



# Kenyans weigh cost of Chinese investment

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NAIROBI, Kenya, Aug. 3 (UPI) -- NAIROBI, Kenya, Aug. 3 (UPI) -- Mwaura Kimani swiftly engages and alternates the gears as he speeds down the Thika Superhighway. A matatu (taxi bus) driver for more than 8 years, Kimani recalls the 2-hour commute to the city center on a narrow and dusty two-lane road in a cloud of smoke and ceaseless honking.

Now, Kimani makes that journey in less than 20 minutes.

"Traffic jams used to be crazy here," Kimani says. "Now, it's easy to get in and out of the (Central Business District). It feels good."

The transformation of the Nairobi commute is thanks, in large part, to an eight-lane freeway, complete with flyovers, bypasses, underpasses, cycle lanes and footpaths.

Three Chinese companies-- China Wu Yi, Sinohydro Corp. and Shengli Engineering Construction Group-- have expanded the road, in just more than 3 years, into a 30-mile expressway that has become the city's new source of pride.

"Commuters used to wake up very early just to get to town," Kimani said. "Now, regardless of what happens, they expect you to drive there in minutes, not hours like before."

The project's magnitude, many say, has solidified China's position as one of Kenya's top trading and investment partners. Companies from the giant East Asian economy have strengthened their foothold in Kenya since 2005, when President Mwai Kibaki made a state visit to China in support of his government's policy to look to the Far East instead of the West for development aid, trade and investment.

This policy shift led, as a report by the International Monetary Fund indicates, to an increase in Chinese exports to Kenya from \$139 million in 2001 to \$457 million in 2005. Kenyans at the time largely welcomed Chinese influence. A 2007 poll put by the Pew Research Center placed the number of Kenyans who said they viewed China's influence favorably at 91 percent, compared to 74 percent who said they viewed America's influence favorably.

"China's engagement with Kenya continues to grow visibly, rapidly and exponentially," Hilda Imali, a development specialist, said. "The development China has made in Kenya is not something that should be ignored."

Chinese companies have focused their investment in Kenya on the fields of infrastructural development, automobile industry, food and beverage markets, and electronics. There are also medium-size Chinese enterprises investing in interior decor, construction and agricultural machinery, and also in the hospitality industry. Chinese restaurants and hotels have sprung up all over Nairobi. On a financial level, the Central Bank of Kenya recently granted the state-owned Bank of China license to open a representative office in Nairobi.

There is, however, growing unease among local business owners. As Chinese companies consolidate their growth in key sectors, many locals are beginning to forecast dim prospects.

Along Luthuli Avenue, a bustling street in downtown Nairobi, the arrival of Chinese traders has changed the dynamics of trade in the electronics hub.

Mohamed Abdi, who owns a shop with his cousin, said that although the Chinese have shifted the dynamics of the business area for the better, there are some rogue investors out to make a quick buck by importing cheaper, low-quality goods into the market. This, he said, undercuts Kenyan businesses by reducing potential customers and forcing them, at times, to reduce prices drastically to the point of not breaking even.

"For instance, we bring flash disks from China that are of good quality into the market," Abdi said. "In a few days, you will see the same flash disks of lower quality, but same look, and they are being sold for half the price. It is very disappointing."

Abdullahi Ahmed, the director of the Imara Gardens housing project, said he believes there is "a very dark and a bad side to Chinese investment in Kenya."

"When you look at how they venture into smaller, upcoming economies, it is sometimes very flawed," Ahmed, who recently visited China, said. "You will see tile manufacturers from China who will come all the way to supply and retail the tiles themselves. By doing this, they are cutting out the middlemen and taking all the opportunities for themselves. It is very difficult (for us) to compete."

The concern about China's expansion into the Kenyan market, however, isn't limited to traditional markets. There are also political and socio-cultural undertones. In January, China Central Television's Africa headquarters was launched in Nairobi, barely a year after the launch of the Xinhua Mobile Newspaper, which is affiliated with the Xinhua News Agency, the official press agency of China.

Likewise, the Chinese pay television service provider, Star Times, recently announced its entry into the Kenyan market, with its sister company, Pan African Network Group, winning the tender to distribute digital signal in the country. Kenya is expected to move from analog to digital television programming by end of 2012.

"Kenya has been a major launching hub for China," said Mohamed Keita, Africa program advocacy coordinator for the New York-based Committee to Protect Journalists. Keita said China's expansion comes as the presence of other Western media shrinks in Africa.

"China's engagement is deepening in Kenya and around the continent and its engagement was set along political alliances in the China-Africa Summit, and this doesn't promote press development or private media in Africa," Keita said.

The state broadcaster's foray into the Kenyan market saw the best of trained journalists from local stations leave for China Central Television's Africa offices in droves, sending local media stations into a panic.

On the academic front, the Confucius Institute was inaugurated at the University of Nairobi in 2005, the first of its kind in Africa, further cementing cultural ties between the two countries. China Radio International's Swahili language service was launched in 2006.

"The fact that the Chinese are here means that there are many opportunities to unlock for Kenya," said Hassan Abdulhafid Karama, who is doing a certificate course in Chinese at the Confucius Institute. "They are not only interested in Kenya, but Africa generally. It is clear we are the bridge (to Africa). We should utilize this opportunity."

That opportunity comes as China's economy, which has exponentially expanded over the last few decades, is beginning to show signs of strained growth. Investment in real estate, industrial production, and imports has slowed in early 2012, with the IMF stating in July that after years of growth, China's economy is headed for a "soft landing."

This, experts say, is one of the reasons China is eyeing Nairobi as a gateway into Africa, a continent that is experiencing rapid economic growth.

For Carole Kariuki, the chief executive officer of the Kenya Private Sector Alliance, adopting positive protectionism and enforcing the rule of law can be the best way to address the concerns regarding China, while guaranteeing maximum return for both countries.

"Even if we are a free market, we can show the way by sticking to the rule of law," Kariuki says. "We put down a set of rules and make sure every investor abides by them. If you do that, it is a win-win situation for everybody."

For now, the drive on the expressway for Mwaura Kimani, the matatu driver, is easier and faster.

"Thank God for China," he said. "They have transformed Kenya forever."

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