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Kenya China Relations: Portrait of Economic Cooperation in the New Millennium

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Abstract: **The economic cooperation between Kenya and China has strengthened since 2003. This is after Kenya's historic political transition that brought to power the National Rainbow Coalition government headed by President Mwai Kibaki in December 2002. The new government proceeded to immediately formulate a national economic recovery plan and later on Kenya's economic blue print vision 2030. Under the economic recovery plan of 2003 to 2007, the government prioritized infrastructure, financial sector, Agriculture, manufacturing and tourism as essential preconditions for sustainable economic and social development. To address the gaps in macroeconomic stability and long-term development strategies, Kenya turned to China to finance modernization of strategic sectors of economy hence cementing the political relations between the two states.**

Keywords: **Infrastructure, Financial sector, Agriculture, Mining, Manufacturing, Tourism.**

1. INTRODUCTION

The Kenya China relations have evolved in past five decades. Whereas the relationship between the two countries has been cordial during the period, major economic cooperation between Kenya and China began in 2003. This is after Kenya's historic political transition that brought to power the National Rainbow Coalition (NARC) government headed by President Mwai Kibaki in December 2002.The new government proceeded to immediately formulate national economic recovery plan and later on Kenya's economic blue print vision 2030. Under the economic recovery plan of 2003 to 2007, the government prioritized infrastructure, financial sector, Agriculture, manufacturing and tourism as essential preconditions for sustainable economic and social development. To address the gaps in macroeconomic stability and long-term development strategies, Kenya turned to China to finance modernization of strategic sectors of economy hence cementing the political relations between the two states. This study Kenya seeks to further the understanding the impact of these economic and political relations in Kenya for the past 5 decades with emphasis on economic cooperation since 2003.

2. KENYA CHINA RELATIONS: BRIEF HISTORICAL OVERVIEW

The political, economic, and socio-cultural relation between Kenya and China has evolved from being of fragile co-existence to valued partnership over past five decades. The contacts between the two states began 600 years ago. This is the period when the great Chinese navigator Zheng He of Ming Dynasty is said to have arrived in Kenya's coastal town of Malindi. (CE, 2017) The navigator returned to China with a giraffe, an animal which under Chinese mythology symbolizes royalty.

In the first half of 20th Century the relationship between Kenya alongside other African countries and China moved to new level. The old friendship was re-energized by Chinese revolution of 1949 as well as African decolonization campaigns of 1950s and 1960s on the other. (Zeleza, 2014)China was the fourth country to set up an embassy in Kenya two days after independence on 14th December, 1963. (Xinhua News Agency, 2003) This epoch herein referred to us Mao-Kenyatta era was did not however last long due to ideological differences between Mao Ze Dong and Jomo Kenyatta leaders of China and Kenya respectively. Despite Kenya harnessing and benefiting from China's revolutionary agenda, the inability of Kenya to reconcile her own to the emerging capitalist trajectory with China's communist model proved more difficult than was bargained for to sustain cordial relations between the two countries. (Chege, 2008) The ideological schism in Kenya China relations reduced cordial cooperation between the two states until after the exit of Mao in 1976 and Kenyatta in 1978.

A new dawn was rekindled in 1980. The visit to China by then Kenya's President Daniel Arap Moi served as a new magic spark for Kenya China relations. President Moi's visit was necessitated by desire to secure means of diversify sources of Kenya's external development funds. Chege notes that top Nairobi-Beijing contacts were made between 1980 and 2002. In this period President Moi made at least 3 state visits to China. In the same period, similarly, at least 20 top-level Chinese diplomatic entourages visited Kenya. They included Prime Minister Zhao Ziyang (1983), Foreign Minister Wu Xueqian (1987), President Jiang Zemin (1996) and Prime Minister Zhu Rongji (2002). (Chege, 2008)

The visit to China by president Moi in 1980, culminated to signing of two agreements namely economic, technological cooperation, and technical support to two new universities; scholarships; and military and cultural exchanges. According to Chege, the most important component of the economic Cooperation agreement was the construction of the Moi International Sports Center at the cost of approximately 930 million Kenya shillings financed at 52 and 48 percent respectively by China and Kenya. The hosting of the 1987 all African games in the 60,000 sitter capacity stadium equipped with Olympic-size swimming pool, and a modern gymnasium remains great symbol of Kenya China relations (Chege, 2008)

In 2002, Kenya experienced major political development. The KANU regime which had governed the country since independence paved way for the aforementioned NARC government under the leadership of Mwai Kibaki in a historic election. The political transition had ramifications not only in the internal governance of the country but also in foreign relations. In aftermath of political transition, Kenya foreign policy began to gravitate towards the East in particular towards China. Coming to power on the platform of change under slogan, "Yote Yawezekana" meaning all is possible, President Kibaki inherited a country lost with hope and nearly crumbling out of bad governance and corruption.

In his inaugural address to the people, the president noted, "I am inheriting a country which has been badly ravaged by years of misrule and ineptitude." And to this he added, you have asked me to lead this nation of the present wilderness and malaise on the Promised Land, and I shall do so; I shall offer a responsive, transparent, and innovative leadership." (The Guardian, 2002)

Whereas political transition signaled economic and political hope for Kenya, the country's economy grew by meager 1.4 percent in 2003. The economy previously experienced slow growth of 1.4 percent in 2002. Moreover, the government had challenge managing crucial macroeconomic fundamentals. In particular, the government deficit was high; inflation was running out of control alongside poor economic performance culminating in declining per capita income hence myriad of social challenges affecting ordinary people. The economy was characterized by rampant poverty, dilapidated infrastructure, unemployment, poor health services, as well as an education system characterized by non-enrolment, high dropout and low completion rates, all which required immediate attention. (AFDB/OECD, 2004)

In order to fulfill his promise to the people of Kenya, President Mwai Kibaki together with his government embarked on governance and economic reform. Among the reforms instituted was the drafting and implementing of the Economic Recovery Strategy for Wealth and Employment Creation of 2003 to 2007. The economic plan served as blue print in guiding government policies from 2003 to 2007. The NARC Government economic recovery plan focused on the creation of macroeconomic policies, improved governance, efficient public service delivery and facilitation of an enabling environment for the private sector to do business, as well as creation of public investments and policies aimed at reducing the cost of doing business. (Ministry of Planing and National Development Kenya, 2003)

Within 3 years of implementation of economic recovery policies, Kenya experienced sustained accelerated growth from 2003 to 2007. The GDP growth rose from 2.9 percent in 2003 to a projected 7.1 percent in 2007. (Chege, 2008) Poverty

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levels declined from 56 percent in 1997 to 46 percent in 2006. According to Chege, the Kenya experienced broad based economic growth between the years 2003 to 2007 in all sectors of the economy: agriculture, tourism, wholesale and retail trade, manufacturing, telecommunications, construction, transport and the financial sector. For the first time the government instituted free primary school education in 2003 and also improved the delivery of health care.

To maintain momentum for economic growth, president Kibaki sought to diversify Kenya's pool of development partners. The previous governments of Kenyatta and Moi aligned their economic and political interests largely with Western Europe and the United States of America. The coming to power by Kibaki altered this matrix such that while Kenya maintained cordial political diplomacy with the West, his economic diplomacy was shifting towards the East, China in particular. According to Chege, the China-Kenya economic relations in the Kibaki era unlike the past began with high-level political contacts between the two states followed by a series of agreements.

President Mwai Kibaki made his first state visit to China in August 2005. The intention of this trip was to secure funding and technical assistance initiated under the ambitious economic recovery plan. During the visit President Kibaki held extensive talks with President Hu Jintao and Chinese government officials securing cooperation agreements in areas of infrastructure and energy, extended air services between the two countries. Similarly Kenya secured technical assistance in assessment and classification of standards in industrial products, and modernization of equipment and training at the state-owned Kenya Broadcasting Corporation. (Chege, 2008).

In April 2006, Hu Jintao, the President of China visited Kenya as part of a five-nation tour that took him to the United States, Saudi Arabia, Morocco, Nigeria and Kenya. The visit Kenya affirmed the increasing cordial relations and cooperation between the two countries in particular in investment in infrastructure development, financial services, tourism, official development assistance and mining.

Infrastructure development:

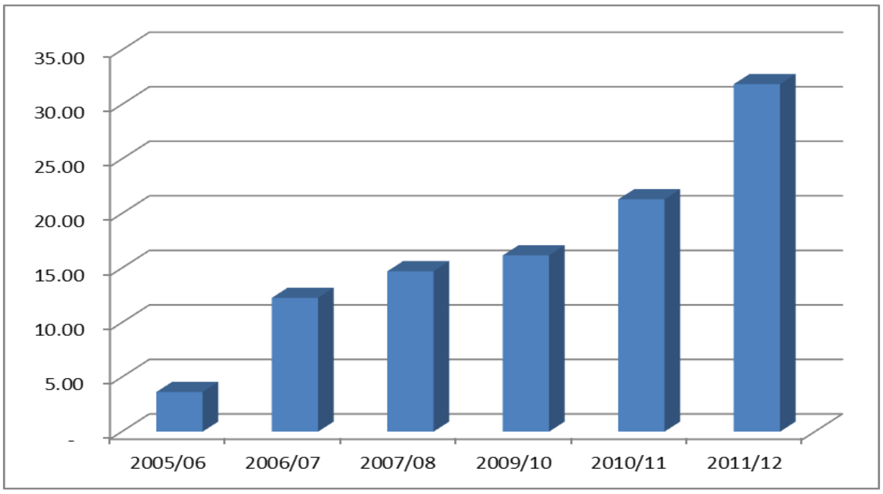
China's investments in construction and infrastructure in Kenya have risen considerably since the year 2003. The increased investments in the two sectors come on the backdrop of political transition proceeded by formulation of economic recovery plan and subsequently the launch of Kenya's economic blue print Vision 2030. Under the economic recovery plan of 2003 to 2007, the government prioritized physical infrastructure as crucial prerequisite in creating and supporting a business environment that facilitates private sector investment, growth and job creation. In particular, the government embarked on infrastructure projects to modernize roads, railway transport, and air transport, as well as to develop the energy sector, maritime and inland waterways. These projects coupled with macroeconomic stability and long-term development strategies have been championed by successive governments as essential preconditions for sustainable economic and social development. (Ministry of Planing and National Development Kenya, 2003)

Similarly, under country's economic blue print famously referred to us Vision 2030 and which came to force in 2007 the government sought to calibrate the success of economic recovery plan as foundation for building a prosperous, middle income, and industrialized country. On infrastructure in particular, the vision aspires to enhance interconnectivity of every part of the country through a network of roads, railways, ports, airports, water, sanitation facilities and communication. (Ministry of State Planning and National development, 2007)

Roads Infrastructure:

It is estimated that Kenya's road network is160, 886 km long. Of the total road coverage only 14,000 km is paved. Road transport is the primary mode of transport in Kenya. It constitutes about 80% of the total internal freight and passenger traffic in Kenya. As gateway to East Africa, most countries in the region utilize Kenya's road network to transport goods to and from the Mombasa port which serves as an entry hub in East and Central region. The importance of the road transport sector has for the last decade prompted the Kenyan government to actively seek bids to improve and expand road infrastructure networks; domestically and across East Africa to improve trade flow in the region. Since 2005 to 2012 successive governments have matched their intention to funding of major road infrastructure projects in Kenya. The total allocation to road infrastructure increased by an average of 14.28% between 2005 and 2006.

Figure 1: Average percentage increase in infrastructure from 2005 to 2012



Source: Authors' analysis using KNBS data on Economic survey 2012

In monetary terms, the allocation to road infrastructure projects rose from KES 10,462.7 to KES 91,530.2 billion. The Kenya government allocated a total of KES 287,145.9 billion over the seven years. (Kenya National Bureau of Statistics, 2012)

From the year 2012/13 to 2016/17, allocation to road infrastructure increased by an average of 20% with exception of the year 2013/14 to 2014/15.

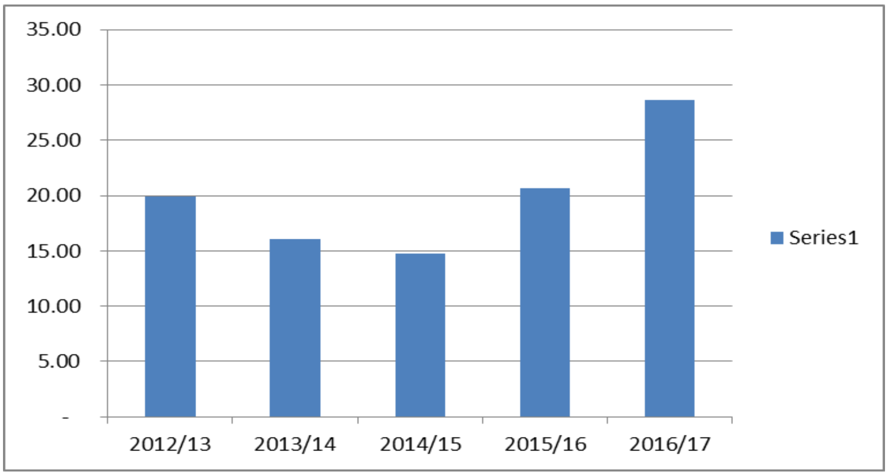
Figure 2: Infrastructure Expenditure on Roads, 2005/06 -2011/2012

KSh Million

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12*
Development							
Trunk Roads	2,406.0	14,472.9	16,605.3	20,126.6	28,514.6	16,243.7	36,666.9
Primary Roads	1,260.5	5,377.7	7,988.3	7,433.8	11,579.1	19,503.7	8,283.1
Secondary Roads	320.7	1,546.9	2,898.4	7,770.7	7,877.6	8,636.3	14,032.3
Miscellaneous	353.5	2,958.3	2,973.1	948.4	4,730.0	4,253.7	14,761.6
Total	**4,340.7**	**24,355.8**	**30,465.1**	**36,279.5**	**52,701.3**	**48,637.4**	**73,743.9**
Recurrent (Maintenance and repair)	6,122.0	10,905.5	11,795.4	10,163.8	15,446.2	12,550.5	17,786.3
Total	**10,462.7**	**35,261.3**	**42,260.5**	**46,443.3**	**68,147.5**	**61,187.9**	**91,530.2**

Source: (Kenya National Bureau of Statistics, 2012)

Figure 3: Average percentage increase in infrastructure from 2012 to 2017



Source: Authors analysis using KNBS data on Economic survey 2017

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In monetary terms, the allocation to road infrastructure projects rose from KES 108,864.2 to KES 156,474.8 billion. The Kenya government allocated a total of KES 546,776.7 billion from year 2012/13 to 2016/17. (Kenya National Bureau of Statistics, 2017)

Figure 4: Total Expenditure on Roads, 2012/13 - 2016/17

KSh Million

	2012/13	2013/14	2014/15	2015/16*	2016/17**
Development:					
Trunk and primary Roads (A, B and C)...	65,152.3	43,763.4	37,792.0	51,600.0	70,300.0
Secondary and Minor Roads (D and E)	14,215.6	16,784.0	12,343.5	20,492.1	45,295.2
Miscellaneous Roads (Including Urban)...	5,125.8	3,853.0	4,698.4	15,694.5	-
Sub-total	**84,493.7**	**64,400.4**	**54,833.9**	**87,786.6**	**115,595.2**
Recurrent:					
Maintenance & Repair...	24,370.5	23,228.9	25,792.0	25,395.9	40,879.6
Total	**108,864.2**	**87,629.3**	**80,625.9**	**113,182.5**	**156,474.8**

Source: (Kenya National Bureau of Statistics, 2017)

The impact of Chinese investment in Kenya's construction and infrastructure sectors are hinged to the realization of the vision 2030 projects. The infrastructural cooperation between Kenya and China has great benefits for both countries. While Kenya is modernizing infrastructure crucial for developing the economy, China is increasing her influence and expanding access to commerce and natural resources in the country. Many of the firms involved in major construction and infrastructure economic flagship projects in Kenya are either state-owned or private Chinese companies. Among the major Chinese construction companies working in Kenya include: China Wu Yi Company, Sino-hydro Corporation, China Road and Bridge Corporation, and Jiangzi Zhiongmei construction. According to Michael Chege, of all Chinese construction companies in Kenya, the most successful is China Roads and Bridge Company. (Chege, 2008) The company has built more than 1,000 kilometers of trunk roads since establishing itself in the country in 1985. The company had completed 11 projects worth $200 million by 2005. (Peoples Daily, 2005) The other mentioned firms are also increasingly gaining foothold in the road construction industry in Kenya as the data in Figure 5 reveals.

Figure 5: Major contracts Awarded to Chinese firms

Road Construction	Length (KM)	Contractor	Contract Amount (KSh Million)
Nairobi Outering Road	13	Sinohydro	7,395.18
Marsabit Turbi	121	China Wu Yi	13,000.57
Merrille Marsabit	121	Jiangzizhongmei Construction	13,718.53
Turbi Moyale	123	China Wu Yi	12,061.53
Nairobi Thika Highway	50	China Wu Yi, Sino-hydro, Sheng Li	32,000.00
Southern Bypass Nairobi	38	China Road and Bridge Construction	17,653.89
Nuno- Modagashe	135	Zhongmei Engineering Group	8,362.95
			104,192.65

Source: Authors analysis using KNBS data on Economic survey 2017

From the data, the comparison between the total numbers of road construction projects in Figure 6 versus those awarded to Chinese firms in Figure 5, it is evident that Chinese firms have been awarded some of the largest lucrative state tenders and transformation construction projects in Kenya. Their competiveness is derived from their superior machinery, technology, and financial backing from the Chinese government. As a result, Chinese firms have driven most Kenyan construction companies such as Kundan Singh, Spencon Holdings and Mugoya out of the construction of mega projects. Similarly, the Chinese invasion has led many local companies to end up under receivership due to bad debts and massive job losses. (Juma, How China Contractor drove Kenyan firms Out of Mega Projects, 2017) Despite dominating the local construction industry the workmanship of Chinese firms in comparison to Kenyan firms has received great admiration from Kenyans. Over the last decade, the Chinese construction firms have gained reputation of delivering quality and timely work as compared to local firms. (Thuita, 2017)

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Figure 6: Major Road Works in Progress in 2016

Activity	Length(Km	Contract
Road construction		
Nairobi Outering Road Improvement	13.0	7,395.18
Project.. Mwatate–Taveta	99.0	7,288.78
Road Project (A23)..	121.0	13,000.57
Marsabit-Turbi	62.0	6,040.88
(A2)...	121.0	13,718.69
Loruk–Barpelo	123.0	12,061.53
(B4)..	38.8	17,653.89
Merille River–Marsabit	43.0	3,888.34
(A2)... Turbi–	63.0	5,228.23
Moyale	29.0	1,733.91
(A2)...	37.0	1,944.93
Nairobi Southern	12.0	1,090.19
Bypass...	35.0	2,299.78
Homa Bay-Mbita	38.0	3,109.76
(C19)..	14.0	1,335.71
Londiani–Fortenan	35.0	4,112.18
(C35)... KCC	56.0	4,667.64
(Sotik)-Ndanai-Gorgor (C15)	135.0	8,362.95
Phase2..	35.0	1,911.07
Enjinja-	35.0	2,740.82
Bumala(C30)...	26.0	1,908.49
.... Modika–Nuno	60.0	4,561.45
(C81)..	9.8	11,317.48
Kaloleni–Kilifi	6.4	2,797.80
Sub-Total	**1,247.0**	**140,170.3**
Roads Rehabilitation & Upgrading		
Voi-Mwatate–Wundanyi	45.0	996.83
(A23)... Timboroa-	73.0	5,213.92
Eldoret	60.0	5,388.94
(A104)...	59.0	5,955.05
Eldoret–Webuye	58.0	6,835.48
(A104)...	76.0	8,069.53
Webuye–Malaba	24.0	7,313.85
(A104)...	2.5	1,454.90
Mau Summit-Kericho Road	6.0	1,629.49
(B1/A1).. Kericho-	5.0	2,002.89
Nyaasaria Road	4.2	2,097.52
(A1)...	23.0	2,391.76
Nyamasaria– Kisumu	5.0	3,012.21
Airport.. Ngong	17.2	4,578.16
Road Phase I (KNLS Nairobi-Dagoretti	13.0	7,395.18
Corner)... Mlolongo–Kware–Katani Link	61.0	4,452.05
Road (Phase I)... Upper Hill	40.0	4,168.69
Roads Phase	59.0	3,315.34
I...	54.0	4,986.22
Sub-Total	**684.9**	**81,258.0**
Total	**1,931.9**	**221,428.3**

Source: (Kenya National Bureau of Statistics, 2017)

The impact of Chinese road infrastructure investment on Kenya's economy has been three fold. First, road Infrastructure investment in Kenya has led to the expanding the productive capacity of a rural communities, regions, and the entire nation. In Nairobi for instance, despite recent road infrastructural improvement, the county experiences losses of up to USD 580000 daily in resultant inefficiency costs. (Business Sweden, 2017) The additional road network has allowed for increased transportation of people, goods, and services in the process contributing economic growth. (Mburu, 2012) The improvement of road infrastructure in Kenya has enhanced the productivity of existing public infrastructure resources

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while increasing the resource base of the economy through the additional infrastructure. (Munnell, 2008) For instance the country has seen increased commerce especially with the businesses located near the highways in turn providing jobs for youth. The value of land near newly constructed highways has doubled at times tripled in the process increasing asset base for existing land owners. Finally, the increased road infrastructural projects have contributed to economic growth through boosting the expenditures associate with purchasing, installing, operating, and maintaining the road infrastructure.

The Rail Infrastructure:

Rail transport is one of the key sectors in economic development of any state. By 2002, the railway transport sector had collapsed due to bad governance and corruption. The minimal operations of the sector at the time were severely constrained by aged locomotives, wagons and equipment, poor signaling telephones and telecommunication systems. As the gateway to the rest of East Africa, the lack of reliable Railway transport has had great impact to Kenya and the region.

To improve the sector, Kenya in collaboration with Uganda formed a joint consortium known as the Rift Valley Railways (RVR) to manage railway transport between the two countries in 2005. The consortium was to operate the railway line popularly known as "lunatic line" that run 900km from the Kenyan coastal town of Mombasa to the Western town of Kisumu on the shore of the Lake Victoria. In addition to operating the lunatic line, the consortium was tasked to manage another branch of the same railway system passing through the Great Rift Valley town of Eldoret, entering Uganda through Malaba to Tororo, Jinja then to Uganda's capital Kampala. Despite considerable investment in the sector the inadequate modern of infrastructure rendered the sector largely inefficient as shown in Fig 7

Figure 7: Railway Traffic, 2012 to 2016

KSh Million

	2012	2013	2014	2015+	2016*
Road Transport...	474,251	520,539	595,726	628,986	667,051
Railway Transport...	5,731	4,849	5,357	6,282	5,662
Water Transport...	26,294	36,537	49,840	55,712	58,807
Air Transport...	114,595	131,456	139,912	146,896	156,185
Services Incidental to Transport..	57,042	51,930	54,097	68,246	83,996
Pipeline Transport...	17,938	19,861	21,030	22,210	22,982
Postal & Courier Services...	10,177	10,654	27,179	27,925	28,185
Total...	**706,028**	**775,826**	**893,141**	**956,257**	**1,022,868**

Source: (Kenya National Bureau of Statistics, 2017)

The data shows, earnings from passenger traffic stream improved slightly by 2.0 per cent to KES 101.0 million in 2016. On other hand the freight traffic decreased by 9.3 per cent from 1,575 thousand tonnes in 2015 to 1,429 thousand tonnes in 2016. The decline in the freight traffic caused 10.6 per cent decline in revenue earnings from KES 6.2 in 2015 to KES 5.5 billion in 2016. The passenger movements contracted by 7.3 per cent from 2,359 in 2015 to 2,186 in 2016. (Kenya National Bureau of Statistics, 2017)

To compensate for the Railway infrastructural deficit in the region, the governments of Kenya, Uganda and Rwanda signed yet another memorandum of understanding (MoU) in October 2009 to construct the Standard Gauge Railway (SGR) from Mombasa to Kampala. The tripartite agreement was signed by the governments of Kenya, Uganda and Rwanda in August 2013 to fast track the development of the railway to their respective capital cities.

In 2013, the Kenya government began developing a new SGR line for transportation of Cargo and passengers from Mombasa, the largest port in East Africa to Nairobi, the capital city of Kenya in the first phase. The construction of the single-track standard gauge rail of route length of 472km and a total length of 609km began in October 2013 and launched in June 2017. The train was fondly named "Madaraka Express" to commemorate Kenya's independence as it was launched on the same date. (Kable, 2017)

Regarded as the largest project in Kenya since independence in 1963, the Mombasa to Nairobi SGR phase of the project is estimated to have cost KES327bn ($3.8bn). The construction works were undertaken by China Road and Bridge Corporation and financed by China Exim Bank in collaboration with the government of Kenya. (Kable, 2017)

Some of the features of the SGR includes: multiple unit passenger trains with a capacity of 960 passengers travelling at an average speed of 120km/h on the line and freight trains with a capacity of 216 TEUs (Twenty foot equivalent unit) travelling at an average speed of 80km/h. In addition to financing the project, China supplied the 56 diesel locomotives, 1,620 wagons and 40 coaches. (Kable, 2017)

The second phase of the project is proposed to connect Nairobi to the Western Kenya border town of Malaba on the border with Uganda to Toro, to Kampala, Uganda's capital city via Jinja. The line is planned to run to Kigali in Rwanda as well as to Juba in South Sudan. Other branch networks include extension to port city of Kisumu in western Kenya, Kasese and Pakwach in Uganda. On completion, the railway line will ease movement of goods in particular exports and imports in the East African region services. By improving connection between different countries, the project is also set to enhance regional integration of the East Africa Community (EAC) aiding movement of people, flow of goods and services. (Kable, 2017)

Despite the recent launch in May 2017, the impact of the project on the Kenya's economy is evident. Kenya Railways Corporation has reported surge in passenger numbers travelling between Nairobi and Mombasa. It is estimated that over 7000 passengers were ferried within one week of the launch of Madaraka Express. The Kenya Railways Corporation hope to transport 8 million passengers a month once the project is fully functional. (Kangethe, 2017) The passenger travel time between Mombasa and Nairobi has been reduced to approximately 4 ½ hours compared to 8-10 hours for buses (KIPRA, 2017)

The new rail line is set to facilitate efficient transportation of cargo between Mombasa and Kampala thus enhancing the effectiveness of the logistics value chain by ensuring goods arrives at the scheduled destinations on time, at a reduced freight rate and without pilferage. (KIPRA, 2017) The time to ferry cargo has also been reduced to 8 hours as compared to 24 hours used for trucks. The improved transport efficiency is set to directly improve agriculture, mining, manufacturing, and trade sectors by benefiting from timely delivery of goods and ease of transporting bulk cargo. (KIPRA, 2017)

According to KIPRA, the construction of the railway has created more than 35,000 direct and indirect local jobs. Moreover, at least 300 Kenyan youth have been trained on railway technology courses in locomotive and rolling stock engineering, signaling, telecommunications control and transport management in Kenya at the Railway Training Institute (RTI) as well as in Chinese technological institutions. There has been increased commerce along the railway route. For instance, project inputs have been sourced from local suppliers of steel, timber, cement, sand and food for the rail way workers. (KIPRA, 2017)

Air transport:

In Africa, Kenya occupies a strategic position as an aviation centre in the Eastern Africa region. The Jomo Kenyatta international airport serves as the hub for the East, Central and Indian Ocean areas and offering transit and refueling facilities for North South and East/West air traffic. (Ministry of Planing and National Development Kenya, 2003) Air transport is therefore critical in enhancing transportation of tourists, exports and imports of high value and perishable goods as well as maintaining Kenya's business competitiveness in the sub Saharan Africa.

Due to the strategic importance of the Air transport to Kenya, the Kenya airport authority (KAA) embarked on modernization of the Jomo Kenyatta International airport (JKIA). To undertake the project, the government contracted the services of China Wu Yi Company to carry out the expansion and modernization of the airport at the cost of $ 650 million. (Reuters, 2013)

Initially the airport was designed to cater for 2.5 Million Passengers annually, 25 Aircraft parking stand, and 1500 Car park slots in 1975, the airport was grappling with accommodating 7.5 Million Passengers annually, 46 Aircraft Parking Stands, 3400 Car Park Slots in 2006. Since the modernization of airport in 2013; however, the airport is set to cater for 27.5 Million Passengers annually, 107 Aircraft Parking stands, and 5900 Car park slots. (Kenya Vision 2030, 2017) The modernization of the JKIA airport has cemented Kenya position as international hub of East and central Africa region. Subsequently, the expansion and modernization has led to attainment of category 1 status of JKIA. With the new refurbished status, Kenya is on track to make direct flights to USA. The direct flights to the US come with a myriad of economic benefits to Kenya. First, the Kenyan exporters in horticultural business have opportunity to leverage on this development to diversify sell of their produce dependent on traditional European market to the American market. Other sectors that will benefit include manufacturing, tourism and service industry. Overall, the direct flights will serve to expand the economic and employment opportunities by taking advantage of the many concessions offered under the Africa Growth and Opportunities Act to improve Kenya's thus enhancing balance of trade in Kenya's favour. (Nation Newspaper, 2017)

Financial sector:

The Chinese investment in the infrastructure projects has seen the Asian giant bolster her grip on the Kenya's financial sector. This is in line with China's one Belt, One Road, which incorporates infrastructural development in strategic investments and trade in Kenya.The spread of the Chinese influence on the financial sector is due to the fact that Kenya still faces gaps in financing in energy, road, and rail infrastructure projects.

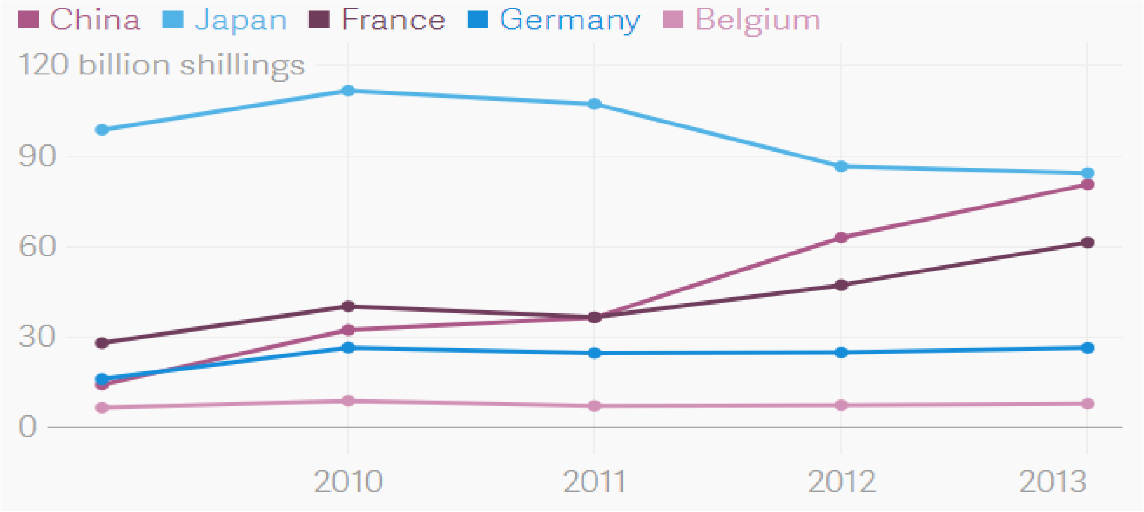
Kenya's infrastructure deficit requires sustained expenditures of almost $4 billion per year over the 10 years representing 20 percent of GDP. Unable to raise infrastructural funds on her own, Kenya has turned to China to finance ongoing projects in energy, road, rail, ports, and air transport infrastructure. (Briceño-Garmendia & Shkaratan, 2011) Whereas loans from China are readily available due to lack of stringent conditions as is the case with Western Institutions such as good governance, accountability and sustainability (IMF and World Bank), Chinese infrastructural loans are often contingent on contraction of Chinese firms to complete respective projects. (Quartz Africa, 2016)

At the center of financing infrastructure projects in Kenya is the Export-Import Bank of China. Other Banks include China Development Bank and Chinese construction banks. Together, these financial institutions serve as China's official export credit agencies. They play a strategic role in strengthening the economic relations between China and Kenya. China Exim Bank, being the most popular, helps finance the infrastructure required for the extraction and transport of energy and mineral resources, and extends soft loans which cement the political relations between China and Kenya. China Exim Bank's loans primarily benefit state-owned enterprises, while private companies tend to resort to informal and private lending markets in China. (Bosshard, 2007)

Among the projects being funded by Chinese government is the aforementioned 495-kilometre Mombasa-Nairobi SGR financed through a Sh200 billion ($2 billion) commercial loan from the Chinese government and a further Sh165 billion ($1.6 billion) in a semi-concessional loan from Beijing Establishment. (David, 2017)

In 2013, Kenya secured a $ 600 million from China to help towards paying for a $6 billion budget government deficit. Currently, China is Kenya's largest creditor, accounting for 57% the country's total external debt of $4.51 billion, according to the World Bank. (Quartz Africa, 2016) Chinese loans to Kenya grew an annual rate of 54% between 2010 and 2014 while loans from other traditional lenders like Japan and France have fallen. (Quartz Africa, 2016)

Fig 9: Kenya's largest creditors 2010-2014



Source: (Quartz Africa, 2016) as interpreted from Kenya National Bureau of Statistics Economic Survey 2015

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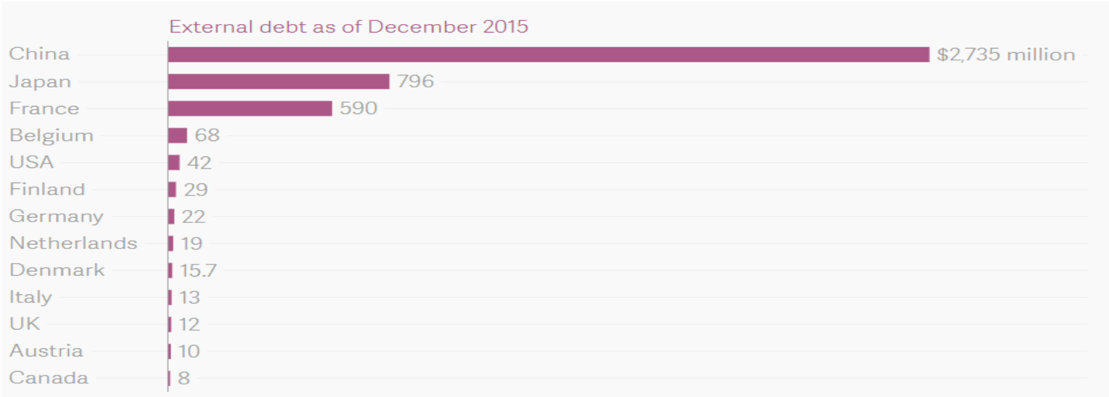
Figure 10: Kenya's largest foreign creditors



Source: (Quartz Africa, 2016) as Interpreted from National Treasury, Quarterly Economic and Budgetary Review

Manufacturing sector:

The Chinese role in the manufacturing sector has increasingly grown, specifically in the last two decades. About 64 % of Chinese activity within Kenya is within the manufacturing sector. The Chinese manufacturing plants are engaged in vehicle spare parts manufacture, shoes production, food and fertilizer processing. A survey carried by Institute for Development Studies in 2008 portrayed the gradual entrance of the Chinese companies into the Kenyan sector (Onjala, 2008). The table below is a depiction of the Chinese companies that ventured into the manufacturing sector.

Year of Entry	Number of Companies	Total of Employees sourced locally	Foreign Capital (USD)
2000	4	597	2862
2001/2002	6	1030	2764
2003	4	214	1860
2004	5	1161	1038
2005	6	124	2065
2006	2	113	539

Though the list is by no means exhaustive, it gives an estimate number of companies established from 2000 to 2006. A total number of 27 Chinese companies are involved in the manufacturing sector. The companies, whilst retaining fewer foreign employees have employed locals as majority of their staff. About 3,239 Kenyan personnel are employed by the manufacturing plants. The companies have sourced foreign funding to invest in their businesses. An estimated 11,128Million USD was invested into manufacturing by Chinese firms in the mentioned period.

China Wu Yi, a Company has invested about 100 million (USD) to set up a plant for construction material. The construction material is meant to supply the growing real estate sector in the country with building material. This has directly benefited the construction companies that have opted to buy building materials locally as opposed to sourcing them via exports (Juma, 2017). In 2014, another major firm, China Road and Bridge Corporation undertook to commence a steel manufacturing firm to boost steel availability in the country. The Corporation had recruited about 2464 locals. It also intends to transfer skills and technology to the locals through training and orientation (PSCU, 2014).Additionally, a major manufacturer; Keda Clean Energy Company has put up a tiles and ceramics plant on 60 acres of land in Kajiado County. The company is projected to create about 350 jobs for the local communities.

Similarly, Yocean Group of Companies has been manufacturing transformers to boost local electric connectivity. The manufacturing of power industry materials has a played crucial in reducing electricity cost in Kenya. Firms like Kenya Power and Lighting Company (KPLC) are now able to source power meters, electric poles and other products locally saving on import costs. So far since the establishment of Yocean, KPLC has spent 6.2 billion KES, sourcing materials locally thus boosting Kenya's domestic economic. Moreover, about 540 jobs have been created easing widespread unemployment of youth in the country.

The Mining Sector:

The Chinese investment in the Kenya's mining sector has been lower as compared to other sectors of the economy. This is because though Kenya has been known for minerals such as gold, diamond, titanium, coal and the rare earth, the sector has previously been poorly regulated thus contributing a negligible 1% to the country's Gross Domestic Product (GDP). The sector also suffers from lack of expertise, lack of relevant technology and infrastructure to support the mining activities.

With formulation Mining Act 2016, the legislation has begun to address some of the pertinent issues encountered by commercial companies seeking to gain entry into the sector. Furthermore, the Ministry of Mining has formulated the Mining and Minerals Policy 2016, in line with the mining act to provide a clearer and more sustainable framework for mining in Kenya. The new legal framework is meant to achieve maximum output in terms of production as well as economic gain for Kenya. The policy framework is also meant to align the mining sector with Vision 2030 of sustainable economic growth (Ministry of Mining, 2016).

The emerging favorable mining environment has begun to attract attention from Chinese investors in the mining sector. Taking advantage of the new law, Chinese mining activities have drastically increased especially in the exploration of new mineral deposits in various parts of the country. The last decade has seen a number of Chinese companies make their entry into the Kenyan mining sector. The following is data on the Chinese firms that have engaged in mineral prospects and exploitation in Kenya:

Figure 11: Chinese mining firms in Kenya

Company	Commencement Year	Mineral	County
Chuanshan	2017	Diatomite	Baringo
African Diatomite Industries	-	Diatomite	Gilgil
Fenxi	2011	Coal , Block C and D	Mui Basin, Kitui
Jinchuan (70% stake in Tiomin Kenya Limited)	2012	Titanium	Kwale
China National Off shore Oil Corporation CNOOC Ltd	2006	Oil Exploration prospects	Isiolo
Zhen Hua Company	2009	Copper prospects	Kitui
GETI	2013	Geo surveys on Mining	Countrywide
HCIG Energy Investment Company	2015	Coal mining blocks A and B	Mui Basin, Kitui

In 2013, GETI won the tender for conducting mapping on all the mining resources in the country. Moreover, the Kenyan treasury made a provision of 2.7 billion for the mapping process. Additional funding is expected from China's Export and Import Bank. The company's operations, nevertheless, are yet to commence as they await approval of the National Assembly. (Guguyu, 2017).

The Chinese National Off-Shore Oil Corporation (CNOOC) is the largest Chinese investor in the oil exploration sector in Kenya. The firm was awarded rights to conduct exploration in 6 of the 22 exploration blocks within the country in 2006. The firm however pulled out in 2010 due to failure to discover oil in commercially viable quantities. (Sambu, 2010).

On its part, Fenxia Company was offered tender to mine coal in Mui Basin, Kitui County in December 2013. The government made an agreement with the company at a fee of 3 billion and 0.5 billion shillings respectively for two mining blocks in Kitui region. The government equity share is 11% of the firm. The agreement further obligated Fenxi firm to carry out infrastructural feasibility study of the project. In 2015, Kitui County government with pressure from the community cancelled Fenxi's mining contract citing non-fulfillment of its obligations in particular compensation for local community land acquired for the mining project. (Nzengu, 2015).

In 2009, Jinchuan, a government controlled Chinese Company bought about 70 % of the Canadian firm Tiomin, a firm tasked with the multi-million dollar mining project in Kwale Kenya. As majority shareholder, Jinchuan injected 2 billion into the Titanium mining sector (Onyango, 2009).The company made its first exports of 25,000 tonnes in 2014. The company is however increasingly facing criticism from host community in Kwale. It is estimated that about 5000 indigenous people in Kwale were displaced as a result of the Titanium mining project (EJ Atlas, 2014). The local community is opposed to the mining of Titanium in Kwale as it considers the activities as threat to the environment as well as serving to erode cultural and historical shrines cherished by the local community (Kuyek, 2008)

Agriculture:

Agriculture is the backbone of Kenya's economy. Kenya's agriculture is dependent on rain, but about 80% of the land is arid or semi-arid with average annual rainfall of 400mm. Small scale farmers use traditional farming methods that result in meager produce. Droughts are frequent and crops fail in one of every three seasons. (XINHUANET, 2015)

Chinese government has shown interest in investing in agriculture in Kenya. This is part of its initiative to modernize Kenya's agriculture. In 2014, China and Kenya signed several cooperation pacts including the MoU on Agricultural cooperation especially agricultural modernization between the two countries.

This interest in the agricultural sector has resulted in a number of initiatives such as: a push to acquire long-term leases of agricultural land in Kenya, an expansion of Chinese agro-industry into Africa, deepening of the longstanding technical co-operation aimed at rising agricultural productivity.

The Chinese government is keen to invest in efficient irrigation system as well as to improving grain storage facilities to mitigate post-harvest losses. This is in an effort to tackle the country's increasing food insecurity while preserving the surplus for the export market. According to Chinese Ambassador Liu Xianfa, Kenya's attainment of food security is pegged on the modernization of its agricultural system. China has 7% arable land, yet it is able to feed more than 20% of the world population while Kenya in spite of her 17% arable land, suffers high food insecurity. (Mutethya, 2017)

Similarly, while China's grain storage loss is 5%, Kenya's grain storage loss accounts for 30% of total production. The discrepancies and Kenya's high potential have led the two states to create a joint research center at the Jomo Kenyatta University of Science and Technology (JKUAT)**.**The center focuses on bio-diversity protection, remote resource sensing, microbiology, promotion of modern agriculture. Additionally, in collaboration with China's Nanjing Agricultural university, the Chinese government is a key sponsor of the construction of modern Agricultural laboratory at the Egerton University at Njoro in South-Western Kenya. The laboratory will help in improving low crop productivity among small and large scale farmers, developing genetically modified foods as well as training 500 crop technologists, scientists and small scale farmers. (Jomo Kenyatta University of Agriculture and technology, 2016)

Moreover, China has invested in trial planting of quality Chinese crops in Kenya. According to Wang Qing Feng, the director of the Sino – Africa Joint research, the ongoing trial planting of Chinese crop varieties such as wheat, sorghum and grapes in Kenya has shown promising results. The results have been especially good in Kenya with about 6.7 hectares of demonstration farmland. The researchers have also gone ahead to collect local varieties to develop crops that could suit the local soil and the local climate. (Liqiang & Kun, 2017)

The Tourism Industry:

Kenya boasts of a large array of tourist products and types such as wildlife, nature, historical and more recently, cultural and agricultural tourism. Traditionally Western countries especially US, UK, Italy and Germany made up tourism markets for nearly all African countries, the Kenya Tourism Board (KTB) however, has taken a radical shift to promote tourist products locally and regionally and in Asian countries, China, more specifically.

To a large extent this has been credited to the travel advisories issued by most of the former priority markets due to the increased terror threats and attacks. Consequently, the hitch caused by the negative advisories greatly affected the tourism industry as it ranks the highest foreign exchange earner accounting for 12.1% of GDP in 2013.

The increased and diversified marketing drives are therefore an effort to maintain profitability of Kenya's tourist products. The growing China-Kenya relations and easier transport facilitation have been among the measures taken by both governments to promote the tourism industry. It is noteworthy that though China rated Kenya an Approved Destination Status for outbound tourism in 2004, tourism to Kenya has been slow yet on a steady upward trend. Media has been among the popular marketing channels instrumental in attracting Chinese to Kenya. The live airing for instance of the annual wilder beast migration by China Central Television (CCTV) in 2012 and the following year attracted thousands of Chinese during the summer season to Kenya. ("China-Kenya Partneship to foster Sustainable Growth", n.d)

Like Kenya Airways; China Southern Airlines introduced tri-weekly flights to Kenya in August 2015. According to KTB (Kenya tourism board), the growth potential is very high because the number of outbound travelers from China is 110 million annually- the largest outbound tourism market in the world. Additionally, Kenya offers visa-on-arrival for Chinese tourists, which can encourage more Chinese (" Kenya Hopes to Attract 1m Chinese Tourists Annually", 2015)

According to the China Outbound Travel Development Report, 2008 only 2.8 % of Chinese tourists chose Africa(the most popular destination being South Africa followed by Egypt, Kenya, Cameroon, Senegal, Algeria, Angola, Mauritius, Tunisia, and Zimbabwe, among others) as a destination in 2008. This however changed as 2014 recorded 9.4 %. The annual growth rate of Chinese tourist traffic to Africa has been 50% since 2010 - higher than to any other part of the world. Moreover, Chinese accounted for 47,860 (5.5 per cent) of the 877,602 international arrivals in 2016, up from 29,790 (4 per cent) in 2015, following the US, UK, India and Uganda respectively. (Njanja, 2017) This also caused Kenya to place China in the number one tier in its classification of tourist sources. ("Chinese tourists to Kenya to double in 2017", 2017). The newly built China sponsored SGR has equally increased accessibility to more tourist sites in the country hence more penetration and spending by Chinese tourists.

The spending habits of these Asian tourists differ from popular belief that Chinese tourists spend minimally. While the majority of Chinese tourists prefer big organized group trips within budget, the social aspect should also be considered as a contributing factor in Chinese tourists' preference for package tours. This focus on family and friends reflects the influence of coalescing cultural-historical forces, including Confucianism, a patriarchal clan system, Buddhist teachings, and the long agricultural history of Chinese society, about 10% of them are high-end travelers who spend 4-5 times more money than the average Western tourist. The class prefers luxury services and uses secluded private lodges instead of hotels and travel in smaller groups and avoid rough roads by taking charter flights to national parks.

KTB affirms that China is the second largest source of tourists for Kenya in Asia with over 40,000 tourists visiting Kenya in 2014 despite the horrid terror attack in one of Nairobi's upscale malls- The Westgate Mall. Majority of Chinese tourists visit Nairobi, Kenya's capital city, Maasai Mara National Park, local communities in Maasai Mara, Naivasha Lake and Amboseli National Park. According to Suntikul and Pratt, The total number of Chinese outbound tourists in 2014 was 117 million and their expenditures reached US$140 billion.

While Southeast Asia and Europe are the most popular destinations among Chinese tourists, Chinese outbound tourists are becoming increasingly interested in niche tourism products, such as safari tourism (wildlife focused road tours) in Africa. Safari tourism has emerged and evolved over more than a century through the colonial and post-colonial eras, as a practice involving tourists primarily from Western cultures visiting wildlife areas of developing countries. Most wildlife tourism in China is still at an early and exploratory phase, thus the scale and effects cannot significantly contribute to the economy, society, or ecology of a destination hence the increased travel to Africa for the same. (Wantanee Suntikul, 2016)

In terms of motivation for travel, whereas Western tourists tend to consider relaxation and escape as the most important reasons for travel, Chinese tourists are most usually driven by the prestige, knowledge, exposure to different cultures and wildlife as well as finding business opportunities and purchasing wild animal products. (Wantanee Suntikul, 2016)

Notably; most of the Chinese tourists who visited Kenya are mainly from the middle or upper class. They are very experienced in travelling and have already visited many popular destinations in Europe, Southeast Asia, and North America, and are looking for more unconventional and exotic tourism destinations. (Njanja, 2017)

With regards to environmental concerns pertaining contraband, Njanja posits that although Taoist philosophy, for instance, emphasizes the role of humans as a part of nature, and teaches that people must live in harmony with nature; individuals in modern-day China put a higher value on economic development than environmental preservation. Demand for exotic animal parts in traditional Chinese medicine ranks high thus causing in serious harm to protected species. Moreover, traditional Chinese philosophy also dictates that everyone and everything has its own place in the world and that within the cosmology, human beings have a higher position than animals. (Njanja, 2017)

Consuming animal products may therefore be perceived a natural right for humans and be perceived sustainable, citing that it perpetuates the natural order of the world. In their study on the travel motivations for Chinese in Africa, Suntikul and Pratt give illustrations of Chinese tourists' discussions as they toured national parks in their group tours. One of the tour leaders shared that some of the tourists talked about which animals are edible and whether the meat is tasty, while some tourists talked about the value of animal products such as rhinoceros horn and ivory products. (Wantanee Suntikul, 2016)

Based on the world's largely negative perception of Chinese tourists, the Chinese government has becoming increasingly concerned thereby initiating programs and enacting laws to inform Chinese tourists of expected norms of behavior. The aforementioned programs have also been put in place to discourage and punish environmentally disastrous actions. In these regard, the Chinese government as per Kenya's Ministry of Environment and Natural Resources, has put measures to require tour companies to include an educational component in their safari tours and to punish those who allow or facilitate tourists in acquiring illicit animal products. Additionally, the Chinese government has partnered with the Kenyan government to provide wildlife protection equipment. ("China-Kenya Partneship to foster Sustainable Growth", n.d)

In summary, Chinese are increasingly visiting Kenya for its various tourist attractions and the statistics promise more engagements. As per the research carried out, various measures need to be put in place to mitigate and discourage the negative effects such as purchase of wildlife products.

3. CONCLUSION

The study Kenya China relations: portrait of economic relations in the new millennium has been focused on understanding the impact on Kenya's economy resulting from economic and political cooperation between Kenya and China in the past 5 decades with emphasis on economic cooperation since 2003.Additonally, the paper sheds light on the conditions necessitating the in-depth engagement and cooperation with China in Kenya's infrastructure, financial sector, mining, Agriculture, manufacturing and tourism is deeply entrenched in Kenya's economic blue print and long term development strategies. To address the gaps in macroeconomic stability Kenya turned to China to finance modernization of strategic sectors of economy hence cementing the political relations between the two states at the present and the future.

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