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ARTYKUŁY

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CHINA'S ECONOMIC POLICY TOWARDS KENYA IN THE SECOND DECADE OF THE 21ST CENTURY

Abstract

The aim of the paper is to present the results of the analysis and evaluation of the economic policy of the People's Republic of China towards Kenya in the second decade of the 21st century. The introduction discusses the basic methodological assumptions of the paper. The first section of the paper synthetically outlines the historical background of economic relations between Kenya and the PRC, and the second section presents a field-specific literature review. The third section of the paper presents Kenya as one of China's economic partners in Africa. The main section of the paper analyses investments and development projects implemented in Kenya by Chinese companies. The core research problem concerns the question whether China's economic policy towards Kenya is beneficial from the point of view of the economic development of the countries involved? The main thesis assumes that this policy increases the development opportunities of all the states. However, it is unsustainable and carries serious risks, especially for Kenya's economic security.

Keywords: People's Republic of China, Kenya, economic policy, investments, development projects

Introduction

The main aim of the paper is to present the results of the analysis and evaluation of the economic policy of the People's Republic of China towards Kenya in the second decade of the 21st century. The research problem is contained in the question of whether China's economic policy towards Kenya is beneficial from the point of view of the economic development of all the countries involved? The main thesis of the paper assumes that the economic policy of the PRC towards Kenya increases the development opportunities of all the states. Investments and development aid are particularly important to Kenya, as they give it a chance to develop its infrastructure faster. China, in turn, can use Kenya to ex-

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pand its economic expansion in East Africa. In some areas, however, there exists an imbalance. This applies above all to the trade balance between the countries. In addition, significant loans granted by China for the implementation of development projects in Kenya run the risk of falling into the debt trap. There are also concerns about the social and environmental costs of some of the investments. This means that unbalanced cooperation witch China can endanger Kenya's economic security.

Background

Already in the 1960s, the leaders of the People's Republic of China planned to weaken Europe's hold on Africa while cultivating a market for its products. In East Africa, they hoped that China-based Tanzania would become an economic hub displacing Kenya, which was considered pro-Western. Beijing was also interested in supporting Somalia, which was in a state of tension with Kenya (Copper, 2016, pp. 16, 19). On December 14, 1963, Kenya gained independence from the United Kingdom, and two days later China opened its embassy in Nairobi. In 1964, China signed an agreement with Kenya on cultural and economic cooperation and with that extended its $2.8 million cash grant plus $15 million in the form of an interest-free loan. In this way, Beijing tried to endear Kenya. Beijing attempted to convince Nairobi of the good intentions of its policy towards the region, as well as encourage the state to buy weapons from China. However, significant economic support from Western countries and the Soviet Union to Kenya meant that China was unable to exert influence on the Kenyan government.

For this reason, China began to support revolutionary movements in Kenya (Copper, 2016, p. 23). For example, eighteen Kenyan students were caught in the PRC learning to conduct partisan activities. In 1965, the Chinese Embassy in Nairobi was accused of improper and undiplomatic activities, regarding its policy towards both Kenya and the region (Kaplan, Dobert, Marvin & McLaughlin, 1982, p. 249). Eventually, some Chinese diplomats and journalists were expelled from Kenya, and the number of diplomatic visits was significantly reduced. The radicalism of the cultural revolution in China exacerbated the Kenyan government's dislike of the Chinese Communist Party. Therefore, in the 1960s, only a small portion of the Chinese aid promised to Kenya was ever used. Subsequently, to improve its relations with Kenya in 1974, the Chinese Red Cross donated $420,000 to help relieve drought conditions that troubled the African country. In practice, this assistance did not significantly affect relations between the countries (Copper, 2016, p. 23).

Until the end of the Cold War, China's influence in Kenya was negligible. It began to change only at the turn of the 20th and 21st centuries.

The Mwai Kibaki government, which took office in 2002, initiated the so-called "Looking East" strategy. It represented a significant shift in Kenya's foreign policy. The goal of this plan was to forge closer ties with the emerging markets of Asia, the Middle East, Latin America, and the Caribbean, as well as Eastern Europe (*Kenya's 'Look East'...*, 2009). The budding global powers play a special role in this concept, including mainly China, but also India and Brazil. President Kibaki significantly strengthened Kenyan relations with them, which caused a surge anxiety on the part the Western states (Nzau, 2016, p. 154). Later, Kenya and China were brought closer by the West's attitude towards leading politicians of the Kenyan political scene. During the presidential election campaign in Kenya in 2012/2013, Western states distanced themselves from Uhuru Kenyatta, the then deputy prime minister and presidential candidate, as well as from William Ruto, the vice-presidential candidate. The United Kingdom and the United States found their imminent criminal trial at the International Criminal Court related to their participation in the post-election violence of 2007 problematic (Thibon, 2014, p. 13). For some time, London and Washington limited their relations with the Kenyan government only to "essential business", which was taken advantage of by Beijing (Kamau, 2013). To emerge from international isolation, Kenya strengthened its relations with China. In April 2013, Uhuru Kenyatta took office as President, and it was natural to establish close cooperation with the Xi Jinping administration, which a month earlier took power in China. The leaders of the countries have brought together political issues that are important to both sides. For example, Nairobi supported the "One-China policy", and Beijing supported the position of the Kenyan government at the International Criminal Court. During President Kenyatta's visit to China in August 2013 the China – Kenya comprehensive and cooperative partnership was established. In May 2014, visits to Nairobi by Chinese Premier Li Keqiang resulted in the signing of 17 agreements and in China's promise to finance several projects in Kenya, mainly in the areas of railway, health sector, wildlife conservation, and national security (Maweu, 2016, p. 125).

Literature review

In the literature, China is perceived as an important diplomatic and economic partner, including a major source of loans, for sub-Saharan Africa. However, its policy towards Africa is widely criticized by the

West, primarily for its cooperation with undemocratic regimes that are corrupt and violate human rights on a large scale (Lanteigne, 2016). China's offer of economic cooperation is not conditioned by the requirements of the rule of law and transparency, which undermines the West's efforts in these areas (Gwiazda, 2009). China's involvement in sub-Saharan Africa has both economic and political objectives. China wants to expand export markets for domestic products and to develop reliable energy sources to preserve its own development. At the same time, it is trying to build a network of supportive states (Farnell & Crookes, 2016).

China is engaging in Africa following the principles of South-South Cooperation, in which developing countries use their resources for mutual benefit and development. This is based on the perception of China as a historic leader of developing countries, ready to cooperate with any partner (Duggan, 2016). African leaders readily accept the Chinese model of collaboration based on preferential conditions for granting loans without giving preconditions (Hao & Zweig, 2016). On the other hand, the voracious energy strategy that China has launched especially in Africa gave the Western world another reason to criticize the Asian country's ignorance of certain prevailing political values (Kai, 2017). The authors also note that the "Loan for oil policy" implemented in Africa, but also in other regions, such as South America, is expected to lead to an increased influence of China in the world (Arduino, 2015). They also indicate the impact of Sino-African cooperation on the global balance of power (Firmanta, 2014). Loans for investments are also subject to obligatory participation in their implementation of Chinese enterprise entities, which some researchers consider to be a sign of neo-colonialism (Młynarski, 2012). Chinese companies have completed well over 1,000 projects in Africa, including, among others, built around 2.3 thousand kilometres of railway and 3.6 thousand kilometres of highways. Sino-African cooperation has contributed over 20 per cent to Africa's economic growth (Kabiru, 2020). In turn, the alleged mass land grabs by China in Africa turned out to be media speculation (Brautigam, 2015).

In the literature on the subject, relatively little attention is currently paid to the issue of relations between China and Kenya. However, it can be assumed that this will change as China's involvement in this country increases. The dynamic economic growth in Kenya is, to a large extent, a consequence of the rapidly developing partnership with China. In the last decade, Chinese companies have been winning gigantic contracts in Kenya for the construction of roads, railways, and infrastructure facilities (Carotenuto & Luongo, 2016). There is also a prospect of cooperation in the mining sector. China's soft power in Kenya, like in many other African countries, develops primarily through its economic investment and bilateral relations based on mutual benefits, rather than on the increasing media presence and propaganda activity (Maweu, 2016). However, there are concerns that some of China's great investments in Kenya may not be economically viable, as well as incur significant social and environmental costs (Taylor, 2020).

Foreign economic policy involves "government action that has an impact on other countries' economies through the production and distribution of goods and services, and the movement of capital (including foreign direct investment) across national borders" (Okamoto, 1997). In the case of the Chinese economic policy towards Africa, including Kenya, loans granted to these countries for the implementation of development projects also play a significant role.

China's approach to Africa can be described as "mercantilist". Beijing applies a model of operation that prioritises resource extraction and other commercial interests without recognising the political, economic, and social interests of the local people. The Chinese government, including the Ministry of Commerce, and state-owned banks, support Chinese enterprise entities and the countries they invest in by choosing those that most sustain China's national priority of economic growth (Farnell & Crookes, 2016). China often engages both economically and diplomatically in African countries that the West has criticised and tried to isolate for their inhumane policy. It has been focusing on purely utilitarian economic or security objectives that overrode potential instability (Roberts, 2015). In the 21st century, in search of energy resources in Africa, China has primarily engaged economically in Angola and Sudan. At the same time, it has established close cooperation with several other African countries, including Algeria, Ethiopia, Gabon, Kenya, Namibia, Nigeria, and the Republic of the Congo. In economic terms, the purpose of this cooperation is both the import of natural resources and the export of industrial goods (Copper, 2016). In a multilateral dimension, China has conducted dialogue and has cooperated with Africa primarily within the Forum on China – Africa Cooperation and its strategic partnership with Africa (Zhang, 2010). For China, in cooperation with Africa, the Belt and Road Initiative initiated in 2013 is of great importance. It aims at connecting China with other parts of Asia, Africa, and Europe through a network of land and sea routes (Yoram, 2019).

Kenya's foreign policy in recent years has undergone a major paradigmatic shift. Kenya's orientation was defined as moving further away from traditional Western allies, i.e., the United Kingdom and the United States. At that time, it strengthened its relations with the emerging global powers, mainly with China, and focused more on the region of East Africa. However, Kenya's relations with the West may turn out to be deeper than it seemed in recent years. For that reason alone, its future policy direction remains uncertain. This is because Western states are trying to re-kindle their tarnished relations with Kenya (Nzau, 2016). At the same time, however, China is undertaking many actions to strengthen its economic position in Kenya.

Kenya as one of China's economic partners in Africa

In the 21st century, China's presence, influence, and respect have risen considerably on the African continent (Cao, 2016, pp. 1–2). China's involvement in Sub-Saharan Africa is multiplying, and thus the importance of Beijing in the South-South cooperation (Gaudreau, 2016, p. 217). China is pursuing a foreign policy towards Africa aimed at confirming its role as leader of the developing world and Africa's all-weather friend (Duggan, 2016, p. 220).

Chinese authorities argue that trade cooperation between China and Africa is on a win-win basis and "can help both sides make their respective dreams come true" (Nordin, 2016, p. 114). Kenya, alongside countries such as South Africa, Ghana, and Tanzania – characterised by the nascent manufacturing sector, have faced high competition from China's exports. In recent years, in Kenya, as in Ghana, Senegal, and Malawi, there have been demonstrations of workers and traders against imports of products from China (Hess & Aidoo, 2015, pp. 13, 17). In 2014, the level of trade between China and Africa amounted to $215 billion, of which $157 billion was the value of exports from China. In 2018, the overall level of trade amounted to $210 billion, but the value of Chinese exports was only $105 billion (*Data: China-Africa...,* 2020). This relatively balanced trade, however, does not translate into trade relations between China and Kenya. In 2018, China exported to Kenya goods worth $3.66 billion and imported goods worth just $174.2 million. Kenya mainly imports electrical and electronic equipment and machinery from China, and exports ore slag and ash. (*Bilateral trade...,* 2019). Kenya especially wants to increase exports of flowers and produce to China. To make the exports more competitive, Kenya should invest more in trade-related infrastructure, including transport as well as logistic and storage infrastructure. It is necessary to build more high-quality warehouses, cold storage vehicles, and rail carriages. It should also focus on expanding international market access through trade preferences and other trade initiatives. Besides, Kenya should improve marketing of its existing products or diversify its scope (Wakaya, 2019).

African countries oriented towards export of their natural resources, such as Angola, Sudan, and Nigeria, enjoy a much better position (Hess & Aidoo, 2015, p. 13). The emerging oil and mineral extraction sectors in Kenya are likely to be attractive to China, as well as to bring Kenya significant profits from exportation of energy resources. China has invested heavily in offshore oil and gas ventures in East Africa, mainly in Sudan and Kenya (Malik, 2011, p. 343). During the global economic crisis, China's overseas energy investment has contributed to global oil and gas production in many parts of the world, including East Africa (Zhao, 2017, p. 150). Kenya is poised to become the central corridor for South Sudan's exportation of crude oil. The significant oil deposits discovered in recent years in northern Kenya, Uganda, southern Ethiopia, northern Mozambique, and southern Tanzania are making this region even more attractive for Chinese investors (Carotenuto & Luongo, 2016, p. 163). In October 2013, the second East Africa Oil and Gas Summit (EAOGS) took place in Nairobi. The summit focused on the possibility of building a pipeline network in East Asia in which the Kenyan territory would play a significant role. About 200 global energy companies, from 30 countries, are involved in this new Eastern Africa, including especially the China National Petroleum Corporation (CNPC) and the China National Offshore Oil Corporation (CNOOC) (Shaw, 2016, p. 116).

In recent years, China, and to some extent, India, and South Africa, have been breaking the West's economic monopoly in East Africa. China is involved in infrastructure development and invests in special economic zones in the countries of the region, mainly in Tanzania and Zambia (Bach, 2016, p. 80). The Chinese-led construction of a railway connecting Tanzania with Zambia, called the Tazara-Tanzam Railway, constitutes an example of an important manifestation of breaking the Western domination in East Africa. According to critics of the Western policy towards Africa, this was an essential step in abolishing the exploitative neo-colonial structure in the region (Mwaura, 2005, p. 17). Later, massive infrastructure investments of Chinese enterprise entities also took root in Kenya.

Given the size of Kenya's economy and the level of its economic development, foreign investment in this country is at a flow level. Nevertheless, Kenya remains one of the largest recipients of Foreign Direct Investment (FDI) in Africa. Its level has increased particularly since the 2010s. In recent years, the increase has been caused mainly by direct investments of Chinese enterprise entities in the mining and hydrocarbon sectors. For example, in 2018, the FDI influx to Kenya raised from $681 million in 2016 to $1.28 billion in 2017 to $1.63 billion in 2018. The total stock of FDI stood at $14.4 billion in 2018. It is worth noting that the Information and Communications Technology (ICT) sector has attracted the most FDI, thanks to the fibre optics being built by Chinese companies. The other sectors targeted by FDI are banking, tourism, infrastructure, and extractive industries (*Foreign direct…*). Companies from China are active in these sectors. The annual flow of FDIs from China to Kenya between 2010 and 2012 was between 88 and $102 million. In 2013–2015, their annual level was between $230 and $282 million. After falling to $30 million in 2016, there was a significant increase to $410 million in 2017 (*Annual flow…*, 2018).

Kenya is primarily a market economy which is a significant advantage. It plays the role of the commercial, economic, technological, and logistic hub and financial centre in East Africa. It has a robust industrial base and a well-developed transport infrastructure. It has a young, educated, and English-speaking population; it has vibrant horticultural and tourism sectors; energy sector has excellent development potential; foreign and national investors are treated similarly by administrative and judicial authorities. On the other hand, there are some major investment barriers in Kenya, such as high level of corruption, a slow judicial system, high unemployment and poverty. Kenya struggles with security issues related to terrorism, crime, and inter-ethnic tensions, costly skilled labour, high energy prices, weak and unstable energy infrastructure, investment law uncertainty; foreigners cannot buy land. The Kenyan authorities are implementing measures to increase the country's investment attractiveness. This applies, inter alia, to the implementation of the extensive programme of privatisation as well as to the creation of special economic zones and export processing zones (*Foreign direct…*).

China relies on the free flow of energy resources and industrial goods. It has, in recent years, also increasingly considered Africa (Hoyt, 2016, p. 121). To be able to increase its presence on both the African continent and the waters of the Indian Ocean, China requires access to the ports of the East African coast (Kane, 2016, p. 39). For this reason, it built the first naval base outside of China – in Djibouti. However, Chinese ships need to use the ports of other countries, including the international port in Mombasa. Increased economic activity in Africa also presupposes sustained protection of sea routes. Of nearly 1.3 thousand Chinese merchant ships that crossed the Gulf of Aden in 2008, seven were attacked by Somali pirates (Yuan, 2015, p. 171), and up to 20% came under some pressure on their part (Deng, 2016, p. 105). For example, in November 2008, a Chinese fishing vessel was hijacked by pirates armed with grenade launchers and automatic weapons off the coast of Kenya. This incident aroused intense indignation in China (Tseng, 2017, p. 49). Therefore, in December 2008, the Chinese naval forces deployed a naval task force convoy to combat Somali pirates in the Gulf of Aden and neighbouring waters around the Horn of Africa (Li, Kemburi & Hongzhou, 2015, p. 16).

To increase influence in Africa and protect economic investment, in the second decade of the 21st century, China has significantly engaged in peacekeeping missions on the continent. Every year, China's level of involvement in UN missions ranges on average between 2 thousand and over 3 thousand soldiers, of which between 80 and 90 per cent are stationed in Africa. For example, on 30 June 2019, 2458 soldiers of the Chinese People's Liberation Army (PLA) participated in peacekeeping missions, of which 1031 in South Sudan, 413 in Mali, 365 in Sudan and 218 in Congo-Kinshasa (United Nations Peacekeeping, 2019). This means that the majority of Chinese soldiers have so far been stationed in direct or close proximity to Kenya. The PLA's significant involvement in peacekeeping missions in Africa is a significant policy change because Beijing had previously seen such missions as interference by global powers with state sovereignty. However, the Chinese authorities realised that they could no longer avoid active involvement in world affairs. For many observers, this is a departure from "non-intervention" and "low profile" policy (Shichor, 2017, pp. 116–117).

Investments and development projects implemented in Kenya by Chinese companies

In the 21st century, China's interests in Kenya are significantly increasing. The increase in investment of Chinese companies results in greater importance of China in the economic policy of Kenya, as well as an increase in the influence of the Middle Kingdom. At the same time, Western governments' influence on Kenyan politicians is diminishing because Nairobi has the option of choosing between economic partners (Branch, 2011, p. 299).

China's most significant investment in Kenya has been implemented in the railway sector. The development of Kenya's railways has become part of China's "One Belt, One Road" initiative. It assumes upgrading land and maritime trade routes between China and Europe, Asia, and Africa. In 2017 Kenya opened a modern Standard Gauge Railway (SGR) linking the port of Mombasa with the capital Nairobi at the cost of $3.2

billion funded by Chinese loans. In October 2019, a $1.5 billion Chinese-built railway line was opened linking Nairobi to Naivasha in the Rift Valley, which was also funded by Chinese loans (Miriri, 2019a). The agreement between the Chinese and Kenyan governments to build a railway line from Mombasa has so far been subjected to severe criticism in Kenya, both by parliament, media commentators, and civil societies. Kenyan investment benefits were called into question. It was alleged that the project was not subject to public tender and the legality of the details of the financing deal was contested. Several of the charges were brought to court (Wissenbach & Wang, 2016, p. 256).

In April 2019, China refused to fund the planned $3.7 billion extension of the SGR from Naivasha to the Ugandan border town of Malaba. For this reason, Transport Minister James Macharia said that Kenya's government would spend $210 million to rehabilitate the colonial-era Malaba line instead. This situation deepened the already harsh criticism voiced by the Kenyan opposition. As a result, the government was accused of building a modern railroad that leads "nowhere". In addition, it was pointed out that the transport of goods from Mombasa to Nairobi by a new rail was 30% more expensive than by truck (Miriri, 2019b). There were allegations that the SGR "is a grossly capital-intensive enterprise that threatens to leave Kenya with a loss-making and expensive white elephant" (Taylor, 2020, p. 43). To this day, the Chinese government has not issued any official statement about the reasons for withdrawing the loan for finishing investment. The likely reason is the growing accusations against China that multi-billion infrastructural investments burden poorer, developing nations with unsustainable debt. Therefore, in April 2019, Xi Jinping announced that Beijing would exert more control over projects within the Belt and Road Initiative and tighten oversight (Herbling & Li, 2019). At the end of 2016, Kenya's foreign debt to China was about $3.5 billion (19.4% of the total external debt). Besides, between 2013 and 2017, Chinese investments and commitments to Kenya reached $6.5 billion (Kabiru, 2020, p. 189).

The High Grand Falls Dam, hydroelectric power station across the Tana River is another massive project in construction in Kenya worth $2 billion. Approximately 115 meters high and creating a reservoir of 5.5 billion cubic meters, the dam has multiple objectives: advanced hydroelectricity, maintaining low-water levels, supporting recession agriculture, and irrigation and flood protection (*The High Grand…*). Seven companies, including China Huadian Engineering Co., Ltd., China Machinery and Engineering Corporation, China International Water and Electric Group, and China National Complete Engineering Corporation, entered the tender for the construction of the dam. The tender ended in a scandal because The National Irrigation Board of Kenya (NIB) excluded the British company GBM Engineering. Observers suggested that corruption could have occurred, which was supposed to put China in a privileged position. Finally, NIB was ordered by the Public Procurement Administrative Review Board (PPARB) to pay the fine to GBM Engineering for unjustified exclusion from the tender. Also, NIB had to re-evaluate the tender as directed and award the contract to GBM Engineering (Mutua, 2019).

Built, among others, by Chinese construction companies, roads are crucial to the economic development of Kenya. In 2012, the Thika Superhighway connecting the capital Nairobi with the industrial town of Thica was completed. The 50 km stretch was built by Chinese companies – China Wu Yi Co., Ltd., Sinohydro, and Shengli Engineering. The investment cost was $360 million, of which $180 million was provided by African Development Bank (AfDB), $100 million by China's Exim Bank, and $80 million by the Government of Kenya (*Nairobi-Thika…*). The Chinese are also building a beltway around Nairobi for over $420 million. The leading role in the implementation of this investment plays China Road and Bridge Corporation, and funds come primarily from China's Exim Bank loans (Xinhua, 2016). The construction of Moi Teaching and Referral Hospital in Eldoret in western Kenya is also a significant infrastructure undertaking. The project was to have been completed in 2018, but it was delayed due to mounting land issues. The section of the land that was set aside for the construction of the hospital reportedly belongs to the squatters who claim to have been living there for the past 60 years. In April 2019, residents decided to sue the National Land Commission (NLC) and the hospital (Andiva, 2018).

In October 2016, North China Power Engineering Company, Ltd. (NCPE) was awarded by the Kenya Electricity Transmission Company (Ketraco) a contract to construct a power line connecting Kenya and Tanzania. The project aimed to increase the possibilities of electricity trading between the countries of East and Southern Africa. The 96 km transmission line run from Isinya substation in Kajiado to the border town of Namanga. Kenya plans to use the line to link up with the Southern African power pool comprising Tanzania, Zambia, Mozambique, Zimbabwe, and South Africa and to benefit from mutual power exchange. The project can transfer 2,000MW of power in either direction. The project was jointly financed by the Kenyan government ($42.9m) and the African Development Bank ($22.4m). The investment was to be carried out over 22 months. The project is particularly vital for Kenya, which plans to add 5,000MW of renewable energy to the grid by 2020. Surplus energy, which the Kenyan economy will not be able to use, will be sold abroad (Kiganda, 2016). Due to legal disputes with landowners, the implementation of the project is delayed. In 2019, China Electric Power Equipment and Technology (CET) began the construction of the Ethiopia-Kenya power transmission line. The project will cost $1.26 billion and will be financed by the AfDB. It runs about 1,045 kilometres, of which 600 kilometre is within Kenya's territory. The 500 kV transmission line will have the transmitting capacity of 2,000 MW (Barnes, 2019).

It is worth noting that the Chinese KEDA Clean Energy Company Ltd. plans to invest in Kenya from $200 million to $2 billion in renewable energy production (*Ministry of Industry…*). In addition, in 2015, China's General Nuclear Power Corporation signed a memorandum of understanding with a partner in Kenya to build four nuclear power plants. The overall costs of this project have not been made public. This investment was supposed to be a breakthrough in Kenya's electrification process because, at that time, only 30 per cent of the country was connected to the grid, of which only 10 per cent villagers (Copper, 2016, p. 81). Also, construction near the coastal town of Lamu the country's first-ever coal-powered plant with a capacity of 1,050 MW was to have begun in 2019. It was to be built by China Power Global for $ 2 billion. However, the construction was suspended because building the coal-fired plant would damage the 14th Century idyllic tourist spot, which is recognised as the UNESCO World Heritage Site (*Kenya halts Lamu…*, 2019).

In September 2016, China opened in Nairobi the Chinese-African Development Fund (CADF) representative office, the 5th of its kind in Africa. The objective of the CADF is to assist Chinese companies and investments in African countries (Kamakia, Guoqing, Zaman & Junbi, 2018, p. 40). On November 30, 2018, Lyu Xinhua, chairman of Council for Promoting South-South Cooperation, stated during the Kenya-China Trade and Investment Forum in Nairobi that Chinese firms "are keen to form a partnership with Kenyan firms to manufacture products that can compete in the global markets". He said that "Chinese firms are willing to help Kenya to reduce its international trade imbalance by boosting its export". Chris Kiptoo, principal secretary of the Ministry of Industry, Trade and Cooperatives, said that over 400 Chinese companies had already invested in Kenya, including in sectors such as real estate, finance, and agriculture. At the same time, he invited more investors to Kenya (Mu, 2018).

Table 1. Major projects in Kenya financed and implemented by China

Investment Project	Cost of Investment	Year
Standard Gauge Railway	$4,7 Billion	2014–2019
Coal Plant in Lamu	$2 Billion	2019–suspended
Pearl River SEZ in Eldoret	$1,92 Billion	2018–2020
Ethiopia-Kenya power transmission line	$1,26 Billion	2019–2020
Moi Teaching and Referral Hospital-Eldoret	$560 Million	2015–2019
Thika Super Highway (Lot 3)	$360 Million	2009–2012
Drilling of Geothermal wells in Olkaria	$195 Million	2010–2015
Nairobi Western Bypass	$180 Million	2017–2019
Nairobi Southern Bypass	$158 Million	2013–2016
Kenyatta University Teaching and Referral Hospital	$100 Million	2011–2016
Nairobi Northern and Eastern Bypass	$85 Million	2009–2012
Power line	$65 Million	2016–2018
Fibre Optic Cable (second phase)	$60 Million	2012–2016

Source: Own work based on: Kamakia, Antony, Guoqing, Shi, Zaman, Mohammad & Junbi, Zhou. (2018). "Financing for Development and Socio-Ecological Transitions: A Review of Chinese Investments in Kenya." Environmental Management and Sustainable Development, 7, No. 2, p. 41; Kabiru, Angela. (2020). Impacts of Chinese Influence in Contemporary East Africa. In Chapurukha M. Kusimba, Tiequan Zhu & Purity W. Kiura (Eds.), China and East Africa. Ancient Ties, Contemporary Flows. London: Lexington Books, pp. 189–190.

In May 2017, the Kenyan government signed a contract with Guangdong New South Group Ltd. for the construction of Pearl River SEZ in Eldoret for $1.92 billion. The special economic zone in Eldoret is a part of the Africa Economic Zones (Nganga, 2017). Chinese companies also invest in Kenya in the agricultural and manufacturing sectors. Private, migrant entrepreneurs dominate these investments. They have mainly been driven by market considerations, such as production cost and market proximity, rather than government incentives from home or host country. Many investors, especially in building materials, and related services sector, were attracted by the increasing presence of Chinese international contractors in Kenya. Investments of Chinese companies in agriculture is a new phenomenon. However, it has development prospects. Although more and more Chinese enterprise entities are investing in Kenya in agriculture and manufacturing, economic growth has been unstable. Obstacles include, for example, underdeveloped local supply chains which impede the development of quality workforce (Xia, 2019, pp. 26–27).

Chinese companies also invest in Kenya in the development of ICT networks. In 2007, three Chinese companies – Sagem, ZTE, and Huawei

– won contracts to lay down fibre optic cables in Kenya. In June 2012, Huawei was awarded a $60 million contract in the second phase of Kenya's fibre optic plan (Okuttah, 2012). The EXIM Bank of China funded the project through a concessional government-to-government loan agreement (Maweu, 2016, p. 127).

In the 21st century, the Chinese news agency Xinhua is dynamically developing its operations in Africa, through the Africa Regional Bureau in Nairobi. For example, its launch of mobile news in sub-Saharan Africa in April 2011 enabled about 17 million Kenyan mobile subscribers to receive Xinhua's latest news. Also, at the end of 2012, China's leading English-language state newspaper, *China Daily*, launched its *Africa Weekly* edition. It is published in Nairobi and distributed all over the continent. At the same time, Chinese radio and television companies, including China Radio International and China Central Television Africa, are developing their programming offer for Africa from their offices in Nairobi. In Kenya, however, their broadcasts are not very popular (Zhang, 2016, p. 11).

Already at the beginning of the decade, China was the second-largest tourist source for Kenya in Asia. More than 40,000 Chinese tourists visited Kenya in 2013. In the following years, the number grew dynamically (Maweu, 2016, p. 125). For this reason, Chinese clinics and restaurants have spread rapidly in Kenya in recent years. In some cities, the number of Chinese has increased so significantly that there are reports of a lucrative dog meat business, which the Chinese regard as delicacy (Maweu, 2005, p. 92).

Positive feedback on China's economic involvement in Africa remains strong in Kenya. In 2007, 74% of Kenyans positively assessed the influence of China on African countries. In 2010, the figure was 73% and in 2014 only 65% (Hess & Aidoo, 2015, p. 5). During the research carried out in 2016, 77% of Kenyans agreed with the statement that China is helping Kenya, while 8% disagreed (*What do Kenyans…*, 2016). Kenyan citizens, alongside citizens of Sudan, Senegal, and Nigeria, have had higher public approval of China than, for example, citizens of countries such as South Africa, Zambia, and Uganda (Hess & Aidoo, 2015, p. 135).

Conclusion

China's growing economic footprint has benefited some specific economic sectors in Africa, while often harming others. It poses a threat mainly to economies focusing on the manufacturing industry. Moreover, it may be supportive and complementary to economies for which the mining industry is of key importance (Hess & Aidoo, 2015, p. 13). For

China and Kenya's economic cooperation to be profitable for both partners, Kenya must step up its efforts to improve investment conditions in the manufacturing and service sectors. In addition, it is necessary to take some actions to improve the competitiveness of its own export goods. Substantial deposits of energy resources, discovered in recent years in East Africa, including Kenya, are also liable to balance the trade relations between China and Kenya.

China plays a huge developmental role in African countries, including Kenya. Currently, China mainly implements projects in infrastructure. Investment funds come primarily from loans granted by Chinese state banks. One of the conditions for granting them is the need to award contracts for the implementation of projects to enterprise entities from China. On the one hand, this significantly increases Kenya's investment capacity. On the other, it does not contribute directly to the development of domestic construction companies, except for the possibility of their activities as subcontractors. Also, it carries the risk of a significant increase in debt towards China that Kenya will not be able to repay, which in turn constitues a severe threat to Kenya's economic security. The Chinese authorities are also aware of overinvestment in Africa, which is why they have been more restrictive in recent years in terms of lending, especially regarding developing countries, such as Kenya. The answer to the question of whether multi-billion loans and projects implemented in Kenya by Chinese companies will pay off remains to be seen. It will, on condition that the debtors start paying back. Developmental projects in Kenya that Chinese enterprise entities and agencies implement are intended to both dynamize Kenya's economic development and improve investment conditions. These projects are to increase production and export opportunities, as well as to improve the quality of life of the country's residents.

With the massive projects carried out in Kenya by Chinese state-owned companies, dozens of smaller private companies also appear in the country. They operate in various sectors, both providing facilities for construction giants as well as operating in various manufacturing, service, agriculture, and other industries. If a favourable political climate between countries persists, then one can expect a gradual increase in these investments. Another condition is that Kenya maintains dynamic economic growth. Another favourable factor is the continued positive opinion of the Kenyans on China's economic policy towards their homeland.

China is one of the leading external investors in Kenya, alongside countries such as the United Kingdom, the Netherlands, Belgium, South Africa, and the United States (*Foreign direct…*). Global economic tensions between China and the United States are of particular concern, as they may translate more broadly into tensions between China and Western countries. According to President Uhuru Kenyatta, Kenya has no interest in being drawn into a proxy war between Beijing and Washington. He wants to pursue closer ties with both China and the United States (Reuters News Agency, 2020). The economic risk for Kenya also involves Brexit, which, if there are possible negative economic consequences on a larger scale, may limit the UK's investment activity in Kenya. In such a case, Kenya might be forced to rely more heavily on the investments from other economic partners, including China.

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Polityka gospodarcza Chin wobec Kenii w drugiej dekadzie XXI wieku

Abstrakt

Celem artykułu jest prezentacja wyników analizy i ocena polityki gospodarczej Chińskiej Republiki Ludowej wobec Kenii w drugiej dekadzie XXI w. We wstępie omówiono podstawowe założenia metodologiczne artykułu. W pierwszej części artykułu syntetycznie przedstawiono tło historyczne stosunków gospodarczych między Kenią a ChRL, a w drugiej części zaprezentowano przegląd literatury przedmiotu. W trzeciej części artykułu ukazano Kenię jako jednego z partnerów gospodarczych Chin w Afryce. W głównej części artykułu przeanalizowano inwestycje i projekty rozwojowe realizowane w Kenii przez chińskie przedsiębiorstwa. Problem badawczy polega na tym, czy polityka gospodarcza Chin wobec Kenii jest korzystna z punktu widzenia rozwoju gospodarczego państw? Główna teza zakłada, że polityka ta zwiększa możliwości rozwojowe państw. Jest ona jednak niezrównoważona i niesie ze sobą poważne ryzyko, zwłaszcza dla bezpieczeństwa gospodarczego Kenii.

Słowa kluczowe: Chińska Republika Ludowa, Kenia, polityka gospodarcza, inwestycje, projekty rozwojowe