DBA AFRICA MANAGEMENT REVIEW

VOLUME 8 NO 2

KENYA, CHINA, AND PRELUDE TO ONE BELT ONE ROAD (OBOR) INITIATIVE

XN IRAKI

DBA Africa Management Review http://journals.uonbi.ac.ke/damr
November Vol 8 No.2, 2018 pp 125-134 ISSN - 2224-2023

KENYA, CHINA, AND PRELUDE TO ONE BELT ONE ROAD (OBOR) INITIATIVE

XN Iraki[1]

Abstract

The British economic influence lingered on after Kenya gained her independence in 1963. It was espoused by their car models, banking system and an education where most Kenyans saw UK as the destination of choice for their university education particularly among the elites. Two of Kenya's presidents schooled in Britain. Soon the Japanese followed with first Toyota car sold in Kenya in 1965.That all changed with opening up of China in 1978, the end of cold war and accession of China to World Trade Organization (WTO) in 2002. Today, China is now a leading investor in Africa. Can Kenya learn something from China? This paper compares Kenya and China using a number of economic indicators from Gross Domestic Product (GDP) growth, population growth, innovation, Research and Development (R&D), Foreign Direct Investment (FDI), life expectancy, urbanization, Human Development Index (HDI) and contribution of manufacturing to GDP. The analysis shows Kenya can learn a lot from China in her quest to grow economically. This paper serves as a good starting point in Kenya's engagement with China in One belt one road initiative (OBOR). By analyzing the economic similarities and differences, between the two nations, OBOR's success rate could be raised and help catalyse Africa's growth and make her part of the global economic system through the win –win cooperation espoused by Chinese president during the Brazil, Russia, India and South Africa (BRICS) summit in South Africa in 2018. The paper finds that while every countries growth trajectory is different, it is possible to learn from each other. Future research should focus on how OBOR shall spur growth in Africa and gauge its success against Western economic engagement with Africa since the countries got their independence.

Key words: One road one belt, innovation, win-win, scramble for Africa, SGR, cultural revolution.

[1] University of Nairobi School of Business.*xniraki@gmail.com*

DBA Africa Management Review
November Vol 8 No.2, 2018 pp 125-134
http://journals.uonbi.ac.ke/damr
ISSN - 2224-2023

1.0. Introduction

The British economic influence lingered on after Kenya gained her independence in 1963. It was espoused by their car models, banking system and an education system where most Kenyans saw UK as the destination of choice for their university education particularly among the elites. Two of Kenya's presidents schooled in Britain. Soon the Japanese followed with first Toyota car sold in Kenya in 1965.That all changed with opening up of China in 1978, the end of cold war and accession of China to World Trade Organization (WTO) in 2002. Today, China is now a leading investor in Africa building ports, railways and other projects. Chinese brands such as Haier, Huawei, Alibaba, Tecno, Grand Tiger are now household names in Kenya. Can Kenya learn something from China? Is Kenya ready for One Belt one Road initiative (OBOR)? While other countries such as Turkey, South Africa, USA, UK, France, Germany and Scandinavian have economic interests in Kenya, China stands out.

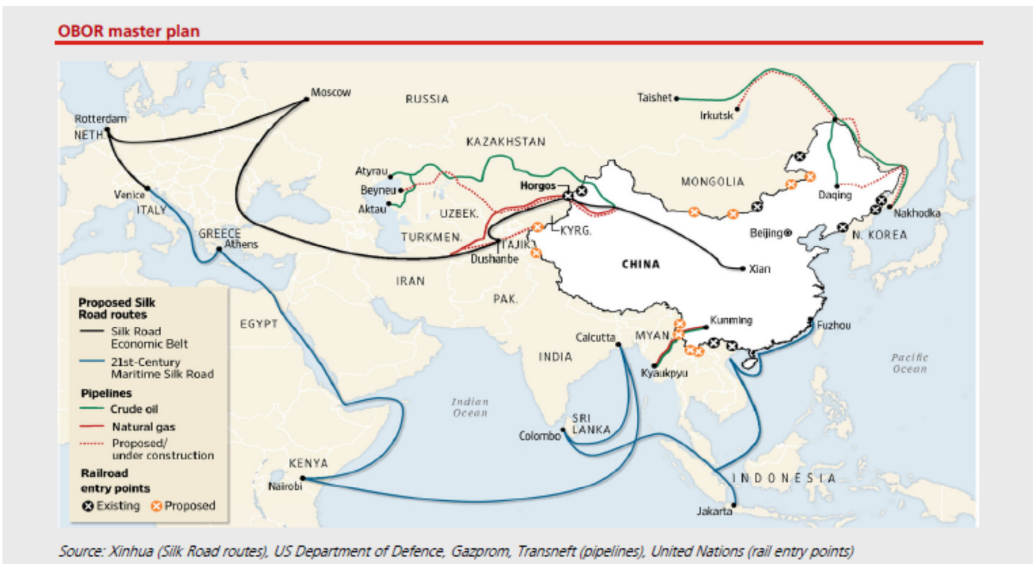


Figure1: Map of One belt one road initiatives

The growth of China in the last 50 years has perplexed economists and even politicians. We are still asking the question; how did a country emerge from civil war and leapfrog to become the world's second biggest economy? Can other countries emulate it? This paper will specifically focus on Kenya which is part of one belt and road initiative (OBOR). Kenya got her independence (uhuru), only 14 years after new China in 1949.

Jinchen (2016) writing for McKinsey Quarterly notes," The State Council authorized an OBOR action plan in 2015 with two main components: the Silk Road Economic Belt and the 21st Century Maritime Silk Road. The Silk Road Economic Belt is envisioned as three routes connecting China to Europe (via Central Asia), the Persian Gulf, the Mediterranean (through West Asia), and the Indian Ocean (via South Asia). More than 60 countries, with a combined GDP of $21 trillion."

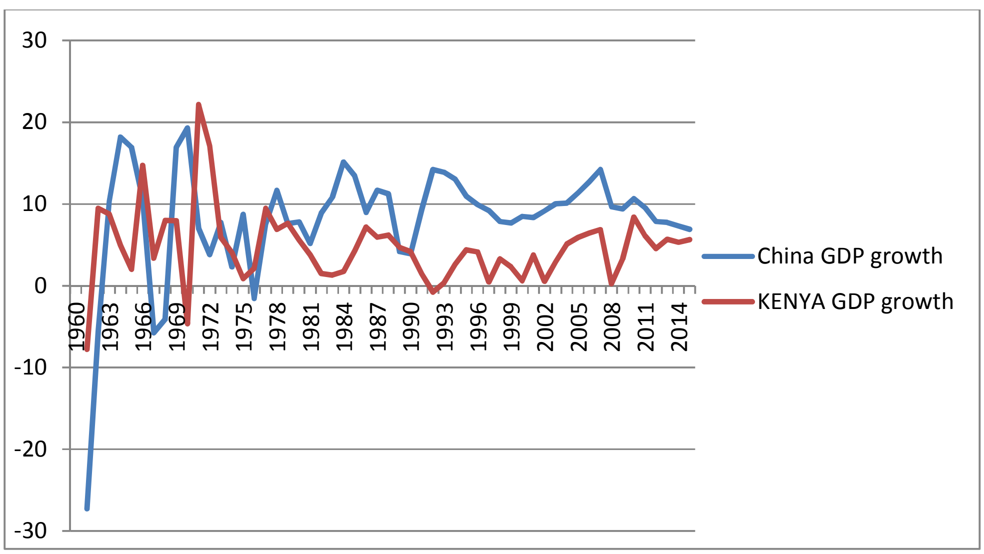
It is expected that by joining OBOR, Kenya will try and emulate China economically. A comparison of two economies can gauge the extent to which Kenya can learn from China. The paper compares the two countries for a 50-year period till 2015 when the OBOR initiative was announced. It analyses the gap between the two nations and prospects of catching up. Most importantly, the paper serves as a starting point for OBOR in Kenya.

2.0: Methodology

Data is sourced from World Bank development indicators. The indicators include population growth rate, Life expectancy at birth, Innovations (proxied by patents granted), rate of urbanization, investment in Research and development (R&D), Poverty reduction, United Nations Human Development Indicator (HDI), GDP growth rate. The national Economic and social council of Ireland adds Labour Productivity, Unemployment Rate (economic inclusion), percentage of Households Living in Consistent Poverty (Social inclusion), labour face participation. Data for some indicators like poverty are incomplete. The paper used a selected number of indicators as the analysis follows.

3.0 Data Analysis & Discussion

This section gives a comparative analysis of selected variables for the two countries. A brief discussion follows each graph.



2.1: Figure 1. GDP growth rate.

The data shows that before 1978, the two countries experienced similar fluctuations in growth. In China, it is the effect of Cultural Revolution. In Kenya it was politics too with assassinations of Tom Mboya and JM Kariuki. Politically instigated violence in early 1990s and 2007-2008 dumped the economic growth. Both countries are victims of oil shock of 1973. After 1978, the two nations diverged. China growth accelerated while Kenya slowed. China opened up to the rest of the world. Kenya did not liberalize her economy till early 1990s.After 2010, the two growths seem to be converging as China slows and Kenya growth rises. This might be the dividend from the new political order ushered by Kenya's new constitution in 2010. The slowdown in China is noted by Chow (2018). Overall growth suggest that Kenya can learn from China in putting politics right**.**

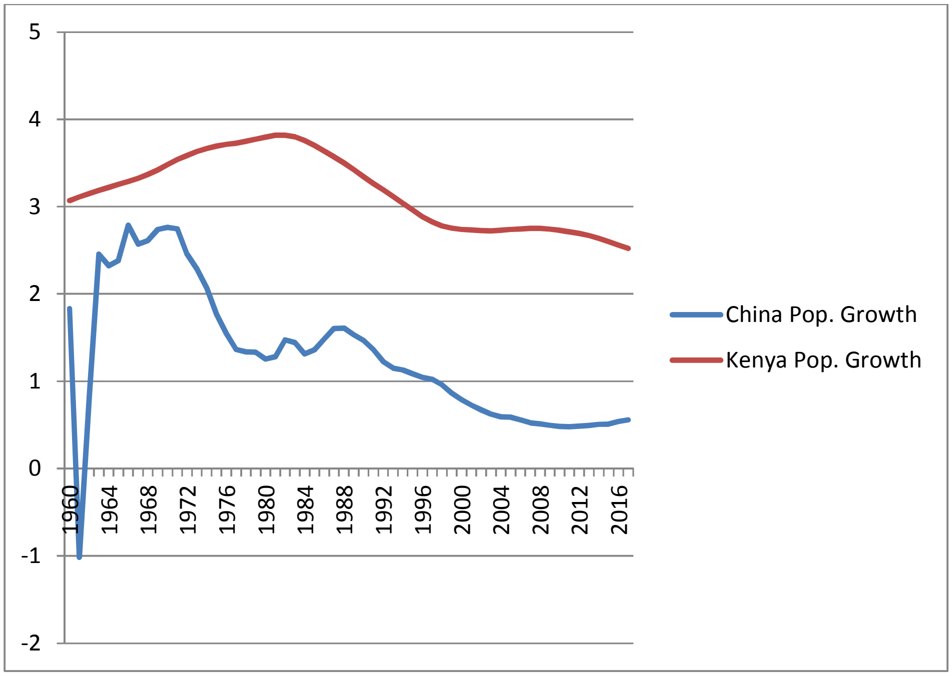


Figure 2.2: Population growth

This is an interesting convergence. Both nations show decreasing population growth. This is one sign that Kenya is following the footsteps of developed countries in reducing the population growth. For China it was about one child policy which is being reversed because of reduction in workforce and expected rise in wages.

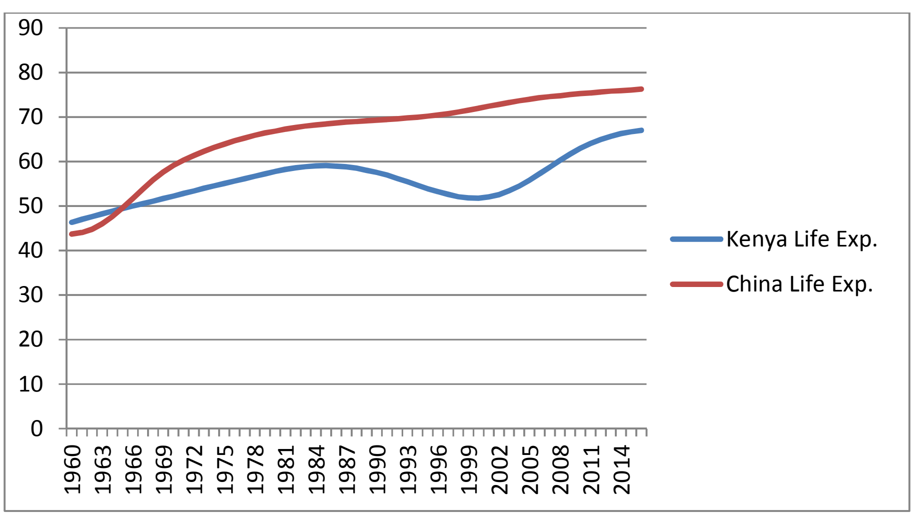


Figure 2.3: Life expectancy at birth

Both are enjoying longer life expectancies. The dent in Kenya could have resulted from AIDS/HIV (Fengler, 2012). It is expected that with universal health care getting top priority in the Kenyan government, the life expectancy will keep going and too will be happiness. It is instructive that in early 1960s, Kenya was ahead of China in life expectancy.

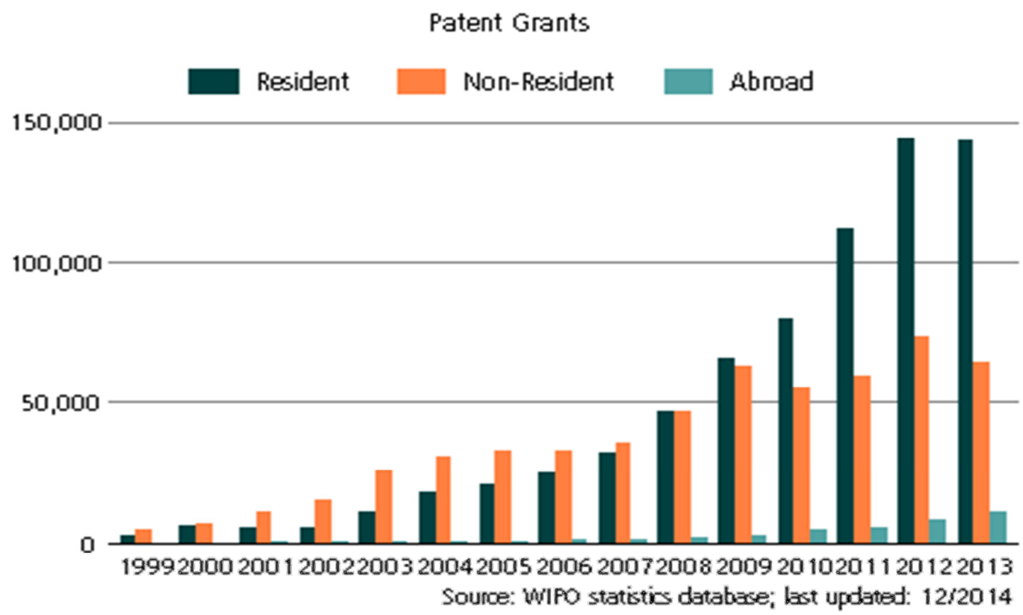


Figure 2.4.1: Patents granted in China by origin

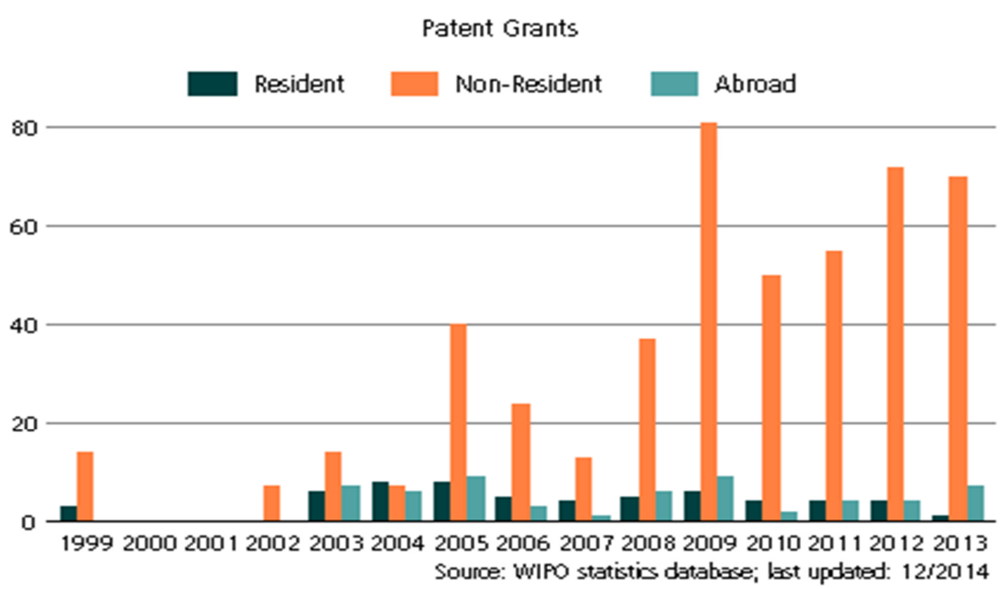


Figure 2.4.2: Patents granted in Kenya by origin

November Vol 8 No.2, 2018 pp 125-134 ISSN - 2224-2023

China beats Kenya hands down in innovations. Data shows that most patents granted in Kenya are granted to non-residents. In China, it is the residents who get most patents. If Kenya has to catch up with China, she must develop local innovative capacity. The Chinese innovation is spawning giants like Huawei, Haier, Alibaba and other new firms that have a global reach. Kenya has MPesa money transfer service but we are yet to get an Apple, an Amazon, a Microsoft or a Facebook equivalent.

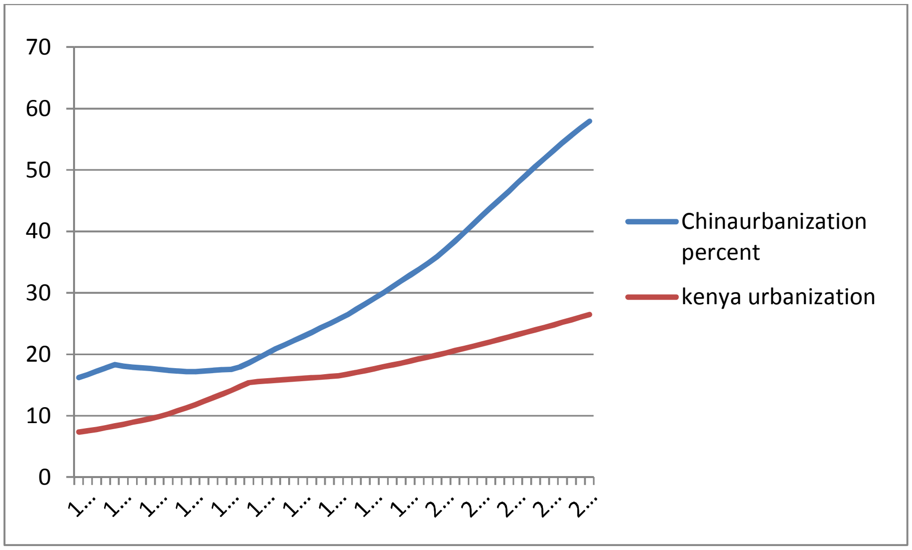


Figure 2.4: Urbanization

Both countries are rapidly urbanizing which creates labour pools and more efficient use of resources. The rapid urbanization in China is further shown by the location of megacities by 2015(see figure 2.5). Notice the concentration in China.

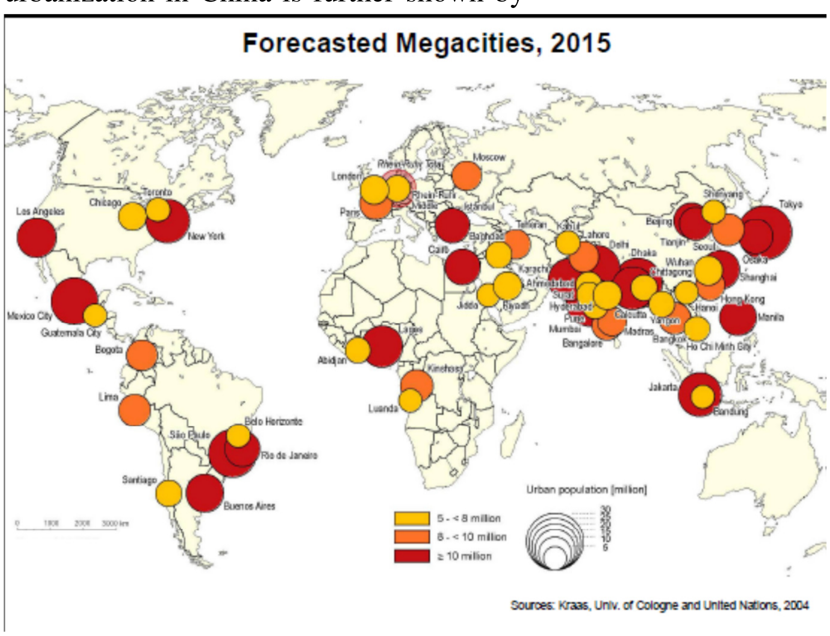


Figure 4.5: Megacities by 2015

 http://journals.uonbi.ac.ke/damr
ISSN - 2224-2023

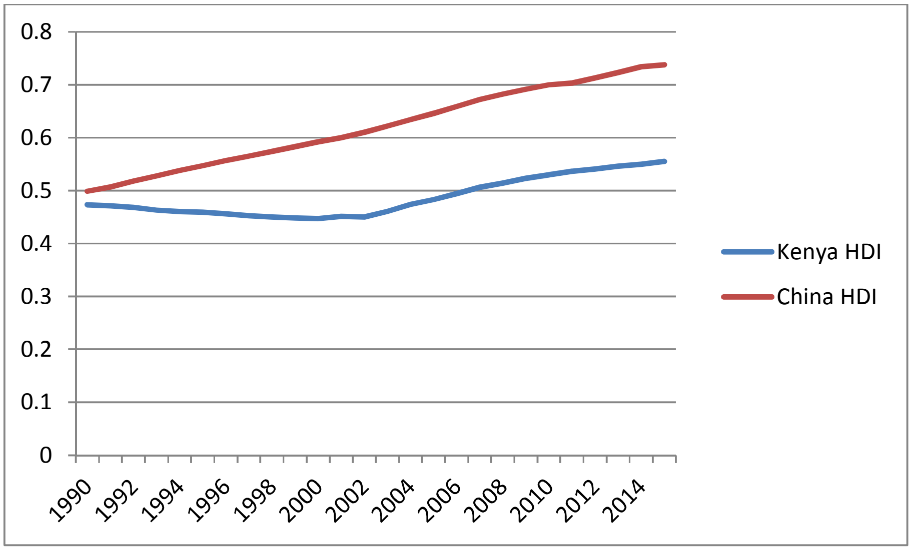


Figure 4.6: Human Development Index (HDI)

United Nations Development Program (UNDP) notes that the HDI was created to emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone. It includes a long and healthy life, being knowledgeable and a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions. The two countries were very close around 1990 but diverged after around 2000. Kenya has a lot to learn from China in improving the overall HDI. One question is who should lead this initiative; private sector or government.

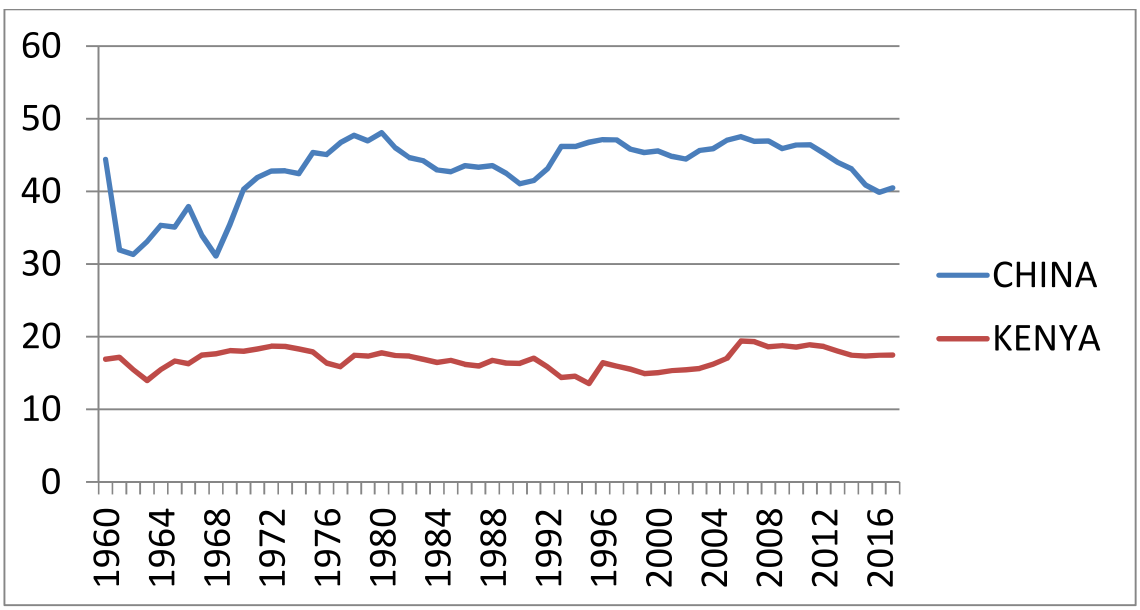


Figure 4.7: Industry (including construction), value added (% of GDP)

Few countries have developed without industrialization. Kenya has lagged behind China in this as data shows. After around 1970, China industrialization accelerated and has remained high from 1980 to around 2010 when there was a slowdown.

The contribution of Kenya's industrial sector since 1960 has been stagnant. Like health care, it's now getting attention from the government through the big 4 agenda.

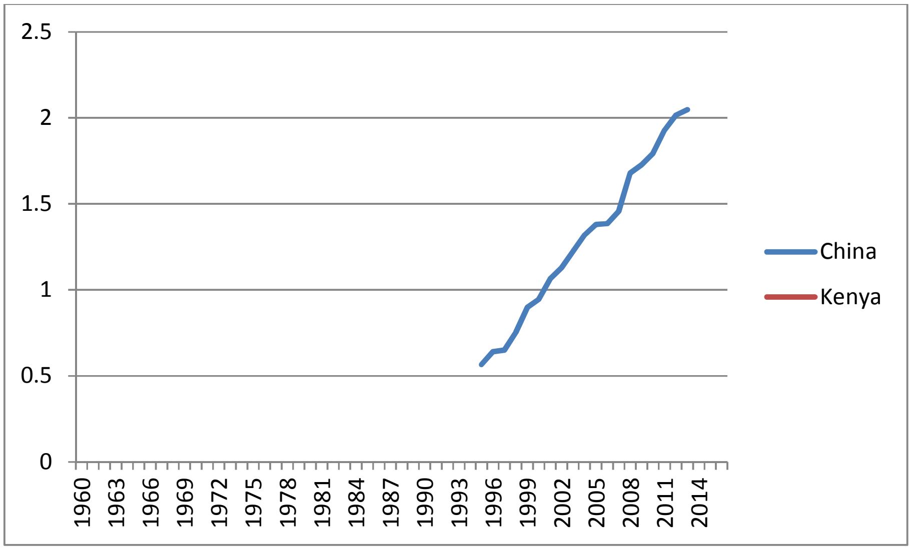


Figure 4.8: R&D as percentage of GDP

Kenya needs to borrow from China on this. The country invests too little in R&D compared with China. This is probably the reason there are too few innovations. Data from World Intellectual Property Office (WIPO) shows the differences in innovation as proxied by patents with China way ahead of Kenya.

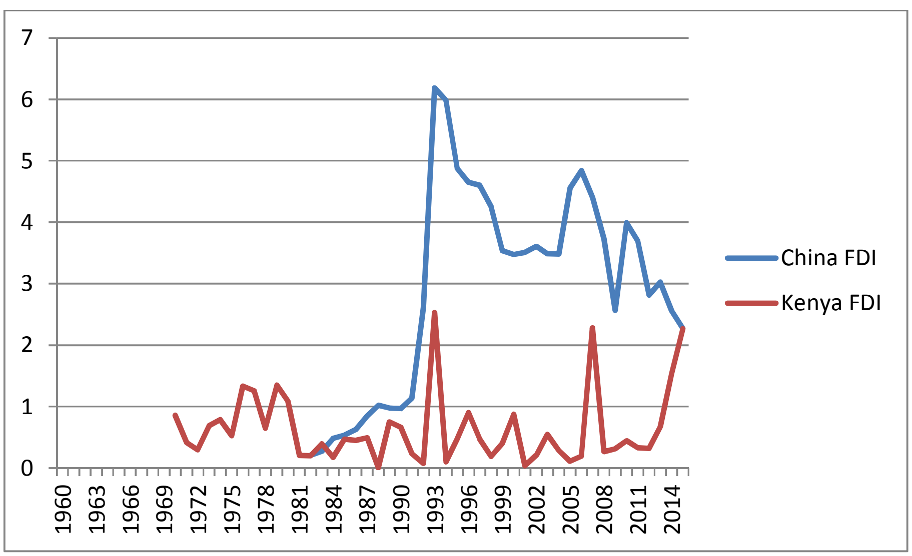


Figure 4.9: Foreign direct investment, net inflows (% of GDP)

The surge in foreign direct investment flow into China after the country opened up in 1978 clears shows. It has since declined from the peak in 1993. Kenya shows two peaks; one after liberalization of the economy in early 1990s and another in 2007 just before post-election violence. Kenya has a lot to learn from China on how to attract and sustain foreign direct investment. The decline in Chinese FDI since around 1990 is perplexing. Was it replaced by internally generated investment? Did China get competition for FDI e.g. from Vietnam and other low-cost countries?

4.0: Conclusion

The few indicators between Kenya and China show that Kenya can learn from China. The two share a lot; both have over the years been subjugated by other powers. The Chinese by Manchus, the English (Hong Kong), the Japanese (in Manchuria), the Portuguese (in Macao). Kenya was under British while its coast was under the Arabs. Both have experienced poverty. Kenya's quest to develop through one belt one road initiative needs policy nudges based on the identified gaps. Interestingly, China became a modern nation after 1949 only 14 years before Kenya. The differences in some indicators is now more than 14 years.

The one belt one road OBOR in Kenya will supplement other initiatives like Vision 2030 and big 4 agenda in catalysing Kenya's growth. The analysis, shows the gaps Kenya must close through policy changes and collaboration with other nations to modernize like China. The Chinese government has already helped Kenya build a superhighway and standard gauge rail (SGR) as part of one belt one road (OBOR) initiative. That is just a start. The paper shows some of the low-lying fruits in catalysing Kenya's growth. OBOR is still in its infancy; will China, through OBOR help Kenya became an economic power the same way USA helped South Korea after WW II? A second scramble for Africa with China starting from where the West left has been postulated (Murry,2018). No one want another scramble for Africa; instead OBOR should make Africa part of the global economic system through the win – win cooperation espoused by Chinese president during the BRICS summit in South Africa in 2018. Future research should focus on how OBOR shall spur growth in Africa and gauge its success against Western economic engagement in Africa since the countries got their independence.

References

Chow, N (2018), Growth remains intact in China, but slowdown to resume, https://www.dbs.com/aics/templatedata/article/generic/data/en/GR/042018/180417_insights_growth_remains_intact_in_china_but_slowdown_to_resume.xml, retrieved on September 5, 2018

Jinchen, T (2016), One Belt and One Road: Connecting China and the World, McKinsey

Jingping Xi, full speech at BRICS Summit; http://www.xinhuanet.com/english/2018-07/26/c_129920686.htm, retrieved on September 5th 2018.

Fengler , W (2012), Living a long and healthy life – Africa and Kenya are only starting to catch up, http://blogs.worldbank.org/africacan/living-a-long-and-healthy-life-africa-and-kenya-are-only-starting-to-catch-up, retrieved on September 5, 2018.

Murray, R(2018), The New Scramble for Africa, International Policy Digest, 06 March, https://intpolicydigest.org/2018/03/06/new-scramble-for-africa/, retrieved on November 13, 2018.

Miu, R, Chong Tjen-San, C and Leung, C (2017) One Belt One Road Infrastructure Sector, DBS Asian Insights. http://hdr.undp.org/en/data#, retrieved on July 8, 2018

National Economic and Social Council (2002), National Progress Indicators for Sustainable Economic, Social and Environmental Development, The Government Publications Sales Office, Sun Alliance House, Molesworth Street, Dublin.

Carpintero ,O , Murray , I, &Bellver , J(2016), The New Scramble for Africa: BRICS Strategies in a Multipolar World, in Radhika Desai (ed.) Analytical Gains of Geopolitical Economy (Research in Political Economy, Volume 30B) Emerald Group Publishing Limited, pp.191 - 226

Seto, K (2018), Urban Growth in China: Challenges and Prospects, Department of Geological and Environmental Sciences and Freeman Spogli Institute for International Studies Stanford University,https://web.stanford.edu/class/cee320/CEE320B/Seto.pdf, retrieved on September 5th 2018.

United Nations Development Programme (2016), Human Development Report

World Intellectual Property Office(WIPO), http://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=ke, retrieved on November 13, 2018.