the) Kenya(n) Government and China, allowing CNOOC to explore in six blocks covering 445,000 square miles in the north and south of the country'. This deal caused some controversy in Europe as six key oil blocks were given 'to Chinese companies to the detriment of potential European competitors. Companies such as Cepsa [*Compania Espinola de Petrolas*] of Spain and Swedish Lundin International lodged complaints on this perceived favouritism.'[28] More controversially, this deal came on the back of a meeting between Mwai Kibaki (Kenya's President) and Hu Jintao (China's Premier) in 2006 to secure anti-malaria medicine worth RMB 5,000,000, rice stocks to deal with food shortages – important in a county still prone to drought – and maintenance for the Moi International Sports Centre.

A 'deal was subsequently worked out under which CNOOC ceded some of the blocks to Cepsa and Lundin International', even if they had to pay CNOOC for them.[29] Indeed, CNOOC actually began selling-off some of the square miles it had acquired for free when it became clear that resources were not forthcoming or that the costs of drilling were simply too much.[30] This reveals a core truth about the way the Chinese government views natural resources: they are only interested in them if they make commercial sense. In this sense, Chinese firms have been keen to extract natural resources such as coffee from Kenya as a way of satiating domestic demand – a resource that does make commercial

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[24] The HAC group includes 17 donor partners including the African Development Bank, the European Commission, the United Nations, the World Bank and the governments of Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden, the United Kingdom and the United States.
[25] http://europa.eu/legislation.summaries/development/overseas_countries.territories/rl2102_en.htm (Accessed 9 March, 2010).
[26] *Op.Cit.*, Hedvall *et al*, p. 74.
[27] The Mandera Basin and Isiolo region do however show promise of oil deposits.
[28] *Op. Cit.*, Onjala, p. 19.
[29] M. Chege, 'Economic Relations between Kenya and China, 1963-2007', in J. Cooke, *U.S. and Chinese Engagement in Africa: Prospects for Improving U.S.-China-Africa Cooperation*, (Washington, D.C.: Center for Strategic and International Studies, 2008), p. 30.
[30] All Africa, 'Kenya: China Selling Off Oil Rights it Got for Free', (25 February 2007). See: http://allafrica.com/stories/200702260008.html. (Accessed 7 January, 2010).

sense. But even here Chinese firms have not exported coffee beans in raw form to be processed in China – another accusation usually levelled at the Chinese. Indeed, in a pact signed between the *Kenya Planters Co-operative Union* and the *China Federation of Supply and Marketing Co-operative*, coffee will be exported but processed within Kenya.

One must seriously ask why the Kenyan government would so readily give-up so much exploration concessions to Chinese as opposed to European firms. Part of the answer can be explained in economic terms, but the political answer is more insightful. On two major occasions over the last decade the EU has either cut-off aid to Kenya (as it did in 2004 for a figure of £ 83 million because of accusations of corruption[31]) or threatened to do so (as it did in 2008 after the electoral crisis).[32] This is not to suggest that the EU relinquish its right to impose conditionality on aid, but for African leaders like Mwai Kibaki the EU must seem as if it is demonising them by using aid as a political weapon. EU aid is currently delivered to Kenya even though Kibaki – in power when the EU suspended aid in 2004 – is still in power now. It is startling, if unsurprising, how leaders even of smaller states remember past misdeeds, and how they will – as was the case with the exploration concession deal – seek to take the path of least resistance and maximum gain.

This is the "Samaritan's Dilemma" at play.[33] If the recipient (Kenya) works hard to meet the goals of the Samaritan (the EU) both benefit, but the 'fundamental problem' for the Samaritan is that 'they are better-off helping no matter what the recipient does'.[34] For the EU development aid is an essential element of its foreign policy and it prides itself on being the 'biggest provider of development aid in the world'[35], and, thus, it would be difficult for the EU to simply suspend aid in its entirety to the country. Kenya is therefore less likely to increase its efforts to meet the conditionality of EU aid if it knows it will receive it in any case. The EU could exert extra pressure on Kenya to increase efforts to meet its political demands, but the real problem for the EU is that the Kenyan government is now in a position where it can diversify its "aid portfolio" with the increased presence of China. Managing the "Dilemma" will be – and arguably has been for sometime – the fundamental issue that will define the nature of EU aid in the future.

In the area of natural resource extraction, therefore, one should understand that the Chinese government and firms work in tandem. The government – through the auspices of CNOOC – clearly keep their eyes open when it comes to the possibility to accruing further energy stocks. In the Chinese government's offering of "social" goods (e.g. medicine) in exchange for concession rights it seems to have developed an effective strategy that imposes less long-term conditionality than the EU. Indeed, the Kenyan government finds itself in a beneficial position where it can rely on the stability of EU

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31 J. Vasagar, 'EU Freezes £83m Aid to "Corrupt" Kenya', *The Guardian,* (22 July 2004). See: www.guardian.co.uk/world/2004/jul/22/eu.kenya. (Accessed 7 January, 2010).

32 I. Melander, 'EU Lawmakers Want to Freeze Aid to Kenya', *Reuters*, (16 January 2008). See: www.reuters.com/article/idUSL16818238. (Accessed 7 January, 2010).

33 Readers will perhaps recognise this taking after the fashion of the "Prisoner's Dilemma" from game theory. See: J.M. Buchanan, "The Samaritan's Dilemma" in E.S. Phelps (ed.) *Altruism, Morality, and Economic Theory*, (New York: Russell Sage Foundation, 1975).

34 C. Gibson, K. Andersson, E. Ostrom & S. Shivakumar, *The Samaritan's Dilemma: The Political Economy of Development Aid*, (Oxford/New York: Oxford University Press, 2005), p. 39.

35 DG Development. See: http://ec.europa.eu/development/aboutgen_en.cfm?CFID=50558926&CFTOKEN=85680559&jsessionid=0806a1745a003a1e3d6b. (Accessed 11 March, 2010).

regular aid donations whilst also allowing the Chinese government to explore for natural resources in the hope of massive economic gains. From this, however, one should not deduce that the Chinese government is in Kenya solely for natural resources. Indeed, owing to the lack of oil and gas stocks it has been Chinese firms that have taken the lead by exporting commodities such as coffee.

The Manufacturing Sector

While Kenya has witnessed a growing Chinese presence in its manufacturing and service sectors, the extent to which Chinese firms "dominate" the Kenyan economy should not be overestimated. According to UNCTAD's *World Investment Directory*, for example, no Chinese companies managed to penetrate into the largest home-based Trans-National Corporations (TNCs) in 2007, companies that include *British American Tobacco* (US$ 15 million) and *East African Breweries* (US$ 57 million). Indeed, in terms of sales the largest companies operating in Kenya are predominately European.[36] Of the 70 largest TNCs, for example, 37 are European; nine each come from the US, Tanzania and Uganda, and four from the Seychelles, South Africa, India and Mauritius. Among these countries the largest operators come from the United Kingdom (UK) with 23 companies including *Unilever*, *Glaxo Wellcome*, and *Barclays Bank*.[37]

Chinese firms that have been present in Kenya since around 2000 have produced and exported anything from the manufacture of solar panels, processing maize and wheat, building bicycles, growing mushrooms, producing sausages and farming ostriches. In 2000 Kenyan authorities[38] documented that nine new Chinese companies had taken up business in Kenya, from 2001-2002 eighteen new companies registered, in 2003 eleven, 2004 twelve, 2005 thirteen and 2006 a further nine. All, except coffee producing firms, were involved in the manufacturing and services sector. The rate of investment has been varied with *Chinese Huangpai Grain Processing Ltd* spending US$ 924,000 in 2000 in capital costs, and Chinese supermarket chain *Horizon Ivato Supermarket Ltd* making capital costs of US$ 11,154,000 in 2003.[39]

These companies have also been quick to make use of Kenyan labour, countering remarks that 'there are constraints to the number and quality of jobs created through Chinese investment' because of a lack of transparency between Chinese businesses and civil society.[40] The exclusive employment of Chinese labour in Africa has also been used as an argument showing that Chinese industry is choking-off indigenous African business, even if, as Sautman and Yan identify, African industry has been in decline because of structural adjustment programmes rather than China's presence.[41] Of the total 72 Chinese

[36] Please note that Europe only includes Bulgaria, Cyprus, Denmark, France, Germany, the Netherlands, Sweden, Switzerland, Spain and the United Kingdom. See: UNCTAD, *World Investment Directory 2008*, Volume X (Geneva/New York), p. 334. www.unctad.org/en/docs/iteiit20075_en.pdf.
[37] *Op.Cit.,* UNCTAD "Investment Policy Review", p. 15.
[38] *Op.Cit.*, Onjala, pp. 14-16.
[39] *Ibid*.
[40] *Op.Cit.*, Ofosu, p. ii.
[41] B. Sautman & H. Yan, 'The Forest for the Tress: Trade, Investment and the China-in-Africa Discourse', *Pacific Affairs*, Vol. 81, No. 1 (2008), pp. 19-20. On the benefits Chinese firms bring to stimulating local industrialisation through employment, information transmission and efficiency see: D. Brautigam, 'Close encounters: Chinese business networks as industrial catalysts in Sub-Saharan Africa', *African Affairs*, Vol. 102, No. 408 (2003), pp. 447-467.

companies that were established in Kenya from 2000-2006 326 employees were Chinese and 4,940 employees were sourced locally. The only reported case where the level of Chinese employees exceeded Kenyan employees was the case of *Changhong Electronics Ltd.* where 70 employees were Chinese compared to 46 local employees.[42]

The wage labour situation in Kenya also appears comparatively fair for those employed as production workers in the manufacturing sector. Iarossi estimates that the average for this category of labourer working in large firms (100> employees) is US$ 116 per month which corresponds to the Kenyan national average. In medium firms (employing 20-99) the rate is also US$ 116, whereas smaller firms (employing 20<) see a rate of US$ 93 per month.[43] Abuse by Chinese firms of their Kenyan employees is not unheard of, and there are indications that in Kenya's special economic zones 'unfair and restrictive labour practices including low wages, inadequately compensated overtime, sexual harassment and the violation of the organisational rights of workers' is common place.[44] Opondo's survey of female workers employed by Chinese firms in the Kenyan garment industry states that – along with other malpractices - labourers are only 'given instructions in Chinese by Chinese supervisors and when they do not work as instructed because of the language barrier they are subjected to both verbal and physical abuse'.[45]

Road Infrastructure

In order to export produce from Kenya the country needs effective transportation infrastructure. Current transport infrastructure in Kenya equates to 177,500 KMs of roads, with 63,000 KMs making up classified (read major) roads and 114,500 KMs of unclassified (read rural) roads.[46] With that said, major investment is still required for approximately 40% of roads in an unmaintained condition located mainly in rural areas.[47] Connecting these areas is clearly the key infrastructure task at hand for the Kenyan government, and to its credit it has actively tried to encourage such development, promoting itself as a stable and geographical "gateway" to Africa. The EU – principally the European Commission - has been significantly involved in developing Kenya's transport infrastructure, specifically when it comes to the rehabilitation or construction of new roads. The Chinese government, having its largest African embassy in Nairobi[48], have also seized on the opportunity to develop major transport links to support its own economic interests and employs Chinese firms to carry-out the work (although these firms do not work exclusively for the government).

Chinese investment in Kenyan roads began in 2006 and has resulted in the rehabilitation or construction of approximately 905.4 KMs of road at an estimated cost of € 316 million

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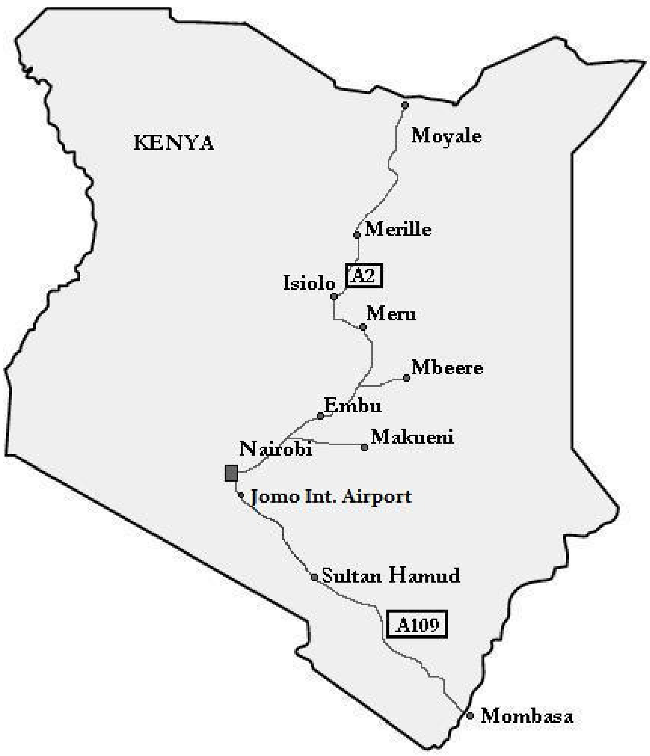
[42] *Op. Cit.*, Onjala, pp. 14-19.
[43] G. Iarossi, *An Assessment of the Investment Climate in Kenya*, (Washington, D.C.: The World Bank, 2009), p. 84.
[44] J.O. Omolo, 'The Textile and Clothing Industry in Kenya', in H. Jauch & R. Traub-Merz (eds.) *The Future of the Textile and Clothing Industry in Sub-Saharan Africa*, (Bonn: Friedrich Ebert Stiftung, 2006), p. 155.
[45] M. Opondo, 'The Impact of Chinese firms on CSR in Kenya's Garment Sector', *BDS Working Paper*, The International Research Network on Business, Development and Society, No. 7, (Mar., 2009) p. 11.
[46] Kenyan Road Board, *Road Network Classification.* See: www.krb.go.ke/classification.php. (Accessed 3 January, 2010).
[47] Kenyan Road Board, *Road Condition.* See: www.krb.go.ke/Roadconditions.php. (Accessed 3 January, 2010).
[48] J. Onjala, *A Scoping Study on China–Africa Economic Relations: The Case of Kenya*, (Nairobi: Institute for Development Studies, 2008).

over a four-year period.[49] The Chinese rationale behind road construction has been marked by developing either extremely long stretches of motorway or concentrated networks within major cities. Chinese firms have, for example, sought to ease traffic congestion in cities such as Nairobi by completing by-passes in the north, east and south of the city and by linking the Jomo Kenyatta International Airport to the city centre. Where motorways are concerned the Chinese have invested approximately € 200 million in the rehabilitation of the Nairobi-Mombasa (see Figure 3) road link (termed the A109 officially, but the "China Road" by Kenyans on an informal basis). Ambitiously, the China Road and Bridge Cooperation (CRBC) is also in the process of taking-on a former British colonial dream[50] of linking-up Africa, by investing an estimated € 43 million in a 530 KMs connecting Kenya with Ethiopia.[51]

Figure 3 – Major Road Networks in Kenya



Chinese firms are honing their road-building skills and learning from experiences in Kenya. This learning process perhaps, in part, explains why Chinese contractors gain exclusive rights to work on Chinese investments. This has also caused alarm.[52] However, while the work of European companies does not see masses of European workers taking-up temporary residence in Kenya, the European Commission does award most of its road

[49] Various: China Road and Bridge Corportation. See: www.crbc.com/en/index.asp; *China View Media*. See: www.chinaview.cn/index.htm; Kenya Road Board. See: www.krb.go.ke/strategic.php.
[50] One of Britain's imperial ambitions towards the end of the 19th century was to completely connect Africa through what was termed the "Cape Town to Cairo" road.
[51] *Op.Cit.*, Various
[52] C. Timberg, 'China Cultivates Africa, Planting Seeds of Worry', *Washington Post*, (21 June, 2006).

contracts to European companies. The EU's work on the A109, for example, saw the work contracted out to Austro-German company *Strabag International GmbH*, while engineering supervision was allotted to German *RRI Beller/Gauff Consulting*.[53] The EU's contracts for the western bound A104 also saw French *Sogea-Satom* conducting construction and British *MouchelParkman Consulting* supervising.[54] Awarding the bulk of one's contracts to one's own companies is normal practice and makes sense given the linguistic and cultural advantages to be had, and, incidentally, the familiarity companies will have with their own governments' tendering processes. Thus, China should not be singled-out in this regard.

The EU has also constructed a number of roads and it has had a much longer presence in Kenya. Since 1976 – when it officially opened its delegation – the EU has invested extensively in Kenyan roads. The EU has spent € 352.3 million on rehabilitating or constructing 1,765 KMs of motorway, principal arterial roads and minor arterial roads in rural areas.[55] The Chinese have thus achieved more in a shorter period than the EU. Nevertheless, the EU's road investment strategy in Kenya tends to identify and finance much smaller stretches of road, particularly rural roads where there is a potential for boosting production levels of coffee and tea – including the towns and regions of Meru, Embu, Mbeere and Makueni. Reassuringly, when one considers the amount of tea and coffee imported - as a part of the € 596 million worth of total food imports from Kenya into the EU[56] – one can see that the EU operates with an air of commercial interest in the country also.

When the EU invests in much longer stretches of road they tend to coincide with projects undertaken by Chinese firms; the EU and Chinese are both working (or have worked) on the A2 (the EU on the Merille/Marsabit section and the Chinese on the Isiolo/Moyale route) and the A109 (the Chinese from Mtito-Andei/Mombasa and the EU from Sultan Hamud/Mtito-Andei) but just on different sections and separately. Given this, it might perhaps be a better idea for the EU and the Chinese to engage in closer cooperation, but quite how this would work in a bilateral manner is unclear given that it would involve an international institution such as the Commission dealing with Chinese firms, as opposed to the Chinese government. The answer appears to be for the Chinese government and firms to incorporate themselves further into the working framework of the DCG mentioned earlier, especially the work international donors complete through the Roads and Transport Sector Donor Group (RTSDG).

While Chinese firms have invested in a number of road projects in a bilateral manner with the Kenyan government, these firms have or are also completing a number of projects that have been tendered by international donors. Under the RTSDG, for example, Chinese

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[53] European Commission Delegation to Kenya. See: www.delken.ec.europa.eu/en/information.asp?MenuID=4&SubMenuID=7&ThirdmenuID=16. (Accessed 2 January, 2010).

[54] European Commission Delegation to Kenya. See: www.delken.ec.europa.eu/en/information.asp?MenuID=4&SubMenuID=7&ThirdmenuID=10. (Accessed 2 January, 2010).

[55] European Commission, *Kenya Country Strategy Paper and Indicative Programme for the Period 2008-2013,* (Lisbon: 2007), p. 22 and the Delegation of the European Commission to Kenya website at www.delken.ec.europa.eu/.

[56] European Commission, *EU Bilateral Trade and Trade with the World*, (Sep., 2009), p. 8. See http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113407.pdf. (Accessed 3 January, 2010).

firms have undertaken 53 KMs of work on the Kipsigak-Serem-Shamakhoko Road over the period 2004 to 2006.[57] This is an encouraging sign, but when compared to the EU's (both the Commission and member states) and Japan's (through the Japan International Cooperation Agency (JICA)) method of delivering almost all of their respective "road aid" through the DCG, it is meagre.[58] Further Chinese cooperation, however, will only result from a process of learning on the Chinese side. When road infrastructure projects completed through the international donor group prove successful - and economically worthwhile - on a regular basis then the chances of closer integration of Chinese aid into the DCG is greater. In this sense, the Kenyan government also have an important role to play in helping encourage the Chinese government integrate investment through international mechanisms.

Conclusion

To conclude, the Chinese do not seem to be overly interested in Kenya for its natural resources. Oil and gas stocks are low and while exploration contracts have been offered, the overriding economic interest in the country at present is in the manufacturing sector. Accordingly, one must be careful not to "pigeon-hole" the actions of the Chinese. The Chinese approach development in Africa in a similar fashion to their own domestic approach; with financial prudence, with a view to improving efficiency, with a degree of state intervention and economic gains made through the stimulation of industry primarily in the real economy and not through liberalisation. Ultimately, Chinese self-interest is what guides its policies across the globe and it is having an astonishing impact on many African countries. Sure the Chinese have much to learn particularly in relation to international labour standards, but its maturity as an actor will derive from the increasing business experience of firms, increased staff training, knowledge of local practices and the length of business activity – i.e. short-term contracts may indeed encourage harmful practices.

But who are the "Chinese" operating in Kenya? When it comes to concession rights for the country's natural resources there appears to be a strong government presence. Natural resource exploration rights have been handed-out by the Kenyan government on a bi-lateral basis to the Chinese government and CNOOC. Where Chinese activities in the manufacturing sector are concerned it is firms rather than central government that condition investment activities. These firms have ventured into many different sectors in Kenya, but, it must be said, primarily for exportation to China. Where road construction is concerned the Chinese government again plays a role, but one of less significance when compared to natural resources. The Kenyan and Chinese governments deal bi-laterally on road development, but it is Chinese firms that carry-out the work – these firms compete with each other for the tenders and they also conduct work for other international donors. The strength of the link between China's government and firms is therefore dependent on the sector one is talking about, and even where there is a link it differs in tensility.

[57] Harmonisation, Alignment and Coordination Secretariat, "Roads & Transport Donor Assistance Matrix, May 2009". See www.hackenya.org/index.php?option=com_docman&task=cat_view&gid=952&Itemid=535. (Accessed 9 March, 2010).
[58] *Ibid*.

What has occurred over the last few years of China's activities in Africa has been the emergence of a "Chinese Marshall Plan" – a plan seeking to stimulate African demand for Chinese goods by investing heavily in key infrastructure such as road networks. Just like the original Marshall Plan, the benefits are economic and the conditions attached are political. Unlike the 1950s in Western Europe, however, China has not instilled one single development path or economic model and what one witnesses is not the embryonic stages of a "Beijing Consensus". Indeed, China has been more than cautious about validating a "one-size-fits-all" development strategy for Africa. This attitude has opened the door slightly for certain African countries to choose their future path. African governments realise that they cannot hope to develop their economies along Chinese lines – no single African single state can become a global exporter of goods like China has. However, resource-rich countries in Africa equally realise that China now offers them a credible opportunity to off-set the "resource-curse", although whether African governments capitalise on this for their general populations remains to be seen.

The EU's contribution to business and infrastructure development in Kenya must not be overlooked however, not least because the EU is still a trading giant in Africa. With its emphasis on road infrastructure in Kenya the Union has realised that a shift in strategy from poverty reduction through wealth creation rather than just aid is a priority. This strategy has had pay-offs for both Kenya and China: EU-funded roads are being used by the Kenyan public and Chinese firms alike. For continued EU relevance in Africa it should look to spend aid more wisely; for example, spending € 645 million on regional integration in Africa under the 10th EDF rather than on infrastructure surely fails to recognise the core economic needs of country's such as Kenya. It would also be wise for the EU to develop a coherent strategy towards China in time for 2013 when it will start the process of re-drafting its *Country Strategy Papers*. Not that the *Papers* in themselves will change much, but certainly comprehensive consultation with the Chinese government as part of their drafting will.

Kenya is gaining from EU and Chinese presence in the country. The government has been keen to keep both actors involved in the country over the long-term, but now it should seek to direct the gains made to the general population. Such gains need not only come by way of social payments. Indeed, through the Kenyan government's privileged position it should be able to leverage the EU, the larger international community and China for, say, greater worker rights along international norms. Beyond having a choice of donors, however, the Kenyan government could shrewdly leverage further economic gains by breeding a sense of healthy competition between actors. If approached with the right perspective the government could work in cooperation with international partners to create an enduring division of labour – remember the benefits this would have for road construction for example. Competition does not necessarily have to result in enmity, and it could even lead to frankness between China and the EU and perhaps decrease suspicion.

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