



# ECONOMIC STRENGTH OR ECONOMIC WEAKNESS? THE IMPACT OF CHINA'S ONE BELT, ONE ROAD INITIATIVE IN KENYA

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# INTRODUCTION

## China on the World Stage

### OBOR Initiative

- Xi Jinping in 2013
- China and 64 countries
  - Silk Road Economic Belt
  - Maritime Silk Road
- Sources of Funding
  - China Development Bank and Export-Import Bank of China (Exim Bank) = >\$1 trillion
  - Silk Road Fund = \$40 billion in investments
  - Asia Infrastructure Investment Bank (remit now includes Africa) = \$100 billion capital base
  - China's foreign exchange reserves = \$7 trillion
  - China's sovereign wealth fund = \$220 billion
- Relative scant efforts to evaluate COFDI instruments/projects/experiences on a country-country basis (Gallagher, Irwin, and Koleski 2013; Sun 2015)

# CHINESE INVESTMENT IN KENYA

## Transportation

- Mombasa–Nairobi Standard Gauge Railway
- Road Projects

## Kenyan Concerns

- Threat of cheap goods and an undermined economy
- Fears of corruption
- Fears of job loss

# RESEARCH QUESTION

Given the underlying reasons for OBOR and the massive economic forces being brought to bear on the initiative, has it had a positive or negative impact on the Kenyan Economy?

# HYPOTHESES

*H0<sub>1</sub>: Chinese FDI in the Kenyan economy will not be related to corruption.*

*H1<sub>1</sub>: As Chinese FDI increases in the Kenyan economy, corruption will increase.*

*H0<sub>2</sub>: Chinese FDI in the Kenyan economy will not influence factors of economic well-being.*

*H1<sub>2</sub>: As Chinese FDI increases in the Kenyan economy, increases will be seen in GDP / real GDP growth / GDP per capita.*

*H2<sub>2</sub>: As Chinese FDI increases in the Kenyan economy, increases will be seen in unemployment and government debt.*

# RESEARCH DESIGN

## Multi-method Design

### Qualitative Analysis

- Chinese FDI
- Sectors of Kenyan Economy: Transportation
- Levels of Corruption

### Quantitative Analysis

- Initial Pearson's Correlations
- Shapiro-Wilk's test for normality

# RESPONSES IN FAVOR OF OBOR

United Nations Economic Commission for Africa

- EA exports could increase by as much as \$192 million

Chinese claim that the Mombasa–Nairobi Railway boosted GDP by 1.5%, created 46,000 new jobs for locals, and trained 1,600 railway professionals

While the US is viewed with more general approval and less of an economic threat by Kenyans, specific infrastructure projects accumulate a great deal of goodwill towards the Chinese (Daily Nation 2018)

# RESPONSES OPPOSING OBOR

## General

- Concerns about economic sustainability and the degree to which East African countries owe money to China
- China potentially more concerned about strategic assets than debt repayment (Sri Lanka, Pakistan, Congo)

## Kenya

- Parliament probe into circumstances in which Mombasa port was used as collateral for Mombasa–Nairobi railway (Daily Nation 2019)
- China accounts for more than 70% bilateral debt in Kenya
- Cargo service has been largely unsuccessful in generating money (Economist 2018)

# QUANTITATIVE ANALYSIS

## Pearson's Correlation

- Four Assumptions

## Factors Analyzed

- IVs: Chinese FDI; Chinese FDI %total FDI
- DVs: Corruption, Economic Factors (GDP, Real GDP Growth, GDP per Capita, Unemployment), Government Debt (net%GDP; gross%GDP)

# RESULTS

## Correlation Results

- Chinese FDI
  - Positive and Significant: Corruption, GDP, GDP per Capita, Gov Debt (net%GDP) and Gov Debt (gross%GDP)
- Chinese FDI (as % of total FDI)
  - Negative and Significant: Real GDP Growth

# CONCLUSION AND NEXT STEPS

Qualitative

Quantitative

- Chinese FDI correlated to good (GDP; GDP per Capita) and bad (Corruption; Government Debt)
- Chinese FDI as proportion of total FDI correlated to decrease in Real GDP Growth

Next Steps

- Working on expanding out data (maybe down to monthly?)
- Looking into other major OBOR related projects
- Checking if OBOR investment spilling over into other sectors

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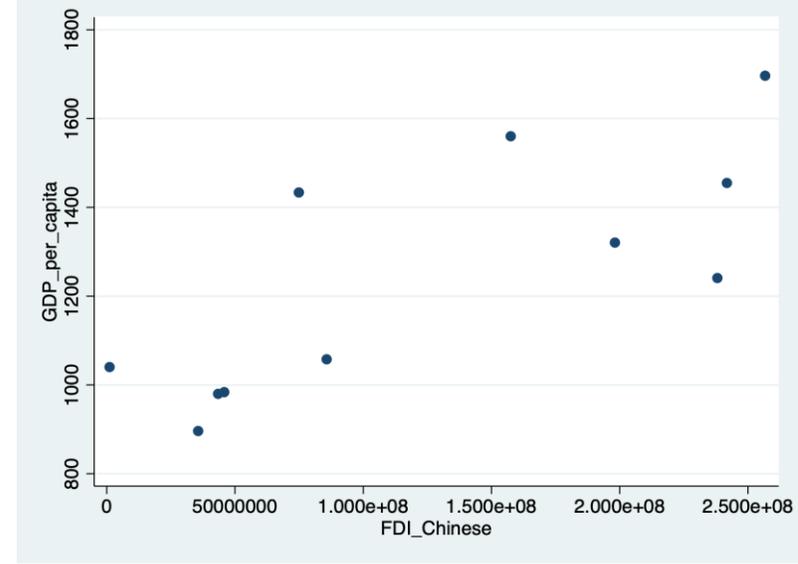
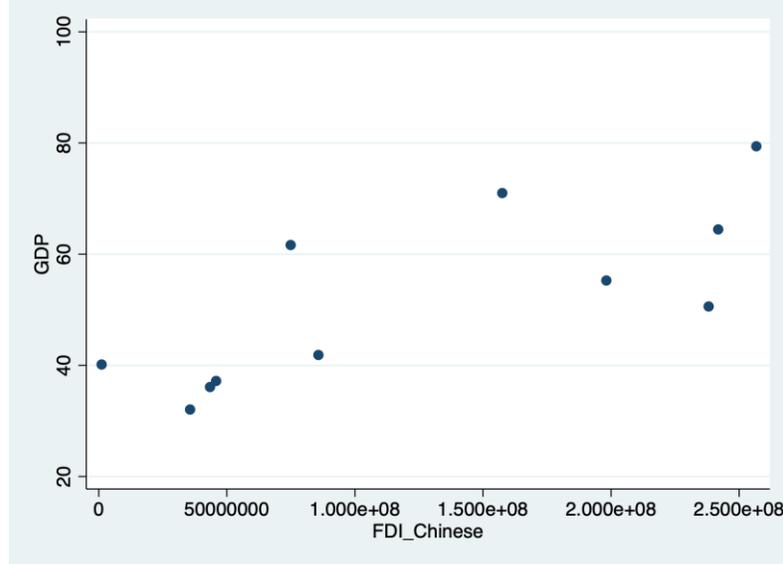
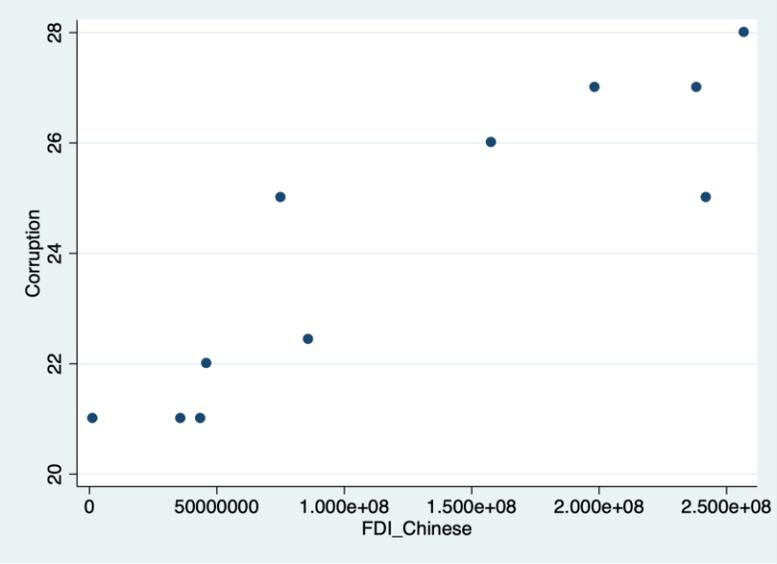
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## Scatter Plots of Chinese FDI (Corruption; GDP; GDPPC; Gov Debt Net% and Gross%) and Chinese FDI Proportion

