Impact of Chinese Corporations' Investments in Sub-Saharan Africa: Ethics, Responsibility and Sustainability

Onjumi Charles OKUMU

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CERTIFICATE OF ORIGINAL AUTHORSHIP

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

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Date: 04 April 2016

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List of Acronyms and Abbreviations

FDI – Foreign Direct Investment

MNE – Multinational Enterprises

IDI – International Direct Investment

US – United States

M&A – Merger and Acquisition

MNC – Multinational Corporations

R&D – Research and Development

SME – Small to medium enterprises

Ksh – Kenya Shillings

CSR – Corporate Social Responsibility

CEO – Chief Executive Officer

Abstract

The contemporary and continuing presence of Chinese state owned corporations in Sub Saharan Africa has reignited the long buried economic colonialism narrative. Contesting views claim the development significance of Sino-Africa engagement or that the net effect of such engagement is a basket of economic neo-colonialism. This research is anchored in public concern that, although new to Africa, China, is motivated by a desire to explore and exploit African resources similarly to Western nations in the past.

To determine China's impact, the research is nested under internationalisation – Foreign Direct Investment theory and focused on the Sub Saharan Africa region. The research is narrowed further to target Chinese state owned corporations' investments in Kenya. Applying ethnographic methodology, a representative sample of various stakeholders in Kenya was interviewed. Together with data from participant observation, documents and discourses, a detailed qualitative analysis was completed.

The study reveals the participants' experiences consist of varying view points: on one hand, the limited absorption of local labour, lack of skills and technology transfer, limited regard and care for the environment, continuous engagement in unethical practises such as bribery to win major construction tenders and other concerns, indicate that Chinese corporations are seen to exhibit features akin to economic neo-colonialism. On the other hand, through the realisation of significant infrastructure development such as the construction of roads, real estate, railways, ports, and

upgrade of airports, their real and actual impact is far from exploitation and close to a development partnership. This constitutes building the much-needed and long overdue sustainable economic foundation that will, in the long-term, facilitate real economic growth in Kenya. Importantly, through collaboration with various willing stakeholders, civic education and human rights awareness, the majority of Kenyans led by the youth are summoning their collective agency to not only create technologically sophisticated enterprises, but also to demand transparency and accountability in government, credible and unifying leadership across all levels, and unrelenting efforts in fighting corruption.

Chapter 1: Introduction

The China in Africa phenomenon has attracted a plethora of studies exploring the role of Chinese companies on the African continent (Alden & Davies 2006; Alden & Large 2011; Anshan 2007a; Anshan 2007b; Baah & Jauch 2009; Brautigam 2009; Bräutigam & Xiaoyang 2009; Broadman 2008; Butts & Bankus 2009; Carmody 2011, 2013; Carmody & Taylor 2011; Chan 2006; Eisenman, Heginbotham & Mitchell 2007; Gaye 2006; Gaye & Brautigam 2007; Michal 2007; Muekalia 2004; Sanusi 2013; Taylor 2007; Taylor 2009, 2013; Xiaokum 2013; Yu 1988; Zafar 2007; Zweig & Jianhai 2005). A number of these studies investigate the exploitation of Africa's natural resources but the issue may be more complex than the authors have suggested. This Chapter discusses the background and context of these complexities and provides an introduction to the whole thesis.

1.1 General Background

Sub-Saharan Africa has not only become a focus of contemporary global developmental discourse but has also become a place of interest to the Chinese and United States Presidents (Ashoka 2013). Although the motivation of these leaders may differ, most commentators agree that both are seeking to build strong business relationships with the nations of Sub-Saharan Africa (Ashoka 2013). To understand the context of this attention, however, it is important to remember the history of the region. As suggested by Babu's postscript in Walter's book '*How Europe underdeveloped Africa':*

> *...To understand where we are now, one needs to know where we have come from, and to comprehend where we are going, we equally have to understand where we have come from and where we are at present...* (Walter 1972, p. 284).

The story of Sub-Saharan Africa (and the whole continent of Africa for that matter) is captured in two well-documented historical epochs: transatlantic slavery in the 17th century and colonialism in the 18th to 20th centuries (Amin 1972; Nkrumah 1965; Sankore 2005; Walter 1972). In the era of transatlantic slavery, Africans could be heard lamenting from the corridors of Senegal, the beaches of the Ivory Coast and the villages of Kenya, where they had been rounded up, chained and shipped as slaves to the plantations and mansions of America. Once landed, African labour was used to enrich the slave masters (Amin 1972; Nkrumah 1965; Sankore 2005; Walter 1972). The bondage had many painful consequences. In the first instance, the African family unit was obliterated; second, Africans were brutalised, and this destroyed their respect for themselves and for each other; third, in the plantations and homes of North Americans, their labour led to unbearable suffering with no reward; and finally, their humanity was degraded through the denial of their human rights while at the same time, their lives were subjected to random violence. Even among those who had not been transported as slaves, slavery caused Africans to lose their sense of belonging, respect, social capital and honour. Slavery, as an epoch, is remembered for its systematic dismantling and destruction of Africans' socio-economic strength and, to a great extent, the obliteration of African social capital (Acemoglu & Robinson 2010; Amin 1972; Nkrumah 1965; Sankore 2005; Walter 1972).

In the 18th century, Colonialism followed and, as happened with slavery, colonialists used and abused African labour and plundered raw materials for the purposes of developing Europe and America. African families were separated because men were required to work in distant plantations to produce the much-required resources (Amin 1972; Nkrumah 1965; Sankore 2005; Walter 1972). This separation, just like slavery, broke down the African family unit and through denying family members their sense of honour, ruined their social capital and dismembered their social relationships. The fragmentation and balkanisation imposed by colonialism gave no benefit to Africans but served instead to facilitate the scramble for raw material and minerals by overseas interests until finally Africans had no rights in their own homes. They were subjected to random violence and denied economic opportunities. The effect of this epoch was similar to the first: Africans were robbed of their dignity and left without any tangible socioeconomic strength (Amin 1972; Kanu 2007; Nkrumah 1965; Sankore 2005; Walter 1972). As a result, through systematic demolition of their social capital – the social fabric that held communities together - African societies were dismantled and destroyed but most importantly, there was intense exploitation of African resources (Amin 1972; Kanu 2007; Nkrumah 1965; Sankore 2005; Walter 1972).

In remembering these epochs, Africans have come to understand the forces that culminated in the exploitation of their resources and destruction of their ancestors' social fabric. Africans were dehumanised and subjected to violence and abuse by harsh colonial masters until they were left without any significant source of economic self-reliance. They were exploited and made poor, not by the lack of resources but by forces beyond their control (Amin 1972; Kanu 2007; Nkrumah 1965; Sankore 2005; Walter 1972).

While these epochs are now past, Africans continue to struggle to rebuild and stabilise their cherished social capital. The rising poverty and inequality of the continent (see Appendices 1 and 2) continues to stand in the way of economic independence and strong social bonds. At the same time, African discourse has changed and is currently impacted by the arrival and continuing presence of Chinese investments. The China-Africa phenomenon has elicited many of the old colonial exploitative tendencies and the contemporary economic neo-colonial debates that form the focus of this study (Carmody 2011, 2013).

1.1.1 China - Africa Engagement Debate

This brief summary of Africa's history has been included to show how Africa's resources (a source of wealth and social cohesion) were ill used in the past (Amin 1972; Carmody 2011, 2013; Collier 2007, 2011; Gregg 2010, 2011; Nkrumah 1965; Walter 1972). Unfortunately, time has offered little remedy because the plunder of resources continues to serve the interests of foreigners and a handful of local elites to the detriment of the majority. This diverts revenues that could have been used to improve life for Kenyans but instead, the resources are used to build personal fortunes, finance civil wars, or support corrupt and unaccountable political elites (APR 2013; Collier 2007, 2008, 2009, 2010, 2011).

The China-Africa phenomenon offers Sub-Saharan governments a window of opportunity to convert the wealth from natural resources into a catalyst for poverty reduction, shared prosperity and accelerated human development (Brautigam 2009; Bräutigam & Xiaoyang 2011). It is against this backdrop that China's current economic engagement with Africa is considered.

Modern China-Africa relations began in 1955 with the first Asian-Africa conference held in Bandung, Indonesia (Wasserman 2012). The aim of this conference was to promote cultural and economic cooperation between the two developing continents. The conference presented the viability of Afro-Asia as an identity as well as a political idea (Le Pere & Shelton 2007) (also see Alden, Large & De Oliveira 2008) with a strengthening China offering to meet and build relationships with the African liberation movements on the assumption that Africans had been receptive to the revolutionary examples of Maoist China (Le Pere & Shelton 2007). The Africans themselves were encouraged because, being engaged in liberation struggles against former colonial powers, the Maoist lessons enhanced their struggle.

The Chinese promised to be a developmental partner and a reliable friend and in the process, the African liberation movement was supplied with weapons to facilitate their struggle for freedom (Le Pere & Shelton 2007). The nations assisted at this time included South Africa, Angola, Mozambique, Guinea, Cape Verde, Namibia and Zimbabwe (Le Pere & Shelton 2007, pp. 49-52). In the 20th and 21st century, however, with China's continued global economic rise, attention moved from revolutionary warfare to China's investments in Africa - particularly Sub-Saharan Africa (Alden 2005, 2012b; Broadman 2008; Buckley et al. 2007; Carmody 2009; Carmody & Taylor 2011; Konings 2007).

Chinese investments in Africa are multifaceted but infrastructure, minerals and resources are the predominant areas of growth (Buckley et al. 2007; Konings 2007; UNCTAD 2009). These investments tend to defy traditional principles governing outward direct investment as they deliver a less immediate return on capital. It is also true that Africa, and particularly Sub-Saharan Africa, is endowed with a substantial amount of both natural resources and raw materials and that these may be more than enough to attract the attention of an industrialised and rapidly developing nation such as China (Alden 2005; Alves 2013; Arnold 2009; Ashoka 2013; Brautigam 2009; Carmody 2011; Kaplinsky & Morris 2009a; Kopinski, Polus & Taylor 2011; Sautman & Hairong 2007b; Shinn & Eisenman 2012; Taylor 2006). As Modi & Shekhawat (2009) note, the African continent is home to a vast pool of untapped natural resources, including around 54 per cent of the world's gold, 99 per cent of the world's chrome, 85 per cent of platinum and 68 per cent of cobalt. There are numerous other precious minerals (see also Butts & Bankus 2009). For this reason Africa - and particularly Sub-Saharan Africa - has become a target for the developed countries of the West as well as the developing nations of the South East (Carmody 2011; Gregg 2010, 2011; Shinn & Eisenman 2012). The economic invasion of the African continent by potential investors, whether or not they are foreign government or ideologically sponsored, has attracted both attention and suspicion from international observers and local communities.

Before the current Sino-African economic wave, Africa's traditional relationships were with nations of the West (Shinn & Eisenman 2012). However, little has been written about the motives of the West in the acquisition of raw materials from Africa and yet in both pre and post-colonial periods, Western nations benefited enormously from Africa's raw materials and resources. At the same time, China - a late comer - has attracted much attention and scrutiny (Sanusi 2013), yet a number of Western nations that imposed sanctions on various African countries attract minimal attention. These sanctions included trade and economic embargoes, difficult and strict lending conditions, unfulfilled financial commitments and, in certain cases, advocacy for regime change. These were completed under the guise of structural adjustment, democracy, accountability and good governance (Yu 1975; Yu 1988). The Chinese on the other hand, have continued to stress the need for a sincere friendship based on equality and mutual respect for the sovereignty of African nations (Yu 1988). This friendship has been demonstrated through non-interference in domestic affairs and by the continued offer of loans and grants (Michal 2007). The behaviour of the international community, driven mainly by the West, has encouraged Chinese to lend funds to Africa under extremely favourable conditions (to Africans) despite Western nations' constant practice of castigating China for its strategy in Africa, (Berger & Wissenbach 2007). Of greater concern is the motivation behind the West's pursuit of this strategy knowing that Africa has not been able to repay high interest debts and cannot develop under such lending restrictions (Easterly 2002).

Debate about the Sino-African economic relationship continues, with specific focus on the increasing Chinese role in socioeconomic affairs, particularly in Sub-Saharan Africa (Alden & Davies 2006; Alden & Large 2011; Anshan 2007a; Anshan 2007b; Baah & Jauch 2009; Brautigam 2009; Bräutigam & Xiaoyang 2009; Broadman 2008; Butts & Bankus 2009; Chan 2006; Eisenman, Heginbotham & Mitchell 2007; Gaye

2006; Gaye & Brautigam 2007; Michal 2007; Muekalia 2004; Sanusi 2013; Taylor 2007; Taylor 2009, 2013; Xiaokum 2013; Yu 1988; Zafar 2007; Zweig & Jianhai 2005). This debate usually revolves around two main issues, firstly the motivation for the growing Chinese interest in Africa and, secondly, the implications of the Chinese economic relationship for Africa's sustainable development. The critics in this debate attribute China’s growing economic influence to its insatiable thirst for raw materials to sustain the momentum of its growing economy. They perceive China as an imperial power in Africa practising virtual colonialism (Gaye 2006; Sanusi 2013). Critics are also concerned about China's engagement with dictators in Africa and fear that Chinese neutrality on the actions of these despots makes the situation worse (Carmody 2011, 2013; Carmody & Owusu 2007; Sanusi 2013). They also criticise Beijing for not pushing for regime change in the African nations where dictators are damaging local economies with Zimbabwe and Sudan being examples (Carmody 2011, 2013; Carmody & Owusu 2007; Sanusi 2013). These critics continue to warn that China is not a reliable partner and suggest that it will abandon Africa when its needs are met (Carmody 2011, 2013; Carmody & Owusu 2007; Sanusi 2013). However, they acknowledge that China’s infrastructure and limited industrial development proposals may lead to a speedy cancellation of much African debt, so the Chinese engagement in Sub-Saharan Africa may be commendable (Alves 2013; Gaye & Brautigam 2007). Others warn that China is not interested in philanthropy but is systematically manoeuvring to buy Africa’s good will at the detriment of Africans interests (Carmody 2011, 2013; Carmody & Owusu 2007; Sanusi 2013).

Critics also contend that aid extended to Africans by the Chinese is at best not significant in terms of assisting the country's ultimate developmental needs (Biti 2013; Gaye 2006; Sanusi 2013). This argument is based on the fact that this aid tends to go to nations endowed with the natural resources in which China has an interest. Others accuse China of accessing and then locking up large areas of natural resources while, in exchange, dumping cheap manufactured products in Africa. They further suggest that the only motivation for Chinese activities in Africa is to serve China's national interests and that this occurs to the detriment of Africans (Biti 2013; Gaye 2006; Sanusi 2013). In addition, the critics point out that by China practising and pursuing a non-interference policy, it is indirectly propping up dictators and dismantling democratic institutions in Africa (Baah & Jauch 2009; Butts & Bankus 2009; Chan 2006; Michal 2007; Taylor 2007; Taylor 2008; Zweig & Jianhai 2005). This, they argue, will lead eventually to rising levels of corruption, human rights violations and many other social challenges (Baah & Jauch 2009; Butts & Bankus 2009; Chan 2006; Michal 2007; Taylor 2007; Taylor 2008; Zweig & Jianhai 2005).

On the other hand, the proponents of Chinese involvement in Sub-Saharan Africa are optimistic about the long-term effects of the Sino-Africa economic relationship, suggesting that China can be trusted to remain Africa's reliable partner. The numerous visits made by Chinese leaders to Africa act as an assurance that China values its relationship with Africans (Muekalia 2004). They also point to the fact that China continues to contribute to the development of African countries in the form of grants and aid projects (Brautigam 2009), arguing that China has never claimed a philanthropist's status and that it has, on numerous occasions, declared that its aid to

Africa is not charity but is based instead on mutual respect and benefit (Michal 2007). In addition, the proponents of Chinese aid assert that by granting cheap loans to Africa, (at almost zero interest rates) without imposing conditions and thereby facilitating the cancellation of much of Africa's debt, the Chinese have in fact accorded Africans an opportunity that seldom arises and offered much needed revenue to plan and implement developmental programs on their own terms. The proponents also point to the fact that China has imposed voluntary export restrictions on the importation of Chinese textiles into the Southern African market and, by intervening during the Zambian workers riot, demonstrated that they were a listening partner and a trustworthy friend (Alden 2007; Carmody 2011; Carmody & Taylor 2011).

Despite the Western media's loud and cynical references to China's work in Africa, particularly in Sub-Saharan Africa, the available data suggests that the greatest investment by the Chinese is in the finance and services sector rather than in extractive industries (Ramasamy, Yeung & Laforet 2012). Thus, while investment in the finance sector has reached 25.1 per cent, investment in the retail sector 25.7 per cent, and investment in the service sector 38.8 per cent, investment in the mining sector is as low as 10.4 per cent (Ramasamy, Yeung & Laforet 2012). This type of investment lays the foundation for sustainable African economic development (Ramasamy, Yeung & Laforet 2012).

A number of writers have contended that the responsibility for what some may call Chinese Domination should lie more with Africa's leadership than with China (Gregg 2011; Moyo 2009a, 2009b, 2013). Sino-African economic engagement affords African governments the revenue to plan, prioritise and implement projects of absolute necessity that might otherwise not be completed (Gregg 2011; Moyo 2009a, 2009b, 2013). These plans can be implemented according to a purely African development agenda that delivers accelerated and sustained socioeconomic development (Collier 2008, 2011; Gregg 2010, 2011). In addition, Bloom, Canning & Chan (2006) cite considerable empirical data showing a positive correlation between higher education and socioeconomic development in Africa, and these writers argue that it is incumbent upon African leaders to conceive and execute desirable projects irrespective of the source of funding. For this reason, the direction of Chinese investments into sectors that will yield maximum benefits for Africans and impact positively on their lives (they suggested) should be mandatory and driven by Africans. Therefore, these investments should bring not simply a desired interim growth but sustained development over the long term (Varghese 2004; Zhu 2013).

Despite all these, the controversial nature of the Sino-African economic relationship continues to attract pointed criticism from those who see Chinese enterprises as undermining the long-term economic health of Africa (Biti 2013; Carmody 2013; Sanusi 2013). Table 1 provides a summary of these criticisms.

Table 1: Summary of Criticisms Directed at Chinese State Owned Enterprises

China is seen to be undermining Africa's growth
• Chinese State Owned Enterprises are engaged in resource extraction in return for infrastructure development in numerous parts of Africa. For example, in the Democratic Republic of Congo, the Chinese government has signed agreements under which around US$ 8 billion of transport infrastructure will be built in return for extraction rights (Collier 2008). Of great concern is whether these transactions, in general, are commensurate with the value of the resource China takes away.
• Chinese State Owned Enterprises tend to rely on their own low-cost Chinese labour and do not invest heavily in the training and education of African workers (Zafar 2007).
• Chinese foreign direct investment in Sub-Saharan Africa is concentrated in resource rich nations normally. China imbalances trade through importing mineral fuels and metals from Sub-Saharan Africa while exporting cheap consumer goods with little trade in intermediate products (Zafar 2007).
• China does not seem to be concerned about the level of corruption in host countries of Sub-Saharan Africa (Cuerro-Cazurra 2006). It is claimed that both China and Nigeria have corrupt practices but this does not prevent a significant amount of FDI into Nigeria from China (Zafar 2007).
• The impact of Chinese competition on African enterprise and export is troubling. For example, in Nigeria, imported textiles from China have forced local factories to close. Unemployment results from a Chinese demand to employ their own nationals in the projects they run (Adisu, Sharkey & Okoroafo 2010).
• China's FDI in full in Sub-Saharan Africa is motivated by market seeking, cost reduction and resource acquisition (Buckley et al. 2007). And yet the Chinese are not keen to invest in value added infrastructure or willing to transfer technology (Zafar 2007).
• Chinese Aid to Sub-Saharan Africa is being used principally to facilitate trade and access to natural resources rather than to alleviate poverty and social distress. (Zafar 2007).

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However, as poverty and inequality continue to grow in Sub-Saharan Africa, more often than not they are the effects of resource exploitation from foreign corporations due to the absence of prudential governance systems (Collier 2010). Under these circumstances, governments have a greater responsibility for poverty alleviation and employment creation (Collier 2010), and this, in turn, exposes the need for a penetrating study to explore *The Impact of Chinese corporations investments in Sub-Saharan Africa*. It is hoped that this research will reveal both the role of African governments and of Chinese corporations from the perspective and lived experience of local Africans.

1.2 Statement of Research Problem

This thesis is an empirical study that seeks to investigate the following question:

> ***What is the Impact of Chinese corporations' investments in Sub-Saharan Africa – particularly in Kenya?***

To address the above question, seven subsidiary research objectives have been developed as follows:

- How reputable (efficient and ethical dealings) are Chinese corporations in Sub-Saharan Africa?
- What is the quality of Chinese products and services in Sub-Saharan Africa?
- How effectively do Chinese corporations implement corporate social responsibility in Sub-Saharan Africa?
- How economically responsible are Chinese corporations in Sub-Saharan Africa
- How environmentally responsible are Chinese corporations in Sub-Saharan Africa?

- Do Chinese corporations in Africa employ local Africans?
- Is there any internationalisation spillover in Sub-Saharan Africa?

1.3 Research Justification – Foreign Direct Investments and its Benefits

1.3.1 Introduction

One of the effects of globalisation is that most nations depend on global economic interchange (Morgan 1997). Some of the global economic activities include: foreign direct investments (FDI), strategic alliances and joint ventures among other forms of internationalisation (Morgan 1997). The rise of numerous multinational corporations gave birth to internationalisation - FDI theory (Caves 1971; Hymer 1960/1976; Kindleberger 1969; Vernon 1966b). Ozawa (1992, p. 6) suggests the role of firms in the context of international investment should be that of creators and traders of tangible asserts, with firms themselves constituting major generators and disseminators of technology, skills and market demand channels, moderated by the element of competition. Moreover, Ozawa (1992, p. 6) further posits that major economies should provide capacity for growth in smaller, follower economies.

Historically, global economic activities were defined mainly by the industrial revolution (Lipsey 2004a) and despite the presence of FDI in some regions, most foreign investments in the 19th century were in the form of portfolio capital (Rafferty 1997). However, such international economic activities were largely ignored up to the 1950s. At the same time, neo-classical theory scantly incorporated multinational activity since its major focus was on perfect markets and international mobility of factors of production (Lipsey 2004a). Therefore, the growth of FDI that followed the Second World War emphasised the inadequacy of neo-classical theory (Lipsey 2004a). This led to a substantial growth in the volume of FDI, hence shifting the focus away from primary goods to knowledge-based products in developed nations (Vernon 1966a). Importantly, as Kurtishi (2013) contends, FDI for the host country can be significant in ways such as technology spillovers, human capital formation, improvement of competitive business environments, international trade integration and enhancement of enterprise development.

This section will discuss the thesis rationale extracted from FDI and firm internationalisation literature. First, by defining FDI; second, home and host country benefits accruing from FDI are elaborated; and finally, the section will argue that where there is a limited spillover effect from FDI especially to host nations, exploitative tendencies akin to neo-colonialism are claimed to have taken effect (Nkrumah 1965).

1.3.2 Definition of FDI

FDI is contained in two concepts. The first is in the form of capital flow from one home country to another host country, which gives rise to particular forms of international assets for the home countries and the values of holdings in entities that are controlled by home country residents (Lipsey 2004a). The second concept is a set of economic activities carried out in a host country (location of the investment) by firms partly or fully controlled by firms in home countries (location of the investor) (Lipsey 2004a). According to Buckley (2009b), internationalisation involves extending direct operations of the firm and bringing under common ownership and control the activities conducted by the intermediate markets that link the firm to the customers. Such economic activities include employment, sales, production, and purchase, use of intermediate goods, fixed capital and research. Both concepts are reflected in the balance of payments accounts (Cohen 2015).

Additionally, FDI is made when country (A) makes a direct investment in country (B), which increases the physical capital and production capacity of country (B). More often, the investing firm employs human capital available in country (B) and less from country (A), and if the output of production is tradable goods, then production that used to be done in country (A) can now take place in country (B). This change and movement of production leads to a reduction in the firm's plant in the home country (A). However, authors such as Markusen (1997) contend that there is a possibility of little change in the physical stock and production in both (A) and (B) when such changes are made. Markusen (1997) refers to the latter model as the knowledge-capital model of the multinational enterprise. Moreover, in this model, skilled firm owners and managers from country (A) use their expertise acquired from their home country to buy out country (B) owners who possess comparably lower industry skills. Importantly, managers from country (B) have the opportunity to learn better management skills and hence are able to manage more effectively than before. As alluded to earlier, there is no net movement of financial or physical capital experienced in this model but from a general vantage point, there are important policy issues behind the effects of internationalisation of production (Markusen 1997).

However, Kojima as quoted in Ozawa (1992, p. 6) best defines the role of FDI as:

> *…To transplant production technology through training of labour management and marketing, from the advanced industrial country to lesser developed countries and therefore, acting as the starter and the tutor of industrialisation in less developed countries…*

All these definitions underscore the importance of FDI to both the host and home country. The next section will highlight home country benefits followed by host country benefits

1.3.3 Home Country Benefits of Outward FDI

Positive predictions of FDI do not automatically apply to the home country of the investor. However, an increase in the profitability of any multinational corporation (MNC) operating overseas may engender a number of effects on the firm at the home country (Kokko 2006). A number of studies have concluded that a firm's internationalisation strategies strengthen the multinational corporation's market position and competitive edge (Andersson, Forsgren & Holm 2002; Dunning 1991; Madhok 1997). However, these effects may not have obvious benefits for the home economy (Kokko 2006) because higher profits and increased research and development may translate to higher market power for the MNC, which would result in higher prices and welfare losses to the home economy (Cohen 2015).

Additionally, an MNC may have several production facilities in different countries and, therefore, have the freedom to decide where to channel their gains away from their home country (Jordin, 1981). Some of the factors that may appear as costs to the MNC may bring substantial gains to the home economy. The most obvious cost to an MNC that has enormous benefit to the home country is the taxes paid.

Importantly, FDI varies across countries and firms, which affects the behaviour of firms and their effects on the home countries. From the perspective of exploring the effects of FDI on the home country, it may be necessary to distinguish between horizontal and vertical FDI. Accoridng to Kurtishi (2013), horizontal FDI seeks to exploit the existing benefits of the MNC while vertical augments the benefits of the corporation, exploiting the lower factor prices abroad or decreases in transaction costs by internalising upstream and downstream activities. Some other distinctions between forms of FDI may also be relevant (Kurtishi 2013). There may be differences between green fields investments or affiliates established through the acquisition of existing production units in the host country. It is also possible that the effects differ between manufacturing firms and service firms (Kokko 2006).

It has been discussed widely in the home country debate as to whether production abroad can be counted as part of exports by the parent company. The debate continues to re-emerge without a clear conclusion. This is because, first, the net impact of FDI on home country exports cannot be determined theoretically because it combines several separate effects that are sometimes opposite (Kokko 2006). Second, it is clear that most forms of FDI, whether horizontal or vertical, replace some home country production and exports (Kokko 2006). Importantly, however, FDI tends to promote the export of intermediary goods from the home country to the new foreign affiliates. The net impacts of this promotion viewed from both horizontal and vertical

FDI may differ. In the horizontal view, what matters most is the increase in foreign sales resulting from the establishment of a subsidiary firm and the higher the increase in sales, the more likely it is that the export loss in terms of finished goods can be compensated for by the increased exports of intermediate goods to the subsidiaries in foreign countries (Kokko 2006). The vertical view, on the other hand, typically replaces some production that was located initially in the home country and the net effect on domestic employment depends on how the investment affects the MNC's total sales (Slobaugh 1972). The MNC exploits the lower costs abroad, which make it more competitive at home as well as abroad (Slobaugh 1972). The increase in competitiveness reduces imports and raises exports for the home country (Slobaugh 1972). This would create room for more employment to compensate for the initial replacement effect. Additionally, the presence of MNC affiliates abroad facilitates the diffusion of information about other producers from the home country. The net impact of outwards FDI on domestic production and exports, is to a great extent, an empirical question (Slobaugh 1972).

According to early business analysts such as Slobaugh (1972) from the United States and Jordin & Vahlne (1981) from Sweden, FDI has positive effects on home country exports and employment. This was a result of the establishment of foreign subsidiaries, which resulted in significant increases in foreign market shares and the exports of intermediary products (Jordin & Vahlne 1981). Foreign production was judged to be beneficial for low technology products with high transportation costs. However, the conclusion above rested on very specific assumptions about export survival rates. In both the United States and Sweden, it was assumed that most foreign markets would have been lost in the absence of FDI (Slobaugh 1972).

Service MNCs have emerged as the leading industry for new FDI (Markusen 1997). However, there are limited studies that explore to what extent outward service based FDI supplements or complements home countries' economic activities. According to Markusen (1997), in the service industry, the market presence and proximity to customers is critical, and it can, therefore, be hypothesised that the substitution effects of FDI are rather smaller. This is due to the initial export potential which is often smaller, relative to the volume of operations that can be generated through service based FDI and in most cases, the vertical links between the parent and the subsidiaries are limited. Therefore foreign affiliates in the service industries need not import much from the home country (Kokko 2006).

In some instances, FDI has a negative influence on labour demand and wages in the home country. This is because, MNC parent firms tend to use less labour per production unit than non-multinational firms, which makes them more productive (Kokko 2006). There has also been an increased skill bias in the form of a shift in labour demand favouring white-collar employees at the expense of blue-collar workers. It has been observed that MNCs tend to export production activities as the parent firm concentrates on research and development (R&D), management and marketing (Kokko 2006). The next section will highlight the host country benefits.

1.3.4 Host Country Benefits of Inward FDI

Developing and nations in transition have liberalised their FDI regimes and have adopted policies favourable to foreign investments. This is in part because FDI can make positive contributions to the host economies by making available much required capital (Kurtishi 2013). Also, multinational corporations take risks by investing in long term projects, and repatriate profits only when the projects yield the desired returns (Kurtishi 2013). By virtue of their large sizes, strong reputation and huge financial muscle, many MNCs have access to financial resources that are not available to firms in the host country. Such strong capital positions enable a firm to seek out the highest rate of return (Kurtishi 2013). On the other hand, according to Feldstein (2000), international flows of capital reduce the risk faced by investors and allow them to diversify their lending and investment. In addition, internationalisation has also promoted the integration of capital markets which has led to spillovers of best practices of corporate governance, legal traditions and accounting practices (Feldstein 2000).

FDI has also enhanced technological transfer to host countries, which has helped propel economic growth and industrialisation in these developing countries (Kurtishi 2013). Due to the fact that most developing countries do not have R&D resources required to develop their own local products and process technology, most multinational corporations have filled this gap resulting in increased industrialisation and economic growth (Kurtishi 2013). Importantly, technologies transferred tend to be modern and more environmentally friendly (Kurtishi 2013).

Another benefit of FDI is its ability to promote the transfer of knowledge to host countries through labour training, new managerial and organisational practices and skills transfer. Additionally, local personnel are often trained to take up managerial, operational, financial and technical posts in the subsidiaries of foreign MNCs (Feldstein 2000). In addition, training by foreign firms is of higher quality given they are potentially the most productive firms and hence, the entrepreneurial capabilities of the local personnel are also heightened as they seek out for investment opportunities locally (Kurtishi 2013).

In host nations, mostly developing countries, FDI is also associated with employment either directly or indirectly. In most of these nations, financial capital is relatively limited but labour is available in large supply; so the creation of employment comes as an opportunity (Jordin & Vahlne 1981). The benefits are realised directly when an MNC absorbs and employs individuals from the host country, while indirectly, jobs are created in both the local supply chain system and the economy due to the rise in public spending (Jordin & Vahlne 1981). Also, FDI affects the host country's balance of payment account when MNCs establish subsidiaries. This reflects positively in the capital account of the host country. Moreover, in instances where FDI replaces imports of goods or services, the host nation's current account is substantially improved (Kurtishi 2013). Importantly, the host nation's balance of payment accounts is improved when a subsidiary firm in a foreign country (host country) produces goods for export to other countries (Vernon 1966a).

In summary, internationalisation has made it possible for MNCs to operate freely. To reap the maximum benefits from FDI, countries have made efforts to create healthy and enabling environments for foreign investors. The net benefits of FDI take time to accrue and may differ from one country to another, and the type of MNC may also influence the benefits to both home and the host country. The benefits of FDI to the home country include a decrease in imports and increase of exports due to the expansion of foreign markets (Morgan 1997). FDI also provides employment opportunities to people in management positions and enables them to share knowledge with personnel in the host country.

Establishment of MNCs reduces factor costs to the home country since factor prices are lower abroad, and FDI also benefits the host country in several other ways including spurring economic growth and industrialisation since there is resource transfer from foreign investors. Capital flows, technology flows, knowledge and skills improve the operations of the host country personnel and even local firms (Slobaugh 1972). FDI affects the balance of payments of the host country positively as well as creating the employment opportunities that are greatly needed in most developing countries. Host countries attempt to create favourable conditions for investors which often include privatisation of public corporations and reduction of penalties and restrictions to market entry (Kokko 2006).

However, in the circumstances where FDI is viewed as not beneficial to the host country, exploitation of host resources may be perceived to be taking effect (Nkrumah

1965). The next section will discuss the exploitative tendencies closely aligned to neo-colonialism as understood by Nkrumah (1965).

1.3.5 Exploitative Tendencies Akin to Neo-Colonialism

Neo-colonialism has been defined as the survival of colonial systems despite recognition of political independence for African countries. In the colonial era, African countries became victims of a direct economic, political, social, technical and military domination (Kumar 2013). Various authors and several theoretical perspectives have influenced the concept of neo-colonialism. Most notable was the Marxist thinking, which held that capitalism represented a stage in the socioeconomic development of humanity. Marx believed that ultimately the capitalist system in industrially developed countries would be overthrown by a revolution of the working class and that this would lead to the establishment of social utopias (Lenin 1916; Lenin 1999). However, in 1916, Lenin modified the Marxist thesis, claiming that rapid expansion of European imperialism around the world in the last decade of the 19th century had marked the highest stage of capitalism, which then led to the beginning of the end of imperialism. Neither capitalism nor imperialism came to the end after the world wars because European empires persisted into the 1960s (Lenin 1916; Lenin 1999).

The achievement of political independence by African countries gave birth to modernisation theory. The theory at its core implied that the newly independent countries would begin a gradual move to economic, political and social development and eventually resemble Western countries (Wallerstein 1979). However, it later emerged that such a move was not going to happen (Frank 1975).

The developing world supports about 75 per cent of the world's population and yet consumes only 20 per cent of their own resources. In addition, these nations are tend to be characterised by high population growth, poor health facilities, the slow pace of industrialisation, low levels of per capita income, dilapidated infrastructure and overdependence on agricultural products importation as their main source of foreign exchange (Frank 1975). Moreover, these countries continue to be dependent on Western countries for foreign aid and numerous other budgetary supplements. The basic assumption has been the dialectical relationship between underdevelopment and development. In the words of Frank, *Development and under development are two different sides of a universal historical process*(Gunder 1966). In this process, what causes underdevelopment in African countries propels development in Western countries (Amin 1972; Nkrumah 1965; Walter 1972).

According to Nkrumah, one of the most outstanding factors that perpetrated neo-colonialism in Africa was *balkanisation* of the continent that occurred as a result of European colonisation (Nkrumah 1965). The colonisers dismantled Africa into several administrative units for effective governance purposes. In the process, hebelieved that the interests of Africa were destroyed by the need for each colonial power to fend for itself. For example, the fact that each country in Africa grew and exported their cocoa independently led to a decrease in cocoa prices and hence, countries began to compete against each other in attracting markets for their agricultural products (Nkrumah 1965).

If the African nations had united and cooperated with each other, the continent could have been able to combat modern day colonialism (Kumar 2013). Or, if African countries aligned with each other, rather than with the various Western countries the future could have been safeguarded (Kumar 2013). Is most colonial structures and institutions continue to be strengthened rather than decisively dismantled, and such neo-colonial institutions still include: the bureaucracies, the police, the legal system, the military, the economy and the educational systems among others. However, in most cases regardless of neo-colonialism, these systems rarely work well (Kumar 2013).

Moreover, neo-colonial powers continue to penetrate the politics and economies of neo-colonies through such things as foreign investments and grants (Kumar 2013). Through powerful institutions such as The World Bank and International Monetary Fund, severe conditions are then imposed when nations seek financial lending. The strings attached to such loans and aid renders the neo-colonial subservient to the imperialist powers. For instance, Nigeria has often been considered to be a subservient neo-colonial state because intermittent political instabilities, social dislocation and economic crisis are evident in this country (Amin 1973; King & Lawrence 2005). Another example is Kenya, which in the recent past has experienced financial fluctuations and an increase in public debts (Were 2001). In the end, many neo-colonial states display fragile political structures and processes that often result into political and economic instability (Amin 1973; King & Lawrence 2005).

Also, according to Nkrumah (1965), any form of development expected in third world countries was often distorted due to the over-dependent nature of neo-colonial economies. The nature, scope and dimensions of development initiated by neo-colonial countries were guided and controlled remotely by imperialist forces. The nature of trade or commercial relations between developed and developing countries were usually in favour of the former. This happened because the neo-colonies have no control over international capitalist markets operating on a global scale. While the neo-colonies strive to increase their national character of their economy the neo-colonialists strive to strengthen the superficial international character of the same economy; thereby maintaining it at the peripheral levels of the world capitalist economy (Wallerstein 1979). This has, over time, reinforced the dependent nature of neo-colonial economies and the struggle to achieve a self-reliant economic system and virile democratic policy in neo-colonies remains affected by the multidimensional obstacles already posed by the forces of imperialism, capitalism and neo-colonialism – referred to as the three sides of a colonial triangle (Frantz 1963). Various authors have argued that the situation in Africa has improved little and that Africans may still be living in circumstances described by Nkrumah (Okajare 2015).

Tourism is also thought to be a major source of income for African countries and in his book *Kenya Today: Breaking the Yoke of Colonialism,* Mwaura (2005) says that in 1994 tourism earned Kenya about 25 billion Kenyan Shillings (give an approximate US$ amount). However, those proceeds did not improve the livelihood of Kenyans. He contends that was because many game parks and national reserves are still owned exclusively by Europeans and as a result, the annual income goes back to their respective government treasury.

Internal and external exploitation is part of the developing world. Internally, the emergent bourgeoisie ruling and business classes, as well as traditional elites, are engaged in primitive accumulation of wealth to the detriment of the general populace (Eyal, Szelényi & Townsley 1998; Keller 1991). In certain cases the intra-elite scramble for political powers and economic positions, which often results in mayhem. For example, Kenya, Sudan and Nigeria are examples of neo-colonies that went through this (Nkrumah 1965). Through the comprador bourgeoisie left behind post colonialism, the neo-colonialists continue to exploit the developing nations. These compradors solely serve the selfish interests of the imperialist (Nkrumah 1965; Smertin 1987). Moreover, the imperialists' use of the indigenous bourgeoisie such as the local commission agents for transnational corporations penetrates and exploits the people and resources of the neo-colonies. The local commission agents also viewed as local elites have been known to exercise a culture of un-patriotism (Amin 1972, 1973; Walter 1972). At the same time, multinational corporations, such as mining companies and international financial organisations such as The World Bank and International Monetary Fund were seen as responsible for the neo-colonial influence in developing countries. They perpetuated neo-colonialism through their activities that transcend the boundaries and powers of the traditional state making it difficult to initiate interregional relationships (Frank 1975). Mwaura (2005) shows how cultural neo-colonialism has taken its toll in Kenya through the promotion of a vulgar culture by foreign musicians, especially from Western countries. He gives an example of Shabba Ranks who brought pornography on stage in a show advertised in the newspaper as a family show. This also applies to the use of foul language, which has been adopted by people living in the urban towns of the neo-colonies (see also Kumar 2013).

Finally, as jobs from the West are considered superior (Porter 2011), Africans moved from the hunter-gatherer lifestyle and adopted the often more psychologically stressful jobs. In these jobs, however, the principal producers (Africans) of wealth acquire the least but those who provide auxiliary services (neo-colonialists) get the most. For example, industrial labourers in African countries are paid considerably less than divorce lawyers were paid. Africans experienced major cultural erosion with some lifestyles formerly considered taboo being seen as normal (Nkrumah 1965). Sadly, this state of affairs continues to occur in present day Africa (Acemoglu & Robinson 2010; Johnston & Packer 1987; Sankore 2005).

1.3.6 Chinese Corporations in Sub-Saharan Africa

In recent years, China has made significant investments in Sub-Saharan Africa motivated in many cases by the need for natural resources to fuel Chinese domestic economic development (Sun 2014) through its state owned corporations, (Alden 2007; Alves 2013; Brautigam 2009; Carmody 2011; Carmody & Taylor 2011; Sautman & Hairong 2008; Segal 1992; Shinn & Eisenman 2012). Moreover, according to Broadman (2013, p. 1):

> *China's investments in Africa have become diversified in recent years. While oil and mining remain an important focus, Chinese foreign direct investment has flooded into everything from shoe manufacturing to food processing. Chinese firms have also made*

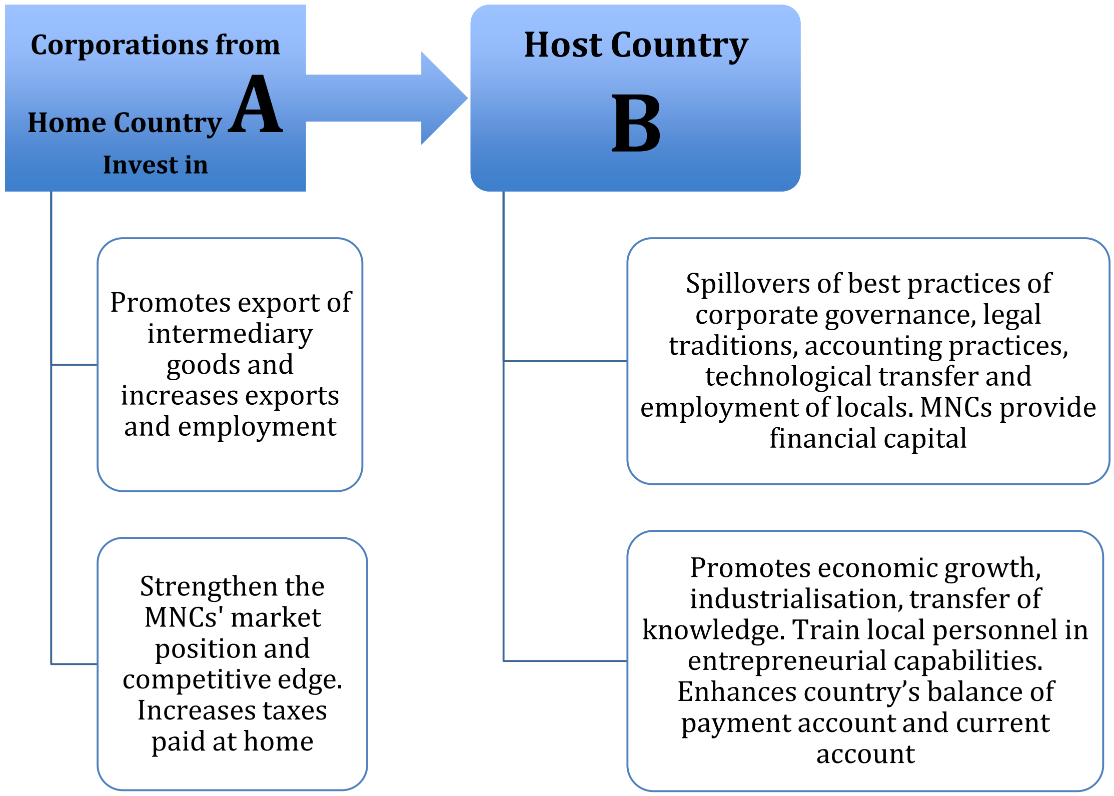
> *major investments in Africa's infrastructure, targeting key sectors such as telecommunications, transport, construction, power plants, waste disposal and refurbishment. Given the scale of Africa's infrastructure deficit, these investments represent a vital contribution to the continent's development.*

This growing presence of Chinese corporations in Sub-Saharan Africa magnifies the significance of investigating their overall impact on the economies of Sub-Saharan Africa and the effects on its people. This may lead us to understand the difference between the Chinese corporations' investments and their earlier and present Western counterparts. The logic in this quest is whether the Chinese corporations are exploiters of African resources the same way the Westerners have been both pre- and post-colonialism.

1.3.7 Summary

Internationalisation and FDI literature provide the context and rationale for the research. The benefits of FDI made through multinational corporations to both home and host nations are understood (as summarised in figure 1) and Chinese corporations investments in Sub-Saharan Africa should be viewed through the same lens.

Figure 1: Summary of FDI and its Benefits



However, in instances where FDI afford no benefits to the host nations, then economic neo-colonialism is deemed to occur.

1.4 Research Design

The research design has been shaped in response to the key research question and the subsidiary research objectives. The research follows a qualitative, ethnographic approach that focuses on collecting primary data through discursive interviews and the observation of participants, supplemented where necessary by field notes. The research targeted 107 participants from specific economic sectors of one of the economically powerful nations of Sub-Saharan Africa, Kenya. Details of the interviews will be discussed in greater depth in Chapter 4.

To achieve triangulation and provide the depth and breadth of information required for the study, the research design followed the model suggested by both Bryman (2012) and Creswell & Plano (2007). The design drew on three types of qualitative sources: semi-structured interviews with participants from specific sectors of Kenyan economy, observation of the level of engagement between Chinese corporations and local Kenyans, and taking field notes. The raw data this produced was refined through discourse assessment and document analysis. The selection was based upon who the participants were and where they worked, together with the city in Kenya in which they lived. Some of the sectors represented include: NGOs; Banking; Entrepreneurship; Academia; Medicine; Construction; Transport; Unemployed youth; and Professionals from various other sectors as explained in greater detail in Chapter 6.

1.5 Research Boundaries

The research boundaries include a specific focus on Chinese state owned corporations investing in Sub-Saharan Africa, particularly in Kenya. Although there was a temptation to view corporations from other parts of the World such as Western European, the United States and Australia, the research restricted its focus to China as Chinese corporations occupy the width and breadth of the African continent. Although the long-term view of the study was to understand overseas corporations' influence on a larger scale, this initial undertaking was restricted to Chinese corporations investments in Kenya. As the analysis is anchored to a constructivist epistemological framework, ethnography as a methodology can easily be adapted to the situation elsewhere. It is stressed, however, that the research in this document has been restricted to Kenya and may not necessarily be applicable to the wider Sub-Saharan Africa region or the African continent as a whole.

1.6 Thesis Outline

The thesis has been organised as follows: Chapter One provides the background, the central research questions and the objectives of the research and the research rationale.

Chapter Two undertakes a detailed literature review focusing predominantly on the motivations driving China's interest in Africa and the availability of natural resources in as one of the main motivators. The Chapter narrows the review to the role of China in Sub-Saharan Africa before further restricting the scope to examine China's economic engagement with Kenya. The Chapter closes by reviewing other studies done on Africa.

Chapter three details internationalisation – FDI theory as the main lens through which Chinese corporations' investments in Sub-Saharan Africa particularly in Kenya is viewed. The chapter also contends that FDI has enormous benefits for both home and host nations. However, in instances where FDI does not create any benefit for the host country, neo-colonialism in presumed to occur. The chapter details neo-colonialism and closes by developing a conceptual framework, which argues that weak governance structures foster malpractice from international firms to the detriment of the host society and hence perpetuate exploitative tendencies.

Chapter Four details the research design by highlighting the research question and research objectives. In addition, this Chapter discusses the research approach, which includes ethnography, discursive interviews and participant observation. In the same vein, this Chapter sets the research boundaries and details data collection and analysis, research trustworthiness, ethical and political considerations. This Chapter closes with a brief discussion of research limitations.

Chapter Five explores the key findings categorised into four main themes: Impact of Chinese corporations in Kenya, Governance and Ethics, Responsible Development and Sustainable Economic Growth. These themes are further broken down into their main drivers and explanations for each driver are elucidated.

Chapter Six details the discussion of the key findings in Chapter Five. This Chapter also explores whether the research question was answered and the respective objectives achieved. Moreover, this Chapter re-visits neo-colonial theory to establish its appropriateness and closes by discarding the original conceptual model and advocating a new one.

Chapter Seven concludes the thesis by providing a research overview and key findings, discussing theoretical contributions and research implications, it details research ex-ante and closes by reviewing research limitations.

1.7 Conclusion

This chapter contextualised the research question and subsidiary research objectives. Also, this Chapter explains both the context of the study and its significance. The

Chapter has also outlined the thesis structure and boundaries. The next chapter will undertake a comprehensive literature review.

Chapter 2: Literature Review

This chapter reviews literature that focuses on China – Africa economic relationships. It commences with the Chinese presence in Sub-Saharan Africa from a historical context, followed by studies on the perception of China by Africans and others. The focus is then narrowed by first examining the reputation of Chinese firms and investments in Sub-Saharan Africa and then the quality of Chinese imports into Africa. This, in turn, leads to the social, environmental and economic responsibility of Chinese corporations as seen through their employment practices. The review will close by discussing in some depth the current China – Kenya economic engagement.

2.1 Historical Context: Chinese Presence in Sub-Saharan Africa

Despite the contemporary narrative on China's presence in Africa, it should be remembered that business relations between the two date back over many centuries. Sino-African trading arrangements date back to at least 1550 BC (Olivier 2009). Although China later adopted the Indian spice routes for high value perishables, the port of Alexandria in Egypt remained a strategic node on the Chinese silk routes through East Africa used for accessing North African and Middle Eastern markets (Guliwe 2009).

Recent China-Africa trade can be divided into three eras. The early phase took place during the Industrial revolution between 1800 and 1950 where colonialists utilised Chinese labourers for plantations, mining, and railway construction. At the same time, the Chinese presence was supplemented by a small contingent of exporters and traders (Adisu, Sharkey & Okoroafo 2010).

The second phase occurred in the post-World War II era and became synonymous with the commencement of the Cold War in the 1950s, in which Russia and China competed not only with the West but also against each other to align themselves with post-colonial African countries (Adisu, Sharkey & Okoroafo 2010). In this period, the communist ideals of equality through the overthrow of capitalism resonated with an emerging African nationalist sentiment based on the communal nature of African society. China was able to sign its first official bilateral trade agreements with nations such as Algeria, Egypt, Guinea, Morocco and Sudan during this Cold War era, (Osei & Mubiru 2010) and by 1970, diplomatic ties had been established between China and all independent African countries except for Libya. The 1960s saw the first bilateral deals with elements of the non-interference policy that began to emerge in newly independent states, with Zambia and Tanzania among the early signatories. These arrangements provided interest-free loans, massive infrastructure projects and the use of Chinese resources, equipment and labour (Guliwe 2009).

The third phase emerged through the exigencies of China's need to compete with other nations while at the same time supporting the needs of its own substantial population. In the 1980s, China foresaw its growth trajectory to be based increasingly on open economic policies and high dependence on commodities. As Adisu, Sharkey & Okoroafo (2010) suggest, the primary motivations for Chinese investment in Africa were (and indeed remain) a need for entrenching export markets for their low–cost products, energy security and strengthening China's international political position by garnering support through South – South (nations of the southern hemisphere) relations. While on the other hand, some might argue that China's appetite for investment in Africa is a purely business transaction motivated by a need to ensure that their domestic economic development is realised without hindrance (Adisu, Sharkey & Okoroafo 2010) others, such as McNamee et al. (2012) suggest that the goodwill garnered by Chinese investment in Africa has contributed to nudging Africa closer to the centre of the global economy.

Stephen Chan (2013, p. 36) exploring the morality of the Sino-Africa relationship contends that it is a misconception that Africa is important for China because current trade between China and Africa represents only 4 per cent of China's global business despite China remaining Africa's largest trading partner. More importantly, the majority of this trade, mostly raw materials such as oil, timber and minerals, is limited to a few African nations – South Africa, Zambia, Angola, Egypt and Nigeria (Mazimhaka 2013, pp. 101 - 3). At the same time, Chinese investments are located mostly in Zambia, Angola, Nigeria, Kenya and Ghana despite the fact that the sums involved are marginal in comparison with its investments elsewhere. Nevertheless, China's economic relations with Africa are growing and may continue to grow for many years (Chan 2013, p. 20).

2.2 Other Studies on Africa

This section will review a range of recent studies on Africa as a way of creating the larger African context. That will be followed by a more specific focus on the presence of China in Africa and some perceptions this phenomenon has aroused.

Although various authors are concerned about the diminishing relevance of Western management initiatives (Blunt & Jones 1992; Kamoche 2002), the management of organisations and people in Africa remains the focus of considerable attention. Scholars questioning the ability of managers to produce contextually sound and valid management practices have started to look at African philosophy and traditional cultural values, such as the basic sense of humanity, Ubuntu, oneness or togetherness and the spirit of community that lies at the heart of African social relations (Mangaliso 2001). For this reason the emerging body of knowledge includes works such as Jackson (2004), which looks at management challenges in a continent that is so culturally diverse; Newenham-Kahindi et al. (2013), which captures some of the more recent managerial experiences on the African continent; and Kamoche et al. (2004), which details the analysis of theory and practice of human resources at a national level. Special issues on Africa have also been published in various journals, such as the *Journal of World Business* (Kamoche 2011); the *Journal of Occupational and Organisational Psychology* (Walumbwa, Avolio & Aryee 2011); and the *Journal of Human Resources Management* (Kamoche et al. 2012).

The size and scope of the emerging literature on African Business Practice are both broad and comprehensive. This is exemplified by writers such as Horwitz (2012) who looked at the rising human resource practices of southern African corporations in the context of the presence of Asian multinational firms; Jackson, Amaeshi & Yavuz (2008) who interrogated the importance of multiple cultural influences in small to medium enterprises in Kenya, Marx, Pons & Suri (2015) who investigated the diversity and team performance in a Kenyan organisation, Amankwah-Amoah & Debrah (2011) who explored the dynamics of employees' inter-firm movement in the African airline industry, and Idiagbon-Oke & Oke (2011) who explored the effectiveness and change implications of flexible work place implementation in Nigeria's local firms. Other writers such as Kamoche & Newenham-Kahindi (2012) investigated approaches to knowledge appropriation in multinational firms in Tanzania; Acquaah et al. (2013) examined leadership in Uganda and other non-African nations. Okpara & Kabongo (2011) considered the effect of cross-cultural training advanced to expatriates and adjustment in Africa, Gomes et al. (2012) espoused human resources practices in merger and acquisition in Nigeria's banking industry, while Wood et al. (2011) explored the relationship between business systems theory and human resource management in Mozambique. Much of this work has contributed towards theory development by charting the acclimatization of overseas practice to a specifically African context, while at the same time demonstrating how the African experience can enrich mainstream theories. The next section will narrow the focus and review the perception of Chinese investment in Africa.

2.2.1 Perception of Chinese Investments in Africa

A corpus of doubts and criticism directed at the China-Africa economic relationship was summarised in table 1 but despite all the criticism meted out against the Chinese, numerous studies by Western scholars to gauge African perceptions consistently portray a positive impression of what is happening on the ground. For example: The *Pew Global Attitudes Study* done in 2013 targeted eight African countries and found that while Americans were positively perceived at a median of 73 per cent, China was positively perceived at a median of 65 per cent (Pew 2013). In 2009, BBC World

Service conducted a study in three African countries (Ghana, Nigeria and Egypt) and found positive perceptions for the Chinese ranging from 62 per cent to 75 per cent, which was the most favourable range amongst the almost twenty nations surveyed worldwide (Rebol 2010). In 2009, *The China Quarterly Study* conducted a study in nine African countries on the African perception of China-Africa relations and found that 74.2 per cent were favourable, but also found many Africans believing that the Chinese development model was synonymous with their own countries' growth (Sautman & Hairong 2009b). Generally, in most African countries, the trend in perceptions has been mostly favourable to the Chinese except in Zambia and Cameroon where adverse health, safety and labour issues have been highly publicised. Although perceptions of China remain favourable in South Africa, Nigeria and Egypt, there is considerable apprehension in these countries in comparison to other African nations (Sautman & Hairong 2009b).

However, other studies contend that most of the Perception of China in Africa surveys taken in Africa itself seldom canvas the life experience of Africans, or the true perception of Chinese investments in Africa (Mazimhaka 2013). As Cao (2013, p. 68) posits, the ultimate test for China's role in the world and its engagement with Africa is not what the West thinks but what Africans think and what their experience of the China-Africa phenomenon really is.

Before particulars of the China-Kenya economic relationship are examined, the remainder of this section explores six overall themes each relating to Chinese operations in Africa that are important to the narrow context of this research: one, the reputation of Chinese business; two, the quality of Chinese products and services; three, the social responsibility of Chinese corporations; four, China's economic responsibility; five, China's environmental responsibility; and six, China's employment practices.

2.3 The Reputation of Chinese Investments in Africa

China's business and investments in Africa cover both formal and informal areas, with the former consisting of privately owned multinational corporations and Chinese state-owned enterprises (Spring & Jiao 2008). On this platform, Chinese investments are heavily directed towards commodities (especially oil), infrastructure development, construction and telecommunication and agriculture (Condon 2012; Spring & Jiao 2008). In addition, the motivation for Chinese private business is not necessarily to gain dominance on a global scale but rather to capitalise on their advanced technologies and skills in relevant sectors of the African economy (Condon 2012; Spring & Jiao 2008). Despite this, Chinese investment practice in Africa remains anchored in the Beijing consensus under which China's international policy favours non-interference in the sovereignty of a state and equitable investments and business dealings (Adisu, Sharkey & Okoroafo 2010). The importance of this policy for investments and trade relations rests on the fact that China pays little attention to the governance mechanisms perpetuated by the West, such as: the *Extractive Industries Transparency Guidelines*, the *Equator Principles;* and the *Kimberly Process* (Condon 2012). While a non-interference policy might be thought appropriate, in its application the Chinese have been criticised for encouraging single party government and keeping autocratic leaders in place. The situation in Sudan is a good example, where China delivered weaponry to the government for use in fighting dissident citizens. The Chinese claim that there is nothing wrong with a dictatorship as such, as long as the people living under such a system continue to develop and progress (Askouri 2007; Liu 2013, pp. 52-4)

Although this policy is premised on China not interfering with the domestic affairs of African nations, Lemos & Ribeiro (2007, pp. 63-73) contend that through the facilitation of corruption and by illegal trading in areas such logging and ivory, China does in fact deeply interfere in the domestic affairs of African countries. Also, through the exercise of the non-interference policy, African leaders are prevented from holding the Chinese accountable in respect of social and environmental issues - *if you stay out of our dirty business, we stay out of yours* (Lemos & Ribeiro 2007, pp. 63-73).

Despite this African nations that have strong regulatory systems see mutually beneficial outcomes from Chinese investments. Indeed, under the watchful eye of the trade unions affiliated to the ruling African National Congress and opposition political parties, the South African government warned Chinese partners against flooding the South African textile market with cheap Chinese textile exports (Shih 2013). In addition, to avoid the effect of losing 60,000 jobs and closing down 800 factories in South Africa, the Chinese had to provide export equipment and training skills to stabilise and shore up the South African textile industry (Gadzala & Hanusch 2010; Shih 2013). Other African nations have become more assertive in their dealings with China. One affiliate of the Chinese corporation Sinopec lost a right's claim against the Gabonese government worth more than US$ 1 billion, and as the governance dynamics of most African countries move from autocratic to more democratic, Chinese partners have had to adjust their policies accordingly (Shih 2013). This shows that leaders in a significant number of African nations do not appear to be as blind to public sentiment as reported and that with a more highly educated population and social media the respective governments are slowly addressing the needs of the public.

As far as the informal sector is concerned, win-win outcomes and equitable business practices do not necessarily take place. This is demonstrated by a study done by the Brenthurst Foundation, which contends that more than one million Chinese immigrant traders now live in Africa and employ illegal and questionable means to import goods (McNamee et al. 2012). In addition, most Chinese traders living in Africa have minimal levels of education and are relatively poor. This encourages them to work long hours, and once they make sufficient amount of money to buy a house, they return to China and are subsequently replaced by another set of Chinese immigrants (Joris 2013, p. 248). It is noticeable to even casual observers that Chinese traders have penetrated African villages, townships, cities and informal settlements and are able to offer products at a lower price than their African counterparts. This has created unfriendly competition between African and Chinese traders to the detriment of indigenous traders, who are unhappy about Chinese prices (McNamee et al. 2012). African traders continually complain that their Chinese counterparts have an unfair advantage due to their 'way of living' – which involves hard work and long hours but with no family to attend to and, due to low production costs in China, their products are offered at much lower prices (McNamee et al. 2012). Chinese traders counter these complaints as misconceptions and are willing to forgo short-term profits to ensure that their businesses remain operational (McNamee et al. 2012). It should also be noted that as far as social integration is concerned, the Chinese immigrant traders living in Africa do not mingle with the local population and often show little solidarity with other traders (Joris 2013, p. 143).

At the same time, this fierce competition has driven Africans to be more innovative in countering the low price strategies of the Chinese. One of the innovations includes African traders traveling to the Chinese provinces of Guangzhou and Shenzhen to acquire Chinese products to sell for profit in Africa. The intensity of this strategy has turned these complaints around, and Chinese traders now object to the low prices charged by their African counterparts who also import cheap Chinese products (McNamee et al. 2012).

A significant yet recurring complaint with the potential to undermine the development of Africa's industrial sector relates to inferior Chinese products continually flooding African markets (McNamee et al. 2012). As Joris (2013, p. 104) and Karumbidza (2007, p. 99) contend, these cheap Chinese products prohibit the development of a genuine African manufacturing sector, which could create jobs and wealth and hence contribute to Africa's growth and development. As a counter to this, Liang (2013) points out that 51 per cent of Chinese exports to Africa involve transportation and heavy machinery, which is necessary for Africa's industrial development.

According to a recent Chinese White Paper (date) on Sino - Africa Economic and Trade

Co-operation, China views itself as attempting to make concerted efforts to ensure viable and mutually beneficial trade agreements. To cite two examples, China passed regulations in 2010 to control the quality of products being exported to Africa (Information Office of the State Council 2013); and devised a Special Plan on Trade with Africa, to facilitate trade by removing trade barriers. This has led to the thirty least developed countries in Africa having up to 60% of their exports to China exempted from restrictions. China has also assisted African states to improve their customs controls (Information Office of the State Council 2013).

2.4 The Quality of Chinese Products and Services

Consumers across Africa consistently perceive the quality of Chinese brands as low (Gadzala & Hanusch 2010). The song by Hunger Boyz, Fong Kong - a kwaito language hit released in 1999 - captured this perception in the South and in other parts of Africa and the term has acquired other variations in local dialects (Conway-Smith 2012). Not surprising, the availability of low-cost albeit poor quality products has had a positive effect on the standard of living among poorer African consumers, particularly in technology and clothing (McNamee et al. 2012). It should be noted, however, that in the period from December 2011 to March 2012, the government of China implemented export measures aimed at countering the negative perception of Chinese products and brands by requiring the examination of industrial products for quality before shipment to Africa (Information Office of the State Council 2013).

The execution and quality of delivery of infrastructure projects delivered by the Chinese have also attracted a great deal of criticism as they are often deemed substandard (Joris 2013). This is attributed, at least in part, to the fact that the winners of the contract (who happen to be the large Chinese corporations) generally outsource different tasks to rather smaller Chinese organisations, who then further subcontract to even smaller Chinese companies – thereby creating a cyclical system under which each subcontractor gets a smaller proportion of the funds allocated and is forced to cut corners to make a profit. The end result is that those doing the actual construction may execute the project poorly (Joris 2013, p. 117). This can mean that African governments pay significant amounts for infrastructure development such as roads but only a fraction of what they pay is used for actual construction (Joris 2013, p. 117). Another factor contributing to poor product quality is the prevalence of graft within African governments and the frequency of political change, creating the need for royalty payments to be made to every newly elected politician or government official. This leads to Chinese companies paying secret commissions which has a negative effect on the investment in each project (Joris 2013, p. 119).

In summary, the quality of products and services from China is perceived as low by Africans, and as Joris (2013, p. 132) puts it:

> *…When a European gives you something it is real, not second or third hand like with the Chinese…*

2.5 The Social Responsibility of Chinese Investments in Africa

Unlike the Western approach to aid, in which foreign affairs departments channel funds through independent government institutions such as the UK Department for International Development, USAid or the German Gesellschaft für Internationale Zusammenarbeit (GIZ), the Chinese approach is to funnel aid through the Chinese

Development Bank which forms part of the Chinese government's commercial wing (Condon 2012). China's aim is to enhance commercial interests with limited, and in many cases no, governance impositions (Condon 2012). As explained at the 2006 FOCAC forum, the Chinese social development agenda depends on cooperation and tangible development as opposed to the Western style of donor aid and imposition of unwarranted conditions (Agboum 2013). Not only does China provide aid to Africa but there are, in addition, claims of numerous philanthropic investments from Chinese corporations, ranging from capacity building, infrastructure development, health and disaster management to cultural exchange (Information Office of the State Council 2013). This is achieved through a collegial coordination between the Chinese government and both state and private owned Chinese corporations. In the last 5 years, for example, China has sent 43 medical teams to 42 countries, treated 5.57 million people in Africa and built 27 hospitals, (Information Office of the State Council 2013). In 2011, to mitigate the Libyan refugee crisis, China offered US$8 million worth of humanitarian aid to Egypt and Tunisia (Information Office of the State Council 2013) and in the period 2010-2012, when the Horn of Africa was hit by severe drought, China provided US$64 million in emergency aid (Information Office of the State Council 2013). Moreover, China has been forced to write off US$10 billion worth of debt from African Nations (Adisu, Sharkey & Okoroafo 2010).

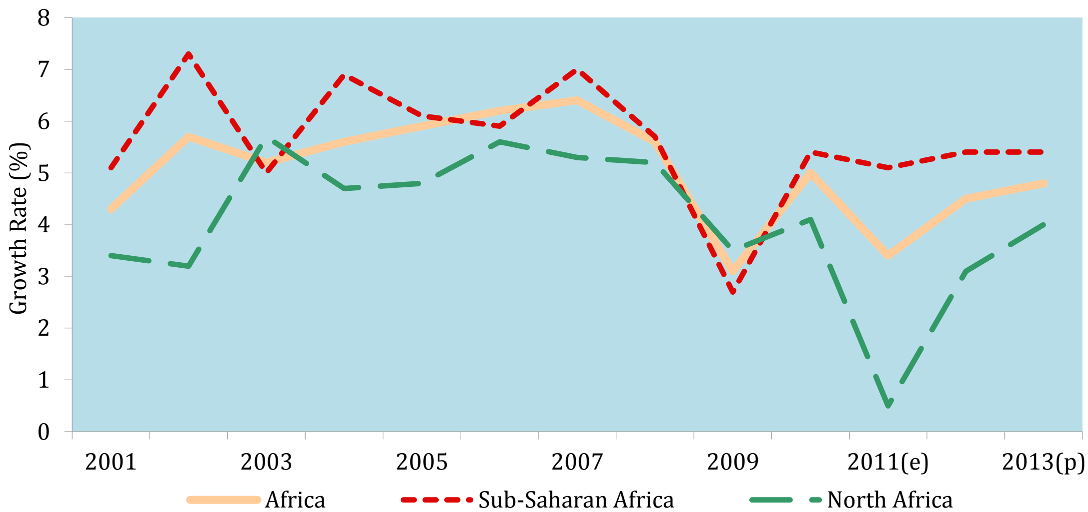
Many scholars argue that Africans are pleased with China's efforts and that if the Chinese say they will do something, they get it done efficiently, quickly and without over burdening conditions (Adisu, Sharkey & Okoroafo 2010; Condon 2012; Economist 2011a; Joris 2013). In contrast to Western governments, who often have a strained relationship with their corporations, the working relationship between the Chinese government and Chinese corporations is very efficient (Adisu, Sharkey & Okoroafo 2010; Condon 2012; Economist 2011a; Joris 2013).

The greatest concerns here emanate from China's policy of non-interference with dictatorial regimes such as Angola, Sudan and Zimbabwe. Thus, China is accused of protecting the government of Sudan from facing charges of genocide and war crimes and, despite a UN embargo, of supplying aircraft and weapons to Sudan to the value of US$100 million (Condon 2012). This military aid is believed to have been vital to the ethnic cleansing and purge of black Sudanese people (Condon 2012). In addition, Angola, which has been China's largest oil partner in Africa since 2004, received additional benefits from China at the very time that the International Monetary Fund was entrenching transparency conditions on loans to that country (Condon 2012). China also entered into bilateral agreements with Zimbabwe, including state infrastructure for energy, telecommunications and agricultural partnerships, the latter involving formerly white-owned farms being transferred to Chinese operators despite the sanctions imposed on Zimbabwe by the West (Spring & Jiao 2008).

2.6 The Economic Responsibility of Chinese Investments in Africa

To China's credit, the overall African economic outlook is witnessing an upward trend (AFDB et al. 2012). This growth is attributed to China's uptake of African natural resources (Solomon in MiningWeekly 2013). Based on the *African Economic Outlook 2012* (AFDB et al. 2012), Africa's economy is projected to grow at an average rate of 5.4 per cent per year especially in the Sub-Saharan region. Figure 2 shows this growth, with Sub-Saharan Africa trending above both the North of Africa and the overall African economy.

Figure 2: African Economic Growth (%)



Source: (AFDB et al. 2012). Recreated by Okumu & Clarke (2012): Fig 2 shows a projected steady rise in the African economy driven mainly by Chinese consumption of African natural resources.

However, both China and Africa are often associated with a high prevalence of corruption and poor corporate governance. A recent *Corruption Perception Index* from Transparency International rated China at position 80 out of 177 nations, with a score of 40 (Transparency International 2013). At the same time, Sub-Saharan Africa had the lowest ranking and a score of less than 40, (Transparency International 2013). A more recent study from America conducted by Alix Partners and Denton found that senior American executives have a very poor perception of corruption and governance in Africa, which in turn hinders their investment appetite in that continent (New Africa Magazine 2013).

On the other hand, Chinese traders living in Africa complain of harassment by African government officials and police, although they also believe that corruption in China provided a sound training in dealing with corruption elsewhere (McNamee et al. 2012). This harassment goes from petty bribery and extortion by customs and immigration officials or police, to more hefty fines for both concocted and real criminal activities. While Africans rarely believe this criminal factor, they do suspect that Chinese traders are often illegal immigrants who are able to bypass customs fees for their product shipments (McNamee et al. 2012). Other Chinese traders have been heard to complain that their African trading partners cheat them of significant business and hence cause considerable loss (Joris 2013, p. 111). In addition, authors such as Lemos & Ribeiro (2007, pp. 63-70) have pointed out that the presence of the Chinese in Mozambique has lead to a noticeable increase in illegal fishing and logging activities. Sadly the Mozambican government and its leadership are prevented from taking any action to stamp out these activities because doing so might be construed as interference with Chinese investment and business practice (Lemos & Ribeiro 2007).

Regardless of all these challenges, substantial Chinese investment has been made in Africa, and this is good for African development. In the 1950s, a period when modern Sino-Africa interaction commenced, trade between Africa and China was worth only US$12 million (Mobius 2011). In the past decade, Sino-African trade has increased from slightly over US$10 billion in 2000 to US$160 billion in 2011 and by 2012, stood at US$200 billion, the majority being imports from China worth US$113.1 billion which are increasing at an average annual rate of 21.4 per cent (Mobius 2011) (Also see Mureithi 2013). Indeed, based on Chinese State Commerce Ministry figures for 2011, construction investments in Africa amount to US$50 billion annually (Economist 2011b) while African exports to China stand at US$85.3 billion increasing at an average annual rate of 16.7 per cent (Mureithi 2013).

Because economic growth and development are a prerequisite for poverty alleviation on the African continent (Mobius 2011) China, with US$600 million in FDI, is supporting industrial trade zones in numerous African nations such as Ethiopia, Nigeria, Egypt, Zambia and Mauritius. In the process, China is creating 6,000 jobs. Moreover, in the period from 2000 to 2009, China cancelled 312 debts from 35 African countries (Mobius 2011). In addition, according to a 2013 *Chinese Information on State Council's Report on Sino-Africa Engagement*, in the period from 2010 to 2012 China trained 23,718 officials in 54 African nations and carried out capacity building initiatives in the public, economic, agricultural and medical sectors. As a further demonstration of its involvement, China, in 2011, signed a series of Framework Agreements on Economic and Trade Cooperation with the Economic Community of West African States (ECOWAS) and with the East African Nations (Information Office of the State Council 2013). China is also a member of the major development banks in Africa including the West African Development Bank, the Eastern and Southern African Trade and Development Bank and the African Development Bank (Information Office of the State Council 2013).

Yet, various authors aver that Chinese interests are seemingly and increasingly vested in African leaders rather than African citizens, which often prevents ordinary Africans from enjoying the economic benefits of Chinese investments in Africa. Sadly, while income inequalities are increasing, Africa's per capita income remains low. For example, Angola is China's largest oil partner, with a US$69 billion government budget largely derived from Chinese oil revenues, yet 70 per cent of the Angolan population still lives on under US$2 a day (Dolan 2013).

2.7 The Environmental Responsibility of Chinese Investments in Africa

China is often accused of neglecting environmental standards and laws when building infrastructure or extracting minerals, (Liu 2013, p. 53). As previously mentioned Chinese corporations have been implicated in illegal mining, logging and fishing activities, but in addition, further evidence suggests that in completely legitimate activities Chinese corporations are not environmentally friendly and that required standards are not always adhered to (Lemos & Ribeiro 2007, pp. 63-70). Nevertheless, with the formation of the Forum on China-Africa Cooperation (FOCAC) in 2000, an action plan was developed including an environmental agenda (Grimm 2012), which encompassed biodiversity conservation, pollution control, wildlife management and protection of forests and fisheries, but the agenda is yet to be operationalised (Grimm 2012). Indeed, while FOCAC had developed visible environmental controls as early as 2009, these did not address biodiversity (Grimm 2012). On the other hand, according to the Chinese Information on State Council (2013), China has made significant investments in improving energy management in Africa by introducing over 100 clean energy projects including hydropower, biogas, wind power generation and solar electricity while at the same time donating energy efficient electric products, such as air conditioners and lamps to twelve African countries. As Grimm (2012) contends, environmental impact assessments are a precondition for large Chinese funded infrastructure projects.

The pressure on Chinese corporations to practise sound environment management comes from the Chinese state. This differs from Western countries where environmental lobby groups assume this role and where public pressure ensures that corporations are accountable (Scott 2012). A study of Chinese extractive mining in Africa, conducted by Conservation International confirms this. Chinese firms simply apply the guidelines of their homeland in countries where environmental regulatory measures are not in place, with the impetus to establish environmental protection resting with the relevant African government (Scott 2012). Unfortunately, most African governments might lack the political will or capacity to instigate such policies.

2.8 The Employment Practices of Chinese Investments in Africa

With the arrival in Africa of massive Chinese investment, the expectation of employment opportunities for Africans was not unreasonable. While the investments continue to increase, there is scant evidence that these create job opportunities for Africans (Mureithi 2013). Chinese corporations are continually criticised for their labour practices and the complaints commonly directed at these companies include health and safety infringements on work sites, the employment of low-skilled Chinese workers rather than Africans and poor remuneration below the minimum wage rate (Mureithi 2013). The continual increase in Chinese labour has led to protests in countries such as Zambia, Cameroon, Kenya and Angola (Mureithi 2013). This led to the shooting of African labourers by Chinese management at a mining factory in Chambishi, Zambia (Adisu, Sharkey & Okoroafo 2010).

It is claimed that this is because Chinese corporations are not familiar with workers' rights and labour unions rather than a deliberate attempt to disparage the rights of indigenous workers (Chan 2013). This suggests that Chinese managers have a responsibility to make themselves more familiar with Africa and to respect its custom of strong unions, as opposed to continually attempting to apply Chinese standards.

A contrary view is taken by McNamee et al. (2012) who cite a study conducted by the Brenthurst Foundation on Chinese traders in Africa. The study found that contrary to popular belief Chinese traders are significant employers of Africans. The study also found that in Chinese owned stores in South Africa an average of up to two local workers were employed per store and that up to eight local workers were employed per store in Lesotho (McNamee et al. 2012). A more recent study by Sautman & Yan (2015) - summarised in table 2 - paints an even better picture of the employment of African workers by the Chinese. However, due to lack of cultural exposure, immigrants traders from China tend to isolate themselves from the communities in which they live, fuelling negative aspects of their employment practice (McNamee et al. 2012).

Much more could be said about the Sino-Africa economic relationship but it may be unnecessary to do so as the core of this research project focuses on Kenya, the location for data collection. For this reason, the next section will discuss the China-Kenya economic relationship before moving to discuss the research theory.

Table 2: Chinese Corporations Employment of Local Africans

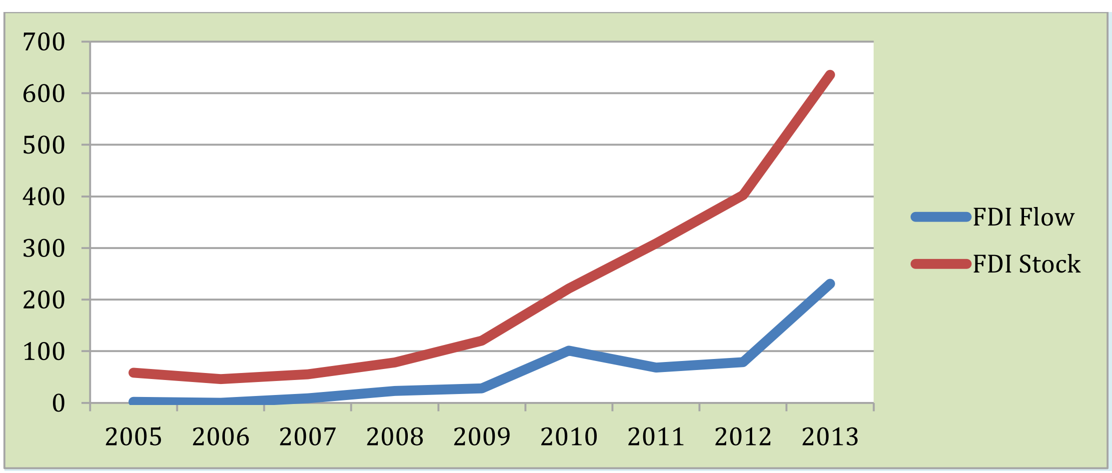
Country	Year Survey	Corporation Surveyed	% Local Employment
Kenya	2014	75	78
Zambia	2012	Not Included	92
Uganda	2012	42	90
Nigeria	2013	2	96
Angola	2007	30	60
Ethiopia	2011	Not Included	91

Source: Sautman & Yan (2015); created by Charles Okumu

2.9 China - Kenya Economic Relationship

This section provides a historical view of the China-Kenya relationship, with a brief review of resources claimed to be the reason as to why numerous Chinese corporations are investing heavily in Kenya. This will be followed by a review of the Chinese projects currently underway in Kenya.

Figure 3: China Investments Flow and Stock in Kenya 2005 to 2013 (US$ Millions)



Source: MOFCOM (2014), created by Charles Okumu

China is Kenya's largest trading partner with exports to Kenya rising to US$919 million in 2015, a 30 per cent growth from the previous year (Gatebi 2015). Chinese investment flow and Chinese investment stock in Kenya are high in dollar terms and have been growing continually since 2005 (MOFCOM 2014). Fig 3 offers a summary of these investments in Kenya. The next section summarises China-Kenya historical engagement. The next section and table 3 summarises China-Kenya engagement.

2.9.1 China – Kenya Historical Engagement

Table 3: China – Kenya Historical Engagement

1963	China moved to establish diplomatic relations with Kenya
1963 - 2004	Some 50 companies invested in 96 projects valued at UD$400 million billion. According to Chinese Customs, the bilateral trade volume between China and Kenya reached a record high of US$366 million. There was a 44.3 per cent increase in China's exports to Kenya and 94.3 per cent increase in China's imports from Kenya. The introduction of a direct flight between Nairobi and Beijing was expected to boost trade between the two countries, especially Kenya's farm produce. Kenya Airways launched a new service to Guangzhou City in China, with flights taking place every week on Monday, Wednesday and Saturday
2005	China signed an agreement with Kenya to boost the coffee trade, and Chinese authorities helped Kenya curb imports of counterfeit goods from China. At the same time, The China National Quality Assurance Agency negotiated a memorandum with the Kenya Bureau of Standards for increased pre-shipment inspection and surveillance on the Chinese side in order to weed out unscrupulous traders of counterfeit goods. Chinese electronic company AUCMA set up a television assembly factory in Kenya with Ksh117 million worth of investments. The facility has the capacity to assemble 800 television sets per day and employs 52 people. Kenya received Ksh200 million of grants from China for projects to be identified jointly by the two governments. The two countries signed two technical and economic co-operation agreements to support economic recovery program under the Ministry of Planning and National Development. Huawei Technologies signed a contract with the Kenyan government for the Kenya Rural Telecommunications Development project at its Shenzhen, China, headquarters. At the same time, first Automobile Group teamed up with Trans Africa to market vehicles in Kenya. Another significant investment in Nairobi was the establishment of a factory, estimated to be worth US$3 million, at Industrial Area (manufacturing location in Nairobi - Kenya) to produce concrete poles. Although Kenya is not rich in minerals, the discovery of titanium at the coast attracted Jianchuan Group. Also, Kenya and China signed an economic co-operation agreement, which secured over US$2 million in aid. At the same time, Chinese

	construction firms put up the Moi Stadium, Kasarani. Chinese President Hu Jintao told Kenyan President Mwai Kibaki that China was ready to expand political and economic cooperation with Kenya to deepen bilateral ties. The Kenyan government firmly abides by the one-China policy and supports China's efforts for national re-unification. Bilateral co-operation in the fields of economic development, trade, health, tourism and infrastructure construction were under negotiation.
2013	China's commitment to offer Kenya a US$425 million loan would have pushed the country's total debt level past Ksh2 trillions, with analysts warning of challenges in servicing the debt. Total public debt, which stood at US$190 billion as at the end of May 2013, soared to Ksh2.3 trillions by the end of 2013, the highest in Kenya's history. The amount also pushed the foreign debt past the Ksh1 trillion mark and made China the top bilateral and single largest lender to Kenya, displacing Japan. It was, however, the pace at which Kenya was accumulating the debt that worried analysts. As of May 2013, total external debt stood at US$832.2 million

Source: Mbendi (2014), created by Charles Okumu

2.9.2 Chinese projects in Kenya

One Chinese group has won a contract to construct power lines for the Kenya Electricity and Energy Transmission Company between Rabai and Lamu through Malindi and Garsen. It should be noted that Lamu town has a growing presence of Chinese expatriates and professionals (Oketch & Mwahanga 2013).

Kenya is also constructing a port in Lamu as part of the Lamu and South Sudan Ethiopia Transport Corridor. This construction will be done by the Chinese (Masinde 2013; Oketch & Mwahanga 2013). Another key project that China is expected to support is the construction of a modern railway line connecting the port of Mombasa to Uganda through Malaba (Masinde 2013). China's Jiangxi International has won a tender to develop NSSF's shopping mall in Nairobi, which has been billed the tallest real estate project in Kenya. These projects show contractors and developers from China are becoming frontrunners in major developments in Kenya (Michira 2013).

Not all activity involves construction. Of cultural and historical importance, Chinese archaeologists are also engaged in excavations at Lamu and Malindi to retrieve ancient sunken ships in an attempt to rediscover the connection between the Kenyan coast and China during antiquity (Oketch & Mwahanga 2013).

2.9.3 Kenyan Resources Attracting China's Interest

Kenya's has high oil resources (Luesby 2013) in Kwale, under a wooded hill. This resource is accompanied by a significant amount of Rare Earth metals (Luesby 2013). These types of resources are used in everyday mobile phones, modern lighting bulbs and China, more than a decade ago, spotted the power of controlling the Rare Earth market. China, through its President, laid out its country's strategy to be the Rare Earth controller just as the Middle East has controlled oil. The Chinese President spoke of it frequently, and it was spelled out in his speeches. With scarce amounts of Rare Earth itself, China went on an acquisition mission and has acquired almost all of the world's mines (Luesby 2013) securing more than 95 per cent of the world's Rare Earth supplies. Currently, all modern technology inventions that use rare earth metals rely on Chinese controlled sources of rare earth in their manufacture. Predictably, the prices of these rare earth metals have soared in the recent past (Luesby 2013). Interestingly, geologists in Kenya have long known that Kenya has Rare Earth metals. They also knew Kenya had Niobium, which is in high demand globally because of its use to strengthen steels (Luesby 2013). China has shrewdly gained control of the Rare Earth deposits in Kenya by building a strong strategic alliance and providing numerous aid projects in Kenya such as a free hospital in Nairobi and the Thika superhighway (Luesby 2013). Luesby (2013) suggests that little of this was altruistic and was done to gain control of Kenya's Rare Earth resources.

Other studies support the concept of China's infrastructure developments being used as a means to access African resources (Alden & Alves 2010; Alves 2010, 2013). Detailed figures value the Kwale deposit at US$95 billion, which is equivalent to Kenya Shillings 8trillion (Luesby 2013). This could be the biggest resource that Kenya owns and the largest resources related amount of money to which Kenya has access (Luesby 2013).

2.10: Summary

This chapter has reviewed relevant literature from the perspective of the larger Africa continent, with a particular focus on China's presence in Sub-Saharan Africa and Kenya where data collection took place.

Chapter 3: Internationalisation Theory

3.1 Introduction

Although there has been minimal convergence on the definition of internationalisation (Young & Bell 1998), some studies contend internationalisation to be the process in which firms increase their involvement in international markets (Welch & Luostarinen 1988). There are two forms of internationalisation: inward, which includes importers, licenses and franchises. This form has received relatively limited attention despite the belief that many firms begin their first international activity on the inward side (Korhonen, Luostarinen & Welch 1996; Welch & Luostarinen 1988; Welch & Luostarinen 1993); and outward, which is associated with exporting, franchising, licensing and FDI. Internationalisation studies focus mostly on this mode with FDI acting as the main form of internationalisation for firms (Susman 2007). Consistent with the literature, this study will adopt the outward processes relating to the internationalisation – outward FDI. Therefore, this chapter will be organised as follows: first, the concept of internationalisation will be highlighted, focusing on the work of scholars such as: Dunning, Ricardo, Heckscher-Ohlin, Kojima – Ozawa, Vernon, Caves, Hymer and Kindleberger; second, FDI theory will be discussed; followed by an attempt to draw a conceptual model, which borrows heavily from neo-colonial theory; and finally, the emergence of China trade and investment will be briefly illuminated.

3.2 Internationalisation Concept

The determinants of internationalisation were espoused in various theories and economic analysis that illustrated both the origin and growth of multinational enterprises (MNEs). Some of these theories include:

3.2.1 Dunning's Determinants of International Production

The development of internationalisation was facilitated by Dunning (1973) use of three theories: capital theory; portfolio approach; and international trade tradition.

Capital theory: In the 1950s, the traditional theory of international capital movements was utilised in defining and demonstrating of FDI. This was realised by viewing the response to the difference in rates of returns in different countries. FDI was further fortified after observing and contending that American corporations were obtaining higher rates of return from European investments. This approach was first questioned by Hymer (1960) who claimed several observed international investments characteristics were not aligned to the then espoused hypothesis on rate of return. Furthermore, Hymer (1960) had various observations: first, the combined net outflows of FDI from America was equivalent to the net inflows of portfolio capital; second, FDI flows tended to occur in both directions; third, various affiliates used capital borrowed from the local markets to complement the inflow of FDI; and finally, at the time, FDI was more synonymous with manufacturing companies than financial corporations. Additionally, Hymer posited that, in a perfect market, a firm's desire to invest in a foreign nation could not be influenced by an increase in the short run profits.

Portfolio approach: This approach was a refined and better version than the earlier discussed differential rate of return hypothesis developed in the 1960s using the Tobin - Markoviz stock adjustment model. In this approach, part of the excess profits earned in foreign nations were from rents for higher risks associated with the alternative use of the capital (Dunning 1973). Therefore, this approach was able to address Hymer's (1960) criticism of the differential rate of return hypothesis. However, this approach had some limitation, which was that it could not adequately address the differences between industries' prosperity and investment abroad. Also, as Dunning (1973) contended, this approach could only partially explain FDI because it ignored the fact that direct investment did not involve changes in ownership, and direct investment did not involve the transmission of factor inputs other than money and capital. Other possible input factors that could be transmitted included: technology; management expertise; and entrepreneurship. Therefore, multinational enterprises (MNE) were understood to not necessarily be in pursuit of profitability, and hence, the capital theory tradition confirmed the risk diversification hypothesis. However, various enterprises are motivated to start up affiliates in foreign nations in order to diversify risk and minimise losses should a catastrophe occur in the home country. Such a catastrophe could be in various forms, such as financial crisis; variation in consumer preferences; political unrest and changing consumerism patterns among others. Ultimately, this approach re-defined FDI as a form of geographical diversification of risk (Dunning 2000).

International trade tradition: Some of the early examiners of FDI theory were international trade economists (Dunning 1980). They posited that the motivation of international trade could be achieved by the need to influence the terms of trade with other nations and that affiliate firms in foreign nations could substitute exports to those countries (Dunning 1980).

3.2.2 The Ricardo Model

Developed by Ricardo in the early part of the 19th century, this model provided intellectual support for the abolition of Corn Laws in Great Britain, and the model was aimed at promoting the benefits of free trade. In addition, this model showed that mutual gains from trade were realised regardless of whether one or both of the nations involved was efficient in the production of goods. Despite the fact that the poor nation might have been relatively less efficient, overall, it might have had some productivity, which gave it a comparative advantage. The model's basis of comparative advantage, which drove the pattern of specialisation and trade, was embedded in cross-nation technological differences and the opportunity cost of the production of goods. This model's recognised advantage was the fact that it offered a clear account of the principle of comparative advantage and how specialisations enabled the nations involved to generate mutual gains (Caves 1971).

3.2.3 Mundell and the Heckscher-Ohlin Model

Developed in the early part of the 20th century by Heckscher-Ohlin, this model contended that international trade was based on comparative advantage between two nations. Moreover, the model was better viewed through the explicit general equilibrium character and the linkages between factor prices and choice of inputs. Therefore, through this model, Mundell (1957) was able to modify the basic international theory to contend that capital and trade movements could be substitutes. For example, the introduction of tariffs may limit trade but would trigger a flow of FDI towards the country where the tariffs are imposed. Hence, the trade restrictions as espoused in the original Hecksher-Ohlin model could be substituted by the international movement of factors of production such as entrepreneurship, labour, and capital (Versteeg 2015).

3.2.4 Trade Enhancing: Kojima – Ozawa Model

Internationalisation as a theory of trade and FDI was preserved using observable national variations in FDI patterns, otherwise characterised as national types. The patterns included: the trading enhancing model (also known as T-E) of FDI, which was not an entirely empirically based explanation of national patterns, rather, it was an attempt to demonstrate both theoretically and empirically that Japanese outflow FDI exhibits different feature from that of the United States. Also, it was meant to depict that Japanese outflow FDI had positive welfare effect for the host nation as opposed to that from the US. This model is referred to as Kojima - Ozawa Model of FDI and trade (Kojima 1977, 1978; Ozawa 1979).

This difference between Japan outflow FDI and United States outflow FDI was realised through the application of a macroeconomic approach to FDI, by drawing contrasts of essential variations in trade orientation between Japan's overseas investment and that of the United States in the period between the 1950s and 1960s. In the Japanese type, other than being commerce orientated, the overseas investments were focused on the exploitation of natural resources in resource-wealthy nations or focused on manufacturing labour-intensive products from labour-rich developing nations. Importantly, most outputs from the Japanese model of overseas investment or manufacturing were shipped back to Japan or to third nation markets. However, in contrast, American overseas manufacturing or investments were aimed at producing relatively sophisticated, technologically oriented and capital intensive products targeted for local market consumption. The American type was envisaged in the product life cycle theory (Vernon 1966a; Vernon 1966b) and monopolistic theories of industrial organisation (Kindleberger 1969). As a result, Kojima (1977,1978) and Ozawa (1979) characterised the Japanese type as pro-trade FDI, and American type as anti-trade FDI.

3.2.5 Vernon-The Product Cycle Model

Vernon (1966a), within the broad tradition of trade theory, had one of the most influential attempts to explain post-war FDI that became known as the Product Cycle (P-C) model. The main proposal in this model was that; national trade and investment patterns would be understood through the analogy of the life cycle of new products, which, in turn, was based on the biological analogy of organisms. Products and their respective industries go through a regular and easily defined life cycle, and when subjected to the international economy, the lifecycle of products would influence the patterns of trade and international location of production. Vernon went further to identify the three phases in the life cycle of a product – 'innovation', 'maturity' and ‘senescence’ and each phase had significant implications for the locations and patterns of cross border trade and investment.

The innovation phase depicted the new product development’s initial phase. In this phase, production would be based in the nation where innovation would have been developed and where the initial market would be located. In the maturing phase, the market for the product would have grown beyond the innovating country and export to other countries would be preferred. In the senescent phase, the market demand would continue to grow, but so too would the diffusion of technology associated with the product. Hence, the product becomes fairly standardised and would, therefore, be subject to competition in the form of imitation and other new entrants.

The challenge then became how to find the factors to determine whether new markets would be met by production for export or production in the market itself or in some third location. This further led to Vernon’s auto critique:

> *…As demand grows, the threat of new entrants tends to grow… When the threat of new entrants becomes acute, the established leaders in the industry sometimes try to distinguish their products from those of others (by advertising or other product differentiation)… At other times, however, the leaders have sloughed off products as they have lost their distinctive characteristics and turned to the generation of new products…*

Post Vernon’s auto critique, FDI models stopped being viewed through the lens of national type determinants and moved toward firm and market specific determinants. This new perspective saw MNEs as being created whenever markets were internalised across national boundaries (Buckley & Casson 1976). Through internalisation - also called transaction cost, FDI theory was viewed through firms’ activities in overseas markets. Furthermore, Dunning (1980)'s eclectic model in which national patterns become a residual also led to FDI theory being viewed mainly through internationalisation of firms. This model saw the motivation of firms to be: the possession of ownership advantage; and having the ability to transfer resources within their own firms stationed overseas and ensuring that the location is advantageous to the interest of the firm.

3.2.6 Richard Caves

Through internationalisation, increased activities of MNCs and increased global growth of United States OFDIAs, the need to contain and explain FDI in to some kind of theory grew louder as years rolled on. In this context therefore, Caves (1971) suggested that there were two approaches to integrating the patterns of FDI and the activities of MNCs: either by jettisoning the nation's boundaries as the outer geographic limits of a market and recognising the potential for economic processes to span the globe; or by continuing to accept the national market as the basic unit of analysis and modifying the standard concept to allow for the fact that some market players are multinational. In the former approach, the trade and multinational enterprise (MNE) would be understood in global terms whereas in the latter approach the nation would be retained as the unit of analysis and FDI and MNE would be understood as leakages. The decision to retain the national market as a unit of analysis, albeit with leakage, served to enforce the analytical integrity of the nation. It was an analytical starting point that would become increasingly difficult to sustain in the face of the growing scale of those leakages in the 1970 and 1980s. The search to define FDI theory continued further.

3.2.7 Market Imperfections - Hymer and Kindleberger Hypothesis

By focusing on production rather than trade flows, Hymer (1960) laid out a new approach to international trade based on market imperfections. Kindleberger in 1969 published Hymer's theory but before this publication, this theory had largely been ignored. Importantly, however, through the contribution in his seminal dissertation, which facilitated the escape from the intellectual straightjacket of neo-classical type of trade and financial theory, and advanced an analysis of MNE based on industrial organisation theory, Hymer (1960) had begun the era of the modern theory of FDI. He first understood capital markets to be imperfect and identified four factors about market imperfections that caused the rise of multinational firms: one, market imperfections in the goods markets – such as special skills; two, market imperfections in factor markets – such as advantages in raising capital; three, internal and external economies of scale - the latter linked to vertical integration; and four, governments' interference with production or trade as reported by Aoyoma (1996).

Moreover, Hymer (1960) also posited that MNEs had their own advantages, such as management skills, while local companies had advantages too, such as being familiar with local markets and having a broad sales network. Kindleberger (1969) further developed Hymer (1960)'s concept and articulated '*Structural Market Imperfection Theory*', which argued that the development of MNEs resulted from the imperfection of the market and it was the market imperfections against which MNEs could use its organisational efficiency to compete with the local firms. Kindleberger (1969) averred that the role of government did not have impacts on the choices between local and foreign firms, and it did not sanction direct investment. During the development of the theory, Kindleberger (1969, pp. 16-25) also explained the reasons as to why MNEs preferred FDI over licensing, which was due to the fact that the licence fee failed to capture the full rent inherent in technical superiority. Hence the advantage was embedded in FDI, which often led to joint venture or green-field (horizontal or vertical integration), with realisation of economies of scale that made firms more viable, as the main driver for such integrations.

3.2.8 Internalisation Approach – Buckley and Casson

Although novel contributions by Hymer, Kindleberger and Caves continue to be acknowledged, Buckley & Casson (1976) are credited with transforming internalisation into the full paradigm. In their book, '*The Future of the Multinational Enterprise*', they highlight the concept of MNE and analyse the alternative methods of investing in foreign markets, the role of joint ventures, innovation, and the role of culture in international trade. Their approach created a link between technology transfers to international trade by focusing on imperfect markets. Furthermore, they argued that MNE activities were more concentrated in knowledge intensive industries that were characterised by high levels of R&D. Additionally, Buckley & Casson (1976) examined location and internalisation strategies for MNEs and concluded that firms take into account other activities but in the international arena, they look out for a least-cost location for each activity. Also, Buckley & Casson (1976) espoused the principle of a firm's profitability and the dynamics of its growth. They argued that a firm's profitability is dependent on continuous improvement and significant investment in R&D. In this principle, innovation was construed widely to include:

technology, new products and services, new business models and other applications of new knowledge.

Furthermore, Buckley & Casson (1976) explained international trade with respect to the internalisation approach and location strategy by contending that production of goods was a multi-stage process that could be characterised by several activities linked by transport and movement of partially processes materials. According to the orthodox theory (Buckley & Casson 1999; Casson 2001), the location of a plant assumed a constant return to scale that was characterised by standardised technology. In this case, firms were considered price takers in the entire factor input markets and given this assumption firms were at liberty to choose their optimal location for each stage of the production process. However, production cost drove the choice and firms chose locations whose overall cost was favourable. On the other hand, the practical applicability of location strategy was complex due to the fact that there was an increase in return of scale in many activities, most of which was not related to routine production. Such activities included R&D and product marketing. Therefore, in their location strategy, MNEs had to take in to consideration the balance between these interdependent activities - production, marketing and R&D. Additionally, the explanation for the division of particular markets, such as domestic producers, local subsidiaries and local servicing rested on a combination of both the location and internalisation effects. Also, the economics of location furnished the explanation for the difference between exports and local servicing with the least-cost location governing the proportion of the market that was serviced by exports. However, as time rolled on, this principle was modified by the economics of internalising a market. The importance of internalising strategy was acknowledged for its ability to facilitate movement of knowledge and intermediate goods to the internal markets of the firm. The internal market was not necessarily in the same geographical location and according to this principle, a firm needed to operate multiple plants, with various plants specialising in different elements of production or the supply chain.

In summary, Buckley & Carson's firm internalising approach had considerable impact on the modification of international trade theory. Before this approach, new market entry decision was argued to a choice between exporting and foreign investment and later on, the entry decision was analysed and took the form of a three-way decision, which was between foreign investment, exporting and licensing. Licensing, on the other hand, gave the option for other entry strategies such as subcontracting and franchising, hence the internalisation concept gave a wide view of international trade (Buckley 2009a).

These determinants led to numerous theories, one of which is of interest to this study – FDI theory, discussed next.

3.3 FDI Theory

The dominant United States' patterns of FDI in the early to late 1960s, helped to popularise FDI theory through the noble work of Hymer (1960), Vernon (1966&1967), Kindleberger (1969), and Caves (1971). As a result of this dominance, this became known as the United States form of international investment. However, in the late 1970s, this study received new impetus from the arrival of outward FDI from Europe and the later from Japan. Kojima (1977, 1978) and Ozawa (1979) captured this later development in their trade-enhancing model detailed in section 3.2.4. However, the burst of interest to view FDI theory through the lens of Kojima-Ozawa model waned with time as the theory became more FDI specific despite becoming more eclectic in its determinants. For example, expanded trade models that attempted to explain FDI on the basis of a country's comparative advantage (Markusen 1979), firm's internalization model with FDI theory viewed solely through a firm's overseas activities (Buckley & Casson 1976), and Dunning (1980)'s eclectic model in which national patterns became peripheral, hence moving FDI theory to be viewed through the lens of a firm's internationalisation. This development led to a definition of multinational corporations as firms with some foreign production and sales, usually more than 10 per cent have a foreign subsidiary in three or more countries. Using this definition, all the firms in the Fortune 500 are MNCs. Their performance was analysed by Rugman (2005) who found that 90 per cent of revenues generated by all corporations in the global arena are accounted for by Fortune 500 organisations. The next section will trace the historical development of FDI theory before discussing its importance to both home and host markets.

3.3.1 Historical Development of FDI theory

3.3.1.1 Before World War II

The modern theory of FDI and MNC is a relatively recent development that dates from the post-war period, especially from the 1960s. Lilienthal is credited with inventing the term, MNC in 1960 to describe the problems that American corporations were facing while directly engaging and assuming management responsibility overseas.

Moreover, he suggested that MNCs had their homes in one nation but had their operations and lived under customs and laws of other nations (quoted in Fieldhouse 1986) (also see Rafferty 1997).

Before the development of modern FDI theory, theories of international exchange had been well developed in the 19th century. In this time, the commodity was held as the main mobility international factor, and it played a crucial role in determining how trade was conducted between nations all over the world. It was assumed that commodities were manufactured locally then exported while capital from such trade was then reinvested to develop the home country. However, other authors argued that this assumption was not valid, but in the mid-19th century, due to existing significant investments, economists understood and were able to explain international investments in derivative terms. Until the late 19th century, leading economists of that time, such as John Stuart Mill and Cobden, believed that commodity exports were the only basis of international exchange while international investment was a minor process undertaken only in not-so-normal circumstances. The not-so-normal view of international investments was seen by some opponents as a delusion and a snare (Blake 1939).

According to Blake (1939), the later part of the 19th century saw numerous developments including the financial success of American railroads, which boosted the importance of international investment and, thereby, altered the financial emphasis of many nations. However, the increasing significance of international business did not include an emphasis on what is contemporary referred to as FDI.

Instead, rising international investment was then comprehended mainly as financial flow – including loans and portfolio investments. Yet, authors such as Kay (1975) argued that, while industrial capital was central to domestic and political processes in the most industrial nations, productive capital never went out of its homeland. The international economic theory was related to the historical fact that for most of the 19th century, merchants and traders provided the main connection between the existing capitalist countries and new emerging markets.

According to economic historians, internationalisation theory traces its origin back to the 19th century. However, its importance was heightened in the 20th century. Later on, synonymous with the rise of FDI volumes from the United States directed to other nations was the importance of internationalisation studies. Therefore, earlier on, the theory of internationalisation was understood as an adjunct of international investment and international exchange and hence considered as a form of capital export (Rafferty 1997).

The use of trade theory to explain international investment focused mainly on the relationship between the nations and linking international investment with basic trade in a nation was conditioned by the international political order (Rafferty 1997). At the time, colonialism was rampant and was not only a political arrangement but also economic and hence, a large proportion of international trade in the earlier days was structured based on colonial economic arrangements (Rafferty 1997). At the time, international investment was considered a feature of international economic processes; it was bound to flow from the super powers to the colonies to finance trade related activities (Rafferty 1997). Direct investment was submerged into the general rubric of investment and investment was considered in terms of an overflow of domestic economic activity (Rafferty 1997).

Starting in 1890, there was a growing interest in international investment. Several transformations and conflicts took place. Moreover, many leading scholars began to predict the future of international investment. Post-war (II) international direct investment (IDI) theory began as a lagging reaction to post-war investment. Many theorists hypothesised that the following era would be characterised by an increase in international investment. This was confirmed when there was an increase in the amount of surplus in most industrialised nations (Rafferty 1997). Following the accumulation of productivity capacity and the growing trust between monopolistic corporations, capital was becoming congested in the national economy (Rafferty 1997). Capital was beginning to spill over from the industrial nations, despite the territorial divisions that were in existence at the time, and relationships grew between state powers and international investment – this became known as *imperialism* (Rafferty 1997). It wasn't until the 20th century that this became the intellectual foundation to a new form of imperialism (Rafferty 1997). At the same time, there were no variations between the theories of International Direct Investment or the MNEs because elements of the conceptual agenda in the post-war era were already visible and were adopted to explain the trade patterns between 1920 and the 1930s (Rafferty 1997). Also, the pre-war theories of international investment were uncontested with key differences in assumptions between radical international theory, neoclassical and Marxist theories. There were also some commonalities (Rafferty 1997), outside the scope of this study.

However, the early part of the 20th century was marked by British international hegemony and the emergence of other industrial powers such as the US and Germany, in an era characterised by socioeconomic turmoil (Rafferty 1997). This period was known for the increase in policy economic nationalism and economic processes and with the formalisation of the Keynesianism and macroeconomics, the economy increasingly became a unit of analysis and an object of economic policy (Rafferty 1997). International economic progress was more complex than how international trade was perceived and this era had been marked with insurmountable transitions that built up the modern international economy (Rafferty 1997). Most economists considered the global economy a theoretical concept, despite the fact that mobility of capital and other resources were not new (Rafferty 1997). The prevailing international trade theory that existed at that time was highly associated with Heckscher-Ohlin international trade model (Rafferty 1997) discussed earlier.

3.3.1.2 Development of FDI in the 19th Century

The comparative scale of international investment showed that the investment amount was quite significant in the 19th century, and there was great international control and organisation of businesses. This led to a growing popularity and importance of international investment relative to domestic investments in this same period as compared to the 1950s and early 1960s (Dunning 1984; Turner 1991). However, a problem that emerged in the 19th century in international trade operations was that firms didn't necessarily fully own the subsidiaries. Instead, most firms practised organisation and control through mechanisms such as kinship and family ownership, investment groups, partnerships, agencies, trusts, private companies, unincorporated branches and free standing firms among others. These formed part of the development of modern day internationalisation (Chandler 1980; Chapman 1985; Dunning 1983; Nicholas 1983; Wilkins 1974, 1988).

In this period, many multidivisional and multinational firms developed in the United States, followed by Germany. Most firms that followed this trend were small and medium-sized enterprises that remained the main feature of business even in the large industrial sectors in Britain. Later studies discovered that most of these SMEs at the time formed part of investment groups or freestanding branches of family firms and many of which had numerous international interests (Chapman 1985). At the same time, the economic strength of free standing firms or some investment groups were concealed from the public largely by obscuring the parent organisation through partnerships or local registrations of branch firms or through private companies. Investment groups were devices that were used to maintain outstanding economic power in the hands of a few individuals (Chapman 1985; Turrell & Van-Helten 1985). These groups were neglected, which was a contributing factor to the underestimation of international enterprise, especially in Britain. However, growth of international investment was vigorous from 1920 and the late 1940s, and in 1950 when FDI was seen by many as just beginning to gain ground in most industrial countries (Rafferty 1997)

Research undertaken by economic historians illustrated that the timing of the internationalisation of production by United States' firms, the size of international investments and the specific reasons as to why firms began to internationalise varied to a great extent among organisations or within them (Wilkins 1974). And *no single factor, such as technology, firm size, type of industry or other factors, could be identified that gave unity to the early FDI processes* (Wilkins 1974, p. 414). Also, research by historians further showed that MNE and FDI were not restricted to American invention. Many businesses around the world had significant operations in other countries by the later part of 19th century (Chapman 1985; Fieldhouse 1978; Franko 1976; Jones 1984; Jones & Schroter 1993).

Importantly, Britain continued to remain the largest source of FDI up to World War II (Dunning 1983; Franko 1976) and firms from Britain and other European nations had turned their businesses to multinationals early and in large sizes and numbers (Platt 1977) and by the commencement of the 20th century, there were numerous MNEs housed in Europe and Britain (Fieldhouse 1978; Nicholas 1983; Stopford 1974).

3.3.1.3 Post War Development of FDI - Competition, Capital and Internationalisation

In the 1950s, FDI underwent significant growth and changes following the adjustments in geographical patterns. In addition, the theory did not conform to the earlier theoretical concepts of international trade that were based on the model of investment flowing through a hierarchy of nations as an arbitrage process (Hymer 1979). However, two significant and yet related problems emerged in explaining post-war development FDI: orthodox theory did not anticipate the rapid advancement of FDI theory, and the patterns of post-war FDI were increasingly misaligned with the assumptions of pre-war theory – they rarely subscribed to either the general rule of international trade or the subsidiary form of portfolio investments (Dunning 1988b; Hymer 1979).

International trade could not be operational in a perfect market and hence the concept of market imperfection was introduced to investment theory (Hymer 1960/1976). On the other hand, perfect markets were characterised by uniformity of the manufacturing firms and as such, there was no way identical firms would endure the additional cost of setting up subsidiaries in other countries except in the hypothetical cases of perfect mobility of factors of production. At the same time, there was a need to better understand international firms because resources were increasingly becoming organised and mobilised within organisations across national borders; this was an indication that markets had become mechanisms of resource exchange (Rafferty 1997). Hence, the explanation of post-war FDI theory required the concepts of competition, capital and other new concepts of internationalisation.

The period between 1950 and 1960 was characterised by decolonisation and the rise of the United States as a major political, economic and military power. This development posed a threat to international investment since most of the investments were directed from the United States to other industrial nations. This change in the pattern of FDI flow formed a basis for critiquing other theories that were already developed, such as international capital movement (Hymer 1960, 1976) (also see

Rafferty 1997). It was understood that the portfolio capital model was applicable only when conditions were held strongly, but once relaxed, the model could not explain the changes in international investment (Hymer 1960). In this same period, FDI theory was also argued to be determined by interest rate arbitrage model, but again, Hymer (1976) explained that the arbitrage investment model was too naïve because it had not taken account of the effects of barriers to movements, risks and uncertainties (Hymer 1976). Hence, a proposition that post-war FDI theory could be better explained by concepts such as competition, capital and internationalisation.

The Concept of Competition: this concept shared by all the post-war models of international investment theory was linked to two empirical developments: first, post-war patterns of FDI were seen to be immensely concentrated in oligopolistic market structures or in other market imperfections; and second, post-war patterns of FDI were considered incompatible with the standard predictions of international capital models, which were based on perfect competition (Rafferty 1997). While conventional FDI models were based on the assumption of perfect competition, the explanation for post-war FDI was based on the assumption of market failure and, hence, MNCs were considered creatures of market imperfections. Imperfect competition and market failure became critical concepts of post-war FDI theory. Nonetheless, the theory was explained by market failure. It was the context of market failure that led FDI and MNCs to be understood as creatures of market imperfection (Dunning & Rugman 1985; Krugman 1983; see also Rafferty 1997). Therefore, failed markets and imperfect competition became important concepts of the new FDI. Furthermore, post-war FDI was also characterised by the development of different forms of market structures that could accommodate expansion of firms abroad - particularly the oligopolistic market structure. As the new FDI theory continued to grow, it became known as a consequence of imperfect competition rather than market failure. This created a critical topic of discussion as to whether market imperfection was a contributing factor towards FDI. In the end, the concept of competition provided a crucial link between modern FDI and the old IDI theory (Kindleberger 1969; MacDougall 1960)

The Concept of Capital and Corporation: post-war FDI resulted from the growing cross-flow of investments between nations and was ultimately not dependent on capital flows between the nations. However, there was a significant increase in funding for international operations of MNCs driven by host country sources – through capital from third country markets or retained earning in the host nation (Casson 1987; Hennart 1982). The suggestion this led to was that such cross-nation variations in interest rates could not explain post-war FDI. Hence, FDI was then closely aligned to the international extension of firms' operations as opposed to association with the capital movement (Hymer 1960; Kindleberger 1969). Therefore, FDI was associated with both the institutional concept of capital and imperfect competition as a way of explaining the market types that would allow international control of production by a firm operating abroad. Hence, capital and competition became crucial to radical models of FDI such as the monopoly capital model. Also, the concept of capital was demonstrated in the balance of payment accounting of firms within various industries (Hymer 1960; Kindleberger 1969). Empirical developments in the 1980s required incorporation of a broad range of international arrangements such as both equity and non-equity forms of organisational ownership. There were attempts to challenge the earlier developed concept of capital and as Casson (1986) summarised:

> *…The IDI theories' preoccupation with the firms and its arm's length contractual alternatives make them difficult to apply to earlier times in which the extended family, the partnership and merchant guiled and the cartel were also important of economic organisation…(p.43).*

The Concept of Internationalisation: in international economics, internationalisation has been used largely in the context of international trade flows. This involved relations between the exchange of goods and factor endowments between nations. Until the mid-20th century, investment was assumed to be immobile across nations. In post-war FDI, firms were still assumed to be national in their operations. The FDI model's starting point was that an indigenous firm had some innate disadvantages (Buckley & Casson 1976; Hymer 1960). Organisations moving out from their nations of origin were thought to require some advantage over the companies in the host country to compensate for the additional costs of operation outside their home countries (Hymer 1960). The advantage of enabling firms to engage in FDI was hypothesised to be specific to the home country (Dunning 1990; Vernon 1992). Moreover, early post-war FDI supported the notion that FDI benefited the home country more than the host country. Orthodox international economics showed that free international exchange was mutually beneficial for both nations involved. The concept of internationalisation was posed in terms of costs and benefits of FDI on the nation-state (MacDougall 1960). Internationalisation, combined with the concept of capital and competition formed the basis for the theory of foreign monopoly capital. This, combined with MNCs from the United States being assisted by their state, constituted a new form of imperialism. However, not all FDI growth patterns were seen as imperialist due to source diversification – where FDI was viewed as emerging from other developed and developing nations (Casson 1986; Lall 1975).

3.3.1.4 Dependency Analysis as a Model of Post War FDI

Post-war FDI was further developed through important strands such as dependency analysis (Buckley 1985). While the analysis was concerned largely with the relations between Latin America and the United States, it was later adopted by other nations including Canada and Australia. The fate of modern day FDI was greatly influenced by dependency (Rivera-Batiz 2000). Dependency is birthed from various intellectual traditions and shared coordinates with different FDI theories. Concealed within dependency analysis is the foundation of underdevelopment and capitalist development (Frank & Press 1966; Gunder 1966) and, according to Palma (1978), the development of core capitalist nations was highly dependent on the underdevelopment of the nations on the periphery (also see Frank 1975). For instance, European nations developed because they were able to ensure the underdevelopment of other nations (Palma 1978; Walter 1972). In this time, dependent nations were controlled by international exchange systems. In addition, they were required to specialise in certain commodities or extraction of certain raw materials for exports and surplus arising from such production were never invested locally, they were circulated to the core nations or other peripheral regions (Gunder 1966; Palma 1978; Walter 1972). The dependency pattern was constructed over time and meant most underdeveloped nations were unable to process their own raw materials, hence negatively affecting third world nations (Palma 1978). They have not been able to become self-reliant to date (Acemoglu & Robinson 2010; Amin 1972; Frank & Press 1966; Nkrumah 1965; Sankore 2005; Walter 1972). Dependency analysis espoused a great deal of criticism of the actual process of internationalisation but elaborately explained it. The analysis inverted several concepts from the orthodox theory of FDI (Rafferty 1997). In the orthodox approach, Smith (1991) proposed that international exchange would spur growth in industrialisation and boost the prosperity of developing countries due to the increase in the division of labour. The concept of international capital included the notion that there was a hierarchical flow of capital from nations with abundant capital to those that had a relative shortage (Smith 1991). Dependency analysis also gave primacy to the relations between countries. However, it began with the notion that the relationship is unequally systematic, and this inequality was related to the *concept of competition* (Smith 1991).

According to Frank (1975), development of industrialised nations required either 'development of underdevelopment' or 'the underdevelopment of development' (Also see Frank & Press 1966). For instance, the dependency of Latin America was linked to the underdevelopment of some of its governance processes (Palma 1978) and from the perspective of international investment, two important contentions of dependency analysis rose: one, a substantial amount of surplus created in the periphery was accumulation and formed significant wealth in core nations; and second, surplus extraction from the peripheral territories required ongoing imposition of raw materials and export dependency of periphery to fit the production and consumption needs of the core nations. The implication of such conditions was that FDI made it impossible for core nations not to depend on peripheral nations for raw materials but rather, the peripheral nations, on the other hand, depended on developed nations for resources, loans and other capital benefits (Palma 1978). In the end, Cowen & Shenton (1996) gave a hypothesis of underdevelopment and dependency as the imperial authority of the pre-1931 British imperial model and the post-1945 United States dominated international order and this imperialism created and developed underdevelopment through dependency.

3.3.2 FDI after 1980

The last three decades have been characterised by continuity and further development of international investment. In the 1980s, FDI exhibited substantial growth compared with the previous decades. The estimated FDI growth was US$ 2 trillion and by the end of the decade, global FDI flows were US$ 200 billion per year. At the same time, the number of multinational firms from United States and other nations increased to about 37,000 with US$ 5.5 trillion in global sales being generated from FDI assets (UNCTC 1993). However, this increased growth was interrupted by the global recession that took place in the early 1980s but after the recession – between 1984 -1985 to the beginning of 1990, FDI started unprecedented growth again. This boom was entirely a phenomenon of the industrialised nations bypassing the developing part of the world. The reason for this bypass was said to be the Latin American debt crisis of the 80s. At the same time, FDI flows continued to grow in the developed nations and this growth represented a new face of post-war FDI. Moreover, outward and inward FDI became increasingly critical to national economies of nations around the world because FDI was extended across all industries as opposed to only the manufacturing sector as was the case previously (Rafferty 1997).

FDI faced some challenges, however, as there was a change in the funding of FDI in the 1980s. Funding was increasingly being derived from retained earning from subsidiaries rather than new capital flows that were the major characteristics of FDI funding in earlier periods. Although funding was derived from retained earnings, so was funding derived from the international capital market resulting in the exponential FDI growth in the 1980s. The savings realised from the explosive growth were used for investments in foreign countries. Despite this funding change, FDI flow continued to grow (Rafferty 1997).

Also, there was restructuring in the roles of financial institutions and markets resulting in the need for securitisation of credit in the international market and the growth in international credit led to a reduction in demand for credit from the traditional avenues that were used formerly - especially in developed economies. Despite the reduced demand for credit, FDI flow continued to grow in the 1980s (Moran 1991).

Another FDI feature after 1980 was financial innovation, which resulted from the need to carry out international transactions, such as mergers and acquisitions. The innovations were related to securitisation of credits such as Eurobond and Eurodollar markets and certain financial and non-financial institutions which were not able to compete directly with banks for international funding; hence, the need for alternative financial markets that would help raise funds for such institutions. However, the innovations boosted internationalisation in the 1980s (Rafferty 1997). Also, the banks developed additional financial instruments, which included equity, debt and other mezzanine finances such as convertible bonds, non-voting stocks and subordinate debts (Burgess & Leen 1991; Rafferty 1997). Therefore, international credit increasingly became a major source of funding for international investment and capital outflow restrictions by the United Kingdom and the United States governments also contributed to the growth in the use of international credit funding (Rafferty 1997).

The next major challenge that faced international investment was the restructuring of corporate financial structures and an increase in mergers and acquisition activity (Rafferty 1997). This was because of the rising expectations-driven inflationary shock resulting from the growth in global credit due to corporate restructuring. This shock influenced asset prices and stocks, leading to financial institutions' facilitation in the creation of acquirers and targeted firms for takeovers. The effect of these outcomes was the increasing transfer of technology and capital from one firm to the merger firm and management roles and expertise are also transferred from one firm to the merger or joint venture (Rafferty 1997), an outcome that affected the continued growth of international investments.

In summary, between 1950 and 1960 the paradigm for the transmission of international investment was through the creation and expansion of wholly owned subsidiaries. In the 1970s, there was an increase in forms of affiliate control and ownership thresholds were lowered. In the 1980s up to the 1990s, forms of international control became more diverse; ownership thresholds were lowered and cases of minority ownership, licensing, and other forms of non-equity control occurred with increasing frequency with rising international investments as the net effect (Rafferty 1997).

3.3.3 Current Status of FDI Theory

Contemporary FDI has continued to attract attention, both at national and international level. Various theories, as discussed above point to the importance of FDI in economic development and its complex effects. From a macroeconomic perspective, FDI effects have been known to include: employment; high productivity; technology spill over; and competitiveness (Blomström & Kokko 1998; Javorcik 2004; Lipsey 2004b). This applies particularly to developing economies, and international investments are known to expose these economies to international resources, financing and markets. Other potential positive effects of FDI include managerial skills transfer, know-how transfer and also the creation of international production networks (Blomström & Kokko 1998; Javorcik 2004; Lipsey 2004b). A negative effect that has been associated with international direct investment is crowding out of local firms and resources (Blomstrom & Kokko 1996; Blomström, Kokko & Mucchielli 2003)

According to most modern theorists, the negative effects of FDI outweigh the positive effects, especially in developing countries (Barrios, Görg & Strobl 2005). However, they all agree that FDI exists due to imperfections in markets and competition and according to Hymer, for FDI to occur, foreign firms must possess an advantage over local firms or the host market has to be imperfect (Hymer 1960/1976). Consequently, various studies have contended that Dunning's Eclectic theory could be employed in understanding the current state of FDI in most countries around the world regardless of the variations in and between different countries (as discussed in Dunning 1988a).

3.3.3.1 Eclectic Model-John Dunning

By building on the work of others and incorporating the earlier theories of internationalisation, Dunning developed an eclectic framework for explaining why production is sometimes organised internationally, which is also generally accepted as 'FDI's new theory' (Horaguchi & Toyne 1990). This is because the model provides a more satisfactory explanation of international production and the multinational enterprise than the theories that predominantly focused on narrow explanations of one aspect of FDI activities. Dunning's eclectic framework explains the internationalisation of a firm on the basis of firm ownership (O), location (or country) specific advantages (L) and internalisation (I) (Dunning 1993).

> *…The ownership factor describes motivations that reflect the nature of the firms involved, analysing their particular special competences, which provide them with a global reach, the power to control their foreign affiliates and the capabilities that they possess, which make them an attractive source of finance and technology to other countries. The location factor explains why foreign firms operate in a particular country. This may be because of market possibilities for the output of the foreign ventures ('market seeking FDI'), because the country possesses scarce natural resources ('resource seeking FDI'), or because the country has low operating costs ('cost reducing FDI'), which make it an attractive export platform… (Dunning 1993).*

The internalisation factor explains why foreign firms prefer to own their operations in other countries, as opposed to licensing out, or selling their technologies and skills to domestic firms or other foreign firms (Buckley 2009a; Dunning 1993). Hence, modern FDI activities are contained, analysed and understood under Dunning's eclectic model.

3.3.3.2 Present Status of FDI in Developing Countries

FDI has been shown to complement the development of host countries by boosting industry competitiveness, offering employment opportunities and strengthening people's skills (Buckley, Clegg & Wang 2007; Moran 1998). In addition, most forms of technology in developing countries come from the diffusion from most developed nations that invest in developing countries (Benhabib & Spiegel 2005; Borensztein, De Gregorio & Lee 1998; Xu 2000). Also, FDI has made financial resources available to developing countries (Bosworth, Collins & Reinhart 1999; Hermes & Lensink 2003) in the form of loans and grants and as such, most governments have endeavoured to create a favourable environment for foreign investors. Most host nations' public policies take into consideration the effect they would have on foreign investors. Moreover, FDI policies have been liberalised to encourage investors into one another's countries. For instance, governments are allowing foreigners to hold a certain number of shares in local firms that are publicly traded (Bekaert & Harvey 1998; Freund & Djankov 2000). Also, foreigners are at liberty to create and fully control firms that are subsidiaries of primary plants in their home country (Badaracco 1991). There are limited barriers to entry into many developing countries and developing countries compete to create the most favorable environment for foreign investment (OECD 1960). According to article 1 of the convention signed in Paris, December 14th 1960, the Organisation for Economic Cooperation and Development (OECD 1960) looked forward to promoting policies that were designed to achieve sustainable economic growth, employment and rises in living standards of member countries. The convention also required that member countries would develop policies that contributed to financial stability and general development of the global economy. In the process of economic development, economic expansion was encouraged across member countries and non-member countries alike. Non-discriminatory policies in world trade were set up to encourage multilateral expansion of trade (Mansfield & Reinhardt 2003; OECD 1960).

However, most host countries' authorities are required to safeguard public sector transparency and enforce impartial law systems (Hoekman & Kostecki 2009). So far, attempts have been made by most developing countries to uphold transparency and accountability, but corruption among government officials continues to stifle the development of most developing nations (Pogge 2008).

As witnessed in developing nations to date, in line with international laws, there is limited to zero discrimination between foreign and domestic enterprises just in line with international laws (Buckley, Clegg & Wang 2007). However, recent xenophobic tendencies in South Africa, for example, broke several expectations of international law of non-discrimination (AP 2015). The xenophobic barbarism was a manifestation of an underlying intolerance among the people of South Africa towards foreigners. While the locals had valid allegations against foreigners, they may not have analysed the positive impacts of having foreigners within their country. On the other hand, the case of South Africa although isolated, could attest to their origin as a nation; they were formerly defined by segregation in the pre-independence era (Tapscott 1993). The country now lacks the goodwill that would encourage foreign investors to start up in that country. Moreover, tourism has gone down due to lack of faith that the people of South Africa can welcome and live peacefully with people from other nations (Ikalafeng 2015).

At the same time, South Africa signed bilateral investment treaties with Western European states in the late 1990s, which helped mitigate political risks following the country's then recent transition to democracy. After reviewing these treaties, the country ascertained that most of them limited the state's ability to realise certain social objectives. They cancelled the agreements and replaced them with a single domestic statute (Peterson 2006). Namibia seems to have followed suit in creating its own foreign investment regulatory reforms.

FDI has been negatively affected by various challenges. Firstly, the Ebola pandemic quickly moved from a regional public health issue to a regional political and economic crisis that has overwhelmed the Western part of Africa. The World Bank estimated that Guinea would see a reduction in GDP by 2.1 per cent, Liberia a reduction by 3.4 per cent and Sierra Leone a reduction by 3.3 per cent. These estimations were significant as they told their own story. The three affected nations are some of the poorest in the world. Prior to the Ebola crisis, these countries enjoyed a great deal of FDI but that trend was reversed significantly. This is because, China ore, which was one of the two major iron ore producers in the region, came to a halt following the crisis (Kinyanjui 2014). Many authorities in the developed world warned their citizens against going to these regions due to the health repercussions. However, these countries have not been totally neglected because the IMF, World Bank and ADB made financial pledges that will enable the region to recover the financial shortfalls caused by the Ebola pandemic. The solutions suggested are for just a short period of time because the future of this region is uncertain. Importantly, most investors look for sustainability and the possibility of making profits. Despite the efforts by charity organisations to help control the outbreak, investors are still unwilling to set up businesses in this region for the foreseeable future (Savoy 2015).

Secondly, terrorism in Eastern Africa may also be a negative influence on FDI in the region (Kinyanjui 2014). Terrorism, like other civil conflicts, is likely to spill over to neighbouring countries. Somalia has, for a long time, gone through cycles of terror. This has affected their economic growth and political welfare. Neighbouring countries, such as Kenya, have stepped in to help fight terrorist groups such as Al Shabaab. In the 1960s, Kenya was a prime choice for foreign investment and MNEs looking to set up in East Africa. Over time, this goodwill plummeted due to an escalated level of attacks by the Somaliland terror groups. Additionally, from the 1980s, Kenya's combination of rampant corruption, politically driven economic policies, government malfeasance, poor infrastructure and substandard public services did more to discourage foreign investment (Kinyanjui 2014). Hence, over the past three decades Kenya has been an underperformer in FDI compared to Tanzania and Uganda (Kinyanjui 2014). This is because, although these economies are relatively smaller than Kenya's, they have instead invested in able leadership and created an environment that attracts long-term FDI. Also, Kenya has had its fair share of terrorism attacks including the 1998 attack on the United States Embassy (Njenga et al. 2004) and the barbaric attack on one of the premier shopping malls in the capital city, Westgate (Cartalucci & Destroyer 2013). Moreover, according to Kinyanjui (2014), Kenyan soldiers sent to aid in the wars in Somalia have on several instances been killed. Also, the recent attacks on a university that claimed over 147 students are but some of the instances that terrorism has brought the country to a stand still and the proximity to Somalia is claimed to be one of the contributing factors (Kinyanjui, 2014). This loss of human lives and the suffering is believed to cause a tremendous economic loss to a nation and, in the process, existing and potential investors have shied away. This has begun to affect the financial stability of not only Kenya but also the region as a well (Kinyanjui, 2014).

Thirdly, and most important, is the usage of incentives to encourage FDI, which do not necessarily imply competition for FDI by developing nations. Competition, in this sense, may be understood as situations in which based on incentive strategies being implemented in other jurisdictions or nations, authorities respond by modifying available FDI incentives. This competition takes two forms; one is targeted competition, and the second is regime competition. As the OECD (2003) understands it, targeted competition happens when authorities attempt to attract individual FDI projects by way of outbidding the incentives of other jurisdictions and regime competition. It can also refer to where the FDI incentives in a given country are chosen over those of other jurisdictions due to their overall benefit to the foreign investor.

The issues embedded in incentives always come down to bilateral agreements made between the authorities in the host and home country. This allows investors to shortlist a few potential host nations while at the same time looking around for those nations that offer the most favourable incentives relative to the type of project they wish to set up. Previously, there were limited cases of targeted competition because nations could hardly go beyond their means to make their incentive packages more favourable. However, the recent past has witnessed a sharp increase in targeted competition (OECD 2003). This is as a result of authorities endeavouring to bid against each other especially where the size of the investment is large, and the investors are similar in two locations. There are documented cases of less developed countries being influenced by FDI competition by mature economies and hence the need to research as to whether this phenomenon has the capacity to affect less developed economies negatively. Moreover, the rise of targeted competition has culminated in bidding wars, where countries continue to raise their incentive bids until the eventual incentives reach levels that cannot be found in economics. This is known to occur in circumstances where the size of the project is large enough to catch the attention of the policy makers (OECD 2003). Also, regime competition is widespread across countries. Most jurisdictions are influenced by the costs of the FDI incentives on their country (OECD 2003). Importantly, the primary aim of FDI incentives is to maximise the long-term benefits of foreign investors (Borensztein, De Gregorio & Lee 1998). Therefore, authorities in the host nation need to develop strategies to ensure that the benefits exceed the costs of achieving the initial set goals. There are two forms of economic benefits accruing from attracting foreign investments. Nations with limited ability to expand their economy, mostly due to unstable and fragile financial conditions, may harness FDI as a source of external finance. Secondly, host economies benefit from positive externalities resulting from the presence of foreign corporations. These externalities arrive in the form of technology transfer, enterprise development and international trade integration, which bolster business sector competition and human capital formation (OECD 2003).

However, certain strategies may be considered wasteful to the host country resulting in triggering unnecessary competition. For example, FDI incentive schemes have long-term costs, which include the economic burdens that arise when incentive modification has to be done to respond to other nation's similar incentive schemes (Christiansen, Oman & Charlton 2003). Other costs include deadweight loss, which counts as wastage strategy in FDI (Greenaway & Milner 1993; OECD 2003). It occurs when authorities subsidise investment projects that would have taken place in the absence of the incentives (OECD 2003). In such cases, authorities often are unable to specify the recipients for that given incentive change. Moreover, generous FDI incentives are also known to lower the bar for future investment projects. Future investors would demand similar incentives in reference to what was formerly offered. Opportunity cost is another strategy that affects FDI competition, and it occurs when resources available to attract FDI are scarce, triggering a need to resort to alternative usage of the limited resources (OECD 2003).

In summary, there are various views on the development and presence of FDI . However, the contention is that not only has FDI been able to contain and succinctly explain the activities of multinational corporations in the international arena, but also that with it, FDI has benefits for both the host and home nations. These benefits are discussed next.

3.4 Importance of FDI to Home and Host Nations

FDI is made when country (A) makes direct investments in country (B) leading to increased physical capital by way of new production capacity in country (B). The investing firm will have to use the human capital available in country (B) as opposed to country (A). If the output of production is a good that can be traded, production that used to take place in country (A) can now take place in country (B). This can mean a reduction in the firm's plant in the home country (A). Another possibility is that when a firm in country (A) makes a direct investment in country (B), the stock of physical capital and the level of production are unchanged in both countries. The latter model is what Markusen (1997) referred to as the knowledge-capital model of the multinational enterprise. In this model, firm owners and managers from Country (A) use the skills they have acquired from their home country to buy out country (B) owners who have lower skills in that industry. Managers from country (B) learn to manage the firm even more effectively than before. There is no net movement of financial or physical capital. The bottom line is that there are important policy issues behind the effects of internationalisation of production (Markusen 1997).

However, Kojima as quoted in Ozawa (1992, p. 6) best defines the role of FDI as:

> *…To transplant production technology through training of labor management and marketing, from the advanced industrial country to lesser developed countries and therefore, acting as the starter and the tutor of industrialisation in less developed countries…*

These definitions underscore the importance of FDI to both the host (home of the investment) and home country (home of the investor). The next section will highlight home country benefits followed by host country benefits

3.4.1 FDI Benefits

There are significant benefits that come with FDI for both host and home countries. For details of home and host country benefits, please refer to section 1.3.3 and 1.3.4 respectively in chapter 1.

In summary, with most corporations over the world going global, internationalisation – FDI theory can be argued to offer one of the appropriate lenses through which a firm's international activities can be viewed. As has already been established, FDI engenders benefits for both host and home nations and, if well nurtured, FDI has the capacity to not only enhance human capital through technological and skill spillovers. It can be a force for good in terms of development and construction of economic foundations for the host nations. However, in instances where trade and FDI offer little or no benefit to the host nation, exploitation is understood to be taking place and as Nkrumah (1965) understood it, that is a recipe for neo-colonialism. More on neo-colonialism will be discussed in the next section.

3.5 Conceptual Model - Neo-colonialism

The conceptual model in this research is premised on the understanding that when FDI fails to benefit the host Nation, exploitation of resources is deemed to occur, and Nkrumah (1965) understood such processes to be a precursor for neo-colonialism.

3.5.1 Definition – Neo-colonialism

Neo-colonialism has been defined as the survival of the colonial systems despite recognition of political independence by African countries (Kumar 2013). Also, Neo-colonialism refers to the practice of using globalisation, capitalism and cultural forces to control another country in lieu of political control or direct military (Kashagama 2010). For a detailed definition of neo-colonialism, see section 1.3.5 in chapter 1.

3.5.2 Perspectives on Neo-Colonial Theory

After the Second World War, decolonisation led to the formal end of colonisation. However, economic inequality later gave rise to neo-colonialism, which was attributed to the dwindling economics fortunes of the developing countries. Hence African economies are forced to seek investment from the developed world, who in turn underpin certain condition to the African states (Haag 2011). In essence, neo-colonialism refers to the sum total of modern attempts to perpetuate colonialism while at the same tie advocating for freedom (Nkrumah 1965).

Some researchers have defined neo-colonialism using dependency theory and claim that post-colonial states have no option but to accept the conditions given by Western countries. Also, African countries are desperately in need of help from the developed world in order to support domestic economic policies. Haag (2011) contends that the dependency principle agrees with the notion that natural resources flowing from poor, underdeveloped nations to developed states enrich the latter at the expense of the former. However, an issue of great contention is that poor developing countries are being systematically driven to poverty while the developed partners from the West continue to increase their wealth. According to Nkrumah, neo colonialism represents imperialism and its essence is that the subject state is viewed as independent with all the outward trappings of international sovereignty while in reality its economic and political systems are controlled and directed by foreign forces

(Nkrumah 1965). The forms of this control can take various shapes including direct control of government units and economic and monetary control of the banking system. In addition, in states where neo-colonialism exists, the power exercising control is usually the former colonial master mostly from the West. Another form of control can emanate from the neo-colonial consortium of financial interests, which are not specifically identifiable but still have the ability to exercise control. Also, many states have levelled accusations at the feet of the World Trade Organisation and the International Monetary Fund of being neo colonialism agents (Walter 1972). This is because the two organisations used to extend loans to African nations conditional on the advancement of capitalism and adoption of democratic norms, which most often went against African norms of government. For example, Nkrumah (1965) widely discussed control of the Congo by the great international financial forces.

One of the effects of neo-colonialism is that foreign capital is used to exploit rather than develop African countries. Opponents of neo-colonialism are not against developed powers from operating in African nations; rather they are against the exploitation of African resources through the activities the neo-colonialists own multinational corporations. Hence, the ex-colonies are given little to benefit from their own resources (McKelvey 2013).

3.5.3 Historical Development of Neo-Colonialism

Africa's colonial period refers to the era between the 16th to the middle of the 20th century. During this period, nations of the Western world were actively seeking new territories, new markets and new people to acquire. Colonisation was not unique to

Africa; it had always been practised around the world. Generally, colonisation occurs when people from one territory acquire and expand their territory to another (McKelvey 2013). Importantly, colonisation was driven by the desire for economic expansion, which is why the European colonisation of numerous parts of Africa led to significant economic advancement in Europe (Amin 1972; Nkrumah 1965; Walter 1972). Europe's colonisation of Africa commenced because Europe had developed galleons that could navigate easily to foreign lands. Easy access to Africa encouraged Europeans to seek raw materials from African territories and to develop new markets for their finished products (Amin 1972; Nkrumah 1965; Walter 1972).

At the end of the 19th century, African colonies were considered as a source of wealth that was to be used to bridge class conflicts in the capitalist states (Nkrumah 1965). Although this wealth fuelled the industrial revolution, colonialism mainly benefitted Western countries in contrast to African nations which were made dependent on the West for trade. In addition, colonial powers dismantled local political structures and imposed their own systems of governance (Nkrumah 1965).

However, after the Second World War, decolonisation uprooted and dismantled the colonial governance systems. Formerly colonised territories were able to claim self-determination and independence. However, decolonisation had a significant effect on the economies of the newly formed territories because the newly established African states had to develop and build economic systems (Kashagama 2010). Despite, being independent and having claimed self-determination, these African territories still depended on the West for developing political and economic systems. They still had to borrow money from the West to fund their own development, resulting in a new system of national debts owed to the Western countries (Kashagama 2010). Over time, it became economically and politically impossible to finance such debts, which ultimately created a new economic and political relationship known as neo-colonialism. Neo-colonialism involved the use of capitalism, globalisation and cultural forces to control a state, especially a former colony (Walter 1972). This control was effected through a number of activities including the multinational corporations working in multiple countries being used to apply pressures for certain political behaviours to align the outcomes with the former colonialist's interests. This system works because of the dependency principle, in the sense that African nations need revenue to support domestic programs and in the process they accept unsavoury conditions from the foreign entities (Kashagama 2010). Foreigners continue to exert significance influence on African countries even after the colonial era. This influence and dependency are what gave birth to a system that mirrors colonialism, *neo colonialism* (Kashagama 2010).

Nkrumah is believed to have coined the term *neo-colonialism* in reference to the continued European cultural and economic control of African states that had undergone decolonisation in the aftermath of the Second World War (Nkrumah 1965). Today many parts of Africa are still thought to be living under neo-colonialism, which is witnessed by Western nations' attempts to export social conflicts to African countries. The effect of this process has been the exploitation of the less developed parts of the world. According to Nkrumah, exploitation is a clear manifestation of neo-colonialism and, under neo-colonialism, international investments tend to rise thus leading to a broader gap between the poor and the rich in underdeveloped nations (Haag 2011). According to Marxist historians, all the colonies that belonged to the Western Europe nations were robbed of resources, opportunities and good health and from a Marxist vantage point African colonies were considered modes of production aimed at enriching the West at the expense of Africans (Haag 2011). Also, neo-colonialism was boosted by the search for new investment opportunities and raw materials, which emanated from inter-capitalism rivalry for capital and wealth accumulation (Haag 2011).

3.5.4 Features of Neo-Colonialism

Drawing from the previous research that has been done on neo-colonialism, the key characteristics of neo-colonialism relevant to this thesis include: unequal economic relationship; manipulation from foreign based multinationals; unrealistic demands from neo-colonialists; control of mass media and information; figurehead bourgeoisie run government; mass arrival of foreigners in search of opportunities; and budget struggles in the neo-colonies (McKelvey 2013). These features will be discussed below.

Unequal economic relationship: The economic pressures imposed during the colonial era continue and have become worse over time. As in the colonial era, the conquering nation acquired natural resources, exported the raw materials to their homeland and forced the importation of the finished product in the ex-colonies. In the modern day, it is concealed under the discourse of economic development (Scott 2014). Moreover, according to dependency theory, neo-colonialism proposes that the world economic systems consist of developed countries at the centre and developing countries at the periphery and hence, the natural and human resources of the developing nations are extracted to benefit the economies of wealthy countries at the expense of the developing countries (Scott 2014).

Foreign-based multinational corporations: According to Scott (2014) the sovereignty of former colonies has been undermined under the neo-colonialist configuration. This has been achieved through the institutions of large transnational corporations, banks and financial institutions, which have the power to dictate both domestic and international policies to the former colonies. Policies enforced by multinational corporations are usually aimed at benefiting their home countries, which are foreign colonisers, at the expense of the neo-colonised states (Scott 2014).

Making demands that undermine the people's sovereignty: Some of the demands the imperialists make deprive the sitting governments' power to control their activities and structures. The demands made include land concessions, prospecting rights for minerals and oil, limiting the governments' rights to collect customs duties from them, carrying out administrative roles, issuing paper monies and also vouching for their right to give 'aid' to the neo-colonies. Other privileges and demands made include the exclusion of communist economies and Western information sharing being made exclusive (Acemoglu & Robinson 2010; Amin 1972; Nkrumah 1965; Sankore 2005; Walter 1972).

Control of mass media and information: The imperialists left Africa with a largely illiterate populace, hence they deploy media as a popular source of information, trends and cultural values. External forces work to shape media content. These forces include individuals, communicators, organisational, social institutions and social systems (Nkrumah 1965). Media content is a function of ideological positions and used to maintain the status quo. At the same time, ideological influences serve as society's cohesive and integrating forces. Social systems governed how Africans perceived the world, and they were attached to the values of African society. Media transmitted ideology by drawing on familiar cultural themes that resonated with various audiences. The themes were selectively chosen and constructed into a coherent structure infused with the imperialist agenda. For example, one is bound to listen to African audience cheer as Hollywood heroes slaughter Indians (Nkrumah 1965). Hollywood takes care of fiction while the enormous monopoly press and magazines handle the news. Within different countries, one or two news agencies control the news so that a sense of uniformity is observed.

Figurehead bourgeoisie-run government: according to Saul (1974) neo-colonialism was also defined by puppets of foreign interests strategically positioned in a former colony's government. These puppets are embedded in the established political structures. They conform to international interests and propel economic exploitation of the locals. These people have the foreigners' interests at heart and have been used to enhance the neo-coloniser's agenda.

Mass arrival of foreigners in search of opportunities: Foreigners from wealthy countries are often brought in by foreign governments' corporations disguised as seeking jobs and investment opportunities. They are usually awarded some of the most lucrative jobs since it is believed they are more experienced than the locals (Scott 2014). They propagate the neo-coloniser's interests. In most cases, the foreign government negotiates good terms for them and preferential access to the locals' resources. With time, these individuals evolve into affluent merchants that are able to send enormous resources to their homelands at the expense of local neo-colonies (Nkrumah 1965).

Budget struggles in the neo-colonies: Countries trying to create and maintain their own economic life defined the post-colonial period. However, most countries to date have not been able to control their budgetary needs (Scott 2014). Some countries are faced with never ending inflation, stagnation in production, the uncoordinated creation of the public sector, alarming rises in public spending, national debt, economic collapse and succession troubles in achieving a balance of payment among other challenges. Most of the neo-colonies have tried to put in place monetary and fiscal controls to no avail. The government debts and exchange rates continue to rise to levels that cannot be controlled by the neo-colonial government. Take the examples of Mali, Ghana, and Kenya among other African countries (Acemoglu & Robinson 2010; Sankore 2005).

3.5.5 Outcomes of Neo-Colonialism in Africa

Some of the key outcomes of neo-colonialism relevant to this study include technology and science slavery, overdependence on foreign aid and grants; and control by multinational corporations.

Technology and science slavery: Technology has been a major tool in propelling neo-colonialism. Africans have natural resources but they are not able to utilise them on their own. They need sophisticated technology and science (Kashagama 2010). On the other hand, rich developed countries rarely transfer technology to Africa. For example, in cocoa farming nations, the technologically advance partners (mostly from the West and some from the East) are willing to bring machinery and powder but they do not allow the developing country to access the technology (Gunaratne 2002). However, critics of neo-colonialism strongly believe withholding production expertise is a strategy of keeping developing countries dependent on the West. According to Gunder (1966), Western ways were never forced on the people of the developing world; rather the people themselves find such civilisation enticing and were willing to comply. Africans were turned into materialists, the people became highly dependent on consumption, and this is what provided Western production companies with a ready market for their finished goods and services. Capitalism was exploitative compared to communism, which emphasises an equal sharing (Amin 1972; Sankore 2005).

Moreover, Africa continued to lose revenue on the exportation of raw materials, which were then processed in developed countries, then exported back to Africa where they were resold at higher prices (Gunder 1966). What if Africa had the technology and science to process the raw materials to finished goods? The outcome would have been competition between local and foreign firms. This would have led to an oversupply of products and based on the law of supply and demand, prices would plummet, which would not yield the developed countries the profits they were earning from African countries. Again, some of the machinery necessary for production were, and still are, priced high to eliminate African countries which may not be able to afford the capital required (Gauri Shankar 2014).

Overdependence on foreign aid and grants: Foreign aid has been another form of modern day colonialism. Most African economies were not able to develop on their own after independence, which led them to be beneficiaries of foreign aid. Neo-colonialism has also influenced the African understanding of development as being associated with ideas of progress, economic growth and democratic governance. To achieve the above objective, there is a need to use foreign aid as a means of mobilising resources (Saul 1974). Critics of neo-colonialism believe that foreign aid is a form of bribe given to developing countries to allow developed nations to access resources and market their products in a cheaper way. It is also viewed as a bribe to poor nations to prevent poor people from migrating to developed nations (Sagoe 2012).

Proponents of neo-colonialism, on the other hand, believe that foreign aid is meant to improve the standards of living of the third world countries. Taking Chinese aid into consideration, it has been observed that it creates inequality among the Africa countries. It has been suggested that Chinese foreign aid has been invested in countries whose sectors need it the least (Sagoe 2012). The main aim of this aid is to develop raw materials. These raw materials are then exported to foreign developed nations then exported back to Africa as valued added products, which translates into an unfavourable trade. This has resulted in exploitation of resources in Africa and expansion of the inequalities between Africa and developed nations (Sagoe 2012). It has been argued that it is the obligation of the developed nation and that the whole world should turn into a welfare state (Ismi & Coalition 2004). However, there seems to be little achievement so far. According to a report by the UN, only one half of one per cent of the total income of industrial countries is used to aid developing regions. A large school of thought holds that expanded share-the-wealth schemes are impractical and idealistic (Ismi & Coalition 2004). This argument contends undeveloped human skills, climate, lack of natural resources and retarded economic progress in most parts of Africa limit the ability of Africans to use foreign aid effectively along with poor governance and corrupt leaders (Ismi & Coalition 2004).

Control by multinational corporations: Critics of neo-colonialism have attempted to demonstrate that investments by multinational corporations enrich only a few people in the developing world. They believe such multinationals cause environmental, humanitarian and ecological devastation to the local population. This has led to perpetual underdevelopment and dependency (Gauri Shankar 2014). Multinational corporations are those firms that originate from a common centre in the developed world but operate in several developing countries, frequently by merging with local firms that deal in similar products or services. In this, capital is also concentrated in multinationals whose origins are in the imperialist world. African countries have continued to act as reservoirs for cheap labour and raw materials. The neo-colonisers have continued to restrict access to production techniques to enable them to develop their economies (Gauri Shankar 2014).

The growth of multinational corporations is a modern method of colonialism under which Western countries dominate politics and economies of developing countries. It is in this regard that certain analysts observed that widespread mergers would dominate the economies of third-world countries (Haag 2011). Multinationals are detrimental to African countries as they establish monopolies that exploit the resources of third world countries. They also dominate the economic life of neo-colonies by investing in large sums of capital and manufacture of important goods (Haag 2011). These multinationals spend a portion of their foreign exchange importing raw materials from their parent company in the imperialist world at exceptionally high prices. The shares of the subsidiary firms also belong to their country of origin, which means their countries of origin earn a high proportion of their profits. This leads to further draining of the neo-colonies' resources (McKelvey 2013).

Politically, these multinationals attempt to influence decisions made within the countries in which they operate. They often lobby for certain interests that favour their countries of origin. They fund political parties and individuals who are willing to act as the puppets for the interests of their countries of origin (Gauri Shankar 2014). Some multinationals even create separate accounts to keep contributions to bribe officials and make political donations. Multinationals in many instances have interfered in the internal affairs of a country, which has led to political destabilisation (Gauri Shankar 2014).

Some multinational firms also pose a health risk to the locals in developing countries. These threats come in the form of chemicals, metals, heavy engineering, fertilizes and petroleum among others (Gauri Shankar 2014). Other than the cheap labour, available raw materials and ready market multinational corporations find it easier to operate in third world countries because of laxity in the safety standards and pollution control. According to the World Health Organisation, over five people become victims of pesticide poisoning every year in countries in Africa. While such multinational companies provide goods and services that may be needed by the locals, the negative effects outweigh the benefits (Gauri Shankar 2014).

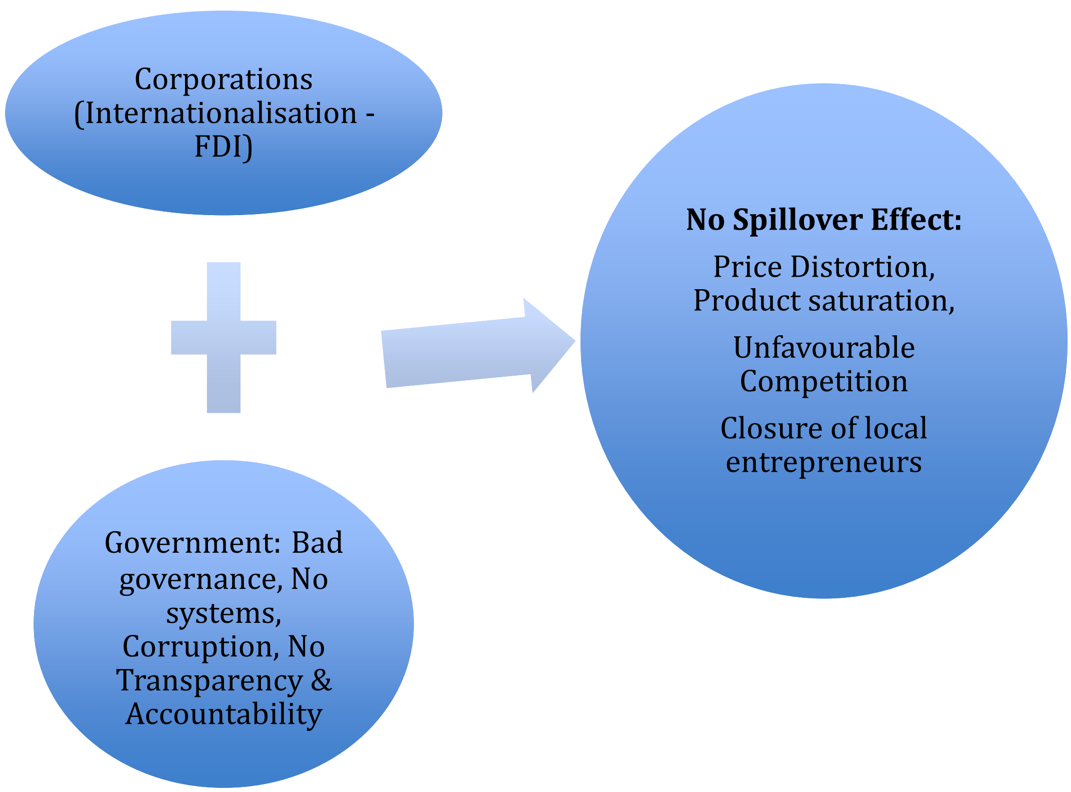
In summary, there has been a conflict between the rich and the poor especially in the 19th century and the early days of the 20th century. Neo-colonialism was propelled by capitalism (Nkrumah 1965). Marxist theory argued that the development of capitalism would produce a crisis within the various capitalist states and widen the gap between rich and poor (Walter 1972). World systems theory argues that the aftermath of colonialism gave rise to neo-colonialism, which is manifested through inequality in economic relations (Condon 2012). According to Rodney, the only development out of neo-colonialism is underdevelopment and dependency. Africans continue to be over dependent on the West; ideologies from the West are still viewed as superior due to the colonial mentality. The people's culture keeps eroding due to inferiority complexes (Dei & Kempf 2006). International financial institutions such as the World Bank and IMF have faced allegations of constantly making loans to needy African countries on meeting certain conditions that suppress the developing nations' political and economic powers. This situation has changed now that the Chinese government has decided to grant large, unconditional loans to African nations without concerns of accountability and transparency (Sun 2014). As seen in this chapter, some proponents of neo-colonialism believe that it helps African countries to develop and achieve civilisation. Some of the outcomes of neo-colonialism include cultural imperialism, debt burdens, overdependence of foreign aid, control of African governments, and exploitation of African resources, technological slavery and control by multinational corporations (Haag 2011). Anti-imperialist African leadership needs to be adopted by Africans in order to implement alternative development strategies at the national level (Guenza 2015). Firstly, there is a need for participation by the poor majority. The government needs to involve the larger population. Development must not remain the elite's affair. Secondly, there is a critical need for redistribution of wealth in order to eliminate poverty and help create a domestic market for domestic products. Thirdly, Africa needs to promote agriculture (Nkrumah 1965). The cheap importation of agricultural products needs to be banned in order to protect local farmers, and farm inputs need be subsidised. Fourthly, Africans need to promote regional integration, which will provide one African market for African products. This will lessen external over dependencies, promote diversification in production and add value to local products. As one observer suggests: The new approach must also focus on the search for the continent's collective self-reliance on essential and strategic needs, at the agricultural and industrial level. (Ismi & Coalition 2004). The next section builds and explains the conceptual model for this research.

3.5.6 Model

A conceptual framework can be depicted based on the neo-colonial outcomes as elucidated in the previous section that shows control by multinational corporations, overdependence on foreign aid can result in technological and scientific slavery. The framework also takes into consideration the study undertaken by Collier (Collier 2007, 2011; Gregg 2010, 2011) that shows that weak governance systems, particularly in developing nations, enable irresponsible multinational corporations to exploit the resources of Third World nations. Figure 4 represents this model.

Corporations seeking to operate with such governments are also likely not to respect contracts, they may lack transparency, may not follow ethical codes and may not be environmentally friendly (Collier in Gregg 2011). In this environment, local civil society is most affected. This is because both the government and corporations will be working without responsibility and accountability, which may lead to increased corruption, resource plunder, economic alienation of many and when unemployment grows, poverty will set in, and increased inequality will be witnessed (Collier in Gregg 2011) and, as Nkrumah (1965) understood it, such is a recipe for exploitation which in effect leads to neo-colonialism.

Figure 4: Internationalisation Effects



This model will be employed to determine the impact of Chinese corporations' investments (FDI from China) in the host nations of Sub-Saharan Africa – particularly in Kenya. A short re-cap on the emergence of Chinese corporations on a global stage in the context of FDI, although discussed briefly in chapter 1 and 2, will follow.

3.7 Emergence of Chinese Trade and Investment

China is considered one of the largest recipients of FDI among other developing economies. FDI has continued to play a major role in promoting international trade in China. A number of changes have taken place in the recent years, including the revival of equity joint ventures, growth in service sector FDI rather than manufacturing and reorientation of FDI from the Eastern regions to the Western and Central region. The Chinese authorities have continued to decentralise FDI administration and strengthen its enforcement. The emphasis has been on promoting inward FDI flow that is closely associated with the national goals and priorities (Davies 2013). Such goals include industrial sophistication, innovation and setting up outsourcing industries among others. Merger notifications against foreigners have been removed, and a national security review process for cross-border mergers and acquisitions has been put in place. The Chinese government continues to make efforts to liberalise and promote transparency in both inward and outward FDI (Davies 2013).

Since Mao, China's bilateral trade links with the rest of the world have intensified leading a significant growth of China trade to the tune of four and half times that of world trade (Anderson 2006). In addition, this trade growth is a result of increased export activities culminating in or emanating from China's export oriented industrialisation. Moreover, this exponential export oriented economic growth, has seen an increase in China's outward foreign portfolio investment (OFPI), which has focused mainly on investment in foreign security markets, foreign money markets instruments and investment in bonds and notes (albeit at a lower base compared to China's Asian neighbours). Nevertheless, most of it is invested in the United States' treasuries (Anderson 2006).

Furthermore, according to Bellabona & Spigarelli (2007), exports and FDIs have been the two fundamental drivers of the Chinese economic boom. This growth could be defined as outward oriented, enabling the Chinese capacity to draw on vital resources from abroad (absorbing resources, skills and technologies). The first stages of the 'Open Door policy' were founded on the attraction of international investments, parallel push to export (export-push strategy), and overseas investments that proved to be the turning point of the new Chinese expansion policy. The solid rise in Chinese exports sought in the last decades in order to sustain national economic growth, generated strong international tensions on a financial and industrial level (Palley 2006; Williamson 2005).

Additionally, the '*go global'* policy continues to be stressed in its thirteenth year plan that started a few years ago (Davies 2013). The objective is to promote China's policy towards international investment. Premier Wen Jiabao in October 2010 said that

> *We must accelerate the implementation of the go global strategy, in accordance with market orientation and the principle of independent decision-making and guide enterprises with different kinds of ownership to invest overseas and co-operate in an orderly manner* (Davies 2013)

While OFDI was absent from the list of key targets, it was submitted later in March 2011 and its main focus was to create a breakthrough in emerging strategic industries. These industries included energy conservation, new materials, biotechnology, environmental conservation, next-generation IT and new energy vehicles. China is engaging in increasingly active investment diplomacy to promote '*going global'* (Davies 2013).

At the same time, China was encouraging FDI and the objective of promoting outward FDI was to develop resource exploitation projects that could help mitigate the shortage of natural resources within their territory (Davies 2013). Outward FDI would also encourage the exportation of locally manufactured products such as equipment, technologies and labour (Davies 2013). Increased mergers and acquisitions were also expected to enhance the international competitiveness of Chinese enterprise (Davies 2013). Development and support for overseas R&D centres were aimed at facilitating utilisation of internationally advanced technologies and professional contacts (Davies 2013).

3.7.1 Contemporary China-Africa Foreign Policy

Chinese investments in Africa have recently been outpacing other developed countries. China has financed more infrastructure projects in Africa than the World Bank and also provides billions of dollars of low-interest loans to the emerging economies of Africa (Alves 2013; McKelvey 2013). The differences between Chinese development approaches and those of the Western world include the ethics of conditionality – the Western world conditions their development, the trade-off between respect for sovereignty and principles for human rights, and poverty alleviation. At the same time, China gives many loans and grants to Africa in exchange for securing natural resources (Alves 2013; Condon 2012). Also, China operates on the principle of non-intervention and respect for sovereignty. It does not impose many conditions on the African countries, unlike the West that ties loans to initiatives such as the promotion of democracy and reduction of corruption. However, the West accuses China of being a rogue donor whose actions will damage Africa in the long run (Condon 2012).

On the other hand, various studies have been carried out on China's Africa strategy and the focus has been their interest on the ground. Chinese activities in Africa have often been considered as evil as they represent their quest for natural resources and hence damage Africa's efforts to improve governance and sustainability (Gunaratne 2002; Zafar 2007). China has also been viewed as virtuous, compared to the West, when their efforts form a foundation for a long run economic development through revenue creation (Gunaratne 2002; Zafar 2007). As China has grown into one of the global political and economic super powers, the perception of Africa as the sole supplier of raw materials to China is in itself a form of neo-colonialism (Gunaratne 2002). In addition, critics also contend that, based on dependency theory, China might be viewed as trying to make Africa dependent on its foreign investment. For example, the roads that have been built will need repair one day and it will be necessary to engage the Chinese again, while at the same time, Chinese policies and objectives have continued to diversify and yet there has been little effort spent in examining China's internal bureaucracies regarding the Africa policies (Ismi & Coalition 2004).

Theoretically, the relationship between China and Africa may seem mutual while in a real sense it is predatory (Ismi & Coalition 2004) with China standing to benefit more than Africa. Concurrently, China is understood to harbour four major interests in Africa (Ismi & Coalition 2004):

Economically - China sees Africa primarily as a source of natural resources and marketing opportunity, which can fuel China's economic growth.

Politically - China wants Africa's support for the 'One China' policy and its foreign policy agendas in multilateral forums (Ismi & Coalition 2004).

Ideology - China has an underlying ideological interest in Africa, the success of the China model in non-democratic African states gives indirect support to China's political ideology that Western styles are not always ideal.

Security - China seeks security for its investments in Africa. By constantly engaging in more economic activities, China's investments are protected from political instability and criminal activities (Also see Sun 2014).

Based on these interests, it seems that Africa is somewhat critical for China's economic success while in reality, Africa accounts for only a small percentage of China's overall foreign economic activities (Sun 2014). From a political perspective, Africa is of small importance to the Chinese foreign policy agenda but plays a large supportive role in China's overall international strategy (Sun 2014). Rather than being seen as a priority, Africa is seen as part of the foundation for China's bigger ambitions (Sun 2014). Other authors have argued that this strategy is no different from that of the colonisers during colonialism. Firstly, they started with harmless little steps, which later turned into atrocities in the larger Africa (Amin 1972; Nkrumah 1965; Walter 1972). Secondly, China is not only interested in natural resources in Africa like other neo-colonisers. It has political, economic, security and ideological interests (Carmody 2011, 2013; Sun 2014). However, although, this research aims to explore and further an understanding of whether Chinese corporations investmetns are more exploitative than they are developmental. It is important to note that China was not one of Africa's colonisers. This research can only indicate whether there is evidence of economic neo-colonialist tendencies. The next section will briefly dicuss China's engagement in Sub-Saharan Africa.

3.7.2 China and Sub-Saharan Africa

In recent years, Chinese corporations have made significant investments in Sub-Saharan Africa motivated in many cases by the need for natural resources to fuel its domestic economic development (Sun 2014) through its state owned corporations, (Alden 2007; Alves 2013; Brautigam 2009; Carmody 2011; Carmody & Taylor 2011; Sautman & Hairong 2008; Segal 1992; Shinn & Eisenman 2012). Moreover, according to Broadman (2013, p. 1):

> *China's investments in Africa have become diversified in recent years. While oil and mining remain an important focus, Chinese foreign direct investment (FDI) has flooded into everything from shoe manufacturing to food processing. Chinese firms have also made major investments in Africa infrastructure, targeting key sectors such as telecommunications, transport, construction, power plants, waste disposal and refurbishment. Given the scale of Africa's infrastructure deficit, these investments represent a vital contribution to the continent's development.*

Through extensive bilateral agreement between China and countries of Sub-Saharan Africa, this relationship can be seen through three main pillars; trade, investments and aid.

Trade: Since 2001, there has been a significant increase in the Chinese trade with sub-Saharan African countries. At the same time, Africa's regional trade arrangements condensed trade barriers, while China reduced its tariffs (Zafar 2007). These developments allowed the Sino-African trade to progressively increase.

Investment: Chinese FDI to Africa represent a small portion of China's total FDI portfolio but Africa is the second largest destination of Chinese investments just behind the Asian region. Moreover, although a large proportion of the Chinese investments have gone to oil-rich countries in Africa, China is also quite active in other sectors such as construction and infrastructure development (Zafar 2007).

Aid and Debt Relief: The third economic link between China and the Sub-Saharan Africa countries consists of official development aid. Due to the Chinese non-interference policy, China's aid is rarely used as a political tool. China pledged to set up a US$ 5 billion China-Africa development fund. Earlier in 2004, China had already cancelled approximately US$ 1.2 billion in debt for 31 African countries (Zafar 2007).

In summary, China's rapid economic growth requires resource consumption and thus, to solve the shortage of certain resources, China has been collaborating on resource development with other countries including countries of Sun-Saharan Africa. In addition, according to Buckley et al. (2007), China's FDI in Sub-Saharan Africa is motivated by market seeking, cost reduction seeking and resource seeking, in line with Dunning's Eclectic paradigm. China also offers aid to Africa and the association between trade, investment and aid is key - Chinese aid to Sub- Saharan Africa is being used principally to facilitate trade and improve access to natural resources (Alves 2013; Zafar 2007). The growing presence of Chinese corporations in Sub-Saharan Africa justifies the significance of investigating their overall impact on both the economies of Sub-Saharan Africa and their peoples. Using the internationalisation – FDI theory will facilitate our understanding of the China-Africa phenomenon.

3.8 Summary

Internationalisation is the process of increasing involvement in the international market, and this is achieved through various ways, one of which is FDI. Since the adoption of 'Go Global' policy, numerous Chinese corporations have indeed gone global and made investments in various regions of the World. One of these regions is Sub-Saharan Africa. Therefore, to facilitate our understanding of China-Africa phenomenon, internationalisation – FDI theory was adopted. At the same time, the neo-colonial theory was adopted to help draw up a conceptual model. Neo-colonialism refers to the practice of using globalisation, capitalism and cultural forces to control another country in lieu of political control or direct military (Kashagama 2010) and it is motivated by the economics of developing countries.

Chapter 4: Research Design

4.1 Introduction

This chapter covers the research design used in this thesis. First, the research questions and the objectives will be outlined. Second, the research approach employed will be illuminated. Third, the use of ethnographic methodology will be presented and justified. Fourth, the data collection method will be explained. Fifth, data analysis will be elucidated. Sixth, validity will be described. Seventh, ethical considerations considered in this research will be outlined. Lastly, research limitations will be illuminated and justified.

4.2 Research Question and Objectives

> ***What is the Impact of Chinese Corporations' Investments in Sub-Saharan Africa?***

Subsidiary research objectives highlighted in section 1.2, chapter 1 will be used to address this question. The next section will detail the research design used to address the subsidiary objectives and ultimately answer the research question.

4.3 Research Approach

The approach adopted by the researcher to explore and investigate the China in Africa phenomenon is anchored in the researcher's world view, which is their ontology - how they comprehend and understand the nature of reality and experience of being and their epistemology – how they comprehend and understand creation, value and prioritisation of society's knowledge (Denzin & Lincoln 2011; Lincoln, Lynham & Guba 2011; Walter 2013).

As to how humans and their society should be studied is a concern. Social researchers hold various view points (Bryman 2012) and, for the most part, only two world views are canvassed and discussed in the literature to illuminate the researchers' differences in approaches and philosophy. These approaches are positivism and constructivism (Lincoln, Lynham & Guba 2011).

In regards to positivism, the viewpoint is that there is a single and identifiable reality that is not dependent on social contexts and that can be measured and studied (Bryman 2012; Lincoln, Lynham & Guba 2011). Moreover, this viewpoint holds that social entities can be comprehended in the traditions of natural science in which social phenomena are anchored on factors beyond the influence and reach of social entities (Bryman 2012). In essence, this means that social phenomena can be investigated independently of the researcher's participation or interactions with objectivity and without any potential for human influence (Bryman 2012; Lincoln, Lynham & Guba 2011). According to Lincoln, Lynham & Guba (2011) the separation between the research and the subject confines the researcher as an objective inquirer seeking to explain social phenomena and extract findings that are seen to be both valid and generalisable (Lincoln, Lynham & Guba 2011). As a result, the positivist viewpoint often works in tandem with quantitative research designs.

On the other hand, constructivist views posit that reality is socially constructed and that there are limitless versions, interpretations and meanings of reality (Lincoln, Lynham & Guba 2011). Hence, constructivists understand and believe that realities need to be interpreted as creations of social actors motivated by pre-existing organisations and cultures that at the same time influence and constrain the social actors who participated in their creation (Bryman 2012; Lincoln, Lynham & Guba 2011). Moreover, a constructivist's features include understanding that the research process is strung together with the social construction of reality and creation and prioritisation of knowledge (Lincoln, Lynham & Guba 2011). This means that researchers are unable to be objective and instead take on subjective positions acknowledging the connection between the researcher and social actors and also understanding that research findings are the creation of the process of interactions between the researcher and social actor (Bryman 2012; Lincoln, Lynham & Guba 2011). Therefore, research generated from a constructivist vantage point typically accepts researcher subjectivity and bias and is often viewed as valuing the search for understanding human behaviour, rather than the explanations of human behaviour sought by positivist research (Bryman 2012; Gratton & Jones 2004; Lincoln, Lynham & Guba 2011). Hence, constructivist interpretivist viewpoints are often associated and operationalised through qualitative research designs.

The researcher's training, experiences and conceptualisation of the research problem were best reflected in a constructivist view point, seeking to understand the social phenomenon of the impact of Chinese corporations' investments seen through the lens of internationalisation – FDI theory, as opposed to seeking to explain and validate a particular model. While strategy and organisational research have traditionally adopted a positivist orientation (Borch & Arthur 1995), internationalisation theory contrasted with Nkrumah (1965)'s neo-colonialism theory provided the momentum for the adoption of a constructivist viewpoint. Moreover, through the researcher's interactions with individuals or participants and with organisations, reality as a social construction can be acknowledged (Benson 1975). Also, research steeped towards investment patterns and their effects on humanity tends to acknowledge the potential for multiple realities and their subjective positions (Amin 1972; Borch & Arthur 1995; Frank & Press 1966; Nkrumah 1965). Furthermore, a constructivist viewpoint helps the researcher to contribute increased contextual insights and knowledge regarding the potentially exploitative nature of China investments on the society is more valuable than a positivist objectivist ontological orientation confined within neo-colonialism would otherwise posit (Borch & Arthur 1995). A constructivist interpretivist approach is useful to development economists, management and academic communities (Borch & Arthur 1995). Also, this viewpoint is consistent with trends in similar studies (Alden 2005; Alden & Alves 2010; Carmody 2011, 2013; Nkrumah 1965; Walter 1972).

The qualitative research design employed was justified and founded on constructivist research (Bryman 2012; Lincoln, Lynham & Guba 2011). This is because qualitative research methods focus on words and meaning rather than quantification and they are characterised by an inductive mode of theory generation, which is commonly adopted by researchers of interpretivist leaning and who comprehend and understand reality to be socially constructed (Bryman 2012). Also, a qualitative research methodology is supported by the tendency of researchers in the following similar fields to use qualitative methods: Underdevelopment and dependence in black Africa: Historical Perspective (Amin 1972); How Europe underdeveloped Africa (Walter 1972); Neo-colonialism – the last stage of imperialism (Nkrumah 1965); The development of underdevelopment (Gunder 1966); the new scramble for Africa(Carmody 2011); old wine in new bottles (Carmody 2013); China in Africa (Alden 2005); dragon's gift (Brautigam 2009); and Sino-African relations and the problem of human rights (Taylor 2008). All of these previous studies have benefitted immensely from in-depth qualitative analysis of concepts in various phenomena and have also strengthened the credibility of their studies by including a combination of document and discourse analysis, interviews and participant observation.

This research drew on multiple methods of semi-structured discursive interview, participant observation, and document and discourse analysis. The decision to adopt and utilise multiple methods is common in qualitative research as a form of both allowing various insights into the phenomenon to be espoused and also to foster triangulation, which is necessary for research validity, credibility and trustworthiness (Creswell & Clark 2007; Stake 2000). Also, triangulation enables finding from one method to be challenged and substantiated by finding from other methods (Teddlie & Tashakkori 2009a; Yin 2003). Employment of multiple methods in the investigation of African social capital contributes to creating a more comprehensive response to both research questions and the subsidiary objectives (Yin 2003).

4.4 Ethnography – Discursive Interviews and Participant Observation

The researcher adopted ethnography with the discursive interview as the main data collection method and participant observation as a supporting methodology. The justification for this choice as discussed in sections 4.5.1 and 4.5.2. This section will, therefore, define ethnography, and then discuss its origin before laying the rationale for its choice.

According to Gobo:

> *Ethnography is a methodology, which privileges (the cognitive mode of) observation as its primary source of information. This purpose is also served, in a secondary and ancillary manner, by other sources of information used by ethnographers in the field: informal conversation, individual or group interviews and documentary materials (diaries, letters, essays, organisational documents, newspaper, photographs and audio-visual aids). However, the over-riding concern is always to observe actions as they are performed in concrete settings* (Gobo 2008, p. 5)

On the other hand, David Silverman contends that:

> *Ethnography puts two different words together: 'ethno' means 'folk' while 'graph' derives from 'writing'. Ethnography refers, then, to social scientific writing about particular folk* (Silverman 2010, p. 434)

From both definitions, ethnography is, therefore, the study of a particular folk through observation as the prominent source of information. This goal can also be served through other sources of information such as informal conversation, individual or group interview and documentary materials.

4.4.1 Investigation Boundaries

The research boundaries include a specific focus on Chinese corporations' investments in Sub-Saharan Africa, particularly in Kenya. Although there is was a temptation to view corporations from other parts of the world, this research considered and restricted its focus to those from China. Secondly, the Chinese corporations occupy the width and breadth of the African continent and, although the long term view of this study is to understand the occupation on such a larger scale, the initial undertaking was restricted to Kenyan players and participants. Thirdly, as the analysis is anchored in the researcher's constructivist epistemological orientation and the researcher will adopt findings from a wide scope, the recommendations are heavily informed by data collected from Kenya and, therefore, be meant for a Kenyan audience. Finally, the research findings and implications will be restricted to Kenya with no bearing whatsoever to the larger African continent.

4.5 Data Collection

To collect data effectively, various methods were used including: discursive interviews, participant observation and taking notes, plus document and discourse analysis. This section details each of these methods

4.5.1 Discursive Interviews

In qualitative research design, and as described by both Legard, Keegan & Ward (2003) and Fontana & Frey (2000) in-depth discursive interviews constitute the most commonly utilised method for data collection. Moreover, the usefulness of interviews is realised in finding out things that cannot be observed (Legard, Keegan & Ward 2003; Patton 2002b) and more often are considered as a type of purposeful conversation (Patton 2002b). As he conceived:

> *The purpose of interview … is to allow us to enter into the other person's perspective. Qualitative interviewing begins with the assumption that the perspective of others is meaningful, knowable and able to be made explicit. We interview to find out what is in and on someone else's mind, to gather their stories*

Also, interviews are employed to capture significant contextual insights, which are often not captured or documented in official records (Fontana & Frey 2000). By seeing through the eyes of others and through continual probing, the researcher can gain access to insights from the participants that otherwise an outside observer would not be able to see (Bryman 2012; Legard, Keegan & Ward 2003).

Sample: In the first instance, purposeful sampling was employed, followed by snowball sampling which meant that key participants recommended other key participants be invited and be part of the data sources (Bryman 2012). Purposeful sampling was necessary to identify key participants who could detail information regarding the research questions (Bryman 2012; Patton 2002b; Teddlie & Tashakkori 2009b). Twenty key participants were identified and approached by the researcher to participate in semi- structured discursive and in-depth interviews and thereafter, through snowballing, 87 more participants obliged the interviewer. A total of 107 participants were interviewed, however, 31 later withdrew their participation, an event that had an impact on the validity of the sample or on the findings, as summarised in table 4

Table 4: Summary of Participants and Withdrawals

Participants	Number Invited	Interviewed	Withdrawals
NGO	3	2	1
Entrepreneurs	19	14	5
Bankers	5	1	4
Construction	1	1	0
Engineers	4	1	3
Govt of Kenya Officials	12	8	4
Lawyers	3	0	3
Journalists	7	3	4
Doctors	4	1	3
Academics	8	6	2
Unemployed Youth	12	10	2
Elders	9	9	0
Conservationists	6	6	0
Professionals	11	11	0
Transport	1	1	0
Import from China	2	2	0
Total	**107**	**76**	**31**

Source: Primary Data – created by Charles Okumu

Process: The interviewing process adopted a semi-structured format combining a question checklist and conversational style. The merit for checklists is such that the researcher is able to focus on topics believed to be important in addressing the research questions. On the other hand, conversational style allows the participant to engage in topics they consider important to them (Bryman 2012; Patton 2002b). Moreover, semi-structured interviews help in identifying and facilitating the exploration of insights that the researcher may not have included in the initial theoretical framework (Patton 2002b; Siggelkow 2007).

Importantly, the checklists were constructed in close consultation with the research objectives but also included questions and prompts related to the participants: profession, where they work and their connection to Chinese corporations' investments in Kenya; level in the organisational structure - if they are employed. The unemployed were asked about their efforts to gain employment in Chinese corporations; living and lived experience in the context of Chinese corporations' investments. Appendix 3 is the interview checklist – including the list of semi-structured questions posed to participants. The interviews were undertaken between February 2014 and March 2014 and, as already detailed in the research limitations, spoken consent was gained from all participants, however, there was non-compliance in the research method in regard to written consent. Interviewees consented to recorded interviews of between 30 minutes and 120 minutes. Permission to proceed without signed written consent forms was given by the chief supervisor Professor Thomas Clarke.

The interviews were conducted at a place convenient to interviewees with most interviews taking place at interviewees' work places or at nearby comfortable and safe cafes. Also some interviews were conducted by telephone while others took the form of group interviews. All interviews lasted between 30 minutes and 120 minutes. Table 5 summarises individual and group interviews

Table 5: Interviews Split: Individual and Group

Main Sector	Number	Individual	Group
NGO	2	2	0
Entrepreneur	14	14	0
Banking	1	1	0
Doctor	1	1	0
Construction	1	1	0
Engineering	1	1	0
Academic	6	6	0
Unemployed Youth	10	4	1 (6part)
Govt of Kenya	8	3	2 (3part & 2part)
Professionals	11	8	1 (3part)
Journalism	3	1	1 (2part)
Elder	9	0	3 (3part each)
Conservationist	6	0	1 (6part)
Import Products from China	2	0	1 (2part)
Transport	1	1	0
Total	76	43	10 (33part)
	Note: part = participants		

Source: Primary Data – created by Charles Okumu

Important to note, is the greater representation of participants from entrepreneurial and professional classes, and unemployed youth. These three sectors had 10 and above participants. The second tier sectors (more interviewees) are those of elders, academics, government of Kenya officials and conservationists, all of which had between six and nine participants. Also, 80 per cent of entrepreneurs' interviews were done via telephone with duration of between 20 minutes and 60 minutes each. This form of interviewing was occasioned for two main reasons. Firstly, the entrepreneurs were busy and, therefore, most of them could afford time only either very early in the morning (between 5am and 7am) or very late at night (between 9pm and 11pm).

Secondly, most of them did feel comfortable with the face-to-face interviewing format and they did not want to be made to sign written consent forms or any documents for that matter. After verbatim transcription of all interviews, all participants were accorded the opportunity to check the transcripts for accuracy and on completion of accuracy checks; transcripts were prepared for data analysis.

Appendix 4 provides a summary of a list of the semi-structured interviews carried out for each participant including their sector and position in their organisation and in which city they are located in Kenya. Also, each participant was given a unique label in the format of the nations and city where the interview was done and a random number. These labels were used to locate and identify data that belonged to respective participants.

4.5.2 Participant Observation

Participant observation provides the researcher with an opportunity to examine participants' way of life, processes and outcomes in their natural settings (Bryman 2012; Snow & Thomas 1994). Moreover, participant observation calls on the researcher to embed and be immersed in a social setting through listening, watching and asking questions (Bryman 2012; DeWalt & DeWalt 2010). Also, it accords the researcher access to realistic occurrences (Snow & Thomas 1994) and, hence, become exposed to tacit knowledge (DeWalt & DeWalt 2010).

Importantly, participant observation helps the researcher develop a detailed understanding of the topic of study (Snow & Thomas 1994). This research utilised participant observation as a complementary method, which not only enhanced the researcher's familiarity and understanding of the research topic but also gave the researcher an opportunity to be embedded with the participants and develop good relationships and, hence, gain the opportunity to reflect on the data collected through other methods (Bryman 2012; DeWalt & DeWalt 2010).

The use of participant observation is consistent with similar studies. Observation was employed in this thesis to develop and furnish intricate knowledge of the impact of Chinese corporations' investments in Kenya and to provide different perspectives from those gained from document and discourse analysis. The interviews thus facilitated substantiating research findings.

Sample: The researcher was able to gain access to various cities in Kenya and this was how the sampling frame was determined, as advised by Bryman (2012). As such, the sampling approach can be described as opportunistic because the researcher had numerous opportunities to observe the participants' way of life in relationship to Chinese corporations. Also, the researcher was able to visit many cities in which the Chinese corporations are located and implementing projects.

To enhance the researcher's familiarity, relevant social settings in the City of Lamu were planned and the researcher was exposed to the way of life of the natives and as Bryman (2012) and (DeWalt & DeWalt 2010) contend, access to relevant social settings is a key challenge in observation research and particularly as the observation has to take place in a closed setting. Observation in Lamu was guided by a tour guide and the construction of the Lamu Port by a Chinese corporation was observed for five days, along with the way of life of local fishers, cultural donkey racing and a Koran recital competition. Participant observation was also carried out in Malindi, where the research guided by a tour guide observed road construction being undertaken by a Chinese corporation for two days. Other road constructions projects were observed in Nairobi, Kisumu, Port Victoria, Mombasa and Nakuru.

In all, 10 days of observation were carried out between February 2014 and March 2014.

Procedure: Participant observation is described by Atkinson & Hammersley (1994) and DeWalt & DeWalt (2010). The researcher was given unfettered access to the relevant groups, however, the researcher was positioned as a member of an ancillary group especially during cultural social settings in Lamu and not as a member of core cultural participants (DeWalt & DeWalt 2010). The cultural elders ran the observer program and support was provided by appointed workers who were knowledgeable in regard to the cultural practices. Also, free access was granted while the local people participated in their usual way of life including fishing, water sports, the official launch of a community borehole and a swimming pool for women, and sightseeing around the island of Lamu. Instead of a special of identification card or lanyard, the researcher had a guide who would identify him and introduce him during all observer programs. Such open and easy identification meant the observation was overt as the researcher and was identified as a special guest (Artkinson & Hammersley 1994).

The key challenge in observation research is access to relevant social settings (Bryman 2012; DeWalt & DeWalt 2010). When the observations have to occur in a closed setting, such as in deliberations among the community, or in prayer shrines such as mosques and special prayer sites in Lamu and Malindi, this is especially the case. In such instances, observation was limited, as the researcher was not given access to join in any formal capacity. This experience confirmed the complementary nature of observation in the research design. As the main interactions with the participants in these particular cities took place through interviews, these then became the main source of data along with document and discourse analysis (Bryman 2012; DeWalt & DeWalt 2010).

Other than fishing and open community activities, other parts of the observer program included planned visits to sites where Chinese corporations were scheduled to construct a new port connecting Kenya with the world. Meetings with locals whose land has been subsumed for the purposes of the port projects and who lived in proximity of the supposed construction area were part of the observer program. This planned observer program ran for four days between 23 February 2014 and 26 February 2014 with all days starting at 9am and finishing at 5pm.

As is typical of participant observation, personal reflection and analytical thoughts were recorded as they arose, mostly during the process of observation (DeWalt & DeWalt 2010). Importantly, the researcher kept two note books and continually wrote entries as soon as possible during and after observation and whenever the researcher saw anything of interest and relevant to the research. Each entry was as detailed as possible including all relevant information of time, date and the participants involved. The notes were kept in their raw format and later typed for inclusion in data mining and analysis. Additionally, the notes were helpful in the crystallisation process and, in some occasions, provided the foundation for theoretical elaboration of the data (Bryman 2012).

4.5.3 Documents and Discourse as Source of Data

Other rich sources of information included documents and discourses (Patton 2002a). Their importance is derived from the fact that documents and discourses are mostly situated within a particular time, hence, enabling acquisition of insights into a phenomenon at a specified time and at a particular point (Patton 2002a; Prior 2003). Unlike other data sources such as participant observation or interviews, documents and discourses are different and written for a particular purpose and therefore, need to be understood within the conditions in which they were published or produced (Bowen 2009; Hodder 2000; Prior 2003). Together with case study forms of research and ethnographic driven exploration – as a source of information triangulation, documents and discourses provide both insights and fresh information that otherwise may not be easily available (Bowen 2009; Patton 2002a)

Sample: Using purposive sampling, numerous documents and discourses containing data and information on China-Africa economic engagement were identified. Further, human development indicators based on the specific understanding of the theoretical relationship with Chinese investments in Africa were also identified:

Documents include:

- The World Bank Report on Kenya
- UNECA report
- The Bank of Africa reports on China Africa relationship
- Human Development indicator report on Kenya

- The Brooklyn Institute reports on China Africa engagement
- McKinsey Institute report on China Africa economic development
- OECD reports on development and Investment Indicators
- SAIIA reports on China Africa Strategies
- Health Poverty Action
- IPPA

Discourses analysed include:

- The FOCAC forum on China Africa economic engagement
- China in Africa forum, with keeps count of every level of China Africa discourse
- GOXI which covers investment levels in Africa
- U.S. Senate's Foreign relations committee which covers China Africa discourse
- Africa Union driven discourses regarding China's interest in Africa
- Ambassador Shin blog covering publications and numerous discourses on China Africa relationship

In summary, and as captured in appendix 5 (table 16), particular and specific documents and discourses were sought to furnish new insights, as well facilitate triangulation, on the China-Africa phenomenon.

Procedure: Several means were deployed in collecting relevant documents and discourses. Firstly, the researcher obtained easily downloaded online and public documents. Secondly, visits to the administrative office in Lamu helped the researcher to access documents on community programs. Both soft and hard copy documents were converted to digital documents in readiness for data analysis.

By contrast, relevant discourses were accessed through membership registration to online China in Africa discussion fora including accessing and following the FOCAC forum. Further, subscription to fora such as the Centre for Chinese Studies in South Africa and more are summarised in appendix 5.

Sadly, although the researcher was able to access documents with data from China's Ministry of Commerce, extra documents with key information and China investments statistics from the Chinese government were not accessed. This was possibly influenced by the limited willingness of the Chinese authorities to publicly or privately make documents available.

4.6 Data Analysis

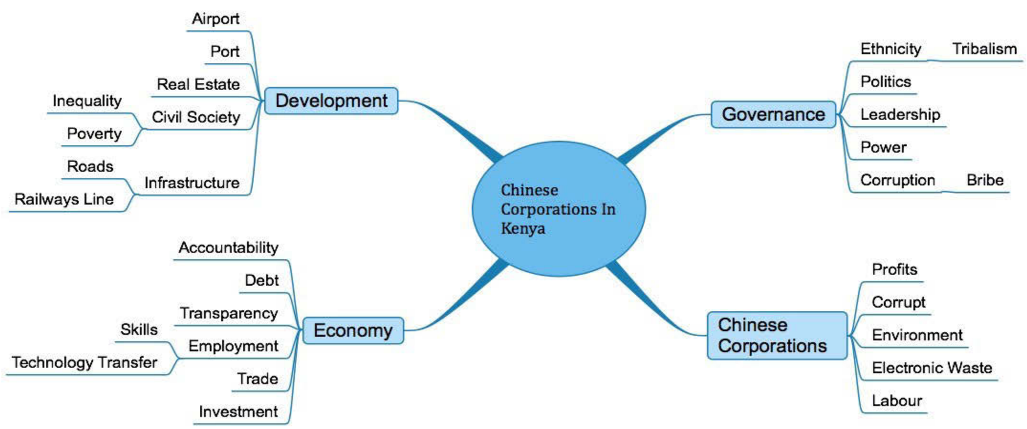
As qualitatively based research, the data analysis adopted constructivist interpretivist epistemology viewed through the lens of neo-colonialism theory, which means that the analysis reflected both inductive and deductive models (Fereday & Muir-Cochrane 2006; Orton 1997). Moreover, Orton (1997) posits that static inductive or deductive approaches to analysis are characterised by the inability to achieve sense making, especially in complex organisational systems and instead, he advises that in complex research settings, researchers should develop better skills at managing interactions between multiple storylines.

In this thesis, the researcher was able to search for themes emerging from data specific to the research questions and subsidiary objectives, hence, employing inductive reasoning. At the same time, this thesis adopted the neo-colonial theoretical framework of concepts to facilitate understanding of the research problem. The issues relating to the reconciliation of the research topic and questions with neo-colonialism theory, which were predominantly developed in light of Western corporations, resulted in the deployment of deductive reasoning. The data analysis consisted of both reflexive and iterative processes that the researcher engaged from the early stages of data collection, which is in line with qualitative research (Bryman 2012; Fereday & Muir-Cochrane 2006; Orton 1997).

Before starting analysis, all data was systematically organised in NVivo software, which is designed to help with organising qualitative data and make it ready for analysis and all data sources were skimmed, without consideration for note making or interpretation, as required for establishing data familiarity (Bazeley 2007). This was followed by the researcher undertaking a thorough and detailed data reading to establish recurring ideas and words, themes and patterns and assign codes to all the data bits (Bazeley 2007). Coding is the process of data fragmentation into relevant themes to reduce it into meaningful and manageable forms. Also, where pertinent themes emerged, NVivo software created free nodes applied to phrases and words (Bazeley 2007; Bryman 2012; Patton 2002a). Importantly, the free nodes accounted for unconnected concepts and acted as data indices (Bazeley 2007). In addition, at this data coding stage, the researcher had to make a decision about the significance of the coded materials to the research questions and subsidiary objectives (Bazeley 2007; Bowen 2009). The results of this decision espoused the need to consider location of meaning in the sense that it can be located *in a single instance, but usually the important meanings will come from reappearance over and over* (Stake 1994, p. 78). Importantly, this initial coding is often referred to as bucket or open coding (Bazeley 2007), which groups large chunks of data for conceptual and comparative analysis purposes.

On successful creation of free nodes, the researcher reviewed all the nodes to establish patterns and possible relationships between the initial concepts (Bazeley 2007; Bowen 2009) and where relationships and patterns emerged, the free nodes were re-grouped together to enable established meaning (Bazeley 2007; Bowen 2009; Bryman 2012). Establishing meaning goes through a process of sorting and connecting nodes *into a branching system of tree nodes that reflects the structure of the data, that is, the kinds of things that are being considered* (Bazeley 2007, p. 100). Moreover, to inform this process, notes were made and kept at every stage of the coding process for the purposes of further recording of reflections and interpretations for further exploration in subsequent stages of analysis (Bazeley 2007). This latter stage, in essence, was the secondary stage also referred to as axial coding, was based on an amalgamation of deductive and inductive reasoning. Nodes were grouped together to illuminate clear meaning (Bryman 2012) and finally, to establish selective codes that reflected overarching ideas, causes, explanations, relationships, or complex ideas evident in the data. The pattern between tree nodes was reviewed to facilitate this conclusion (Bazeley 2007; Bryman 2012). It is important to note the timely involvement of the Principal Supervisor who, at various stages of the coding process, provided the researcher with invaluable feedback on interpretation, coding structure and sense making, all being incorporated at various stages of the data analysis process. Figure 5 summarises the final themes – selected codes and sub-themes – axial codes incorporated in this thesis.

Figure 5: Summary of the Final Themes and Sub-themes



4.7 Trustworthiness

Trustworthiness was developed to ensure the rigorousness of the qualitative research and to help the audience account for the researcher's effect on the research process (Denzin 2009; Guba 1981). Moreover, trustworthiness is not necessarily about which assumptions represent the trust but rather which assumptions provide the best fit for the phenomenon under investigation (Guba 1981).

The main criteria that define trustworthiness of a research design include dependability, credibility, confirmability, and transferability (Guba 1981). Table 6 summarises these criteria and provides details for the implementation strategy for each as adopted in the research.

4.8 Ethical and Political Considerations

The researcher's sensitivity to the rights of others constitutes the overriding principle of ethical consideration in research (Gilbert 2001). In designing and conducting a robust research study, the researcher is called upon to demonstrate thoughtfulness about and better management of the potential effects of their research on the participants (Gilbert 2001). The UTS Human Research Ethics Committee formally approved the research design (approval number: UTS HREC 2013000650).

The researcher had significant ethical considerations summarised into four main areas: privacy; harm to participants; deception and informed consent (Bryman 2012). Table 7 summarises the four ethical considerations, with their explanation and highlights their implementation strategies in the research design.

With regards to the political consideration of this thesis, the fact that some participants were Government of Kenya employees and the neo-colonial infused model conjures political connotations and implications, mitigation (such as deidentification) was taken in the management of the research process. Also, interviewing government officials meant that the researcher had to be conscious that power in research relationships is always not evenly distributed and as such, presents the researcher with various issues to not only navigate but also address in research design and implementation (Burnham et al. 2004). For example: gatekeepers were evident and they were the people the researcher negotiated with to gain access to relevant documentation and participants who worked for respective organisations (Burnham et al. 2004).

Therefore, access to documentation, including the Lamu City planner and the conservationists were managed through strategies such as: purposive and snowball sampling where necessary; persistent and professional conduct (Burnham et al.

2004). Also, control techniques were addressed in the research through triangulation sources and methods (Burnham et al. 2004).

Table 6: Trustworthiness Criteria, Explanation and Implementation

Criteria	Explanation	Implementation in research design
Dependability	Refers to the ability for peers to audit the research to determine the stability, quality and reliability of findings (Bryman 2012; Guba 1981)	Notebook – throughout the research, reflections were noted and kept (Guba 1981). Record Keeping – details on all research stages right from conception to conclusion have been kept (Bryman 2012; Guba 1981). Citing of study cases as evidence to fortify evidence of the phenomenon (Yin 2003)
Credibility	Understanding that there are numerous interpretations of social reality and hence, it is important that findings represent a plausible and believable version of the phenomenon being investigated (Guba 1981)	Code checking – at various stages of data analysis, the thesis supervisor reviewed the coded materials and interpretations (Bryman 2012; Guba 1981) Triangulation – Researcher used multiple methods such as: discursive interviews, participant observation, document and discourse analysis to strengthen credibility (Bryman 2012; Guba 1981) Member checking – All willing interviewees were given the opportunity to check the transcripts to ensure the text reflected the meaning of their statements (Bryman 2012; Guba 1981)
Confirmability	Accepts that while objectivity is often challenged through a qualitative and interpretive approach, the researcher must be able to demonstrate that their bias has not deliberately skewed research and findings (Bryman 2012; Guba 1981)	Use of triangulation, record keeping and ensuring a well kept audit trail, the researcher was ableto ensure confirmability (Guba 1981)
Transferability	Refers to the likelihood of the qualitative research being relevant to the context and being able to draw out generalisable features (Guba 1981)	Thick descriptions enabled decisions about possible transferability of findings to other context (Bryman 2012; Guba 1981)

Source: Various sources - created by Charles Okumu

Table 7: Ethical Considerations, Explanations and Implementation Strategies

Ethics Consideration	Explanation	Implementation Strategy
Privacy	Refers to the importance of respecting the participant's right of privacy, which includes issues relating to protection of identity and personal details (Bryman 2012)	Participants consented verbally to the fact that measures would be taken to provide code names for each, but the researcher also outlined that the nature of the thesis may mean that readers familiar with the context may be able to inadvertently identify participants. Discursive interviews were non-personal, non-intrusive and information sought was not commercial in nature
Harm	This refers to the potential for research to harm participants in various ways, with the most obvious being physical harm. Other forms of harm include harm to development interest or welfare (Bryman 2012). The last two can occur through: one, burden of commitment; two, inconvenience; and three, restriction of ability to participate and share information about the research for reasons such as binding contracts that limit the ability to share information relating to the policy making process and governing institution (Alvesson & Deetz 2000; Clegg, Courpasson & Phillips 2006; Lawrence & Suddaby 2006)	There was no physical harm across all research methods employed. Burden of commitment was managed such that selection process and data collection requirements were designed to fairly distribute data collection burden and set clear objectives for all participants. The researcher travelling to the participants mitigated inconvenience or interviews were done by telephone, with clear objectives being set for participants and communication was clear and friendly. Restriction on participants and information was managed through verbal consent, the interviews were non-personal, non-intrusive and information sought was not commercial in nature. Other than a few, most interviews were conducted away from the interviewees work environment, interviewees were de-identified and were given an opportunity to check the transcript
Deception	Refers to the practice of researchers presenting their research as something other than what it is (Bryman 2012)	No deceit was carried out in the research - at all times, the researcher identified as a PhD student from UTS and all relationships were maintained based on trust
Informed Consent	Refers to the importance of giving participants as much information as possible so that they are able to make an informed decision about their participation in the research (Bryman 2012)	All participants were informed of the research background and objectives, verbal consent was gained before interviews were done and although all participants did not sign the consent form, they all agreed to participate. The Principal Supervisor approved continuation of data collection without signed consent forms

Source: Various sources created by Charles Okumu

4.9 Research Limitations

Limitations inherent in research design call for recognition (Bryman 2012). This is because, as social research, there are imperfect and unpredictable challenges presented by social situations (Bryman 2012; Denzin & Lincoln 2000). Moreover, a qualitative research methodology often engenders criticisms born out of perceived lack of robustness and wide-ranging generalisations. However, as already justified, this research was designed to increase understanding of the China-Africa phenomenon rather than explain or predict the phenomenon as advised by Bryman (2012) and as a result, the research encountered the following limitations.

As a result of denied access, the researcher was not able to collect a set of key information from Chinese players or their employees. The reason for access being denied was a combination of timing of the study and the unconducive local political environment: wrong timing in the sense that key Chinese players were engaged in numerous meetings and an unpleasant political atmosphere because both the public and a portion of politicians were questioning the ethical sanity of a standard railway tender worth billions of dollars awarded to a Chinese player. Hence, research related access was not given.

Extensive fieldwork and data collection meant that the researcher had to travel long distances to meet with participants and as a result, the researcher became ill and treatment and full recovery took one valuable week away from the exercise of data collection. Also, at the same time, valuable data was not collected because some participants withdrew their participation citing unavailability at the revised date.

The desire to interview numerous participants in various cities in Kenya was constrained by inadequate funds. The research sample scope included participants residing in cities such Kisii, Nyeri, Kwale, Kitale and Lodwar in Kenya, however, with a limited budget and unavailability of extra fieldwork sponsorship other key participants were not reached and their experience not accessed. Also, the unpleasant political atmosphere and the resultant discourse motivated all participants interviewed to give spoken consent but categorically refusing to sign any consent paper. Moreover, although the participants were happy to be interviewed and gave express verbal consent on the purposeful use of the data collected, all of them asked to be de-identified, a request the researcher agreed to. In addition, to progress with data collection from participants without signed consent forms, the researcher had to ask for permission from the Principal Supervisor Prof Thomas Clarke who granted this permission.

Lastly, the research deadline was a limiting factor. Based on the potential amount of data that could have been collected, fieldwork would have required at least 12 months. In the future, more time will be required for the anthropological researcher to embed with the community and observe, interview and collect a substantial corpus of data.

4.10 Summary

This chapter has highlighted the researcher's epistemological and ontological orientation. Also, the fact that this is qualitative research adopting an interviewing format has been detailed. Most importantly, data collection and methods of analysis have been discussed and justified. In all, 76 interviews were conducted, and numerous discourses and documents (both political and economic) pertaining to China-Kenya economic engagement were analysed. More than 200 hours of tape recording was successfully completed, and over 45 days of observation and note taking conducted between December 2013 and March 2014. All forms of data were systematically organised using NVivo software. Data analysis consisted mainly of deductive and, where appropriate, inductive models (Fereday & Muir-Cochrane 2006; Orton 1997) while internationalisation and neo-colonialism theories provided the critical framework to facilitate understanding of the research question and subsidiary objectives. The next chapter will briefly explain the research findings.

Chapter 5: Findings

5.1 Introduction

This chapter presents the empirical findings that seek to address the central research question and the respective research objectives. This research question is:

> ***What is the impact of Chinese corporations' investments in Sub-Saharan Africa?***

The respective research objectives are stated in chapter 1 section 1.2. To answer the research question and its respective objectives, the research referred to established literature, which posits clear benefits as a result of internationalisation activities to both the host and home countries. Conversely and without mutual gain to both home and host nations or with benefits skewed against host nations, Nkrumah (1965) contends that exploitation of the host's local resources and capital is perpetuated resulting in neo-colonialism.

However, this chapter will highlight the findings as analysed using Nvivo. As can be witnessed, fig 5 summarises the finding into four broad themes with each theme consisting of various sub-themes. The main themes are: *Chinese corporations in Kenya*, *Governance*, *Economy* and *Development*. The highlight of each major theme includes a brief description of the various respective sub-themes and the number of interviewees per sector that argued for and against the outcome. This chapter is therefore organised as follows: first, the findings under *Chinese corporations in Kenya*; followed by *Governance*, otherwise addressed as *Governance and Ethics*; then, *Development* – addressed as *Responsible Development*; and finally *Economy*, also addressed as *Sustainable Economic Development* close the chapter. The summary of the main themes and sub-themes can be seen in fig 5, chapter 4.

5.2 Chinese Corporations in Kenya

Most interviewees felt that Chinese corporations are interested only in making *'profits'* at Kenyans' expense. Most of them are *'corrupt'* or frequently involved in corrupt dealings; they exercise minimal concern and care for the Kenyan *'environment'*; they are not bothered by *'electronic waste'* caused by cheap electronic products imported from China; and most of them are reluctant to observe local *'labour'* laws. Before detailed discussion of the findings is undertaken – which will be done in chapter 6, table 8 summarises the number of participants per industry and their experiences with the presence of Chinese corporations in Kenya.

Table 8: Chinese Corporations in Kenya

	Values								
Row Labels	Count of Code	Sum of Chinese Corporations	Sum of Profits	Sum of Environment	Sum of Waste	Sum of Labour	Sum of Employment	Sum of Skills	Sum of Technology Transfer
Academic	6	6	6	6	6	6	6	6	6
Banking	1	1	1	1	1	1	1	0	0
Conservationist	6	6	6	6	6	6	0	0	0
Construction	1	1	1	1	1	1	1	1	1
Doctor	1	1	1	1	1	1	1	1	1
Elder	9	9	9	9	9	9	9	9	9
Engineering	1	1	1	1	1	1	1	1	1
Entrepreneur	14	14	14	14	14	14	14	14	14
Govt of Kenya	8	8	8	8	8	8	8	8	8
Import Products from China	2	2	2	2	2	2	2	2	2
Journalism	3	3	3	3	3	3	3	3	3
NGO	2	2	2	2	2	2	2	2	2
Professionals	11	11	11	11	11	11	11	11	11
Transport	1	1	1	1	1	1	1	1	1
Unemployed Youth	10	10	10	10	10	10	10	10	10
Grand Total	76	76	76	76	76	76	70	69	69

Source: Primary Analysed Data – created by Charles Okumu

Other than participants from the banking industry and conservationists - who had nothing to say on whether the Chinese corporations are involved in skill and technology transfer to local Kenyans, all other participants had enough experience to contend that the Chinese investments are meant to benefit the Chinese and not Kenyans. Also, conservationists did not have much to say about the impact of Chinese corporations on employment status in Kenya. The five reasons provided for this finding (profits, corruption, environment, e-waste and labour – including the sub-themes) are explained next.

5.2.1 Profits

As explained above and summarised in table 8, all interviewees contend that Chinese corporations in Kenya are driven solely by profits. The context of this realisation from the participants' perspective is the fact that, Chinese corporations utilise limited local labour, instead employing their own nationals and using their own construction material in most projects they undertake in Kenya. Most of the interviewees view this as a deliberate attempt to deprive locals of opportunities and in turn to accumulate more profits from Kenyan land in the form of promoting employment for their own nationals as opposed to the locals and giving more business to their companies that produce construction materials and as a result depriving local business of such opportunities. Thus profits are gained not by Kenya but by the Chinese corporations residing both in China and in Kenya.

5.2.2 Corruption

As table 8 shows, all interviewees from all sectors contended that most, if not all, Chinese corporations in Kenya are corrupt or are more often than not involved in corruption. This particular finding is supported by the participants' citation of the ways in which Chinese corporations win construction tenders in Kenya. Interviewees suggested that the ensuing controversies surrounding the award of, for example, the standard gauge railway line project connecting Kenya and Uganda, result from lack of transparency in the tendering process and in as much as Kenyans are in charge of the tendering process they are equally complicit. The interviewees were troubled by the fact the Chinese corporations are willing to offer bribes to win tenders. Important to note however, is the participants' clear understanding and knowledge that corruption in tendering processes is not driven exclusively by Chinese corporations. Rather that the Kenyan personnel in charge of the tendering process, receiving instructions from some higher offices (most participants contend these offices to be those of political leaders), do foster and facilitate corruption and illegal practices. Moreover, most participants attributed this practice to institutional failure – especially of the legal system to control, curb, penalise or punish the culprits. Equally, participants attributed the same institutional failure to the environmental menace perpetuated by the Chinese corporations as illustrated next.

5.2.3 Environment

Based on the results summarised in table 8, all interviewees from all sectors contended that the Chinese corporations in Kenya are not good stewards of the Kenyan environment. Citing numerous projects undertaken by the Chinese corporations, such as: Thika road and other road construction in Mombasa, poaching and illegal killing of Kenyan wildlife and unregulated fishing in Kenya lakes and rivers, the interviewees worried about the obvious lack of environmental care. Furthermore, participants contended that the unwillingness of the Chinese corporations to build recycling facilities to take care of the substantial waste as a result of imported Chinese cheap products is another clear indication of their lack of environmental care and concern.

5.2.4 Electronic Waste

Together with cheap and low quality products imported from China, are low quality electronics that have proliferated in Kenya. These products include: mobile phones, computers, laptops, televisions, radios and vehicle batteries. Although most participants believed that consumers benefit as a result of lower prices, these products have limited life. Most consumers are forced to replenish these products often and yet there is no mechanism to address the used and irreparable electronics. Thus electronic waste ends up littering the environment with unknown impact to human life. Its appearance is not pleasant and its impact on the environment is hazardous. As a result, most interviewees felt that the Chinese corporations importing such cheap and low quality electronics without waste management systems in place are using the Kenyan environment as a dumping site. However, participants also said that the importation of cheap Chinese products into the Kenya market is not the sole reserve of Chinese corporations. Indeed, interviewees believe that some uncontrolled and unregulated Kenyan entrepreneurs work with their Chinese counterparts to import and distribute these products and hence contribute to the environmental damage.

5.2.5 Labour

As a result of numerous multi-million dollar projects being undertaken by Chinese corporations in Kenya, labour is a hot topic. Interviewees' associate labour with employment or lack of it, skills and technology transfer. As summarised in table 8, all the participants believe that labour is important and that, in many ways, Chinese corporations should strive to utilise local labour. However, breaking it down to various components. As far as employment (employing the local labour) is concerned, other than the conservationists who did not have any comments, all other participants said that the Chinese corporations should strive to employ local labour in their projects. This step might reduce unemployment, particularly youth unemployment. With regard to skills and technology transfer, other than the conservationists and banking interviewees, all other participants contended that the Chinese corporations are supposed to be mandated to employ locals and in the process transfer both skills and technology. However, like most issues highlighted above, participants too believed that it is not the sole responsibility of the Chinese corporations to employ local Kenyans and to transfer skills and technology. Interviewees insisted that it is the responsibility of the government of Kenya to set up good policies and build institutions that can ensure foreign corporations observe local labour law and, most importantly, enhance employment for locals and, in the process, built local capacity, and transfer knowledge, skills and technology.

In conclusion, in as much as most interviewees shared the belief that it is the government of Kenya's responsibility to create a conducive environment for Chinese corporations to do business and engage local labour, most participants also contended that the Chinese corporations in Kenya are driven by nothing other than profits, willingly engage in corrupt deals, exercise little care for the Kenyan environment, care little about the impacts of electronic waste on human life, and most importantly, are not concerned with engagement of local labour. To contextualise these key concerns, the next section will discuss the influence some of these factors have on the Kenyan economy.

5.3 Governance and Ethics

Governance emerged as a key theme though the interviewees called it 'failed governance'. Also, under the same umbrella, other key themes emerged such as: *ethnicity - tribalism* and *violence, bad leadership*, *abuse of power* by leaders and *corruption*. Importantly, interviewees believed that governance and ethics constitute a significant driver for negative impacts of Chinese investments.

Table 9: Governance Breakdown

	Values						
Row Labels	Count of Code	Sum of Bad Leadership	Sum of Governance Failure	Sum of Corruption	Sum of No Enforceability	Sum of Power Abuse	Sum of Ethnic Division & Violence
Academic	6	5	6	6	6	1	2
Banking	1	0	1	1	1	0	1
Conservationist	6	0	0	0	0	0	0
Construction	1	1	1	1	1	0	0
Doctor	1	1	1	1	1	1	1
Elder	9	9	9	9	9	9	9
Engineering	1	1	1	1	1	0	0
Entrepreneur	14	13	13	14	14	11	14
Govt of Kenya	8	7	8	8	8	6	7
mport Products from Chin	2	2	2	2	2	2	2
Journalism	3	3	3	3	3	3	3
NGO	2	1	2	2	2	0	1
Professionals	11	11	11	11	11	11	11
Transport	1	1	1	1	1	1	1
Unemployed Youth	10	9	10	10	10	9	2
Grand Total	76	64	69	70	70	54	54

Source: Primary Analysed Data – created by Charles Okumu

5.3.1 Failed Governance – Power and Politics

As summarised in table 9, other than the conservationists and one entrepreneur, all other interviewees asserted that Kenya as a nation is experiencing failed governance at all levels. This position is founded on what interviewees contended is a lack of strong governance structure that can contain and inhibit a transparent and one-sided tendering process. By one-sided the participants felt that Chinese corporations win tenders for all major projects without being subjected to any competitive bidding and this displays a flawed process that represents weak governance. Also, interviewees argued that failed governance pertains to the lack of codes of ethics in the Kenyan corporate governance system and in the few instances where codes of ethics exist, the participants contended that strict enforceability is lacking or, at best, weak. Additionally, interviewees suggested that dilapidated and ultimate institutional failure is well orchestrated not by business players or civil society but by the corrosive and vested interests of leaders.

5.3.2 Bad Leadership

From table 9, all but 12 interviewees thought that Kenya as a nation is experiencing bad leadership. The participants directed this concern at the leadership at the executive, judicial and legislative levels but most importantly, at the implementation and enforcement level, especially targeting corruption across all departments, corporate governance and tendering processes. In connection with Chinese corporations, the interviewees felt that Kenyan leaders are absorbed in signing self-serving business and projects deals with the Chinese corporations. The participants' suggested that Kenyan leaders are all selfish and driven by uncontrolled greed.

Moreover, interviewees argued that the same Kenyan leaders, charged with setting up and creating policies and laws that foster transparency and accountability, purposely avoid this duty but rather seek to create avenues for self-enrichment. As alluded to earlier and participants continually averred, *Kenyan Leaders are selfish and mostly driven by greed*. This leads to the role of power and its abuse.

5.3.3 Abuse of Power

Out of a total of 76 interviewees, 54 believed that Kenyan leaders more often than not abuse power bestowed upon them by their office. The participants provided evidence for various factors: first, unpalatable and widespread cronyism witnessed in government ministries; second, the blatant disregard of the law as seen in the everyday behaviour of most elected leaders – many are embroiled in scandals; third, the open admission by the head of state that his office has corrupt individuals and yet no measures have been taken to end this practice; and fourth, the slow moving judicial system - in terms of prosecuting leaders found culpable and involved in numerous unlawful offences. Furthermore, interviewees argued that the impunity observed by Kenyan leaders is a clear form of power abuse. For example: first, participants have witnessed deliberate unlawful grabbing of public land by leaders and yet no prosecutions are brought against them; second, the widely known and media covered kickbacks from various major infrastructure projects obtained by the leaders, again with no adverse consequences; and third, the wilful misappropriation by the leaders, of youth development and primary school education funds – no scrutiny or prosecution was initiated against anyone.

Over 71 per cent of participants were concerned about the failed legal system, cronyism, corruption and impunity enjoyed by their leaders, as the impetus for unbalanced engagement with the Chinese corporations. However, of crucial significance is the expanded impact of cronyism on the integral social fibre that unites a nation. As postulated and witnessed by interviewees, negative ethnicity seems to be irreparably tearing Kenya apart.

5.3.4 Ethnicity – Tribalism and Violence

As summarised in table 9, analogous with 'power abuse' 54 of the participants interviewed contended that Kenya is an ethno estate, divided along tribal lines. Interviewees believed that leadership and power is won along tribal lines and the biggest tribes championed by their tribal leaders merge to win power. Also and as witnessed during the post-election violence in 2007, negative ethnicity is the driving force behind cronyism, abuse of power, bad leadership, failed governance and corruption exhibited by the leaders and to a larger extent their followers.

In the context of Chinese corporations in Kenya, interviewees suggested that, as a result of this division, leaders care more about the immediate benefit they can accumulate from projects awarded to the Chinese corporations. This means that leaders encourage their followers – mainly from their tribes, who occupy offices charged with ensuring due process in tendering and all other financial transactions, to adopt shortcuts aimed at immediate short-term financial benefit. Participants contend that because of this factor, corruption is rife particularly in relation to Chinese corporations engaging in various projects in Kenya.

The serious impact of negative ethnicity in Kenya is captured in the interviewees' narration of the political mechanisation that ensued from post election violence in 2007. The violence claimed the lives of more than 1,000 Kenyans and many more were, and are still, displaced. The two leading instigators from the two major tribes had a case to answer at the International Criminal Court at The Hague – Netherlands. Both of them were accused and charged with crimes against humanity. However, on realisation of how serious these charges were, they banded together and ran for top leadership positions in Kenya and after disputed elections in 2013, the two candidates won the positions of President and Deputy President. The result of this win, as interviewees understood it, was to stonewall the course of justice and, in the process, the affected people are being denied justice. To the interviewees this has been the epitome and a classic case study of the impact of negative ethnicity.

In summary, although one would wonder why the Chinese corporations are keen to engage with Kenya in an environment that is made toxic by negative ethnicity, which exacerbates cronyism, bad leadership and failed governance, maybe the benefits targeted by the Chinese override the negatives. However, the entire governance debate is crippled if the elephant in the room is avoided. This elephant is 'corruption'.

5.3.5 Corruption - Bribery

As summarised in table 9, 70 out of 76 interviewed participants' espoused corruption as being the cancer that eats the Kenyan society. The participants recognised that at the heart of greed, cronyism, bad leadership and failed governance is corruption. They pointed out centres in the Kenyan government that condone corruption: first, the leaders and their cronies – strategically placed in positions to syphon public resources to their individual accounts; second, the enforcement agents, such as police and administrators – who abandon their duties and instead engage in plunder; third, the legal and judiciary system charged with upholding the law and punishing offenders which is instead drowned in the acts of justice for the highest bidder; and lastly the general public – who must offer bribes for any services required. Interviewees therefore contended that corruption drives almost all facets of Kenya as a nation and, as a result, the society is converted into a man-eating and blood-sucking one.

It is no wonder the Chinese find Kenya friendly because, as alluded to earlier and as participants clearly articulated, *'Chinese corporations love corrupt deals and are happy to offer bribes in Kenya to get what they want'*. Interestingly, the participants and majority of Kenyans understood where corruption starts and have a clear antidote for it - they believe that it starts at the top. The leaders driven by greed and self-gratification are interested in personal accumulation to the detriment of the nation. Paradoxically, in as much as the participants concurred that corruption starts with the leaders and that leadership change is the preferred antidote, the same participants and other Kenyans who concur with this opinion continually vote these corrupt leader into office.

However, participants realised that leadership change would require courage and strength in the face of political bribery and vote-buying practices perpetuated by leaders during electioneering. Sadly, the participants recognised that poverty plays a significant role in the lack of courage and strength in advocating for leadership change. This is because most Kenyans are poor and a bribe to sell their vote is welcome – a position exploited by the leaders. The participants argued that leaders know their electorates' poverty status and in campaigning they set out to bribe the voters and lie to them and after being voted in to office, they revert to their corrupt ways. Therefore change can never happen and corruption will continue to proliferate across the entire nation's social and economic fabric. Importantly, for Kenyans to be able to build courage and strength, participants advocate for civic education. They contended that civil society, despite the poverty level, requires education on the importance of electing ethical leaders. Also, that Kenyans should be educated on the importance of not only fighting corruption but also changing self-behaviour as well to reflect a life devoid of corruption. Interviewees argued for the importance of attitude change on the side of the larger society because, as some of them suggested: *we deserve the leaders we have – if we are corruptible then we will get corrupt leader*'. The participants clearly understood that social and behavioural change needs to commence with society at large and not the leaders.

In summary, a critical number of participants concurred that, failed governance in Kenya is a result of various factors, such as: failed institutions that cannot enforce the rule of law and bad leadership steeped in corruption with an insatiable appetite to practice negative ethnicity through deliberate and blatant abuse of power. The net effect of such multi-faceted governance and leadership limitations to the society is the creation of a gap between the people and their leaders, which translates to an acute lack of accountability. This gap, according to the interviewees, is however filled by the Chinese corporations among many other players. Participants further contended that, although relationships between the society and their leaders are strained, the gap occupied by the Chinese corporation could be having an impact on the development of Kenya.

5.4 Responsible Development – Infrastructure

As summarised in table 10, almost 70 interviewees contended that civil education is required to empower the civil society to not only shun corrupt ways but also choose better leaders and hold them to account.

Table 10: Development Breakdown

	Values								
Row Labels	Count of Code	Sum of Civil Society Empowerment	Sum of Development	Sum of Infrastructure	Sum of Aiport	Sum of Port	Sum of Real Estate	Sum of Roads	Sum of Railway line
Academic	6	6	6	6	6	6	6	6	6
Banking	1	1	0	0	1	1	1	1	1
Conservationist	6	0	0	0	6	0	0	0	0
Construction	1	1	1	1	1	1	1	1	1
Doctor	1	1	1	1	1	1	1	1	1
Elder	9	9	9	9	9	0	0	0	0
Engineering	1	1	1	1	1	1	1	1	1
Entrepreneur	14	14	14	14	14	14	14	14	14
Govt of Kenya	8	8	8	8	8	8	8	8	8
Import Products from China	2	2	2	2	2	2	2	2	2
Journalism	3	3	3	3	3	3	3	3	3
NGO	2	2	2	2	2	2	2	2	2
Professionals	11	11	11	11	11	11	11	11	11
Transport	1	1	1	1	1	1	1	1	1
Unemployed Youth	10	10	10	10	10	10	10	10	10
Grand Total	76	70	69	69	76	61	61	61	61

Source: Primary Analysed Data – created by Charles Okumu

Similarly, 69 participants suggested that although the Chinese corporations among many others from other nations occupy the gap between the Kenyan leadership and its society, their undertakings have a mixed impact on development. The positive impacts include: infrastructure construction – roads and railway lines, construction of the new port in Lamu, refurbishment of Jomo Kenyatta airport in Nairobi and development in real estate. On the other hand, the negative impact is realised by the substantial number of people in the society who are affected by increasing inequality and poverty. This section will therefore seek to clarify the interviewees' accounts of both positive and negative impact of development as a result of the presence of Chinese corporations in Kenya.

5.4.1 Airport

As summarised in the table 10, all interviewees concurred that the rehabilitation and refurbishment of the international airport in Nairobi – Kenya by the Chinese corporation is not only good for opening up Kenya for international business but also good for development in Kenya. This acknowledgement by the participants however, disregards the fact that the tender for this work was not awarded transparently and that the Chinese corporation that won the tender is believed to have offered bribes to some leaders to win it. The Kenya International airport now has a capacity of handling annual traffic of 20 million passengers up from only eight million.

This expansion has also meant that Kenya is: first, strategically positioned to attract more multinational business wanting to establish their headquarters in Sub-Saharan Africa; second, the potential for increased importation of products from across the world and exportation from Kenya, which generally, should be good for economic development; third, the potential for increased tourism with the additional foreign exchange that can be realised that is good for economic development; and finally, service industries such as hotels and retail will experience growth which should mean employment creation for the locals. However, although the rehabilitation and reconstruction of this airport did attract employment of some local Kenyans, anecdotal evidence reveals that all the above potential impacts of economic growth are not being realised. Nevertheless, all the interviewees believe that the positives of the airport and its strategic importance of Kenya outweigh the negatives.

In summary, the tendering process for the airport project was not transparent and was instead defined more by bribes and kickbacks to the local leaders from the Chinese corporation that was awarded the contract, and the potential economic development as a result of increased transactions has not yet been realised. The interviewees felt that the project is not only a measure of development but also positions Kenya as a strategic centre for multinational corporations that would like to headquarter their operations in Sub-Saharan Africa. Correspondingly, is the importance of port services to complement other airport facilities.

5.4.2 Ports

As summarised in table 10, 61 interviewees claim that the construction of Lamu port in the coast region of Kenya is not only a good idea but also enhances development in Kenya. However, there 15 interviewees disagreed. To the 61 participants, who acknowledged the importance of a new port which is supposed to open up Kenya and thereby, grant Chinese corporations investing in Kenya easy access to shipping facilities, this represents a new form of development never witnessed post-independence. They contended that, a new port will facilitate easy access to the China market through enhanced exportation of Kenyan products and resources, such as: the newly discovered titanium, niobium and oil. In doing so, these interviewees believe that the Kenyan economy will receive a much needed boost, which, in turn, might spur employment opportunities. Also, regardless of how the tender for the construction of the port was awarded (interviewees knew that the winning Chinese corporation offered bribes to top government officials), these participants were excited at the potential of opening the Northern Corridor of Kenya all the way to Ethiopia (the port construction includes road and railway construction connecting Southern Sudan and Ethiopia). These participants thought that the opening up of rural Kenya in this way is a development venture long overdue.

On the other hand, 15 interviewees, the majority of whom are conservationists and elders from Lamu – the location of the new port, disagreed for various reasons - the elders are aggrieved at the way in which their land (on which the port, road and railway line in being constructed) was taken from them by the government of Kenya. The elders also complained about lack of consultation, care and lack of adequate compensation. The government of Kenya through the Ministry of Lands and Local Government disregarded the plight of the landowners in areas where these multi-million projects are taking effect. The elders are not only aggrieved but also feel disrespected, taken advantage of and abused. Hence they did not support the projects and viewed them as destructive forces, focused not only on interfering but also destroying the local peoples' way of life. Moreover, Lamu people are predominantly fishermen and the elders viewed the construction of the port as a way of castrating their economic power. Supported by the youth and many other local inhabitants of Lamu, the elders are determined to frustrate the construction process – an undertaking that will probably attract a fight with the government that is determined to ensure the project not only takes off but is completed.

Finally there are the conservationists who are located and operate in the area next to the port construction (in Lamu). They also disagree with the majority who view the construction of the new port as development and a potential source of long-term employment for the locals. The conservationists argue that the government has no clear plan on how the environment and aquatic life will be preserved if not well looked after. They worry that the dredging of the new port will destroy the aquatic life and about the lack of a special conservation plan from the government.

In summary, although most voices thought the construction of the new port was a significant development event, a minority, mostly the inhabitants of the area, were not enthusiastic and were unwilling to support the project. Chinese corporations are also involved in real estate business in Kenya..

5.4.3 Real Estate

The real estate proponents also number 61. Equally, there were 15 interviewees who refuted the significance of employing the Chinese in construction of Kenya's real estate.

The interviewees supporting the importance of real estate constructed by Chinese argued that the Chinese are efficient and complete projects on time. Also, they concurred that the end price of Chinese engineered real estate is relatively lower compared to locally constructed real estate. Moreover, the proponents thought that regardless of how the construction tender was awarded (most done through bribery), the Chinese construction corporations got the job done. In many ways they argued that the end justifies the means. On the other hand, the opponents said that the cement and all construction material used come from China depriving the Kenyan producers of construction material of trade and business. They felt that this scenario has the potential of driving local producers out of business and with it locals' jobs are lost. Also, the Chinese carry out construction using their own labour and that too deprives the locals of the chance of employment. The opponents contended that this kind of labour alienation of the locals contributes in some ways to the increasing unemployment of the youth in Kenya.

In conclusion, although the majority supported Chinese engineered real estate in Kenya, a few interviewees still found good reason to be sceptical. A related effect of Chinese corporations' presence in Kenya is road and railway line construction.

5.4.4 Roads and Railway

As summarised in table 10, infrastructure development, especially roads and railway lines, in Kenya has generated both controversy and admiration. This section will endeavour to highlight both positions. Road and railway line construction attracted the approval of 61 interviewees and elicited negative feelings from 15 participants.

Numerous roads are under construction in Kenya especially in the urban centres such as Nairobi, Mombasa and Kisumu. The completed road of particular importance to the interviewees is the Thika road, which was constructed by a Chinese corporation. It is a 50 km road from the centre of Nairobi to a metro town called Thika. This road and many others attracted the admiration of a majority of the interviewees. They said that, apart from opening up Nairobi – which was previously rather congested and defined by traffic snarls and filth from refuse and waste - this also represents the best road architecture ever seen in Kenya. Also, interviewees argued that unlike Kenyan road constructors, the Chinese corporations, regardless of how they won the tender, are flawless and efficient. As participants believe, the, Thika road was constructed without the numerous stoppages that characterise construction undertaken by local constructors.

A Chinese corporation won the tender to construct a railway line from the coast of Kenya to the boarder of Kenya and Uganda – almost 1500 miles. This project too attracted admiration from the majority of the interviewees. They thought that the railway line would not only connect Kenya to Uganda but that it would also facilitate the decongestion of Mombasa port because of the current inadequate and unreliable road transport. Moreover, they contend that increased and quick transportation of goods from the port of Mombasa to the Kenyan market at large will spur economic development. These participants viewed both roads and railway line construction as overdue developments, although some interviewees did not share this view.

The opponents of roads and railway line construction cite similar arguments as already put forward in the opposition to real estate, port construction and airport rehabilitation and refurbishment above. In brief, although the enthusiasts of roads and railway line construction had valid reasons, the opponents too justified their opposition. Impassioned articulation from these participants concerned the lack of civil society empowerment resulting in significant growth of an inequality gap, which in turn leads to poverty.

They reinforced the rather subtle scepticism embodied by the majority – the fact that, rather than view inequality and poverty through the prism of Chinese corporations, it is the sole responsibility of the Kenyan government officials to structure, create and implement laws that can advance employability of local labour. They further argued that, like any corporation from any part of the world, the Chinese corporations are out to make profits and work within the existing legal framework and if that framework is weak and lacks strong enforcement, then it is not the problem of the investors but rather the concern of the local leaders and the society that is responsible for holding their leadership accountable. These few interviewees believe that '*the people deserve the leaders they have*' in the sense that, if the larger Kenyan society did not want the current crop of leadership, they would have voted for a better one.

In summary, although a significant number of interviewees are concerned that Chinese corporations are reluctant to utilise local labour and, therefore, to some extent, encourage the rise of inequality and poverty, the larger concern should be directed at local leadership and their failure to enact and implement laws that can facilitate employment of local labour.

5.5 Sustainable Economic Growth

All interviewees had much to say about the impact Chinese corporations are having on the Kenyan economy. As table 11, column three shows, 65 interviewees said that Chinese corporations' undertakings in Kenya have a net negative impact on the

Kenyan economy. They thought that the Chinese influence had created economic stagnation. Contrary to this claim, almost the same interviewees cited various pockets of the economy that they suggested are experiencing positive influences from the economic engagement between China and Kenya. They highlighted various critical economic factors including trade and investment, debt level, employment – focusing on skills and technology transfer and transparency and accountability.

Table 11: Economic Understanding

	Values									
Row Labels	Count of Code	Sum of Economic Stagnation	Sum of Debt	Sum of Economy	Sum of Debt	Sum of Employment	Sum of Skills	Sum of Technology Transfer	Sum of Investment	Sum of Trade
Academic	6	5	6	6	6	6	6	6	6	6
Banking	1	0	0	0	1	1	0	0	0	0
Conservationist	6	0	0	0	0	0	0	0	0	0
Construction	1	1	1	1	1	1	1	1	1	1
Doctor	1	1	1	1	1	1	1	1	1	1
Elder	9	9	9	9	9	9	9	9	9	9
Engineering	1	1	1	1	1	1	1	1	1	1
Entrepreneur	14	13	13	14	14	14	14	14	14	14
Govt of Kenya	8	6	8	8	8	8	8	8	8	8
Import Products from China	2	2	2	2	2	2	2	2	2	2
Journalism	3	3	3	3	3	3	3	3	3	3
NGO	2	2	2	2	2	2	2	2	2	2
Professionals	11	11	11	11	11	11	11	11	11	11
Transport	1	1	1	1	1	1	1	1	1	1
Unemployed Youth	10	10	10	10	10	10	10	10	10	10
Grand Total	76	65	68	69	70	70	69	69	69	69

Source: Primary Analysed Data – created by Charles Okumu

5.5.1 Trade and Investment

As the last two columns in table 11 show, other than the bankers and conservationists, all other participants suggested the importance of trade and investment as a factor of economic growth in Kenya. They believe that there are recognisable and significant investments by Chinese corporations in Kenya. For example, investments in real estate, technology – TV, radio and mobile phones, and infrastructure. For the first time Kenya has been able to export titanium to China and many other resources, for example: wildlife – albeit illegally; trees; art and craft; and fish. In reverse, the Chinese are also exporting merchandise and technology products to Kenya. These products include cheap mobile phones, cheap clothing, cheap cars, cheap software and hardware. However, the interviewees further contended that, though trade between the two nations seems to be flourishing, the Chinese are viewed as dumping cheap products in the Kenyan market. The impact of this kind of dumping ranges from out competing local companies on price and hence running them out of business, pollution of the environment but also from a positive perspective, offering products that would otherwise be expensive for Kenyan consumers.

Participants' comments on trade and investment are embedded in their perceived views of beneficiaries and losers. They contended that, although visible Chinese investments are observed and the positive effect this has on the Kenyan economy is realised, the economic benefits are restricted to a few elite Kenyans. Only a few well-connected individuals benefit at the expense of the majority of Kenyans. They asserted that these investments are adding to corruption and greed amongst the few elite. They felt that the economic germination being realised is working to benefit not the local majority but mostly the elite few in leadership positions and their Chinese partners. The proliferation of cheap Chinese products (including the participation of some Kenyan businessmen) into the Kenyan market offers affordability to most Kenyans. However, most participants argue that, not only have the cheap products threatened the very existence of Kenya's small to medium enterprises, they have also driven most local hawkers out of business as they are unable to compete with the cheap prices. This in turn, interviewees suggested, has contributed to greater unemployment in

Kenya. In effect, the net losers tend to be the common people because, claim the interviewees, Chinese-driven trade and investment in Kenya boosts an economy that works only for the local elite.

5.5.2 Debt

Based on the summary in table 11, a significant number of interviewees suggest that Kenya's debt as a result of economic engagement with the Chinese partners is unsustainable. Participants give examples of the huge amount of money, close to half Kenya's GDP, that Kenya has borrowed for various projects, all without a well-defined and detailed repayment plan and that this is damaging to Kenya's sovereignty. Participants worry greatly about the long-term effect of such unsustainable debt, particularly from one nation and that it might be economic imperialism. Also, in an effort to relate this fear to the economy, the interviewees recognised that this could be the weed that will ultimately choke the economy and substantially damage the rather minimal benefit currently being realised. Conversely, eight participants contended that, as long as the debt incurred is well utilised, there should be no cause for worry. They argue that, for as long as the government is using the huge Chinese loans to invest in infrastructure such as real estate and expansion and rehabilitation of airports, then regardless of a lack of a repayment plan, the economy will in the long run grow and give returns substantial enough to repay the entire debt. Furthermore, they said that, infrastructure development in Kenya is not only long overdue but also, that is a precursor for healthy economic growth and that the Kenyan government should therefore be encouraged to borrow as much as possible.

In summary, although the debt position elicited impassioned debate from both sides, a significant number (68) of the interviewees argued that the continual rise of Kenyan debt especially mostly with China, is not strategically healthy for the economy and more should be done by the government to prevent Kenya from sliding into becoming China's economic colony. To strengthen the fears of the majority of the interviewees, as opposed to the proponents of debt, the opponents also thought that without transparency and accountability in the economic undertakings between Kenya and China, the much-hyped strategic economic germination and growth is but a distant dream.

5.5.3 Transparency and Accountability

As seen in column two in table 11, 70 participants strongly argued that, Kenya - China economic engagement is fraught and well known for lack of transparency and accountability. They felt that this is not a good recipe for economic health. The participants attributed this to greed and corruption that characterises most elected leaders in Kenya. Most of these same leaders are also charged with the Kenya – China economic relationship and appear motivated by self-accumulation of ill-gotten wealth. The participants demonstrated the lack of transparency by pointing to the project tendering process that ends up awarding almost all major projects to Chinese corporations. The six participants who did not join the majority in condemning the lack of transparency and accountability in the Kenya – China economic relationship, were reluctant to share their experiences on this topic.

5.5.4 Employment – Skills and Technology Transfer

Fertile economic germination and potential growth is viewed through the lenses of the amount of employment created mostly for the local workers. As summarised in column six, seven and eight in table 11, about 70 interviewees thought that major projects undertaken by Chinese corporations should utilise a critical amount of local labour as an important economic growth factor. These participants contended that the Chinese corporations do little to use local labour, instead engaging labour from their home country, China. The interviewees argued that this form of labour utilisation is not helpful to the Kenyan economy and that the aim should be the reverse. This topic was covered under development above but just to reiterate, while the participants understood that job creation is not the sole responsibility of the Chinese corporations investing in Kenya, they should be responsible for skills and technology transfer. These interviewees stated that the lack of clear regulations and policy to drive this is not a responsibility of the Chinese corporations but is a dismal failure of Kenyan leadership.

In summary, the importance of employment, skills and technology transfer as critical spillovers to Kenya – China economic engagement cannot be over-emphasised. The fact that it is not taking place in the current relationship is a serious cause of worry.

5.5.5 Civil Society - Inequality and Poverty

As briefly mentioned earlier and summarised in table 10 (responsible development), a significant number of interviewees (70) argued for the importance of civil society empowerment. They were clear that a lack of empowerment of civil society has been and continues to be a key factor that builds inequality and causes a subsequent rise in poverty. The proponents of civil society empowerment strongly argued that Kenya's larger society needs to be educated on the importance of and shortcomings embedded in the economic alliance between Kenya and China. They suggested that this will not only allow Kenyans to support the alliance but also offer the Chinese corporations social licence which they lack at the moment. Moreover, the interviewees argued that Kenyans should be educated on the impact the numerous projects being undertaken by the Chinese corporations will have on the environment, ecology, human life and most importantly Kenyans social capital. They felt that when this is done, society will not only participate as custodians of the vast investments happening but that they will also be prepared to hold the Chinese corporations accountable for the damages that they may inflict. These interviewees further suggest, that when such education is carried out in a timely manner and local Kenyans across the nation are sensitised, only then can the nation be seen as sharing mutual economic benefit with the Chinese. The interviewees believe that Kenyans have not been consulted about everything regarding Chinese – Kenya economic engagement and all they have seen is, Chinese players ploughing their land, poaching their wild animals, fishing in their ocean and lakes and undertaking numerous large scale construction projects.

However, these participants also believed that it is the sole responsibility of the government of Kenya to inform and educate ordinary Kenyans about all these undertakings. The fact that the government has not seen the importance of doing so to-date, is interpreted by the participants to mean that the government is involved in opaque dealing and most often than not, corruption is at the centre of it. These same interviewees underscored the need for the government of Kenya to build increased and better structures to enhance civic education and, in the process, not only empower the majority of Kenyans but also invite them to participate in the ongoing economic development. This could be through, for example: direct employment to the Chinese corporations, indirect employment into the supply chain that delivers the materials and services required in the construction process and together with the Chinese corporations relevant development and implementation and viable corporate social responsibility (CSR) programs that can enhance the living standard of the locals. At the moment, most participants believe that few Chinese corporations are involved in any significant CSR. Although they felt that it is not the sole responsibility of the Chinese corporations to create employment for locals and that it is the responsibility of the government of Kenya, the Chinese corporations are making it worse. This is seen through their deliberate unwillingness to utilise local labour. Furthermore, although inequality, poverty and labour alienation is not a concern of the Chinese corporations, the participants argued that, if local labour could be invited and hired, inequality and poverty would in a rather minor way, begin to come down. The participants were careful not to claim that it is solely the Chinese corporations creating more inequality and poverty, rather it is the government of Kenya through corruption, greed and self-centred forms of leadership that is more responsible. However, they maintain that the Chinese corporations are not making the situation any better.

5.7 Conclusion

As summarised in table 12 (summary of interviewees per sector and city) while participants in defence of Chinese corporation investing in Kenya existed, the overwhelming majority of interviewees were cautious

Table 12: Summary of Interviewees Per Sector

Interviewees	Chinese Corp in Kenya					Governance					Development					Economy				
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Academic	√	√	√	√	√	√	√x	√x	√x	√	√	√	√	√	√	√	√	√	√	√
Banking	√	√	√	√	X	√	X	X	√	√	√	√	√	X	√	X	X	√	√x	X
Conservationist	√	√	√	√	X	X	X	X	X	X	√	X	X	X	X	X	X	X	X	X
Construction	√	√	√	√	√	√	√	X	X	√	√	√	√	√	√	√	√	√	√	√
Doctor	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Elder	√	√	√	√	√	√	√	√	√	√	√	X	X	√	√	√	√	√	√	√
Engineering	√	√	√	√	√	√	√	X	X	√	√	√	√	√	√	√	√	√	√	√
Entrepreneur	√	√	√	√	√	√x	√x	√x	√	√	√	√	√	√	√	√	√	√	√	√x
Govt of Kenya	√	√	√	√	√	√	√x	√x	√x	√	√	√	√	√	√	√	√	√	√	√
Import Products from China	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Journalism	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
NGO	√	√	√	√	√	√	√	X	√x	√	√	√	√	√	√	√	√	√	√	√
Professionals	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Transport	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Unemployed Youth	√	√	√	√	√	√	√	√x	√x	√	√	√	√	√	√	√	√	√	√	√
Total Interviewees	76	70	76	76	70	69	64	54	54	70	76	61	61	69	70	69	68	70	70	65

Key:

- ***Chinese Corp In Kenya*** – 1= Profits; 2= Corruption; 3= Environment; 4= Electronic waste; 5= Labour
- ***Governance*** – 1= Failed governance; 2= Bad leadership; 3= Power abuse; 4= Ethnicity; 5=Corruption
- ***Development*** – 1= Airport; 2= Ports; 3= Real estate; 4= Infrastructure; 5= Civil society
- ***Economy*** – 1= Trade & Investment; 2= Debt; 3= Employment (skills & tech transfer); 4= Transparency and Accountability; 5= Economic stagnation
- √= *Agree*; X= Disagree; √x= Most Agree/Some disagree

Source: Primary Analysed Data – created by Charles Okumu

This caution was viewed through the four main themes: *Chinese corporations in Kenya* – profits, corruption, environment, waste and labour; *governance* – failed governance, bad leadership, power abuse, ethnicity and corruption; *development* – airport, ports, real estate, infrastructure and civil society; and *economy* – trade and investment, debt, employment and economic stagnation. With reference to the Chinese corporations in Kenya, the majority contended that they are motivated solely by profits and they are ready to indulge in corrupt deals if that will help them achieve their goal.

Also, the participants believed that the Chinese are not good environmental stewards as witnessed through the littered streets with cheap Chinese electronic waste. All this is done in an environment where, despite the fact that the Chinese corporations are engaged in numerous projects, they are not keen to utilise local labour. However, focusing on governance, the participants were also clear that Kenya is experiencing failed governance, bad leadership, abuse of power and negative ethnicity all of which supports cronyism, violence and breeds corruption. The interviewees believed that, the Chinese are taking advantage of Kenya's failed governance to show little regard for Kenyan labour and environment. Most interviewees, however felt that the rehabilitation and refurbishment of the Kenyan airport, the current project to construct a new port in Lamu, real estate proliferation driven and constructed by the Chinese and larger infrastructure such as roads that have changed the look of major urban centres in Kenya, are a sign of overdue development. The only drawback is that, although so much development is underway, the larger civil society is missing out and the benefits seem to be concentrated in the hand of a few Kenyan elites. Lastly, although most interviewees believed that significant development and increased trade and investment helped the economy to grow; the cost at which this is taking place is of concern. Kenya is piling up debt specifically from China without a clear repayment plan and that might strategically compromise its sovereignty. The next chapter will discuss and contextualise the key finding briefly mentioned above.

Chapter 6: Discussion

6.1 Introduction

The findings as explained in chapter 5 are categorised in to four main themes: Impact of Chinese corporations' investments in Kenya; governance and ethics; responsible development and sustainable economic growth. This chapter will discuss these findings in detail as follows: first, based mostly on direct quotes from the interviewees, the impact of Chinese corporations' investments in Kenya will be contextualised together with sustainable economic growth and responsible development; second, to counter the views of interviewees, positive outcomes as a result of Chinese corporations' investments in Kenya will highlighted; and third, this chapter will discuss governance and ethics and why Kenyans should discover their agency instead of continually playing victim. Also, this chapter will revisit the research question together with the objectives and determine whether the thesis has addressed both adequately. Then, the chapter will revisit the conceptual framework and determine if it is appropriate for the research. This chapter will close by briefly highlighting other models relevant to this thesis that can be employed for clarification and for further research avenues.

6.2 Chinese Corporations in Kenya

The China – Africa relationship has continually undergone scrutiny with some scholars contending that it is lopsided and in favour of the more economically and politically powerful China (Foster 2009; Foster et al. 2008; Kamoche 2011). At the same time, this relationship has not been without controversy. Some authors argue that China is undermining Africa's growth (Carmody 2011, 2013; Kaplinsky & Morris

2009b; Konings 2007; Zafar 2007). There is a plethora of studies criticising China – Africa economic engagement, for example:

One, China through state-owned enterprises is engaged in resource extraction in return for infrastructure development. In the Democratic Republic of Congo, China has signed deals in which around US$ 8 billion of transport infrastructure will be built in return for extraction rights (Collier 2008). Of concern is whether these transactions are commensurate with the amount of resources China takes away.

Two, Chinese state-owned enterprises tend to rely on their own low-cost labour and do not invest heavily in training and education of African workers. Also, the locations of Chinese FDI in Sub- Saharan Africa are in resource rich nations. China imports mineral fuels and metals from Sub-Saharan Africa and exports cheap consumer and capital goods with little trade in intermediate goods (Zafar 2007).

Three, the impact of Chinese competition on African enterprise and export is troubling. For example, in Nigeria, imported textiles from China have forced local factories to close. Unemployment is a result of Chinese demand to employ their own nationals in the projects they run is a source of concern (Adisu, Sharkey & Okoroafo 2010).

Four, both China and Nigeria are corrupt but there is a significant amount of foreign direct investment in Nigeria from China. China does not seem to care much about the level of corruption in host countries of Sub-Saharan Africa (Cuerro-Cazurra 2006).

Five, China's FDI in Sub-Saharan Africa is motivated by market seeking, cost reduction seeking and resource seeking (Buckley et al. 2007). However, the Chinese are not keen to invest in value-addition infrastructure nor are they willing to transfer technology (Zafar 2007).

Six, the Chinese through their state-owned corporations extract raw materials from Africa for their domestic use in exchange for low quality products, hence using Africa as a destination for law quality products, which tend to be unfriendly to the environment and thereby being viewed as neo-economic colonialist (Biti 2013; Sanusi 2013). Finally, Chinese aid to Sub- Saharan Africa and particularly to Kenya is being used principally to facilitate their trade and improve access to natural resources (Zafar 2007).

As far as Chinese corporations' investments in Kenya are concerned, as summarised in table 10, other than the conservationists who had no comment regarding corruption, lack of employment, and skills and technology transfer by the Chinese corporations' investments in Kenya, the only other sector that argued that Chinese corporations impact skills and transfer technology is banking. Otherwise, all other interviewees from all the other sectors concurred with the above criticisms levelled at the Chinese and their corporations, for example:

One, in line with claims made by Zafar (2007), Kenyans contend that the Chinese corporations are mostly interested in nothing other than making large amounts of profits and moving the same to their home country. Interviewees capture this thus:

Ke-K1 (Professional):

> *…The objective is how do they maximise on the profits; how do they make sure they sell as much products they produce as possible and how can they grow their economy at a higher rate…*

Ke-J4a (Government Official):

> *…Like any other organisation, the key drive is to make profit…*

Ke-J4b (Government Official):

> *…The idea is to maximise their profits…*

Two, in line with the position advocated by Cuerro-Cazurra (2006), Kenyans contended that the Chinese corporations are corrupt and are frequently involved in bribery and corrupt dealings. These deals range from winning tenders for constructions to obtaining licences for the business operations. The interviewees captured this as follows:

Ke-J1 (Government Official):

> *…The Chinese corporations win tenders because of corruption…*

Ke-H4 (Unemployed Youth):

> *…Because most Kenyans working in this areas are not well-remunerated, when a Chinese corporations comes and tells him or her that take this kickback and allow Chinese corporations to come in and work, of course the Kenyan will comply and that is the corruption…*

Ke-H1 (Unemployed youth):

> *…Corruption is bad and if a company that is corrupt is awarded a contract through corrupt means, that is wrong and it now becomes about morality, about good and bad. Am not against a project like the standard gauge railway line, this is a very noble project. What*

> *we need is due diligence and what I appreciate is that we as a country have really improved…*

Three, in line with the claims made by Sanusi (2013) and Biti (2013), interviewed Kenyans believed that the Chinese corporations' investments in Kenya exercise little care of the Kenyan environment. Instead, through dumping electronic waste, they utilise the local environment as their dumping sites. This is captured as follows:

Ke-K8 (Professional):

> *…Another very serious issue is the environment, the Chinese don't care… The Chinese have absolutely no standards and that becomes a big issue for the environment…*

Ke-B12 (Entrepreneur):

> *…In regards to how they are handling our environment and the people in it I think that the Chinese don't respect Kenya at all and so they do not care about the water, they do not care about the environment and so that is our reality…*

Ke-J1 (Government Official):

> *…The Chinese are not caring for the environment. They are not putting any mechanism in place to clear the e-waste and they are doing nothing about it… Totally nothing…*

Finally, as argued by Zafar (2007), Kenyans also contended that the Chinese corporations do not abide by the Kenya labour laws. The few locals, who obtain low skilled work with the Chinese corporations, are subjected to unfriendly working conditions with insignificant salaries. This is how some interviewees spoke about it:

Ke-H4 (Unemployed Youth):

> *…The Chinese corporation are hiring Kenyans but on the minimal wage. This is especially for unskilled labour. The Chinese are only employing Kenyans who are unskilled Kenyans and paying them peanuts. On the skilled labour side, the Chinese corporations come with their own people. So they pretend to be building with us and yet they are building themselves…*

Ke-K1 (Professional):

> *…Yes true they do come in with their labour and there is a lot of complexity in that because looking at it, China does not come with non-specialised labour, they come in with specialised labour… the Chinese they are not governed by the local labour laws in Kenya…*

Ke-G3 (Academic):

> *…Thika superhighway only had one local engineer but the majority of the locals employed were manual and casual labourers paid at the Kenyan rate of 300 per day, which comes to Ksh 9,000 and in terms of dollars it is 120 dollars per month. This cannot improve anyone living…*

In conclusion, although there were a few interviewees who either had no comments on the influence of Chinese corporations' investments in Kenya or did not find any fault in the China-Kenya economic relationship, most interviewees believed that the Chinese corporations' investments in Kenya are defined by corruption, lack of care for the Kenyan environment, disrespect for Kenyan labour laws and that all they are interested in is making profits at all costs. The next section will discuss sustainable economic growth as one of the key findings.

6.3 Sustainable Economic Growth

As summarised in table 11, only the conservationists had no comment on whether the Chinese corporations uphold transparency and accountability, no comments on whether the Kenyan economy is stagnating, no comment on Kenya's rising debt, unemployment, skills and technology transfer and whether the increasing trade and investment between China and Kenya is favourable to Kenyans. Also, the banker and one entrepreneur felt that the Kenyan economy is not stagnating and that the rising debt does not pose any problem to the Kenyan economy. Moreover, the banker also contended that the Chinese corporations transfer skills and technology and that the growing trade and investments between China and Kenya actually favour Kenyans. Other than those particular interviewees, the other 69 said that: the Chinese corporations' investments in Kenya were not transparent and accountable; the Kenyan economy is in stagnation as a result of Chinese investments; the Kenyan debt – (mainly owed to the Chinese) is unsustainable; the Chinese corporations employ few local Kenyans and therefore transfer no skills and technology; and that the rising trade and investments between Kenya and China mostly favour the Chinese – hence both the Kenyan economy growth and China-Kenya relationship are not sustainable. This position is direct opposite to what the participants aver under responsible development. Nevertheless, this section will detail the reason supporting participants' contention that China-Kenya economic relationship is not sustainable.

6.3.1 Transparency and Accountability

A recent *Corruption Perception Index* from Transparency International rated China at position 80 out of 177 nations, with a score of 40 (Transparency International 2013). At the same time, Sub- Saharan Africa had the lowest regional ranking and a score of less than 40, (Transparency International 2013).

Fig 5 shows Kenya ranks as one of the most corrupt nations in Sub-Saharan Africa, while at the same time, Collier (2011) contends that corporations take advantage of weak and corrupt governments to exploit the nation's resources (See also Collier in Collier 2007; Gregg 2010). Most interviewees said that the Chinese corporations are not transparent and they are willing to corrupt the systems in Kenya to get ahead of other developed nations. This is what a few interviewees had to say:

Ke-J4c (Government Official) referring to Chinese corporations winning tenders:

> *…I think transparency is the key to all this. There was no transparency in this deal and that is why people are making noise. If the tendering was transparent enough I don't think anybody would complain…*

Ke-B2 (Entrepreneur) – referring to contracts won by Chinese corporations in Kenya:

> *…Contract is shrouded in controversy and lack of transparency and questions all over, then it raises issues of whether it is compliant with the legal and regulatory requirements…*

Ke-B11 (Entrepreneur):

> *…Because right now the Chinese government is in bed with the Kenyan one and things are not done transparently…*

These assertions suggest lack of transparency and accountability on both sides of the China-Kenya economic relationship and hence, raise questions as to the sustainability of the relationship.

6.3.2 Economic Stagnation

The Chief Justice of Kenya, Dr Mutunga in a recent interview with the Dutch newspaper, NRC Handelsblad, captures the position of Kenya's economic situation (Lindijer 2016). Most Kenyans share his experience. He claims that corruption stretches from the very bottom to the very top of society and that larger cartels, he explains, make money through trafficking illegal migrants, and counterfeit money, weapons, drugs and consumer goods. He further says that the cartels' influence is overwhelming because they are in business with political elites. He contends that if

Kenyans fail to rise up and fight the cartels then the cartels will enslave Kenyans. He cautions that anyone willing to take on these cartels must be prepared to be killed or be exiled (Lindijer 2016). He echoes sentiments listed by Collier (In Gregg 2011) that weak state structures in African countries create space for criminal networks to operate, especially when these groups operate along ethnic loyalties and hence, these cartels collaborate with politicians and military leaders, gaining huge influence and sometimes overshadowing the government itself. On a global arena and according to the World Economic Forum, this form of illicit economy, which includes counterfeit money worth close to US$3.6 trillions (Lindijer 2016). In Kenya, according to the Kenya Association of Manufacturers, this counterfeit economy is worth US$1.2 billion per year. The Dr Mutunga discussed the US$3.8 billion standard gauge railway line construction contract the government of Kenya signed with a Chinese state-owned corporation in which the bid was limited to this single Chinese corporation. He further argues that Kenya should have divided the contract up and offered it to different corporations and in that way Kenyan interest would have been paramount. He explain why the bidding process might have been kept so restricted:

> *The deal we have is based on commission. Guys (political elites) are saying: we just had expensive elections where we spent 10 billion Kenya Shillings (US$100m). We have to get it from somewhere. Or we have to think about the election in 2017 and we need a war chest. So you have all that stealing. We have become a bandit economy. Africa after 50 years of independence, after looting of resources, has become stuck. Inequality is also stuck*

Mutunga continues that the Kenyan economy is a bandit economy and fears that these shadow networks might take over power as in some other African nations. For example: In Mali, the government lost control; Boko Haram in Nigeria and al-Shabaab in Somalia have taken over large portions of the state. There, the state lost its legitimacy; and Kenya almost reached this point with Mungiki [a violent Kikuyu secret society]. They started policing slum areas and bus routes, taxing people in return for security. They were allowed to do that by the state, particularly the Kikuyu elite. When there was fallout, the state assassinated them. Mutunga concludes by averring that the connection between cartels and politicians must be broken (Lindijer 2016).

Various interviewees share these sentiments:

Ke-B2 (Entrepreneur):

> *…In my experience, I see this as an open cheque to the Chinese corporations and the Chinese economy as a whole. Africa being the next and the last frontier of development, it is the biggest opportunity China has in their hand…*

Ke-J1 (Government Official):

> *…Very top government of Kenya officials, they are the ones who are causing all this. They are very corrupt fellows…*

However, some interviewees contend that Chinese corporations' presence and investments are facilitating the growth of Kenyan economy.

Ke-H4 (Unemployed Youth):

> *…China is helping Kenya build our economy through construction of roads while the Chinese themselves also need the oil and other resources…*

Ke-K1 (Professional):

> *…It is about the growth of Kenyan economy and the Chinese benefiting. The Chinese saw an opportunity that roads were a big problem in Kenya and they can tap that potential, make roads and get the money…*

Ke-G3 (Academic):

...Capital inflow is big in the Kenyan economy now. You have heard about the Thika super highway has so far been the largest project and this brought in a substantial amount of capital. But generally these many projects are injecting into Kenyan economy much-needed capital...

In summary, although Dr Mutunga captures the experiences of the majority of Kenyans regarding the state of Kenyan economy – most think it's a bandit and stagnated economy, some Kenyans contend that the presence of Chinese corporations' investments are adding overdue impetus to the economy.

6.3.3 Rising Debt

The Kenyan government went on a borrowing spree, the latest of which is the loan of US$425 million (from China) that pushed Kenya's total debt level past Ksh2 trillions, with analysts warning of challenges in servicing the debt (Masinde 2013). The total public debt, which stood at US$190 billion in May 2013, soared to Ksh2.3 trillions by the end of 2013, the highest in Kenya's history (Masinde 2013). This pushed the foreign debt past the US$100 billion mark and made China the top bilateral and single largest lender to Kenya, displacing Japan (Masinde 2013). However, according to The World Bank the pace at which Kenya is accumulating the debt especially from China is worrying (quoted in Michira 2016).

Although most of this debt was incurred in long overdue infrastructure development, most interviewees were concerned that the amount is not sustainable and that the government of Kenya might be mortgaging the country's future.

Ke-B2 (Entrepreneur):

...The debt burden has been up but now it has gone even higher... So there is cause for worry and what this means is that, approximately

1.1 or 1.2 million new babies being born every year in Kenya with a heavy debt burden on their shoulders each and every day. Because each contract we are signing is another debt to the country. Unless we think of ways to industrialise quickly, the debt burden might actually choke the nation in terms of development. We may not be able to do any meaningful development other than just pay salaries and repay debt…

Ke-G4 (Academic):

…We have foreigners coming in and giving you loans, which you can hardly ever pay, and so we are debt-ridden and now we cannot do anything without the west and now China…

Ke-L1 (Journalist):

…My kids and my grand kids will have to pay for it. Because if you look at our domestic debt, which is about a trillion if I am not wrong and if you look at the foreign debt should be about one point something trillions. This is not a small figure for a third world country and for all this debt there is nothing to show for it…

Ke-P (Transport):

…Yes it worries me a lot because a debt is always a debt and a debt has never been good and with a debt it doesn't matter - you have to pay, it doesn't matter how long it takes but you have to pay or it will take 100 years but a debt you have to pay. And every debt normally comes with interest and so it is quit worrying that every year we are borrowing almost half of our national budget and that is very worrying because it is like we are living beyond our means and this will affect us in the future because we are not able to grow at the same rate as our debt is growing. The rate of our economic growth is slower than the rate of debt growth and so at some point we will be in trouble…

These concerns are real in the lives of most Kenyans. However, as long as the debt is utilised and absorbed into economic growth, then some Kenyans would support it.

Ke-J5b (Government Official):

…My take on it is incurring debts, if the money is used prudently and there is value for money, I think that everybody has debts even the United States government has debts. In future, once things start to move faster, for example goods from Mombasa to Malaba can move

> *quicker instead of taking four days. I think it will translate in things being cheaper. So we should not look at the bigger picture of incurring debts so longer as that debt has been used prudently. I think we will reap the benefit later on…*

In summary, although most interviewees are concerned at the level of debt Kenya is incurring particularly from China, some Kenyans contend that as long the debt is used to benefit the economy and not squandered through corruption, then more debt should be encouraged.

6.3.4 Employment – Skills and Technology Transfer

A recent study by Sautman & Yan (2015) - summarised in table 2 - shows the employment of African workers by the Chinese. However, due to the lack of cultural exposure, immigrant traders from China tend to isolate themselves from the communities in which they live, fuelling negative aspects of their employment practice (McNamee et al. 2012). In Kenya, Sautman & Yan (2015)'s study found that: out of 75 Chinese corporations surveyed, employment of the local Kenyans was at 78 per cent.

However, unemployment in Kenya, especially youth unemployment has been rising according to The World Bank Data (appendices 1 and 2). In the light of numerous multi-billion projects being undertaken by the Chinese corporations, it could be assumed that a critical part of the labour requirements would consist of employment for these Kenyans. But that is not the case in Kenya as Chinese corporations come with their own labour both skilled and unskilled. Although most Kenyans believed that the projects being carried out by the Chinese tend to be completed on time, they also believed that involvement of local labour should be paramount.

Ke-J4b (Government Official):

> *As much as they can the Chinese should employ the locals from the beginning and train some people locally so that by the time they are leaving, the people here have gotten a grasp of what needs to be done and that way we don't have to keep relying on the Chinese. We should be able to self-sustain.*

Ke-B13 (Entrepreneur):

> *Unemployment is way beyond the Chinese entry into this country. This is a stigma in the minds of Kenyans and it will not start and end with the donations that we get or by the corporations that come in and do work. The moment we start looking at ourselves and say we are the drivers of this economy and let's look at what I can do to employ two or three people. If we entrepreneurs hire two to three people and our efforts are supported in doing this, then more ground would be covered than waiting for that big corporation to come and employ all of us at once or that monster that is coming to increase poverty. So pointing fingers should be at us – what am I doing to help reduce poverty - should be the best question to ask…*

Ke-G3 (Academic):

> *So I believe that some of the limitation of Chinese corporations is coming with their own skilled workers and only employing casual unskilled Kenyans who at the end of the day earn very little money, so poverty will still increase. Also the work they do is highly technical and Kenyans end up only being manual labourers because the jobs are more mechanised and the more mechanised the job the lesser they employ the locals…*

This concern by Kenyans is consistent with what literature espouses, that internationalisation of firms should, among many other factors, take advantage of the cheap cost of labour in the host country (Buckley & Casson 1985; Buckley et al. 2007). However, based on current experiences in Kenya, inclusion in Chinese corporations undertaking significant projects is at best limited. To make matters worse, the Chinese corporations import construction materials from China and use them to build infrastructure (Doya 2015). As shown in 6.3, there is no evidence from the data that supports Sautman & Yan (2015)'s claim that Chinese corporations in Kenya use over 70 per cent of local labour (table 2). This limited employment is feared to be driving Kenyan local industries out of business and creating anxiety. Although most of the interviewees believed that it is the government of Kenya's responsibility to create jobs for Kenyans rather than Chinese corporations, it would be of great benefit if the Chinese corporations would strive to utilise local content.

In summary, Sautman & Yan (2015)'s study was not confirmed by the experiences from Kenyans interviewed. Skill and technology transfer by the Chinese corporations' investments in Kenya will remain contentious and one of the main reasons Kenyans continue to argue that, the China-Kenya economic relationship is not sustainable.

6.3.5 Trade and Investment

Various authors have argued that the increasing trade and investment between China and Africa has tended to favour the Chinese players (Alden 2005; Carmody 2011, 2013; Carmody & Taylor 2011; Zafar 2007). Other authors have termed this skewed trade and investment engagement as Chinese actors exercising economic neo-colonialism (Carmody 2013; Sanusi 2013). However, as captured in chapter 2 fig 1, other studies contend that China continues to have a positive impact on overall African economic outlook, which is witnessing an upward trend (AFDB et al. 2012). This growth is attributed to China's uptake of African natural resources (Solomon in MiningWeekly 2013). Based on the *African Economic Outlook 2012* (AFDB et al. 2012), Africa's economy is projected to grow at an average rate of 5.4 per cent per year especially in the Sub-Saharan region (AFDB et al. 2012).

As briefly highlighted in chapter 2 (2.9) and summarised in fig 2, China is Kenya's largest trading partner with exports to Kenya rising to US$919 million in 2015, a 30 per cent growth from the previous year (Gatebi 2015). As recently as 2014, Chinese investments' flow and Chinese investments' stock in Kenya were both high in dollar terms and have been growing continually since 2005 (MOFCOM 2014).

However, most interviewees thought that, not only is the trade skewed in favour of the Chinese actors, the investments too are structured such that the Chinese corporations benefit more. For example:

Ke-S1 (Import Products from China):

> *…I think the government of Kenya has given them carte blanche to trade… Been given free entry to do whatever they want. But I think the government of Kenya should also protect its people. As you can see we went to China and brought in some goods but there are so many other Chinese who have set up shops on our city streets as well and they seriously undercut us on price…*

Ke-H4 (Unemployed Youth):

> *…There are a lot of investments from the Chinese corporations in the Kenyan real estate industry, tourism and infrastructure. The Chinese government is giving their corporations funding for roads and now the controversial standard gauge railway. From my perspective, the Chinese are on to something: Kenya just discovered oil; the Chinese need the oil and Kenya needs the roads. So there is perception that I also hold, that China is building roads across East Africa for purposes of acquisition of oil. It seems to be very clear because the Kenyan government signed this standard railway contract with the Chinese…*

This view is also advocated by Alves (2013) suggesting that the Chinese offer infrastructure loans for resources such as oil.

Ke-K2 (Professional):

> *…I think for the Chinese investment in the country it is somewhat a bit challenging in the sense that it doesn't result in significant job creation because jobs are supposed to be done by local people, sometimes it's also done by the foreigners, which I think is not good…*

Although this view is challenged by the study done by Sautman & Yan (2015), the interviewee’s experience still affirms that the Chinese corporations investments in Kenya does not result in job creation for the locals and neither are skills and technology transfer taking place.

In summary, one interviewee had this to say in regards to whether the China-Kenya economic relationship was sustainable:

Ke-B12 (Entrepreneur):

> *… I don’t think our relationship with them is sustainable because this is not a healthy one. It is where we are, we have allowed them to come in and threaten our economy and they have seen that we don’t have any standards or any ethics on how we work, so if we keep going this way, the Chinese will continue coming and making a mess out of Kenya. So a 'Kenya-China relationship is not sustainable…*

In contradiction to other studies discussed earlier, the interviewees felt that the China – Kenya relationship is not sustainable in the long run. However, another important finding related to development.

6.4 Responsible Development

As Collier (In Gregg 2010) would advise poor but resource rich nations on sustainable development, investing in long term projects such as ports, airports and general infrastructure should guarantee sustainable economic development (Also see Collier 2007, 2008; Collier 2011). However, Collier also warns that good governance and ethical dispensation of public resources as opposed to corruption should be present for such sustainable projects to be realised. Moreover, Moyo (In Gregg 2011) praises the Chinese for doing for Africa what the West failed to do for the last 50 years. Moyo singles out infrastructure development – especially good roads being built by the Chinese corporations across the continent of Africa as a reason to celebrate China's presence in Africa. Indeed good roads built by Chinese corporations are seen in almost every part of the continent of Africa and Kenya is one of those places that have benefited immensely from such development.

Kenya is not a resource rich nation and it has borrowed heavily - particularly from China. Using these loans, the Kenyan government has awarded numerous contracts to Chinese corporations to upgrade and rebuild Kenya's crumbling infrastructure. As summarised in table 10, infrastructure development especially roads and railway lines in Kenya has generated both negative passion (15 interviewees) and admiration (61 interviewees). Other projects of significance include: port construction in Lamu; airport reconstruction in Nairobi; real estate development in major cities in Kenya and finally, the empowerment of Kenya's civil society.

Although many interviewed called into question Kenya's corruption index, Chinese corporations' willingness to offer bribes to win contracts, and the fact that most Kenyans have little faith in government systems, there is visible infrastructural change in Kenya – especially roads, airports and ports. Numerous roads are under construction in Kenya especially in the urban centres such as Nairobi, Mombasa and Kisumu and the completed Thika road is widely admired. The Chinese corporations, regardless of how they won the tender, are regarded as flawless and efficient.

Ke-J1 (Government Official):

> *…Kenya is only benefiting because the infrastructure is coming up first and the timeline is being met and the quality of the work is good. For example, the Thika superhighway took three years for the Chinese to build but a local constructor around Upper Hill is now in its fifth year and not yet completed…*

Ke-K2 (Professional):

> *…Nairobi with its fast track development in terms of infrastructure is now connected to Thika. So we find Thika is also becoming another centre where people are now able to live comfortably. They can work in Nairobi or Thika because the road network allows them to commute without many hours on the road so that helps Thika to become a centre of economic development…*

Ke-J3 (Government Official):

> *…If you look for example at the road the Chinese have build, the Thika superhighway, it's is one of the biggest and the best projects that the Chinese have done for this country. Also look at the bypasses that are being done by the Chinese, they look good and of good quality…*

Furthermore, in line with Collier's (In Gregg 2011) understanding of what it takes to build sustainable economies, most participants viewed infrastructure, especially road construction, as the cornerstone for better economic growth. They contended that regardless of the embedded cost of infrastructure construction – mainly overloaded debts, which Kenya cannot afford, loans should be sourced and used on road construction and on completion, there is hope that the economy will grow and repayments can be made. This argument views economic growth not from the vantage point of period of return on investment but rather on the assumption that economic growth depends on good roads even if the return will take decades.

Ke-B14 (Entrepreneur):

> *Am not an economic expert but when you are taking a loan for infrastructure without which the economy can't grow, then you have to compromise and take a loan to build the infrastructure and hope the economy grows and you are able to pay back the loan. Rather than waiting, not taking a loan means the economy doesn't grow. Better take the compromise that grows the economy.*

Moreover, although some participants believed that the economic benefit from the infrastructure development is not immediate, they still felt that elaborate infrastructure and well-paved roads enhance access to the agricultural produce that is the backbone of Kenyan economy.

Ke-S1 (Imports from China):

> *I think the benefit will not be immediate because the road still don't cover the nation. But when we have roads that can facilitate easy access to produce then all will be good. So a good network of roads is very important because they open up towns and other businesses sprout all over next to bypasses that have already been constructed. And these create a booming economy in itself.*

The strategic importance of the railway line to the Kenya economy is not in doubt (Kiarie 2015) although Dr Mutunga (together with most interviewees) captured the underbelly of contract awarding and how Kenyans would have benefited more if the bidding was opened to competition (Lindijer 2016). The same argument can be applied to the upgrading being done to the Kenyan Airports – especially Jomo Kenyatta International Airport in Nairobi, the current construction of a new port in Lamu and related infrastructure.

Ke-B14 (Entrepreneur):

> *…The government of Kenya is concerned with infrastructure; they are looking at power, they are looking at roads and they are looking at the ports…*

This acknowledgement by Kenyans that Chinese-driven infrastructure development is good for Kenyan economy extends to real estate.

Ke-H4 (Unemployed Youth):

> *…There are a lot of investments from the Chinese corporations in the Kenyan real estate industry, tourism and infrastructure. The Chinese government is giving their corporations funding for roads…*

This acknowledgement is despite reservations from the same interviewees claiming that the Chinese corporations' investments are not good for Kenya because there is a lack of transparency and accountability, that both the Chinese actors and Kenyan government are corrupt, and that the Chinese are in it only for profits.

In summary, although most interviewees have reservations about the level of debt the government is accumulating and the ability of the government of Kenya to accomplish anything on their behalf, they are also not unaware of the fact that infrastructure development consisting of roads, ports, railway and real estate is sound development capable of growing the economy in the long-term.

6.5 Governance and Ethics

From table 9, 64 interviewees said that Kenya is experiencing bad leadership; 69 that there is governance failure in Kenya; 70 that the government of Kenya is corrupt and there is lack of enforceability; 54 that the leaders in Kenya abuse their power by exploiting ethnic divisions and violence.

This section consolidates and discusses these findings under two main sub-topics: *Institutional failure* – constituting of bad leadership, governance failure and abuse of power, and *Corruption in Kenya.*

6.5.1 Institutional Failure

Various studies believe strong institutions are a foundation for both good governance and economic stability (Collier 1998, 2007, 2008, 2011). However, some studies warn that in the absence of strong institutions, the state not only gravitates to failed governance but also creates a space that fosters misrule and corruption.

In Kenya's case, institutional failure is captured by two examples given by Dr Mutunga in his recent interview: one, failure in law enforcement (The Kenya Police).

> *…Kenyan policeman who extort a bribe from a motorist must share the booty with the head of the local station, who in turn shares the money with superiors possibly all the way up to police chiefs in Nairobi… (cited in Lindijer 2016).*

In the same interview, Mutunga suggests that Kenya's political system is held hostage by cartels that make money through trafficking illegal migrants, counterfeit money, weapons, drugs and consumer goods. He contends that:

> *...The influence of the cartels is overwhelming...they are doing illegal business with politicians... If we do not fight the cartels, we become their slaves. But leaders who do take on the cartels must be prepared to be killed or exiled...* (Lindijer 2016)*.*

As the head of the Judiciary in Kenya, Mutunga criticised the government and the Kenyan parliament by highlighting their inability to fight evil and instead protecting it:

> *...Criticise the government and parliament... as long as I fight the cartels and they are protected, you cannot achieve anything... you are taking these people into a corrupt investigating system, through a corrupt anti-corruption system, and a corrupt judiciary. (cited in Lindijer 2016).*

Two, Dr Mutunga went further by highlighting how weak structures in Africa have continued to offer fodder for cartels to take over:

> *...Weak state structures in African countries create space for criminal networks to operate, especially when these groups operate along ethnic loyalties. Cartels collaborate with politicians and military leaders, gaining huge influence and sometimes overshadowing the government itself... (cited in Lindijer 2016).*

According to Mutunga, Kenya consists of such weak structures and that is why he calls the Kenyan economy a bandit economy. He does not believe the government is doing enough to fight these cartels. He also believes that the government exploits ethnicity in its effort to harbour and enhance cartel activities. Mutunga's assertions were in line with statements from the interviewees:

Ke-B2 (Entrepreneur):

> *...It is the government as an institution and it is not just political leadership to blame. It is leadership in general in the whole of the country, as the government and as a nation and maybe as a continent that is really killing its people...*

Ke-J1 (Government Official):

> *…Our institutions are in place but they are not working. They are there. They are offices, you walk and ask and you are told this office is there but it is not working. This is because; there is a clique of people who make decisions. These offices just rubber stamps the decisions made by this clique of people…*

Ke-B3 (Entrepreneur):

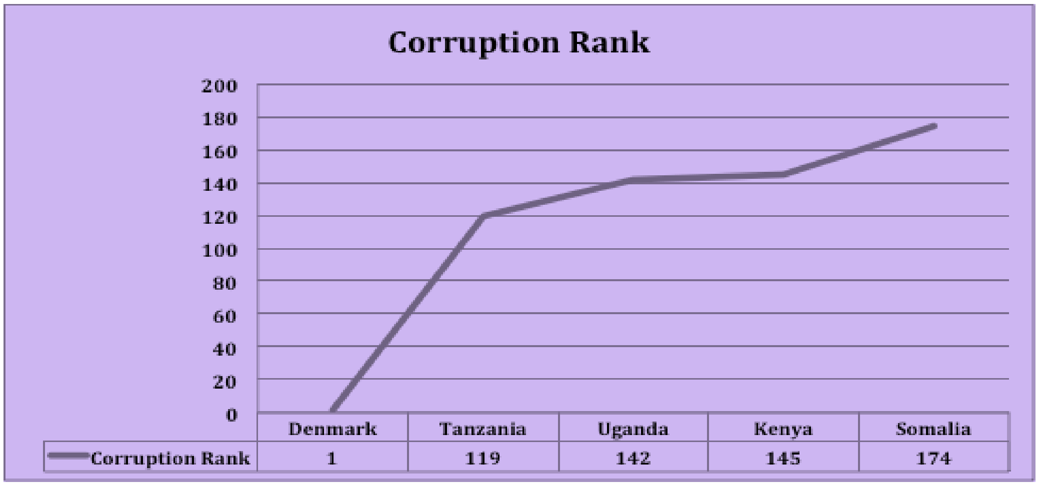
> *…You see the first problem is not the Chinese but our own institutions and that is where we should start the blame and this is where our problems begin…*

In summary, as Mutunga and Collier agree, Africa needs stronger institutions to guarantee both good governance and economic growth that benefit the many and not just a few. Kenya is not an exception.

6.5.2 Corruption in Kenya

According to Transparency International (2014), as summarised in fig 6, Kenya is ranked number 145 out of 174 nations for transparency. In the East African region, Kenya is the most corrupt followed by Uganda and Tanzania. Various authors contend that East Africa and Sub-Saharan Africa are defined mostly by their tendency towards corruption and bribery (Collier 2007, 2011; Collier & Vicente 2012; Gregg 2010; Kamoche & Siebers 2014).

Figure 6: Transparency International Corruption Ranking for 2014



Source: Transparency International 2014 Report: Created by Charles Okumu

However, as recently as 1994, corruption was widely acknowledged as pervasively entrenched in the global market place (Stuart 1994). Moreover, when chairing the British chapter of Transparency International, which is an international anti-corruption coalition, then headquartered in Berlin, Stuart (1994) suggested in a paper entitled A Good Business Guide to Bribery that while there were pockets of corruption 30 years ago, the great majority of countries in the developing world (with the exception of Africa) at that time were clean. Africa though part of the developing world was however different. By the mid-1970s, there was a growing awareness of the rapid spread of grand corruption in Africa (Stuart 1994, p. 3) aided and abetted by European contractors who were all too willing to cooperate. This suggested that it was still possible for experienced business people to do business internationally without encountering corruption in a serious form (Stuart 1994, p. 3). In the decades that followed, however, there has been serious deterioration, with grand corruption now seen as the general rule rather than the exception in major government connected contracts in the developing world particularly in Africa (Cragg 1998). Stuart (1994), concludes that in the 90s:

> *Nobody in the business world pretended any more that it is not one of the most important and damaging factors in third world development* (Stuart 1994, p. 3).

In the past, the business community treated the phenomenon of corruption as no more than just another factor to be taken into account by those competing in the global market space. However, for those players inclined to market economics defensibility, the propensity and willingness of the developed world to adjust, accept and adapt to corruption poses a genuine paradox and the rational argumentations for this should be easy to decipher by critical observers (Stuart 1994). For example, bribery as a form of corruption is a two-way street with a briber and the one being bribed and therefore, if corruption is pervasive and widespread, then global multinational corporations must be active actors in its perpetuation. In itself, this is paradoxical for various reasons. As Stuart (1994, p. 5) avers,

> *It is virtually universally accepted on the part of the corporate community in the industrialised world that accepting bribes is grounds for immediate dismissal for both private and public sector employees at all levels. Consistent with this ethic is the fact that preventing corruption is widely regarded as one of the central tasks of modern governments. Exposing corruption is thought by the media in democratic countries to be one of their central obligations. Indeed, one of the basic justifications of a free press is the need for an unfettered watchdog that can expose corruption without fear or favour.*

Important to note in this regard, is that there is a scarcity of voices within academia resisting the legitimacy of these perspectives. However, there are few economists insisting that encouragement of corruption would enhance efficiency in developed world markets. At the same time, there have been no known and acknowledged corporate players who have publicly argued for the dampening of corporate or legal anti-corruption structures (Stuart 1994). The question of significance as posed to the wide Western world by Stuart (1994) is, why are corporations of western world orientation operating in foreign nations justified in deploying corrupt practices in securing contracts? In his prescription, Stuart concurs that the reason is embedded in a conjunction of two clusters of theories: the first cluster adopts management as its main focus; and the second cluster is born out of moral theory.

The first cluster describes and seeks to explain the role played by management in modern corporations and in the process, it draws on explanatory economic models, which focus mainly on profit maximisation and individual self-interest. This cluster of theories is composed of language that pays lip service to ethics. Shankman (1999) described it as the root of most popular management theories. Moreover, Shankman suggests that it is perhaps the dominant metaphor underlying most of what is written in the popular financial press. Therefore, the basic thrust of this cluster is illustrated by two management theories: One is the shareholder model of the organisation, which contends that a firm's main obligation is to maximise shareholders' wealth. Friedman made this view popular by anchoring this theory on the assumption that those who invest in firms do so with the sole purpose of making as much as possible while at the same time, conforming to the basic rules of the society, both those embodied in law and those embodied in ethical customs (Friedman 1970). In defence of this view, Friedman was heard to say:

> *Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their*

*stockholders as possible (*Quoted by Werhane 1980, p. 9)

Two, is the view espoused in the agency theory of management, which consists of managers who are agents and whose main obligation is to achieve the goals of the corporation's owners. This is a view founded on the assumption that the driver behind human economic behaviour is exclusively self-interest or the desire to maximise financial wealth. In addition, this view gives standing to property and liberty rights, which is essentially peoples' right to advance their own interests via the free and unfettered exchanges of services and goods (Stuart 1994). The end result where this occurs as Stuart (1994) argues is that the needs and the social interests of people and community will be effectively and efficiently, though unintentionally, fulfilled and the society's moral aspirations realised effectively at the same time. These two theories are frequently clustered as the traditional historical model (Stuart 1994) of a corporation, which although not an entirely accurate description, illuminates its significant influence on management thinking both in corporate boardrooms and the academy of mainly developed societies. However, neither of the theories taken separately or together explicitly advocates and condones corruption. Alternatively, due to the conventional moral foundations of Western nations, that routinely condemn acts such as bribery, both these theories imply that it is an unacceptable way of dealing and winning business contracts in the developed nations (Stuart 1994).

In the context of Chinese corporations investing in Kenya, the overwhelming majority of interviewees and Kenyans at large contend that Kenya and its elite players are corrupt. Equally, Kenyans view ethics through the lens of corruption and bribery:

Ke-J1 (Government Official):

> *…Through corruption and in the process Kenyans are getting poor and poorer. Right now there is no money and this is a factor of corruption… The Chinese are here to exploit us. And there is no long-term relationship with Kenya. The Chinese are only interested in short-term benefits. Through corruption with our leaders the Chinese stay around waiting to exploit Kenya. Otherwise they have no reason to be around…*

Ke-J3 (Government Official):

> *…If you can end corruption yourself, I'd end corruption myself and if the other person ends corruption then we will not have corruption in this country. But we are very good at pointing fingers at other people and immediately I close this door I become a very corrupt person. If it can start from me and starts from the other person then there will be no corruption. It has to start in our own minds that what am doing is wrong and so I need to stop it. I don't need anyone to come and tell me that I am corrupt. That way we shall not need law enforcement officers to deal with corruption…*

Ke-G4 (Academic):

> *…So if you are a businessman and you need Ksh 10 million to start business, you need to put Ksh 5 million aside to deal with government corruption…*

This is a sentiment shared by most of those interviewed. It is no wonder they contended that the China-Kenya economic relationship is built mainly on corruption and therefore not sustainable in the long run.

6.6 Agency – The Rise of Citizen Activism

Governments work well when the citizens are directly engaged in public service delivery and policymaking. Recent events such as the Arab spring and Occupy Wall Street have revealed the need to repair the relationships between governments and the citizens and in the process, governments need to become more open, accountable and responsive by deepening their engagement with citizens (World Bank Group 2015).

Sub-Saharan Africa has also seen a fair share of broken relationships between governments and citizens. For example: one, the citizens made a democratic choice of their President but Côte d'Ivoire was plunged into turmoil following incumbent President Laurent Gbagbo's refusal to concede defeat in the 28 November 2010 second round of elections to his opponent, former Prime Minister Alassane Ouattara (UN 2011); Kenya suffered its worst humanitarian crisis since independence following the December 30, 2007 results of a hotly-contested presidential election. Opposition leader Odinga and his supporters rejected the declared victory of incumbent Kibaki, alleging it was the result of rampant rigging. More than 1,200 people were killed and some 600,000 displaced into temporary camps, with an equal number seeking refuge with friends or relatives (IRIN 2008); and in the recent 2015 elections in Burundi - the violence that erupted as politicians and their supporters fought for political power and position has had tragic results for many ordinary Burundians, with over 100 killed and more than 185,000 have already fled the country (Popplewell 2015).

Together with the interviewees' articulations about their Kenyan government, this section will highlight various examples where Kenyans instead of acting as victims, have actually mustered the courage to act.

6.6.1 Relationship Between Kenyans and Government

Amidst numerous Chinese corporations' investments, unemployment in Kenya is continually rising. Moreover, the unemployment rate in Kenya increased to 40 per cent in 2011 from 12.70 per cent in 2006 averaging 22.43 per cent from 1999 until 2011. The unemployment rate in Kenya is reported by the Kenya National Bureau of Statistics (Economics 2015). In addition, fig 7 demonstrates decreasing employment (increasing unemployment), especially for youth aged between 15 and 24 years old. At the same time, as already highlighted in fig 5, Kenya is ranked among the most corrupt nations in Sub-Saharan Africa.

This perception has weakened the relationship between Kenyans and their government as most Kenyans interviewed recognised that it is the responsibility of the government through the parliament to come up with policies favourable for jobs creation– a responsibility abdicated. The reason for this abdication according to Kenyans is corruption (Freedom House 2012).

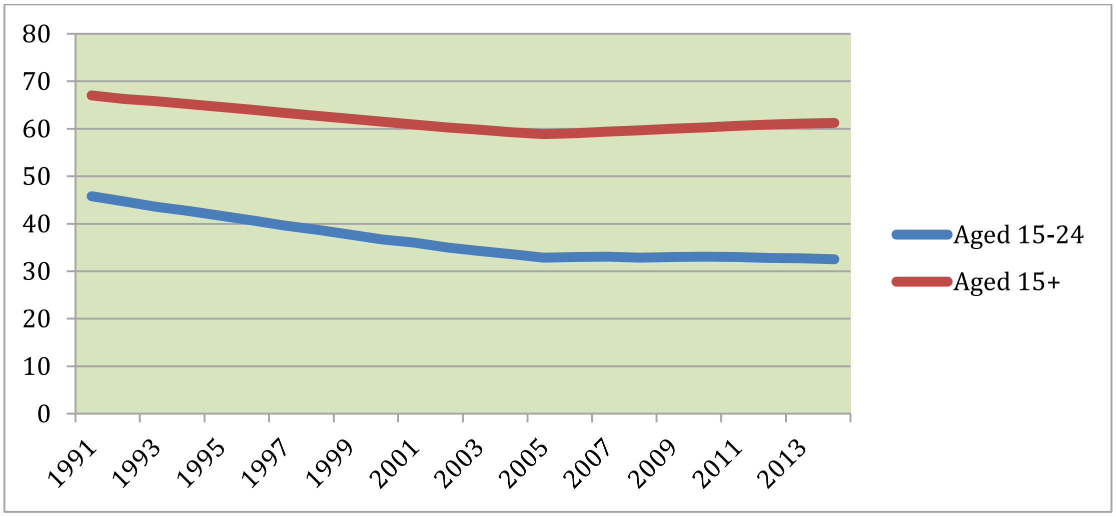
Ke-J1 (Government Official):

> *…In a government that is only hell-bend on corruption there would be no progress… the current leadership is hell-bent on tribalism, which ends with nothing but corruption – it is our time to eat. And when they are eating, they don't care about the others…*

Ke-H4 (Unemployed Youth):

> *…I think it is corruption, which comes hand-in-hand with selfishness. Every time these governments are doing business, it is all about the person who is in the office at that time and what they stand to gain for themselves, be it money, power, reputation or recognition. I think the biggest problem is corruption and to bring this to an end will be difficult in this generation. Kenya will need a fresh new generation to do away with the whole issue of corruption…*

Figure 7: Kenya Employment to Population Ratio Modelled on ILO Estimates



Source: The Word Bank Data (2015) – constructed by Charles Okumu

Ke-G4 (Academic):

> *…So if you are a businessman and you need Ksh 10 million to start business, you need to put Ksh 5 million aside to deal with government corruption…*

However, some interviewees' argued that, corruption in Kenya is a culture and a collective responsibility for all Kenyans –

Ke-J3 (Government Official):

> *…The problem about corruption in this country is talking about 'they' instead of me. We are not talking about myself. If you can end corruption yourself, I would end corruption myself and if the other person ends corruption then we will not have corruption in this country. But we are very good at pointing fingers at other people and immediately I close this door I become a very corrupt person. If it can start with me and this also starts from the other person then there will be no corruption. It has to start in our own minds that what am doing is wrong and so I need to stop it. I don't need anyone to come and tell me that am corrupt. That way we shall not need law enforcement officers to deal with corruption…*

The rift between the government and citizens continues to widen.

However, rather than act as victims, Kenyans have taken part in various actions to sensitise the government and remind the leadership to be responsive to the plight of citizens.

6.6.2 Kenyans' Actions to Engage Their Government and Reclaim Their Rights

Rather than play the victim, Kenyans have on numerous occasions risen up to demand order in their government and leadership and push back on excess and corruption from various institutions. Some of the courageous actions taken by Kenyans include: voting for a new constitution; doctors and nurses have on various occasions gone on strike to demand their rights; teachers too have been on strike asking for better remuneration; and when the members of parliament voted to increase their own salaries, there was a national unrest. There is also the promise of Africa's youth in not only demanding change but also being the change that will sustain Africa's future.

6.6.2.1 New Constitutional Dispensation

In August 2010, Kenyans had a peaceful and well-organised referendum, in which Kenyans voted overwhelmingly to approve a new constitution. This new constitutional order delineated and checked the roles and powers of the executive, legislative, and judicial branches of government. Moreover, in particular, it limited previously expansive presidential and other executive powers, and transferred some authority from the central government to local officials (Freedom House 2012) (Also see Githongo 2007).

In the following year, civil society (mainly non governmental organisations and institutions that manifest society's interest such The Law Society on Kenya among many others) working in tandem with numerous legislative bodies and government commissions, implemented the far-reaching reforms called for in the new constitution. Key implemented reforms included the creation of the Independent Electoral and Boundaries Commission (IBEC), which became fully functional in late 2011. The IBEC was tasked with organising the first presidential and parliamentary elections since the flawed 2007 polls and these were scheduled for early 2013 (Freedom House 2012).

Furthermore, under the order, the president was still elected for up to two five-year terms. However, with the new elections, the post of prime minister - created as part of the 2008 compromise - was abolished, and replaced by a new position of deputy president. The new constitution also called for a 210 member National Assembly with members being elected for a five-year term, and based on each party's share of votes, the President would appoint 12 members and two ex-officio members. Moreover, the new order also created an upper house, the Senate to consist of at least 60 members. Ministers would not serve in the parliament, which has the authority to approve or reject cabinet appointments. The country was divided into 47 counties, each of which was to elect a governor and assembly directly. Local authorities were to be granted heightened powers (Freedom House 2012). The 2013 elections under the new constitution though characterised by irregularities, they were reported to be peaceful (Ferree, Gibson & Long 2014)

At the same time, there were political parties representing a range of ideological, regional, and ethnic interests who were active and vocal, and there were no significant impediments to party formation. However, corruption remains a very serious problem and political parties, nongovernmental organisations, and the press, as well as some official bodies, have exposed many examples of corruption and malfeasance at all levels of government (Freedom House 2012). Sadly, official probes and prosecutions have yielded meagre results. On the other hand, national and international watchdog bodies have identified the Ministry of Defence, the police, and the judiciary as some of the most corrupt institutions in Kenya. In the same year (2011), the Anti-Corruption Commission (EACC) - created under the new constitution, replaced the ineffective Kenya Ethics and Anti-Corruption Commission. Although the EACC has an expanded investigative mandate, like its predecessor, it lacks prosecutorial authority and that is why Transparency International's 2011 Corruption Perceptions Index ranked Kenya 154 out of 183 countries surveyed (Freedom House 2012). The most recent report from Transparency International 2015 has Kenya ranked 136 out of 168, which showed very limited improvement (TI 2015)

The new constitution provides for freedom of speech and of the press, and these rights were strengthened compared to the old order. However, the government occasionally attempts to restrict these rights in practice. For example: In 2011, there were several cases of government officials bringing libel and defamation cases against journalists or media outlets for reporting on alleged corruption. Moreover, there were numerous reports of harassment and threats against media workers by the security forces, allegedly for reporting on issues such as corruption and the 2007 - 08 post-election violence (Freedom House 2012).

The constitution guarantees freedom of assembly. This right is generally respected, but there have been cases of unnecessary use of force at demonstrations, and public gatherings were curtailed during the 2008 post-election violence. However, Kenya's civil society sector has remained robust even in recent periods of political polarisation (Freedom House 2012).

There are some 40 trade unions in the country, representing about 900,000 workers. Most of the unions are affiliated with the sole approved national federation, the Central Organisation of Trade Unions. The 2007 Labour Relations Act established broad criteria for union registration, leaving authorities with limited grounds for suspending or refusing to register a union. However, there are restrictions on the right to strike, and the relevant government bodies have been accused of failing to adequately enforce labour laws and protections (Freedom House 2012).

The judiciary's actions have reflected the primacy of the executive branch for much of the period since independence, and judicial corruption remains an impediment to the rule of law (Bocha 2015). At the same time, the courts are understaffed and underfinanced, leading to long trial delays that violate defendants' rights to due process. The new constitution includes provisions designed to enhance judicial independence, including the establishment of an Independent Judiciary Service Commission to handle the appointment of judges. The Truth Justice and Reconciliation Commission (TJRC) was established in 2008 to investigate gross human rights abuses and historical injustices between independence at the end of 1963 and 2008. The TJRC started holding hearings in 2011 (Freedom House 2012).

Legal checks on arbitrary arrests are not uniformly respected, and police still use force to extract information from suspects and deny them access to legal representation (Freedom House 2012). Philip Alston, the UN special rapporteur on extrajudicial executions, visited Kenya in 2009 and found evidence of "*a systematic, widespread and clearly planned strategy to execute individuals carried out on a regular basis by the Kenya police".* And in January 2011, plainclothes police officers were photographed executing three alleged criminals on a public road, prompting an outcry. Such condemnations, however, have not resulted in prosecutions (Freedom House 2012).

In summary, although the new constitutional dispensation is yet to deliver the fruits Kenyans yearned for, Kenyans demanded and fought for it. They believed in the promise of a new constitutional order and they still do to-date.

6.6.2.2 Civil Unrest

In the effort to engage their government, Kenyans have had numerous occasions to express their dissatisfaction with their government. For example: when the members of parliament increased their salaries and the Kenyan salaries and remunerations commission disapproved, the members of parliament protested attracting the wrath of Kenyans who found an unusual way to protest. The protesters said the parliamentarians were greedy to demand higher pay and they in turn released three dozen pigs and spilled pig's blood at the entrance of the Kenyan parliament, referring to the MPs as "MPigs". About 250 protesters marched through Nairobi and staged a sit-in at the parliament entrance. One of the protesters interviewed said they protested with the pigs to show the MPs what they have become (AP 2013). Kenya's MPs, who are said to have among the highest salaries in the world, were demanding a salary of US$ 10,000 per month. Following a decision by the Salaries and Remuneration Commission this was reduced to US$ 6,300 (Kaphle 2013). Many Kenyans view their MPs as lazy and greedy in a country where hundreds of thousands live in slums. The MPs argued that they needed high salaries to give handouts to poor constituents for school fees and hospital bills (AP 2013). In the end, this battle was a fight between the 349 legislators and the 42 million Kenyans and the Kenyans won (AP 2013).

In September 2015, thousands of Kenyan nurses and teachers declared a strike by staging demonstrations in the capital Nairobi demanding better remuneration and working conditions. This paralysed the state-run healthcare and education sectors (Ross 2015). The standoff between the protesters and the government, which claimed not to have enough to meet the protesters demands, was peaceful but with unforeseen repercussions, such as schools closed down and medical patients, meanwhile, were forced to seek treatment at private hospitals and clinics.

Finally, the Kenyan government was sued for police brutality in the violence following the 2007 election. The lawsuit came as Kenya prepared for a new election in March 2013 amid warnings from international human rights groups that the police were reluctant to prevent electoral violence and unable to refrain from human rights violations (Odula 2013). Eight wounded survivors and families of seven Kenyans who had been shot dead by the police in previous years filed the lawsuit against the government of Kenya contending that the shots that wounded them and those killed were shot by the police during election disputes (Odula 2013). The Government of Kenya records show police shot dead 405 of the more than 1,100 people of those who died in the post-election violence following a dispute in the presidential race in 2007 and in other previous general elections. Many of them were shot in the back, according to documents filed by law firm Nderitu Partners and Advocates on behalf of the group. According to the lawsuit, unlawful orders were given to policemen and the government failed to train the officers on lawful methods of how to deal with civil unrest. And the government did not investigate the abuses (Odula 2013).

This is a clear demonstration of the extent to which Kenyans are willing to go to hold their government to account. However, for Kenyans to succeed in this journey, there is a need for public education to inculcate values of honesty and integrity. The public is the ultimate guarantor of integrity. Without a public that cares about these values, it is impossible to have institutions that uphold them (Kimeu in Wanjala 2013). Samuel Kimeu, Transparency International's executive director in Kenya (in Wanjala 2013), said mechanisms were needed that encouraged citizens to report cases of corruption, allowed complaints to be registered against the police, and enabled the authorities to take disciplinary action across the service. Also, both national and county governments need to invest significantly in building effective accountability mechanisms that include active citizen participation.

In summary, Kenyans continue to play their part in holding its government to account and although justice is rarely served most of the time, Kenyans are not known to sit idly by and play victim. The next section recognises the promise of African youth as a pillar that will bring much needed change not just to Kenya but also to the entire continent of Africa.

6.6.3 The Promise of African Youth

Africa is the last frontier of a plundered planet, according to Oxford economist and Africa expert, Paul Collier (in Gregg 2010; Gregg 2011). When compared with almost all other regions of the world that have already been explored and had much of their resources extracted, Africa is still virgin and so is now receiving greater attention from all regions, especially China and yet the emergence of many multinationals from the West and China in Africa has done little to stem Africa's large youth unemployment problem (Okumu & Clarke 2014).

Some 60 per cent of Africa's population consists of people aged 15 to 25 (AEO 2013a). This age bracket accounts for 45 per cent of Africa's total labour force and unlike other developing regions, Africa, particularly the Sub-Saharan region, is growing continually more youthful. By 2015 this demographic is projected to be at over 75 per cent (AEO 2013a). Of critical importance is whether and how this vibrant, energetic and secure source of labour, critical to the strategic economic development of Africa, is currently being tapped. The level of economic engagement of African youth is so low that many young people are dejected and severely underutilised (Okumu & Clarke 2014).

Whether the extensive presence of multinationals in Africa generates enough employment for Africans is a debate worth exploring. Youth unemployment in most

African countries, particularly in Sub-Saharan Africa stands at 20 per cent and this percentage goes up when one delves into the nation-to-nation projections of unemployment (AEO 2013a; Outlook 2013). The situation worsens when the poor outlook of rural unemployment is considered. The multinationals undertaking many major projects in Africa at the moment could do more to utilise local African labour (Okumu & Clarke 2014).

6.6.3.1 Matching Skills with Work

Various theories have been put forward as to why multinational corporations investing in Africa do little to employ local Africans. Over 50 per cent of African youth are illiterate and have few of the skills required for the emerging business economy (AEO 2013a). Those with some form of education more often possess irrelevant skills compared with those demanded in the current labour market (AEO 2013a). The young require vocational training to update and acquire new sets of skills to be able to adapt and readapt to the ever-flexible and constantly changing labour market. A key focus should be targeting basic knowledge, literacy and lifelong learning skills. Vocational training should be aimed at improving specific skills related to new technologies combined with on-the-job training (AEO 2013a). Even when they find employment, young workers are the most vulnerable to layoffs when economic growth falters. This is compounded by the limited attention paid to job creation by African governments, youth obsession with unrealistic wage expectations, and negative employer attitudes towards inexperienced young people. Finally there are the pervasive and compounding labour market disadvantages of poverty (AEO 2013a).

6.6.3.2 Cracking Corruption

The misplaced priorities of the leaderships of many of the governments of Africa, and of the political elite, undermine any sustained effort towards the remedy of youth unemployment and widespread corruption is concealed by hubris (Okumu & Clarke 2014). For example in 2009, Transparency International filed a lawsuit accusing Presidents Bongo of Gabon, Nguesso of the Republic of Congo and Teodoro Obiang Mbasogo of Equatorial Guinea of buying luxury homes with state funds. It was alleged that Nguesso owned 24 estates and was running 112 bank accounts in France. Bongo and his relatives allegedly owned over 30 luxurious estates on the French Riviera and in Paris. This untrammelled level of greed for personal and private wealth accumulation robs African economies of the impetus to germinate and nurture widespread economic activity (Okumu & Clarke 2014). Kenya is also viewed through the same prism as summarised by Dr Mutunga (quoted in Lindijer 2016)

Finally, in relation to African management of African resources and the systematic alienation of Africans from its benefits, Kofi Annan in the 2013 Africa Progress Report on behalf of the executive team, insisted:

> *…Success will require leadership, transparency, and accountability, too. There is no substitute for public scrutiny in developing effective and equitable policies. African governments must rise to the challenges posed by fiscal policy, tax reform and the development of industrial policies. They must manage their countries' oil, gas and mining resources efficiently and share revenues fairly. We therefore call on African governments to set out a bold national agenda for strengthening transparency and accountability to their citizens. For too long, African governments have been responding to externally driven transparency agendas. They have been following, not leading. And it is time to change this pattern…* (Annan et al. 2013, p. 6)

In the end, it is Africa's responsibility to manage and address challenges that come with its increasing youthful population. The young should be educated and equipped with the necessary skills required in the current labour market, but most importantly, government leaders and African elites should strive to not only abandon their corrupt ways but also enforce systems that uphold transparency and accountability across the board (Okumu & Clarke 2014).

6.6.3.3 Avoiding Dutch Disease

There is in sight an escape for Africa from the tragedy of mass youth unemployment. With its rich natural resources and promising levels of economic growth, Africa can engage in structural transformation (Okumu & Clarke 2014). This requires building a framework of education and infrastructure, optimising the revenues from natural resources, and investing them strategically, enhancing agricultural production and promoting economic linkages between the resources sector and economy as a whole (AEO 2013b). Used intelligently, resources development can encourage other forms of high technology use. Revenues generated from resources can be extensively invested in human capital development, creating further opportunities for business diversification. Over time resources can become less important as a capability economy takes over (AEO 2013b). This leap from a resources economy to a capability-based economy requires imagination and determination (Okumu & Clarke 2014). The tendency to squander the apparently easy profits from resources businesses on consumption must be resisted. These funds need to be invested in the skills and businesses that will provide a future (Okumu & Clarke 2014).

Most importantly, African youth, fascinated by the digital world, needs access to it in the form of affordable equipment and broadband access if they are to progress. There is a future for Africa, and this can be released if the energy, intelligence and idealism of its young people can be given a chance (Okumu & Clarke 2014).

In summary, the relationship between the government of Kenya and its citizens is still a work-in-progress. What is crucial however, is the willingness on the part of Kenyans to engage their government in whatever form. Some of these fora include: the fight for a new constitutional dispensation; civil unrest; and the courage to file a lawsuit against the government for its over-reach. The future of Africa, Kenya included, depends on the active role and the promise of Africa's youth.

6.6.4 The Entrepreneurs Driving Africa's Growth

Various courageous entrepreneurs have been able to overcome numerous challenges and set up introductory projects. These include: 'before investing in Africa'; 'two major misconceptions before investing in Africa'; 'we're making it safer to invest in Africa'; 'the 'citizens of the world' tackling Africa's next-generation business challenges'; 'how economic activism can empower the African woman'; 'thinking big about investments in Africa'; and 'breaking the multinational monopoly on Kenya beer sales'.

6.6.4.1 Two Major Misconceptions Before Investing in Africa

Abax is a company that facilitates other companies' ease of doing business in Africa. It was created by Richard Arlove over 22 years ago and has been helping private equity funds, corporates, high net-worth individuals and entrepreneurs that are currently doing or looking to do business in Africa look at various options of optimising their shareholders' and enterprise value when undertaking cross-border trade and investments. Arlove identified governance and taxation as key considerations for anyone seeking to do business in Africa and hence recommends Africa as a favourable location. As a result, Africa is witnessing increased intra-trade and investments. On the other hand, when asked what misconceptions new companies seeking to invest in Africa have, Arlove had this advice to offer:

> *...The big misconception is that Africa is one country, is very homogeneous. Africa is huge. I don't know whether you've seen that map of Africa where you can fit in all of Europe, the U.S., China, India and so on. It's huge in terms of size. It is also very diverse. And the link to that misconception is the fact that Africa is seen as a continent where there is only poverty, war and crime. These two things are probably the biggest misconceptions. Therefore, from a business perspective, this means that people may not be seeing the actual opportunities of Africa. It's really an emerging market where there's space to grow almost any type of business...* (Arlove in Wharton 2016, p. 8)

In summary, Arlove and his company are offering key market intelligence needed for corporations to make informed and better decisions in terms of why and where to locate their business in Africa.

6.6.4.2 Making it Safer to Invest in Africa

Neku Atawodi formed Malaik, which is an equity crowd-funding platform that helps small and medium enterprises in Africa seeking finance. In the process, Malaik is providing jobs to Africans and helping reduce youth unemployment. Also, Malaik connects foreign investors looking to invest in African businesses. At the moment Malaik has ensured that start-up enterprises have access to capital and when asked about some of the start-ups he has been able to help capitalise and at what level they are funded, Atawadi had this to say:

> *...I-Drop Water was looking for US$ 300,000 to enter Nigeria. They are a South African company. It's a really cool company and has solar-hub water dispensers' that sell water at 10 per cent of the bottled water price. Access to affordable bottled water is a huge problem in sub-Saharan Africa. So I'm really excited they are coming in... Our second company is ReelFruit - Affiong Williams, CEO and founder of ReelFruit does processed foods. She dries fruits, she packages them and she sells them. I'm really proud of her because in the last Forbes [Africa's] 30 under 30 she was the only woman and she was on the cover...* (Atawodi in Wharton 2016, p. 9).

In summary, through crowd funding, Malaik is funding various enterprises in Africa with enhanced employment as one of the main effects.

6.6.4.3 Tackling Africa's Next Generation Business Challenges

Belo-Osagie worked for the government of Nigeria but in 1981 when he was 30 years old, he decided to leave the government job and set up his own petroleum consulting company. Belo-Osagie encountered numerous people who wanted to do petroleum business but had limited knowledge of how to go about it. These potential entrepreneurs needed someone who understood Nigeria's private and public sector. They were also looking for someone who was Nigerian who had a good understanding of foreign investors. Belo-Osagie, sought to fill this gap and in the process he assembled a team of employees, hence creating jobs. When asked what he was looking for in the employees, this is what he had to say:

> *...The first point I want to stress is the importance of a team... So I tried to assemble a team with different functional skills. Obviously you've got to have someone who is very knowledgeable in marketing, you've got to have someone who is very knowledgeable in finance. But for the purpose of Africa, there is one combination that is very important, and that is the combination of someone who is not an MBA and did not live most of his*

> *life in the United States or the United Kingdom He must have lived most of his life in Nigeria and been educated in Nigeria, and therefore has a sense of how things really are... So I try to have a combination of people who are well qualified and have a sense of business strategy as taught in business schools and other people who are the complete opposite - people who have grown up in Nigeria and have street smartness. It's that combination that I think is transformative in entrepreneurial activities within Africa...* (Belo-Osagie in Wharton 2016, p. 12).

Other than connecting foreign investors to potential investment opportunities in petroleum, Belo-Osagie has also been able to create employment opportunities for fellow Nigerians.

6.6.4.4 How Economic Activism can Empower the Africa Woman

Empowerment of African women remains an important topic in contemporary African economic discourses. Wendy Luhabe, who is a social and economic activist, has a passion for women's economic empowerment. She pioneered two ventures. The first called Women Investments Portfolio Holdings started by mobilising 18,000 women to become investment starters. This holding started 20 years ago and currently has a value of US$ 200 million. The second venture was a private equity fund for women and although this fund has since closed, several resulting investments are still operational. This is what she believed:

> *...My view is that if we grow the number of women entrepreneurs and give them access to capital and the business expertise to enlarge their businesses, they will contribute towards creating jobs, which is a major challenge in South Africa...* (Wendy in Wharton 2016, p. 22)

When asked about the effects of economic activism and whether she was an investor, this is what she had to say:

> *...I've invested in a micro bakery project that will have a footprint of*

about 400 bakeries throughout South Africa. It will enable women to generate an income of 5,000 rand a month - about US$500 a month - from zero to US$500 a month, making their own bread and supplying it to their immediate neighbourhood… I'm identifying economic opportunities that can help uplift communities. The first project we've done is the bakery. It's not mine; it's an existing project that I have invested in to help scale it. I've invested in an agricultural project in the southern part of the country in a community that owns land, but didn't have the resources to invest in seeds. I discovered that seeds for agriculture are the most expensive part. So I invested to enable them to buy the seeds… (Wendy in Wharton 2016, p. 23).

In summary, together with economically empowering women in South Africa, Wendy has been able to create job opportunities for various people within the numerous supply chains in which she has invested.

6.6.4.5 Investments in Africa

Investment Capital Group is located in Tanzania and consists of female investment bankers and a lawyer. They mainly sell the growth areas of financial services, real estate, infrastructure, extractive industries and agribusiness. This group developed to take advantage of numerous natural resources present in Africa. With the leadership of Sinare, this group is involved in the following:

…We own the mining rights for gold south of Tanzania. We've gone into a joint venture with a manufacturing business in South Africa to serve the rail industries. I'm sure you're aware Africa has not spent much on infrastructure and there's a huge focus on rail to enable trade between countries. So, in a nutshell, the Investment Capital Group is a group of companies that brings together all those people who are interested in Africa. We ensure that we are part of that growth story, the business that we grow. We bring projects to clients and clients bring projects to us… PayLink is a locally founded technology business. Four cofounders have created it - two women and two men. PayLink looks at digitalising Africa, digitalising transactions. It can be from systems that enable pension payments to automating things like municipality payments. So it's across a spectrum of possibilities because right now Africa is a cash-based

> *economy and we want to become a digital economy… what we also are very passionate about in PayLink is understanding the community-based environment. We created a product called the Vicoba mobile. Vicoba stands for Village Community Bank. We discovered that in Africa everything is done through groups, through societies, through communities. These groups can range between 30 people to 100 people. They save in the groups, they have kitties for insurance, for welfare and they lend within their own groups* (Sinare in Wharton 2016, p. 38).

Other than seeking to empower many groups in Tanzania, Investment Capital Group has also invented African specific products. The net effects of this invention include employment opportunities for fellow Tanzanians.

6.6.4.6 Breaking the Multinational Monopoly on Kenya Beer Sales

Karanja, the young CEO of Keroche Breweries in Kenya, despite the numerous governance and leadership challenges, decided to take on the multinationals that dominated the beer industry in Kenya. Karanja was first dealing in manufactured goods, specifically running a hardware shop but always wanted to get into the manufacturing industry. In her own words, this is what Karanja did:

> *…I did market research and saw there was a gap in the lower end of the liquor market. The only players were the multinationals and they neglected the lower end of the market. People were left to drink whatever was available. It was not hygienic. I thought, why don't I come up with a product that is hygienically produced, affordable and meets international standards? It was received very well. Within five years, we took over the market… when we were working on that, I discovered that at the top end and middle market, consumers didn't have any choice. One multinational had dominated the market for eight years. I then thought, why don't I come up with a beer that offers a choice. (At that time, people could go to a bar and say they wanted a cold beer or not; there was only one brand.) I introduced a premium product - a beer that was naturally brewed and sugar free. When people drank it, they realised they had no hangover. It was again received very well. Within two years, we had to expand the brewery…* (Karanja in Wharton 2016, p. 18)

When asked about her employee base, this is what she had to say:

> *...We have about 300 direct employees and thousands in the distribution network. Ninety-five per cent of these 300 are professional because the technology we use for brewing is the latest. So it is a lot of skilled labor; 95 per cent are engineers, brewers, marketers accountants and all that...* (Karanja in Wharton 2016, pp. 18-9).

Not only has Karanja been able to take on the multinationals and win market share, she has also created jobs for fellow Kenyans.

6.6.4.7 Summary

As already argued and supported by interviewees, Africa is faced with numerous challenges, which include governance, leadership, corruption and negative ethnicity. Although the relationship between most Africans and their respective governments is non-existent, many Africans have refused to be defined by concepts such as unemployment, corruption, poverty and inequality and instead, they have embarked on setting up their own various enterprises as discussed. These enterprises are both empowering for Africans and offering them much-needed employment. In many ways these enterprises are the foundation of African growth.

6.7 Research Questions and Objectives Addressed?

The main research question and the respective research objectives were also posed to interviewees and table 13 summarises the responses. The main research question was: ***What is the Impact of Chinese Corporations' Investments in Sub-Saharan Africa?*** The last interview question in table 13 (how exploitative are the Chinese corporations' investments in Kenya) was responded to as follows: other than the conservationists who did not have any comment, only the banker averred that the

Chinese corporations' investments in Kenya were not exploitative in any way. All other interviewees contended that the Chinese corporations' investments in Kenya are driven mainly by profit maximisation and hence are exploitative in nature.

Table 13: Interviewees' Responses to Research Questions and Objectives

Sector	1	2	3	4	5	6	7	8
Academic	Not Good	Not Good	Not Good	Not Good	Not Good	Not Good	Not Good	Profits
Banking	Not Good	Not Good	Effective	Responsible	Responsible	Some	Yes	Not at all
Conservationist	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	Not Good	Not Good	Not Effective	Not Responsible	Not Responsible	None	None	Profits
Doctor	Not Good	Not Good	Not Effective	Not Responsible	Not Responsible	None	None	Profits
Elder	Not Good	Not Good	Not Effective	Not Responsible	Not Responsible	None	None	Profits
Engineering	Not Good	Not Good	Not Effective	Not Responsible	Not Responsible	None	None	Profits
Entrepreneur	Not Good	Not Good	Not Effective	Not Responsible	Not Responsible	None	None	Profits
Govt of Kenya	Not Good	Not Good	Not Effective	Not Responsible	Not Responsible	None	None	Profits
Import Products from China	Not Good	Not Good	Not Effective	Not Responsible	Not Responsible	None	None	Profits
Journalist	Not Good	Not Good	Not Effective	Not Responsible	Not Responsible	None	None	Profits
NGO	Not Good	Not Good	Not Effective	Not Responsible	Not Responsible	None	None	Profits
Professionals	Not Good	Not Good	Not Effective	Not Responsible	Not Responsible	None	None	Profits
Transport	Not Good	Not Good	Not Effective	Not Responsible	Not Responsible	None	None	Profits
Unemployed Youth	Not Good	Not Good	Not Effective	Not Responsible	Not Responsible	None	None	Profits

Key
1 = How reputable are Chinese corporations in Africa
2 = What is the quality of Chinese products and services
3 = How effectivelly do the Chinese corporations implement corporate social responsibility
4 = How economically responsible are Chinese corporations
5 = How environmentally responsible are the Chinese corporations
6 = Do the Chiinese corporations employ local Africans
7 = Are there any spillovers
8 = How exploitative are the Chinese corporations' investments in Kenya

Source: Analysed primary Data – Constructed by Charles Okumu

The rest of the questions related directly to the research objectives:

How reputable are Chinese corporations in Africa: Other than the conservationists who again did not have any comments, all other interviewees believed with the studies contending that the Chinese corporations in Africa do not enjoy a decent reputation (Carmody 2011, 2013; Zafar 2007). The same argument and logic is true for question two.

How reputable are Chinese products and services: All interviewees except the conservationists concurred with Zafar and Carmody that Chinese products and services are of low quality. This is not true when it comes to the quality of infrastructure and real estate projects delivered by the Chinese corporations. On the contrary, Kenyans concur that these projects are of good quality.

How effective the Chinese corporations are in terms of corporate social responsibility implementation: As numerous authors would argue, through corporate social responsibility, corporations are able to earn social licence and become good corporate citizens (Scherer & Palazzo 2010; Scherer & Palazzo 2011). However, some China-Africa authors contend that the Chinese corporations' investments in Sub-Saharan Africa do nothing or very little as far corporate social responsibility is concern. The same is true in Kenya. From table 13, other the conservationists who did not have any comment, only the banker argued that the Chinese corporations in Kenya are effective in corporate social responsibility. All other remaining interviewees argued that they had never come across or heard of any corporate social responsible activity done by the Chinese corporations in Kenya.

How economically and environmentally responsible are the Chinese corporations' investments in Kenya: As already discussed, other than the conservationists who had no comment, only the banker argued that the Chinese corporations in Kenya are both economically and environmentally responsible. All other interviewees echoed the sentiments put forward by Sanusi (2013) that the Chinese are driven mainly by profit maximisation and at the same time use Sub-Saharan Africa as a dumping site for their cheap and low quality products. However, the counter to this view is embedded in the recognition that, while these arguments may be true, the Chinese corporations are also involved in the implementation of major projects that will sustain African economies in the long-term. These include: ports, roads, airports, railway lines and real estate.

Do Chinese corporations employ local Kenyans and in effect transfer any skills and technology: Various authors have argued that the Chinese corporations' investments in Sub-Saharan Africa use little local content let alone employ locals and in effect, they do not provide any transfers of skills or technology (Kaplinsky & Morris 2009b; Kaplinsky & Morris 2011; Konings 2007; Zafar 2007). Although other authors have suggested that the Chinese corporations are doing much to enhance employment in some parts of Sub-Saharan Africa (Brautigam 2003; Brautigam 2009), in the case of Kenya and as summarised in table 15, other than the conservationists who had no comments, only the banker contended that indeed the Chinese corporations in Kenya employ many Kenyans and thereby transfer skills and technology. All other interviewees thought, in agreement with the authors, that the Chinese corporations' investments in Kenya employ few Kenyans and, if any, then it is within the non-skilled sector and not the skilled area. They further contend that this is deliberate because the Chinese are not keen on transferring any skills and their advanced technology.

Although the results of the findings related to the objectives were in line with the extended body of literature, the main research question was not answered in the affirmative. Regardless of the fact that Chinese corporations are viewed predominantly from a negative vantage point, the fact that they deliver timely and high quality major projects that are crucial for strategic economic growth in Kenya makes them less exploitative. The next section will discuss some of the numerous positive impacts Chinese corporations have had in Sub-Saharan Africa and Kenya in particular.

6.8 Positive Impacts of Chinese Corporations' Investments in Sub-Saharan Africa

The impetus driving Sino-Africa relationships has been illuminated in various studies. According to van Dijk (2009, pp. 11-2), coupled with natural resource needs, China is also motivated by eight other reasons: a market for Chinese products and services; stable supply of raw material including agricultural products; channel migration of Chinese people to Africa; land for agricultural purposes; presenting an alternative to the Western development model; gaining diplomatic support from African countries; emphasising China's status as a superpower and providing an alternative to the western development cooperation. Importantly, as earlier elucidated by Arnold (2009), China's thirst and quest for resources is motivated by dried up internal sources. For instance, 10 of the 11 largest oil fields in China have already produced past their peak level and can hardly produce any oil at all. Therefore, to maintain economic growth, resources are sourced offshore, with 31 per cent of China oil imported from nations in Africa such as Angola, which is currently the biggest African nation supplier of oil to the Chinese.

However, numerous positive outcomes can be drawn from this engagement: firstly, although referred to as Infrastructure for resources loans (Alves 2013), Chinese corporations have succeeded where Western nations failed (Moyo 2013) by building infrastructure that includes roads, railway and port.

Secondly, various export processing zones have been constructed in Sub-Saharan Africa (Brautigam 2009) and China's precise strategy towards Sub-Saharan Africa is described by Leonard (2008, p. 119):

> *…China will literally transplant its growth model into the African continent by building a series of industrial hubs with tax incentives that will be linked to rail, road and shipping lanes to the rest of the world. Zambia will be home to China's 'metal hub', providing the People's Republic with copper, cobalt, diamonds, tin and uranium. The second zone will be in Mauritius, providing China with a 'trading hub' that will give forty Chinese businesses preferential access to the twenty-member Common Market of East and South Africa that stretches from Libya to Zimbabwe as well as easy access to Indian Ocean and South Asian markets. The third zone - a 'shipping hub'- will probably be in the Tanzanian capital Dar es Salaam…*

These processing zones have the potential of offering employment to Africans and positively influencing Sub-Saharan Africa economies (Brautigam 2009).

Thirdly, China has also been able to transfer technology to some parts of Africa (Brautigam 1993) and although Moyo (2009a) claims that foreign aid is not good for Africa, China's aid to Sub-Saharan Africa has had benefits. Chinese aid is anchored on equality, non-conditionality, common development and mutual benefit. However, Chinese aid assumes many different forms: human resources development, technical co-operation, debt relief, financial aid, medical aid, emergency humanitarian aid and overseas volunteer programs (PRC 2011). Authorities in China presently distinguish between three types of financial aid: concessional loans, grants and interest-free loans (PRC 2011). The Chinese have used concessional loans in the past as a foreign policy instrument-targeting infrastructure, for example: the TanZara railway. The results have generally been positive for China's political aims in Africa since the 60s and 70s. After a long break, the 90s saw the use of concessional loans as a foreign policy instrument resurface again (Hubbard 2011) and unlike the 70s, the goals behind this type of economic inducement were predicated primarily on economic development. Also, even though China Exim Bank's concessional loans target resources' development, agriculture and industry; mostly they are earmarked for construction of infrastructure. Available evidence suggests that a substantial part of concessional loans have been and are being used by the Chinese as a positive economic statecraft vehicle to access resources such as: minerals, oil, and other commodities, thereby the name 'infrastructure-for-resources' deals (Alves 2013).

6.8.1 Positive Impact of Chinese Corporations' Investments in Kenya

As already highlighted in chapter 2, China is Kenya's largest trading partner with exports to Kenya rising to US$919 million in 2015, a 30 per cent growth from the previous year (Gatebi 2015). As recently as 2014, Chinese investments flow and Chinese investments' stock in Kenya were both high in dollar terms and have been growing continually since 2005 (MOFCOM 2014). Figure 3 offers a summary of these investments in Kenya.

A comprehensive summary for China-Kenya economic relationship is captured in chapter 2 sections 2.91 and 2.92. However, contrary to the popular claim that Chinese corporations never employ the locals, a survey carried out by Sautman & Yan (2015) discovered that out of 75 Chinese corporations surveyed in Kenya, employment of local Kenyans in those corporations stood at 78 per cent. This employment position however, was not supported by this study's findings.

Other significant China-Kenya engagements include: firstly, a Chinese group won a contract to construct power lines for the Kenya Electricity and Energy Transmission Company between Rabai and Lamu through Malindi and Garsen. It is noted in this context that Lamu town has a growing presence of Chinese expatriates and professionals (Oketch & Mwahanga 2013); secondly, Kenya is also constructing a port in Lamu as part of the Lamu and South Sudan Ethiopia Transport Corridor. This construction will be carried out by the Chinese (Masinde 2013; Oketch & Mwahanga 2013); thirdly, another key project that China is expected to support is the construction of a modern railway line connecting the port of Mombasa to Uganda through Malaba, which is expected to employ over 30,000 local Kenyans (Masinde 2013); and fourthly, China's Jiangxi International won a tender to develop NSSF's shopping mall in Nairobi, which has been billed as the tallest real estate project in Kenya. These projects confirm the tendency for contractors and developers from the Asian economy to become the frontrunners in all major developments in Kenya (Michira 2013). However, not all activity involves construction. Of cultural and historical importance, Chinese archaeologists are also engaged in excavations in Lamu and Malindi to retrieve ancient sunken ships in an attempt to rediscover the connection between the Kenyan coast and China during antiquity (Oketch & Mwahanga 2013).

In summary, together with numerous infrastructure investments highlighted earlier and under responsible development in section 6.4 and despite the views of some Kenyans that the China-Kenya relationship is not sustainable due to accumulation of debt, Chinese corporations in Kenya continue to have a positive impact on the long-term stability of its economy and change the way Kenyans live.

6.9 Internationalisation – FDI Theory Revisited

As described in chapter 1 and chapter 3, Internationalisation – FDI theory suggests various tangible benefits to both home and host nations. Since China's 'Go Global Policy', numerous Chinese corporations have expanded and extended their operations into the global arena (Cáceres & Ear 2012). The driving force propelling this policy is summarised by Buckley et al. (2007). China-Africa criticism notwithstanding, Internationalisation – FDI theory has facilitated our understanding of China-Africa economic relationship. Chinese corporations have been criticised for minimal spillover effects, such as skills and technology, and local employment (Zafar 2007). They are believed to be motivated by profits and resources accumulation, although this is argued to be of great benefit to economic growth – leading to some authors referring to China as economic neo-colonialists (Carmody 2011, 2013; Sanusi 2013). However, Chinese corporations in Africa continue to play a significant role in Africa's economic development as mentioned earlier in 6.8 and 6.8.1.

Although Chinese corporations have been labelled as corrupt in the way they win major contracts (Mutunga in Lindijer 2016), Chinese corporations are changing the face of Africa (Moyo in Gregg 2011). This is supported by the interviewees' articulation in responsible development 6.4.

Firms internationalise for various reasons, which include seeking advantages in cost of production, looking for extra markets and new resources (Buckley et al. (2007). Chinese corporations in Africa – especially Kenya are no different and although the environment in which the Chinese corporations are working in Kenya is defined by corruption, they are still able to deliver projects that act as sustainable economic pillars. However, some traces of economic neo-colonialism are highlighted below.

6.9.1 Observed Neo-colonial Tendencies

With the end of colonialism and forced labour, came global capitalism in the form of multinational corporations relocating factories to low-cost regions and in some cases, sweatshops emerged (Childs & Williams 1996). This led to the phenomenon of imperialism or neo-colonialism and given the high Chinese investment in Africa, it is not surprising that China-Africa economic marriage has materialised and is currently viewed as a new manifestation of a form of neo-colonialism or imperialism (Carmody 2011, 2013; Carmody & Taylor 2011; Okumu & Clarke 2012; Zafar 2007).

Various scholars, particularly Opondo (2009), discovered serious employment-related concerns in the Chinese corporations' practices in Kenya. Although one of the unrelated concerns of this study was to unravel the Chinese corporation perception of Kenyan managers and to some extend Kenyan workers, the data collection process did not benefit from the input of Chinese corporations' managers or top leaders in Kenya. This was due to the fact that it was not possible to interview any manager from

Chinese corporations in Kenya. Nevertheless, some studies such as Kamoche & Siebers (2014), which set out to explore the same concern including that of how Kenyan workers are perceived in the choice of language used by the Chinese corporations' managers in Kenya, realised that the Chinese managers use derogatory terms with reference to Kenyan workers, such as: 'inferior', 'inefficient', 'backward', 'do not measure up' and 'lacking in work ethic'. This unfriendly and derogatory representation – 'otherness' - of Kenyan workers by the Chinese corporations' managers is in line with post-colonialism, which represents the third world as inferior to that of colonial masters. However, at the policy level and as argued by Kamoche & Siebers (2014), Kenya seems to acquiesce to this depiction of 'backwardness' by its inability to push back the attitudes and contextually bad human resource practices that feed and sustain this narrative. These also include disrespectful dismissal of Kenyan employees who refuse to work overtime and continued marginalisation of Kenyan managers thus blocking knowledge transfer.

Although some theories such as post-colonialism depict African workers and African countries as victims, the theory appears too simplistic in terms of deploying it to define Sino-Africa economic engagement as a dominant power imposing itself on a weaker nation or foreign corporations exploiting African resources. This is because the supposedly weaker nations that pose as needy absorbers of aid do little to pursue and impose policies aimed at protecting workers from suspicious and unlawful practices. Some Kenyans, especially government officials, were heard to give voice to this logic, where the government of Kenya is unable to negotiate good deals for Kenyan workers.

Ke-J4a (Government official):

> *…I would say there an element of conditionality when it comes to aid or support from the developed nations. China is not an exception in that they give grants or loans with conditions and Kenya uses Chinese expertise but in the long-run Kenya only ends up supplying only unskilled manpower which does not go down well with the trained personnel in the country…*

The Chinese corporations' voices in regards to this argument as captured by Kamoche & Siebers (2014) (this thesis failed to secure any interviews with the Chinese corporations' managers or leadership), aver that in comparison with their own socio-economic situation back at home, the Chinese manager sees a more insidious problem with the failure of public policy on the Kenyan side, which offers fews incentives and further discourages investors. This is as a result of insecurity, corruption, poor infrastructure and an unstable exchange rate.

Overt resistance is central to the post-colonial narrative (Childs & Williams 1996). This thesis did not get the opportunity to collect data from Chinese managers or visit and review the internal workings of a Chinese corporation in Kenya, and while there is so much public debate about the dealings of Chinese corporations investing in Kenya, which might imply an association of post-colonialism, the misconception articulated above (weaker nations acting as needy receivers of aid), means this study should exercise further caution in viewing Chinese corporations as purely neo-colonialist.

6.9.1.1 Features of Neo-colonialism in Sino-Kenya Economic Relations

As the person who coined the term Neo-colonialism, Nkrumah understood it to be:

> *…The result of neo-colonialism is that foreign capital is used for the exploitation rather than for the development of the less developed parts of the world. Investment under neo-colonialism increases rather than decreases the gap between the rich and the poor countries of the world… (Nkrumah 1965, p. x)*

He further contends that:

> *… Neo-colonialism is the worst form of imperialism. For those who practice it, it means power without responsibility and for those who suffer from it, it means exploitation without redress. In the days of old-fashioned colonialism, the imperial power had at least to explain and justify at home the actions it was taking abroad. In the colony, those who served the ruling imperial power could at least look to its protection against any violent move by the opponents. With neo-colonialism, neither is the case… (Nkrumah 1965, p. xi)*

Various interviewees touched on numerous themes that highlight the extent to which Chinese corporations investing in Kenya, exhibit economic neo-colonialism features.

Colonialists from the West undertook limited efforts to build sustainable economies, especially based on manufacturing and processing of raw materials. Instead the colonial approach targeted raw material extraction and largely unprocessed agricultural produce all destined for the colonial masters' economies and consumers (Amin 1972; Nkrumah 1965; Walter 1972). Sino-Africa economic engagement critics see a direct connection and similarities with Chinese extraction of minerals and oil (Biti 2013; Carmody 2011, 2013; Kaplinsky & Morris 2009a; Sanusi 2013; Zafar 2007) and in this vein this thesis will illuminate economic neo-colonial features extracted from the research data.

The data collection and hence critical viewpoints did not benefit from Chinese managers or leaders managing Chinese corporations investing in Kenya. Nevertheless, the available data shows clearly the concerns of Kenyans in regards to Chinese corporations' investments and with regards to various projects being undertaken by Chinese firms such as infrastructure and road network construction. Although various scholars such as Collier advocate the importance of infrastructure development as a prerequisite for economic development (Gregg 2010, 2011) and others confirm that road networks contribute to economic sustainability and self-reliance and therefore the significant antithesis of imperialist and neo-colonial economic subjugation (Kamoche & Siebers 2014). Various interviewees had much to say to the contrary, for example: referring to the Chinese players some participants said:

Ke-B12 (entrepreneur):

> *… Yes I would consider them as the imperialist in Africa at the moment. Because they think that we are corrupt and they are now disorganising how we operate, how we handle our finances and how we handle our communities and they have come in and are taking up everything so it us who have opened ourselves up for neo-colonialism from China…*

Ke-K4 (professional):

> *…Kenyans have seen that the East is friendlier and the Chinese also stand to benefit more by coming to exploit the resources they need to run their economy…*

Ke-A1 (NGO):

> *…The Chinese have bought a lot of blocks of land for exploration purposes but I don't blame them for that, I blame our own people because we are being duped in to all these actions, we are being told we will build roads for you but these loans are tethering us, so that we cannot leave, we are dependent on the Chinese. So I think it is not healthy, it is not sustainable and we need an urgent shift in our thinking, they way we broker deals…*

Such narratives do more to consolidate the Sino-Africa economic engagement critics' points of view. Also, as far Chinese corporations being exploitative as elucidated by various authors (Carmody 2011, 2013; Carmody & Taylor 2011; Okumu & Clarke 2012; Sanusi 2013), numerous participants concur. For instance:

Ke-B3 Entrepreneur:

> *… So, there are minerals discovered here in Kenya, so the Chinese must make their presence here known. And there is also the issue of oil, its global importance makes the Chinese come here because Kenya has discovered oil. But it is not just the Chinese who want oil, all other countries too would like to have a piece of the oil. So I am saying that the Chinese are driven by natural resources. They have to come here because they cannot just tell Kenya to keep that mineral for them when there are already so many other players here. So that is why they must come and be here themselves. That is why you see all these companies ready to put their money and do all the explorations and see what they can get…*

The above participants' viewpoints are embedded in neo-colonialism according to Nkrumah:

> *…The result of neo-colonialism is that foreign capital is used for the exploitation rather than for the development of the less developed parts of the world … (Nkrumah 1965, p. x)*

Therefore, the neo-colonialism antithesis made based on infrastructure developments being undertaken by the Chinese, could be premature.

Kenya's reliance on Chinese corporations to grow and drive economic development while at the same time failing to develop and nurture local management and workers' expertise has the potential to undermine the rosy picture that portrays Chinese corporations as partners in the rejuvenation of Kenya's economy.

Ke-B2 (Entrepreneur):

> *…So the China government looks for ways and opportunities and avenues*

to win all the tenders to ensure that they can export labour to create employment for their own citizens. Once they have exported that labour, they expatriate the profits back to their country…

and **Ke-H4 (Unemployed Youth)**:

> *…The Chinese corporations are hiring Kenyans but only a minimum number. This is mostly unskilled labour. The Chinese are only employing Kenyans who are unskilled and pay them peanuts. On the skilled labour side, the Chinese corporations come with their own people. So they pretend to be building with us and yet they are building themselves. When you go to the road constructions you see the unskilled jobs are given to Kenyans but the high-skilled ones go to the Chinese themselves. Kenya has great skilled people and great engineers but the Chinese corporations don't hire them…*

These support various criticisms being levelled at the Chinese economic engagement with Africa. This includes the idea that they are interested only in benefitting themselves and have little concern for the local Africa labour market (Kaplinsky & Morris 2009a; Opondo 2009; Zafar 2007). Such views reinforce the exploitative nature and economic neo-colonialist characterisation of the Chinese players.

Other economic features of Neo-colonialism as articulated by Nkrumah (1965) include some that favour the West against developing nations:

- *International capital control of the world market together with the prices of the products being sold in it (p 241).* The exports from Kenya to China are growing and yet the earning in foreign exchange from these exports is not growing.
- *High interest rates*. Chinese Exim Bank has extended unlimited loans to Africa, particularly to Kenya. Kenyans are worried about this unsustainable debt. Also, these loans are exchanged for resources and although the purpose is realised -

infrastructure building, the construction is done by a Chinese corporation using Chinese material and Chinese labour. One interviewee had this to say:

Ke-B2 (Entrepreneur):

> *…What the Chinese have done is to come and sort of control the central banks by giving you lots of debt. So the other time we were slaves because our lands were taken, this time we are slaves because our money is taken through debts and loans that we cannot sustain…*

- *Multilateral Aid through Chinese institutions such as Exim Bank*. Although the Chinese Bank does not force the recipient African nation to submit economic plans as the Western institutions used to do, they still demand that loans are received directly by a Chinese corporation investing in the host African nation and it is from these corporations that the projects demanded by host nations are done. As one interviewee posited:

Ke-J1 Government Official:

> *… It is not proper, even if they are giving us a grant, they use the same grant to buy their own machines, bring them to the country and then they employ only a few locals. So as far as employment is concerned the Chinese have failed. They are not assisting us…*

- Aid or loans don't tell the whole story but other conditions that hedge around it do, such as:

> *…The conclusion of commerce and navigation treaties; agreements for economic cooperation; the right to meddle in internal finances, including currency and foreign exchange, to lower trade barriers in favour of the donor country goods and capital; to protect the interest of private investments; determination of how the fund (loans) are to be used; forcing the recipient to set up counterpart funds; to supply raw materials to the donor; and the use of such fund – a majority of it, in fact - to buy goods from the donor countries. These conditions apply to industries, commerce, agriculture, shipping and insurance, in addition to others which are political and military… (Nkrumah 1965, p. 243).*

Determination of how loans are used and who uses them are what the Chinese are currently doing in Kenya as interviewee Ke-J1. A Kenyan government official echoed this:

Ke-J5a (Government Official):

> *… And most of the loans are coming from the China government. These are given to the Chinese corporations and at the end all the money will go back to China. So they are not here to help us. They are for themselves and they will be here for sometime…*

This is further evidence of a Neo-colonial character. Two interviewees captured the Neo-colonial view of Chinese corporations investing in Kenya:

Ke-G4 (Academic):

> *… But what the Chinese are doing I think is more sly. It is akin to saying – Oh great this is your house, you need it repaired and you know I am going to repair your house as long as you give it to me. Otherwise, keep on staying in your dingy place. If you let me own the house, I will make it for you to continue living in it. So it ceases being your house and it's the Chinese house now and he can come back anytime and take it back. I think that is so bad…*

Ke-A1 (NGO):

> *… It will reach a point where the Chinese will tell us, because you owe us all this money, we expect you to give us this or that. So it is like we are selling our rights to make decisions… It is a form of dependency and when you look at that form of dependency is a form of Neo-colonialism. You may not see it now because now we are able to service the loans but it will reach a point where we will not be able to. So I think we should use our resources to do what we can in Kenya…*

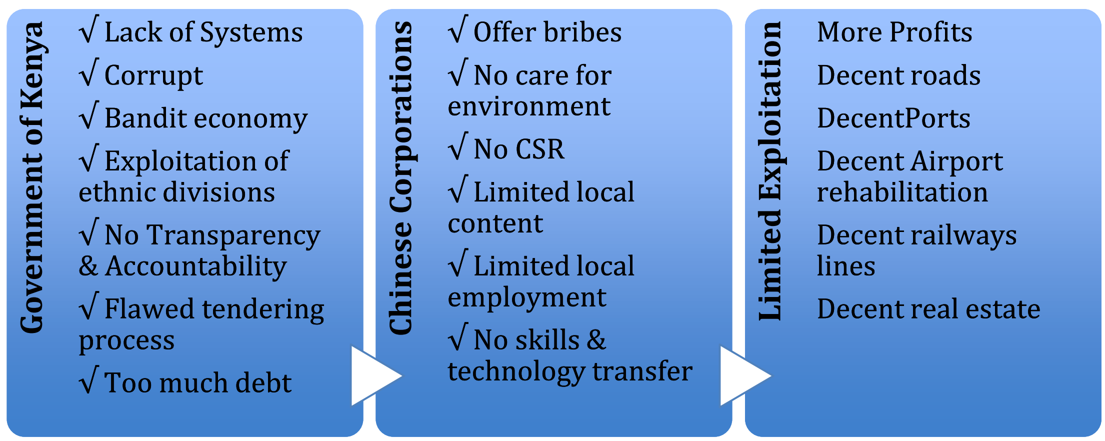
Chinese corporations should be concerned about this picture – especially now that the local partners are painting it. Nevertheless, this does not take away the importance of the sustainable economic foundation that is being built by the Chinese corporations in the form of good roads, expanded airports, new ports and railways line and modern real estate. With this, the conceptual model adopts a new look and meaning. This is discussed next.

6.10 Disproved Conceptual Model

The original model in chapter 3 (fig 4) was built on the understanding that, when corporations are working in environments where the host government has no systems, exhibits bad governance, is corrupt and lacks transparency and accountability, the most probable outcome will be: exploitation – where resources are plundered; there would be no corporate social responsibility; there would be no protection for the environment; and poverty and inequality would be on the rise, leading to neo-colonialism.

However, based on detailed discussions of the research questions in 6.7, Kenyans contended that their government is corrupt, lacks transparency and accountability, and has a flawed tendering process, its leadership divides the nation on ethnic lines thus fostering enmity and presiding over what Dr Mutunga terms the Bandit economy with no systems in place and a worrying level of debt. At the same time, Kenya is engaged in an economic intercourse with Chinese corporations who are seen as ready to offer bribes to win contracts, out to maximise profits, unwilling to employ local Kenyans and transfer skills and technology or adopt local material for their projects, are not environmentally friendly, don't undertake any corporate social responsible activities, but the effect of this economic engagement is not obviously exploitative. This is because, although the Kenyans interviewed contended that the Chinese corporations are driven mainly by profit maximisation, they also felt that the numerous projects undertaken by them yielded positive outcomes for the future of the Kenyan economy as described in chapter 6 section 6.4. Therefore, a revised model capturing this new reality is proposed in fig 8.

Figure 8: Exploitation not Always the End Result



Source: Primary Analysed Data – created by Charles Okumu

As summarised in fig 8, there are bad actors – defined by characteristics such as bribes, environmentally unfriendly, no corporate social responsibility, limited local content and local employment and lack of skill and technology transfer. They work with a corrupt government with a bandit economy that exploits ethnic divisions, works with flawed tendering systems and accumulated worrying level of debts. These Form of engagement does not however necessarily lead to exploitation. Although the corporations are seen as mainly driven by profit maximisation, they are also praised for timely project delivery.

6.11 Summary

This chapter has discussed the key findings, which include: the impact of Chinese corporations' investments in Kenya; sustainable economic growth; responsible development; and governance and ethics. Also, this chapter discussed whether the research question has been answered, and the subsidiary objectives. This chapter also illuminated some positive highlights of Chinese engagement in Sub-Saharan Africa and in Kenya. In closing, this chapter revisited the theory, rejected the initial model (fig 4) and proposed a new model in fig 8.

Chapter 7: Conclusion and Implication for Policy

The chapter will conclude by looking at the following: firstly, a brief overview of the entire research and key findings; secondly, the theoretical contributions; thirdly, the practical implications of the research for policy and governance; fourthly, a brief summary of the research limitations and avenues for further research; and finally, close by arguing that "*exploitation is not always the end result*".

7.1 Research Overview and Key Findings

The thesis aimed to address the following research question:

> ***What is the Impact of Chinese corporations' investments in Sub-Saharan Africa***?

To address this question, subsidiary objectives offered guidance to this research – as summarised in Chapter 1 section 1.2 and detailed in Chapter 6, section 6.7). Qualitative research was carried out – as seen in Chapter 4, to explore empirically the impact of Chinese corporations' investments in Sub-Saharan Africa, especially in Kenya.

The research design was anchored on various qualitative data to facilitate triangulation and adequately inform the research. The data sources included: semi-structured interviews with participants from various economic sectors in Kenya, who live and continue to experience firsthand the impact of Chinese investments; documents and discourse analysis; and finally, the researcher's observations of participants of the China-Kenya economic phenomenon. The economic sectors that produced a significant number of participants included: entrepreneurs; academics;

Government of Kenya officials; professionals and unemployed youths in Kenya. Data in various forms were organised systematically using NVivo software. The data analysis reflected a hybrid of inductive and deductive models as advocated by Fereday & Muir-Cochrane (2006) and Orton (1997), where internationalisation of firm and neo-colonial theories provided a framework to facilitate understanding of the research problem (use of deductive reasoning), while at the same time using themes that emerged from data specific to firms' exploitative tendencies utilising inductive reasoning.

The impact of Chinese corporations was described by four major themes: Chinese corporations in Kenya; sustainable economic development; responsible development; governance and ethics. Also, the subsidiary research objectives enhanced the understanding of the real impact. The findings are briefly summarised below.

Chinese Corporations in Kenya: The analysed data (Chapter 5) complemented by literature, document and discourse analysis (Chapter 6) support the claim that as far the China-Kenya economic engagement is concerned, Chinese corporations are interested only in: firstly, making profits at all costs with no regard to the effects on the larger community in Kenya; secondly, they are willing to take part in all forms of corruption and bribery to win project tenders; thirdly, they are not good environmental stewards - they dump cheap electronics in the Kenyan market and hence increase e-waste; fourthly, they employ mostly their fellow Chinese and not local Kenyans and thus there is limited transfer of skills and technology; and finally the most important result (in the eyes of most Kenyans) is the infrastructure projects driven by the Chinese corporations. These projects are yielding positive outcomes, such as roads, railway lines, ports, and real estate. These outcomes are viewed favourably by most Kenyan participants and are viewed as good foundations for future economic growth.

Sustainable Economic Growth: Based on all data analysed (Chapter 5), there was overwhelming evidence that despite all the major projects mentioned in development, the economic growth as a result of China-Kenya relationship is not regarded as sustainable (Chapter 6). The evidence presented included: one, although China's investment stock and flow in Kenya is increasing every year (see Chapter 2), the net trade effect favours China; trade is not balanced; two, Kenya has accumulated unsustainable debt from China (Chapter 5 and 6); three, the China-Kenya economic relationship and dealings are concealed in a cloud of limited transparency and accountability; four, despite the increasing investments, unemployment especially youth continues to increase; five, Kenya's corruption index is increasing every year; and six, poverty and inequality is rising and destroying not only Kenya's social capital but also breaking up civil society.

Responsible Development: With regards to the impact of the China-Kenya economic relationship to development (see Chapter 5 and 6), a large number of the interviewees recognised and appreciated the numerous projects being implemented, such as: upgrade of airports in Nairobi, Mombasa and Kisumu; upgrade of the Mombasa port and the construction of a new port in Lamu; development of affordable real estate; and upgrade of infrastructure in general. However, despite all these positive developments, the majority still thought that this type of development was not responsible. They cited various reasons: one, the lack of environmental care; two, poaching wildlife; three, employment of Chinese and not local Kenyans; four, the lack transfer of skills and technology; five, the unethical ways in which most of the projects are awarded - through corruption and bribery; and six, just a few Kenyan elite benefitting from such projects as opposed to the citizenry at large.

Governance and Ethics: Based on the analysed data, governance and ethics was one of the main findings. The interviewees believed: one, the Kenyan government has failed to govern according to the needs of the many, governance systems have failed and there is hardly the rule of law; two, top leadership in Kenya has failed and is polarising; three, there is abuse of power and continual exercise of ethnic and tribal-based governance; four and most important, the interviewees thought that corruption is preventing the leadership from governing in the interest of Kenyans.

Subsidiary Research Objectives: The participants believed that the Chinese corporations had a negative reputation; their products are seen to be of low quality; they do not implement CSR; they are mostly viewed as economically and environmentally irresponsible, they are witnessed as not employing local Kenyans and in the end, no significant spillover takes place. The Chinese corporations are seen as driven purely by profit maximisation. Also, while bidding for project tenders, the Chinese corporations are understood to engage in unethical practices including bribery (discussed in Chapter 6).

In summary, the interviewees' varying viewpoints are supported by literature. However, although most participants contended that the China-Kenya economic relationship is not sustainable, tangible infrastructure development projects such as: construction of new roads, ports, airports, railways and real estate, delivered by the Chinese corporations point to a sustainable economic foundation.

7.2 Theoretical Contribution

The main theoretical contributions of this thesis are outlined in this chapter and they include: firstly, internationalisation - FDI theory offers a unique lens through which the China-Kenya and indeed the China-Africa economic relationship can be viewed and analysed; secondly, internationalisation – FDI supported neo-colonialism offered a possible framework and although the conceptual model was rejected in the end, both the theory and the model achieved what they set out to do; thirdly, although internationalisation - FDI theory illuminated China-Kenya economic relationship and the presence of economic neo-colonial tendencies, the Kenyans interviewed appreciated the infrastructure development being carried out by the Chinese corporations; and finally, the model proposed in fig. 8 can be adopted for future similar studies focusing on Chinese investments in other African countries. Each of these contributions is briefly explained next.

7.2.1 Importance of Internationalisation and Neo-colonial Theory for Africa Studies

Although China did not take part in partitioning and colonising Africa, the Chinese played a role in African liberation as noted in Chapter 2. It is tempting to view their contemporary investments in Africa solely through neo-colonial theory as defined by Nkrumah (1965). However, internationalisation – FDI theory offered an appropriate framework for better understanding the China-Kenya economic phenomenon. At the same time, although there are numerous African studies employing neo-colonial lenses, such as Carmody (2011); Carmody (2013); Carmody & Taylor (2011); and Sanusi (2013), the consensus from various China-Africa studies allude to a preference for the Internationalisation – FDI theory (Alden 2005, 2012a, 2012b; Brautigam 2003; Brautigam 2006, 2009; Sautman & Hairong 2007a, 2008, 2009a; Sautman & Yan 2015; Taylor 2008).

7.2.2 Enhanced Understanding of China-Africa (Kenya) Phenomenon

Internationalisation – FDI theory advocates various tangible benefits for both home and host nations as described in Chapter 1 and Chapter 3. Since China's 'Go Global Policy', numerous Chinese corporations have expanded and extended their operations into the global arena (Cáceres & Ear 2012). The driving force propelling this policy is summarised by Buckley et al. (2007). China-Africa criticism notwithstanding, internationalisation – FDI theory has facilitated our understanding of this China – Kenya phenomenon in various ways: one, Chinese corporations have been criticised for minimal spillover effects, such as – skills and technology, and local employment (Zafar 2007), and being driven by profits and resources accumulation. The latter is argued to be of great benefit to Kenya's economic growth – leading to some authors referring to China as economic neo-colonialists (Carmody 2011, 2013; Sanusi 2013), Chinese corporations on the other hand continue to play a significant role in Kenya and Africa's economic development as discussed in 6.8.

Finally, although Chinese corporations have been labelled as corrupt in the way they win major contracts (Mutunga in Lindijer 2016), these corporations are changing the face of Africa (Moyo in Gregg 2011). This is supported by the interviewees' discussion of responsible development as seen in section 6.4. Firms such as Chinese corporations in Africa – especially Kenya internationalise for various reasons, which include seeking advantages in cost of production, looking for extra markets and new resources (Buckley et al. (2007). Although the environment in which the Chinese corporations are working in Kenya is defined by corruption, they are still able to deliver projects that act as sustainable economic pillars for the future.

7.3 Research Implications for Policy and Governance

This section will illuminate several recommendations for policy and governance emerging from this research, which will be critical for the sustainability of China's sub-Saharan Africa economic relationships, particularly China-Kenya engagement. Based on analysed data, attention has been drawn to challenges such as, corruption, lack of transparency and accountability, institutional failure, corporate social responsibility from the Chinese players and the importance of an educated civil society. Therefore, the recommendations will include: one, government strong re-engagement with the larger Kenyan community; two, Chinese corporations' increased investments in social programs which will promote social licence and overall long-term acceptance; and three, increased transparency and accountability.

7.3.1 Government Engagement with Community

The Kenyan government should aspire to create favourable governance and business operational related policies that facilitate and promote local employment, conserve the environment, create transparency and accountability, boost enforceability and combat and exorcise corruption from all institutions. Also, the Kenyan government has a responsibility to prevent and better manage the increasing accumulation of unsustainable debt. Although Kenya requires major sources of finance for infrastructure and capacity development, its weak production and export base limits its ability to handle external financing and prudent debt management devoid of corruption-related debt finance, to the potential for production with a possibility of exchange generating capacity needed to remedy this unsustainable situation. Furthermore, laws should be amended to ensure all foreign contractors and developers have local partners to ensure there are skills and technology transfer that would raise the profile and skills of the local firms.

Moreover, ensuring the foreign firms have local shareholders would mean only a portion of the profits are repatriated, rather than the present case where the high profits from the booming housing and infrastructure developments all end up in China (Michira 2013). In addition, the Kenyan government needs to take advantage of the increasing improvement in infrastructure and create a business-friendly environment incorporating a non-discriminatory taxation system, build good customs regimes that enhance better movement of goods and services and legislate improved regulations that make the labour market both favourable to the employment of locals and more flexible while at the same time, able to safeguard the rights of labour. With good management, increased infrastructure development stands a chance to help Kenya benefit from the globalisation of its industries and businesses. And finally, Kenya still has to invest significant effort in reducing the cost of doing business. Although there are many Chinese corporations with a variety of investments, the Kenyan business environment is still characterised by red tape and numerous other regulatory impediments mostly towards private firms.

According to the World Bank, which tracks indicators of the cost and time, operations, trade, closure and taxation for start–up firms to meet government's relations and requirements to do business, Kenya still ranks in the bottom 30 nations with one of the most costly environments to do business. Also, with discoveries of mineral resources and oil in Kenya, cases to hasten the movement up the value chain can be made. This should be achieved by striving to diversify exports and avoid the position of being exporters of raw materials to other nations and instead aim to develop processing capacity and add value to the raw materials. This is crucial because there are limited substitutes for reforms that reduce domestic barriers to exit and entry and at the same time address critical supply chain constraints. The Kenyan government should insist on a beneficial partnership with Chinese corporations whereby the Chinese corporations transfer technology, which will help add value to Kenya's current and future exports and hence assist Kenyan firms to position themselves to be able to benefit from the global markets, not least in the fast-growing and expanding Chinese market. Additionally, Kenya needs to manage its public finances efficiently. At the moment there are too many corruption cases in tender bids. The tendering and bidding processes need to be transparent and financial decisions need to be made on the basis of careful assessment of the most favourable terms. And by favourable terms, Kenya should avoid the use of side transactions that make it impossible to compare available financing options.

7.3.2 Increased CSR from Chinese Corporations

The Kenyan government needs to do substantial work on safeguarding the environment. This can be achieved by borrowing a leaf from their Chinese partners whose development path consists of paying a heavy price if the environmental impact from exploiting resources is not dealt with early (Vennemo et al. 2009). Developing and putting in place firm regulatory oversight, high standards and good planning can address these challenges (The World Bank 2007). This might in turn increase demand on the Chinese player to both invest in CSR and environmentally friendly projects.

7.3.3 Implications of Rising Corruption

The thesis established the significance of infrastructure development to the long-term sustainability of Kenya's economy. However, the economy's successful growth or failure could be founded on the implications of rising corruption. According to a recent study done in Kenya on whether the government was doing enough to fight corruption, most Kenyans not only identified corruption as the greatest problem, they also, averred that the current government was not serious about combating and fighting the corruption (Mwangi 2016). Moreover, in mid-April 2014, seventeen Kenyan based ambassadors along with the local IMF director declared that corruption was undermining Kenya's future (quoted in Wrong 2014). John Githongo - the veteran anti-graft campaigner in Kenya recently claimed that corruption in Kenya was worse than ever (Githongo 2015). The World Bank recently declared that corruption is scaring away investors from Kenya (cited in Omondi 2016). In addition, Dr Mutunga was heard pontificating that graft in Kenya had become a hobby and that thieves were no longer afraid or ashamed (quoted in Gekara 2016). Mutunga further contends that the Kenya is a bandit economy run by a cartel of criminals whose grip on the economy must be broken. It is no wonder then that Transparency International ranks Kenya as once of the most corruption nations in Africa (TI 2015).

The negative effects of rising levels of corruption to economies, particularly to the Kenyan, can be summarised as: corruption reduces of public revenue and increases public spending; unfair competition in the Kenyan market; and emerging entrepreneurs in Kenya seem to be suffocating under the increasing cost of corruption

Corruption reduces of public revenue and increases public spending: This in effect enhances larger fiscal deficits, which makes it more difficult for any government to operate a credible fiscal policy (Gupta, Davoodi & Alonso-Terme 2002; Tanzi 1998). As already posited earlier, poverty and inequality is on the rise in Kenya and corruption is known to increase income inequality. This is achieved by allowing the elites and the well-connected people to take advantage government processes and activities at the expense of the rest of the population (Gupta, Davoodi & Alonso-Terme 2002).

There seems to be unfair competition in the Kenyan market, which reduces efficiency and growth (Argent & Begazo 2015) and yet corruption has always been associated with market distortion with detrimental effect to growth and efficiency (Tanzi 1998). This distortion reduces the legitimacy of market economy and in some cases also negatively affects democracy (Tanzi 1998). As argued by Dr Mutunga (cited in Lindijer

2016), it is not surprising that the Kenyan government has failed to impose required regulatory controls and inspection to correct its market imperfection and it does not satisfactorily perform its regulatory role over hospitals, banks, transportation activities, food distribution and financial markets. In the limited occasions when the government intervenes, it is normally motivated by corruption (Githongo 2007, 2015).

The emerging entrepreneurs in Kenya seem to be suffocating under the increasing cost of corruption: Bully bureaucrats and tax inspectors whose substantial payments demands are anti-business and often subject this suffocation to entrepreneurs (Ndikumana 2013). Moreover, almost all government services attract bribes and a good example is tendering process in Kenya (Dr Mutunga in Lindijer 2016) as earlier discussed in chapter 6

The detrimental effects of corruption to the Kenyan economy and the society at large are well documented (Gekara 2016; Githongo 2007, 2015; Lindijer 2016; Mwangi 2016; Omondi 2016; TI 2015) and the continued failure of Kenyan leadership in tackling or building stronger institution to fight this menace continues to strengthen the cartels' grip on the economic wheels. When the reality of Dr Mutunga's claimed bandit economy fully eventuates (a reality that is fast approaching as Dr Mutunga claims), not only would the economic wheels stop functioning but also the majority struggling Kenyans would feel the painful effects (cited in Lindijer 2016). When this happens, the economic promise embedded in the infrastructural development being implemented by the Chinese corporations will turn in to a colossal waste.

In summary, as already argued under agency in chapter 6, and already confirmed by Githongo (2015), Dr Mutunga (cited in Lindijer 2016), The World Bank (cited in Omondi 2016), and seventeen Kenyan based ambassadors along with the local IMF director (quoted in Wrong 2014), corruption fight in Kenya is a fight for the economic soul of Kenya - It has to be won for the long-term economic sustainability.

7.3.4 Ex-ante – Kenya's Social Capital in Danger

As appendices 1, 2 and figure 7 (page 210) can confirm, poverty and inequality and unemployment is on the rise in Kenya and as has been established earlier (section 7.3.4) corruption has the potential of causing poverty and income inequality. The growth of these indicators has a direct bearing on social capital, which is understood as the fabric that holds society together (Putnam 2000).

There are numerous positive attributes of social capital: firstly, it allows citizens to resolve collective challenges more easily; secondly, social capital softens the path and greases the wheels that make it easier for communities to move forward flawlessly (Putnam 2000, pp. 288-90); for example, in trusting and trustworthy environments where people are subjected to constant and repeated interactions with each other, daily business and social transactions are not expensive; and thirdly, social capital widens our awareness of the various ways our fates are joined. For example, when people do not have connections to each other, they are not able to test the veracity of their personal views, whether in the more formal deliberations or in the give and take of casual conversation. Hence, in the absence of such opportunities, people will most likely be prone and swayed by their worse impulses (Putnam 2000, pp. 288-90). In brief, the networks that make up social capital can also be used as conduits for the flow of important and helpful information that may enhance achievement of personal and collective goals (Putnam 2000). Also, social capital has the ability to operate through psychological and biological means to improve one's life. Community linkages and connectedness is not about fuzzy tales of civic triumph. In well-documented and in measurable ways, there is an enormous difference made in our lives by the availability of social capital (Putnam 2000).

Furthermore, Putnam has been able to show a clear assessment of the solid benefits of social capital: firstly, social capital has the power to shape child development through trust, networks and norms of reciprocity watching a child's family, peer group, the larger community and school. The larger community has far reaching effects on a child's opportunities, choices and educational achievement. Hence their behaviour and development (Putnam 2000, pp. 296-306).

Secondly, public spaces are cleaner in areas of high social capital, streets are safer and people are generally friendlier. In a traditional neighbourhood, the risk factors are minimal and not significant, as most people would assume. Such risk factors include high poverty and residential mobility. This is because places with high crime rates in large part are due to the fact that people are reluctant to participate in community organisations, there is no supervision of younger people and most people are not linked through any networks (Putnam 2000, pp. 307-18). Also confirmed by Sampson and his associates is the fact that communities with '*collective efficacy*' - the confidence to intervene due to high rates of social capital - are synonymous with lower rates of crime (Sampson et al. 2005).

Thirdly, various scholars suggest that individuals, neighbourhoods, firms and even nations prosper economically where trust and social networks flourish. Therefore, social capital can help mitigate the insidious outcomes of socioeconomic disadvantage (Putnam 2000, pp. 319-25). One aspect of this mitigation is the growing presence of non-profit and non-governmental organisations (Sampson et al. 2005). Also, the good quality of networks in the underground economy of the urban poor is another aspect of this mitigation (Venkatesh 2006).

However, there is a plethora of studies affirming that '*inequality*' is the main cause of damaged society's social capital (Rothstein & Uslaner 2005; Uslaner 2002). The intimate relationship between *social capital* and *inequality* has been postulated in various studies: first is the summary posited by Pickett & Wilkinson (2009) *'does inequality create low levels of trust, or does mistrust create inequality?'*(2009, p. 54); second, is the understanding that community and inequality were viewed as *'mutually reinforcing'*, with causal arrows pointing in the same direction (Putnam 2000, p. 359); and finally, on the opposite side, commentators argued that it is inequality that has negative effects on trust (which is a critical recipe for healthy social capital) rather than the other way round. Hence *inequality being the main causality* (Rothstein & Uslaner 2005; Uslaner 2002). The consensus has therefore been that *'inequality'* dismantles and destroys social capital (Rothstein & Uslaner 2005; Uslaner 2002). Hence, it can be deduced that with increased economic alienation, rising unemployment and inequality and a class system with a few very wealthy individuals and the majority very poor, the likelihood of social capital destruction is high.

With clear evidence of increasing unemployment in Kenya, and a perception by the majority that the Kenyan economy works for the few elites against the majority (economic alienation) creating significant inequality and poverty. Moreover, the perceived lack of good governance, bad leadership, abuse of power by the leadership, negative political dispensation that seeks to divide Kenyans along tribal lines and hence increased negative ethnicity fortified by rising cases of corruption as posited by interviewees, offers more evidence for increased weakness in social capital. A modest forecast of Kenya's social capital would point to a realisation that more work needs to be done to rescue and rebuild the weakened Kenyan social capital.

On the other hand, all is not lost because through collaborations with various stakeholders, enhanced civic education and increased human rights awareness; Kenyans led by their youth are summoning their collective agency. As a result, they are creating technologically sophisticated services such as mobile money (safe money storage and transactions using mobile phones). Also, they are actively demanding: transparency and accountability in government; credible and unifying leadership; and efforts to combat corruption (discussed in Chapter 6 under agency). Importantly, the resilience and determination of Kenyans is seen in the example of Keroche breweries discussed in Chapter 6, section 6.6.4.6.

In summary, the government of Kenya has a duty to work for Kenyans and not the few elite and create legislation that both creates a level business playing field and ensures local labour is utilised. At the same time, Chinese corporations should strive to build bridges with the Kenyan communities by increasing investments in corporate social responsibility – that way their social licence is ensured. Moreover, both Kenya and Chinese corporations should strive to increase transparency and accountability and both should adhere to the UN Global Compact Principles (UN Global Compact 2015) of which they are signatories. The next section will discuss research limitations and avenues for further studies.

7.4 Limitations and Further Research Avenues

7.4.1 Research Limitations

Limitations for this research occurred in various ways: the first was in the research design; the second occurred in the way findings were generalised; third was through sampling boundary and the selection bias; and fourth was the temporal limitation of the thesis.

As briefly outlined in chapter 4, the limitations of qualitative research: being socially based research, there are challenges inherent in social situations, often imperfect and unpredictable (Bryman 2012; Denzin & Lincoln 2011; Snow & Thomas 1994). Moreover, qualitative research methods such as the ones used in this research engender criticism based on generalisability and their robustness. Nevertheless, the justification of the research design was founded on the main aim of the research, which was to increase our understanding of China-Kenya economic phenomenon as opposed to trying to predict or offer explanations for the phenomenon (Bryman 2012;

Flyvbjerg 2006; Stake 2000). Also, the limitations inherent in methodological choice were recognised and addressed in the research design.

Furthermore, the explorative nature of how exploitative the Chinese corporations' investments in sub-Saharan Africa – particularly in Kenya, as seen through the lenses of both internationalisation – FDI and neo-colonialism theory presented unique challenges in itself, especially in determining the inclusion in the sampling framework. Also, the resource and time constraints of a PhD study process imposed its own restriction on sampling, meaning that the sample size and framework needed to be manageable. Moreover, bearing in mind that there are few studies looking at China-Kenya through the lenses of internationalisation and neo-colonialism meant that the boundary was set and hence provided a good starting point from which more and better future research targeting the entire sub-Saharan Africa region can be founded.

Also, there was visible evidence of self-selection bias in terms of the interview sample with respect to the participants in Kenya who were involved in this research. Although the sectors represented were random and the sampling adopted a snowball effect, the initial participants contacted were individuals known to the researcher. A key constituency consisting of Chinese players was not accessed and that meant that the participation did not cover a wider varied audience and that might have produced a biased representation of the China-Kenya relationship and hence obscured the fuller picture. Therefore, future researchers in this space, especially those employing internationalisation and neo-colonialism theoretical frameworks, should strive to include the participation of key stakeholders such as the Chinese players.

Lastly, data collection for this research was done at a time of heated and rising political temperature in the domestic political discourse in Kenya. Much of the polarisation was as a result of the unlawful awarding of multimillion-dollar contracts to Chinese corporations. This unfriendly political and public discourse meant that the researcher could not gain access to important stakeholders, such as: top government of Kenya officials; Chinese corporation managers; and anyone working for the Chinese corporations.

7.4.2 Further Research Avenues

This study discovered new strands for further research: one, from a management perspective, striving to explore the viewpoints of the Chinese corporations' leadership; two, expanding the research scope to cover more nations in Africa; three, using the internationalisation theory, to compare and contrast Chinese corporations' activities with those of Western nations; and finally, exploration of ways in which African civil society can be educated on the larger impact of Chinese investments to other concepts such as culture, development and education.

7.5 Exploitation is not Always the End Result

The neo-colonial theory infused model (Chapter 3, section 3.5.6) contends that, governments with broken systems, weak enforceability and characterised by corruption and lack of transparency and accountability, afford grounds for corporations that end up exploiting the resources of their host nations. However, as valid as the model is and with guidance from various scholarly literature, the research reveals that exploitation as the end result is not a straight line. The Chinese corporations' investments in Kenya exhibit numerous features closely associated with economic neo-colonialism, and even though most Kenyans contend that the China-Kenya economic relationship is not sustainable, the various major projects won and successfully delivered by the Chinese corporations tell a different story. Such projects according to Collier (In Gregg 2011) and various other economists, offer strong foundations for sustainable economic growth.

Therefore, although Chinese corporations' investments in Kenya are viewed as corrupt with a willingness to offer bribes to win contracts (there is also evidence that the Kenyan government is corrupt), such an environment is supposed to result in nothing but exploitation (Collier in Gregg 2011). In Kenya, however, through infrastructural development, the Chinese corporations are also building a strong and sustainable economic foundation.

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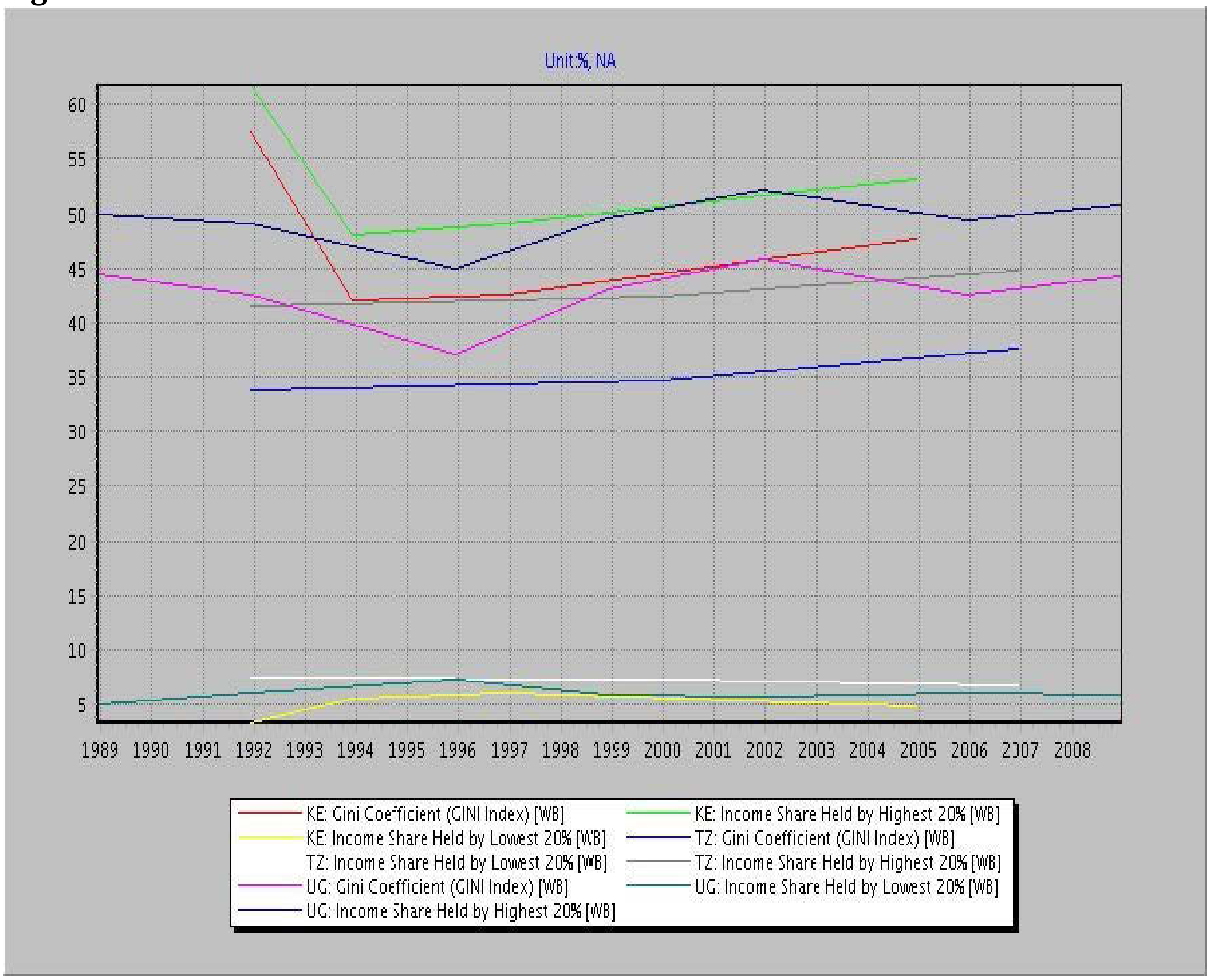
Appendix 1

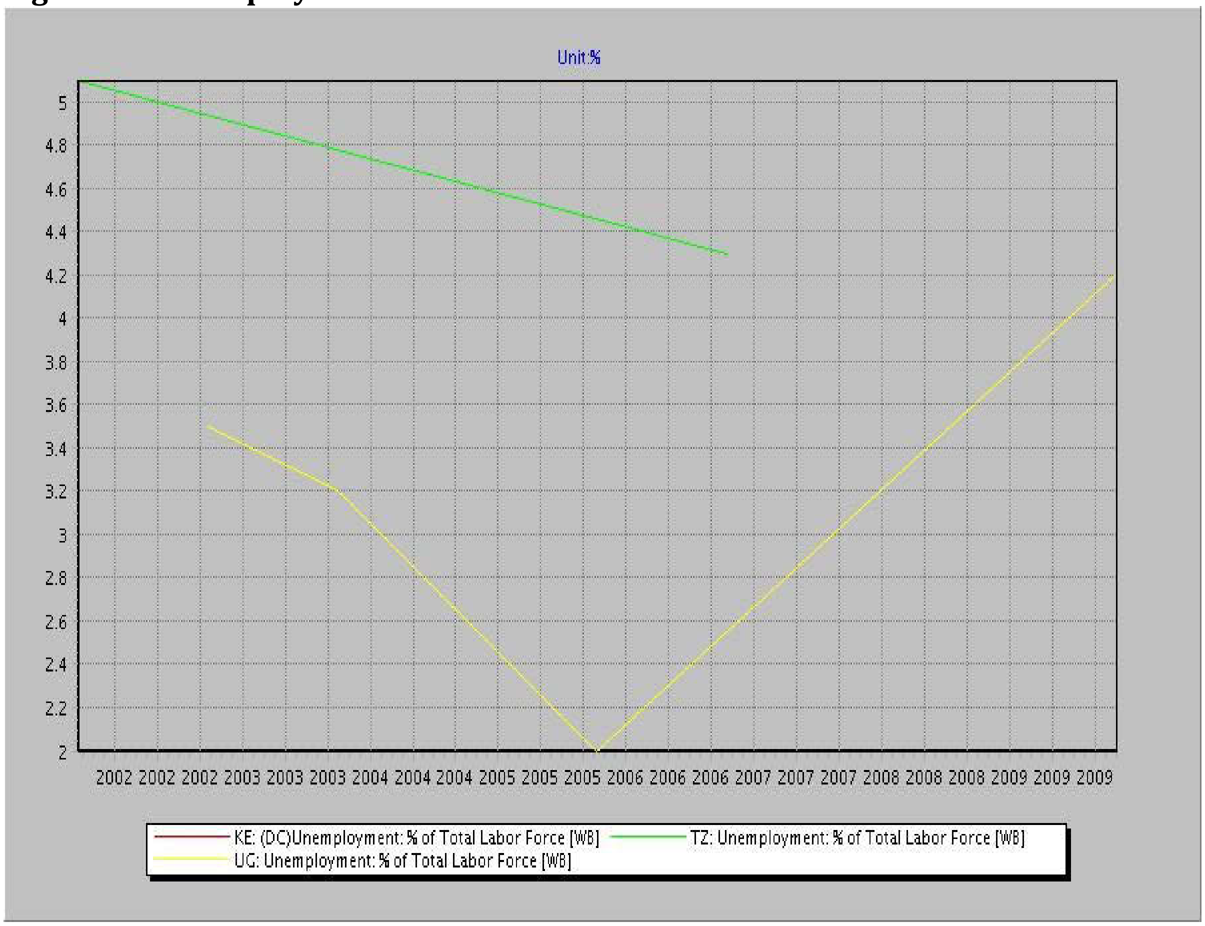
Figure 9: Income levels in East Africa



Source: The World Bank Data (2015)

Appendix 2

Figure 10: Unemployment in East Africa



Source: The World Bank Data (2015)

Appendix 3

Table 14: Interview Checklist

Main Questions Asked of the Participants
• From your experience, can you please tell me how exploitative the Chinese corporations' investments are in Kenya? • From your understanding and experience, how reputable do you think the Chinese corporations in Africa are? • We hear the Kenya markets are flooded with everything from China. From your consumerism and numerous interactions with Chinese products and services, what has been your experience about their quality? • Acknowledging Chinese corporations increasing presence in Kenya and Africa for that matter, what has been your experience about how effectively they implement corporate social responsibility? Have you witnessed the Chinese corporations engaging in any projects like building schools, hospital and just looking after the community in all those projects that they carry out? • You have witnessed Chinese corporations undertake numerous projects, what is your experience on how economically responsible they are? • You have witnessed Chinese corporations undertake numerous projects, how environmentally responsible are they? • Obviously you have seen Chinese corporations implementing various projects here in Kenya, have you seen or interacted with Kenyans who are employed by these Chinese corporations? • You have obviously seen and encountered various Chinese corporations doing all sorts of work here in Kenya, what has been your experience as far as technology and any other spillovers are concerned? • As you well know and as has been widely covered in the media, the Chinese corporations win all major project tenders. In your experience, why is that the case? And why is the government of Kenya reluctant to ensure the projects are awarded properly? • But alongside everything going on with the Chinese corporations' investments in Kenya, lets also talk about Kenya's debt level. The Kenyan Government is borrowing a lot of money from the Chinese. Does that worry you? • As you well know, the Chinese corporations are building incredible infrastructure in Kenya and Africa for that matter. How is that good? • Based on what you see going on and your experience, how sustainable in the China-Kenya economic relationship? • As you well know, there is much talk about corruption with the Chinese

corporations and the Kenyan government, what has been your experience about that?

- In your experience in living and working here in Kenya, who ultimately bears the responsibility for corruption in Kenya or with the Chinese corporations, if any?
- There are some quarters that argue that Kenya does not have functioning institutions, what has been your experience as far Kenyan institutions and their functionality is concerned?
- Looking at the level of Chinese investments in Kenya and bearing in mind that there are some credible authors who have argued that the Chinese are the neo-economic colonialists in Africa. How true is this assertion in the context of Chinese corporations' investments in Kenya?
- Let's talk about rising poverty in light of so much money being spent on our roads and so many other sectors and at the same time as Kenyans are falling into poverty almost everyday. Do you think there is a connection between so much money and money percolating down to the local people to reduce poverty? What has been your experience on that?
- In finishing, what are your views on the Kenya-China relationship in the short-term and in the long-term? Or is this relationship another form of colonialism? Chinese exploit Kenyans, get rich and leave. What would be your final thoughts on that?

Source: Prepared by Charles Okumu for data collection

Appendix 4

Table 15: Coded Participants per Sector, Industry and Location

Code	Main Sector	Position in Org	Location
Ke - A1	NGO	Project Manager	Nairobi
Ke - A2	NGO	Project Manager	Lamu
Ke - B1	Entrepreneur	CEO	Nairobi
Ke - B2	Entrepreneur	CEO	Nairobi
Ke - B3	Entrepreneur	CEO	Nairobi
Ke - B4	Entrepreneur	CEO	Malindi
Ke - B5	Entrepreneur	CEO	Nairobi
Ke - B6	Entrepreneur	CEO	Nairobi
Ke - B7	Entrepreneur	CEO	Nairobi
Ke - B8	Entrepreneur	CEO	Nairobi
Ke - B9	Entrepreneur	CEO	Nairobi
Ke - B10	Entrepreneur	CEO	Nairobi
Ke - B11	Entrepreneur	CEO	Nairobi
Ke - B12	Entrepreneur	CEO	Nairobi
Ke - B13	Entrepreneur	CEO	Nairobi
Ke - B14	Entrepreneur	CEO	Nairobi
Ke - C	Banking	Bank Manager	Nairobi
Ke - D	Doctor	Doctor	Mombasa
Ke - E	Construction	CEO	Nairobi
Ke - F	Engineering	CEO	Nairobi
Ke - G1	Academic	Senior Lecturer	Nairobi
Ke - G2	Academic	Lecturer	Nairobi
Ke - G3	Academic	Lecturer	Nairobi
Ke - G4	Academic	Lecturer	Nairobi
Ke - G5	Academic	Senior Lecturer	Nairobi
Ke - G6	Academic	Lecturer	Mombasa
Ke - H1	Unemployed Youth	Former Region Manager	Mombasa
Ke - H2	Unemployed Youth	Former Region Manager	Mombasa
Ke - H3	Unemployed Youth	Former Region Manager	Nairobi
Ke - H4	Unemployed Youth	Ex Student in Sydney	Nairobi
Ke - H5a	Unemployed Youth	Unemployed	Lamu
Ke - H5b	Unemployed Youth	Unemployed	Lamu
Ke - H5c	Unemployed Youth	Unemployed	Lamu
Ke - H5d	Unemployed Youth	Unemployed	Lamu
Ke - H5d	Unemployed Youth	Unemployed	Lamu
Ke - H5e	Unemployed Youth	Unemployed	Lamu
Ke - J1	Govt of Kenya	Department Head	Nairobi

Ke - J2	Govt of Kenya	Department Head	Nairobi
Ke - J3	Govt of Kenya	Department Head	Nairobi
Ke - J4a	Govt of Kenya	Department Head	Nairobi
Ke - J4b	Govt of Kenya	Department Head	Nairobi
Ke - J4c	Govt of Kenya	Department Head	Nairobi
Ke - J5a	Govt of Kenya	Department Head	Nairobi
Ke - J5b	Govt of Kenya	Department Head	Nairobi
Ke - K1	Professionals	Logistics Manager	Nairobi
Ke - K2	Professionals	SBU Director	Nairobi
Ke - K3	Professionals	Sales Manager	Nairobi
Ke - K4	Professionals	Business Analyst	Nairobi
Ke - K5a	Professionals	Managers	Nairobi
Ke - K5b	Professionals	Managers	Nairobi
Ke - K5c	Professionals	Managers	Nairobi
Ke - K6	Professionals	Sales Manager	Mombasa
Ke - K6	Professionals	Sales Manager	Lamu
Ke - K7	Professionals	Sales Manager	Lamu
Ke - K8	Professionals	Financial Director	Mombasa
Ke - L1	Journalism	Chief Editor	Nairobi
Ke - L2a	Journalism	Chief Editor	Nairobi
Ke - L2b	Journalism	Chief Editor	Nairobi
Ke - P	Transport	Taxi Driver	Nairobi
Ke - Q1a	Elder	Elder	Lamu
Ke - Q1b	Elder	Elder	Lamu
Ke - Q1c	Elder	Elder	Lamu
Ke - Q2a	Elder	Elder	Lamu
Ke - Q2b	Elder	Elder	Lamu
Ke - Q2c	Elder	Elder	Lamu
Ke - Q3a	Elder	Elder	Lamu
Ke - Q3b	Elder	Elder	Lamu
Ke - Q3c	Elder	Elder	Lamu
Ke - R1	Conservationist	Director	Shela
Ke - R2	Conservationist	Conservationist	Shela
Ke - R3	Conservationist	Conservationist	Shela
Ke - R4	Conservationist	Conservationist	Shela
Ke - R5	Conservationist	Conservationist	Shela
Ke - R6	Conservationist	Conservationist	Shela
Ke - S1	Import Products from China	Partner	Nairobi
Ke - S2	Import Products from China	Partner	Nairobi

Source: Primary Data - created by Charles Okumu

Appendix 5

Table 16: Summary of Documents and Discourses Analysis

Documents Analysed Between April 2012 to July 2015
✓ The World Bank Report for 2015 - Kenya Employment to Population Ratio Modeled ILO Estimates ✓ The World Bank Report for 1999 – What is Social Capital? ✓ The World Bank Research Observer Report for 2007 - The growing relationship between China and Sub Saharan Africa: Microeconomics, trade, investment and Aid links ✓ MOFCOM Report for 2014 - Statistical Bulletin of China's Outword FDI ✓ SAIIA Occasional Paper Number 110 – China in Kenya: Addressing Counterfeit Goods and Construction Sector Imbalances ✓ JICA Research Institute Working Paper Number 78 – Estimating China's Foreign Aid 2001-2013 ✓ National Anti - Corruption Plan Report for 2013 – Kenyans arise! Fight Corruption Now ✓ The New Constitution of Kenya – Laws of Kenya ✓ 2015 Review Report on Kenya corruption and anti-corruption ✓ Kenya National Assembly Official Records (Hansard) for 2003 – 2012 ✓ Kenyan Budget for the period 2002 - 2014 ✓ African Development Bank Report for 2012 – Towards Green Growth in Africa ✓ UNDP & UNECA Report for 2012 – African Economic Outlook: Pormoting youth employment. ✓ United Nations Economic Report on Africa – 2011: Governing development in Africa - the role of the state in economic trasformation ✓ OECD Report for 2011, 'Corporate Governance of listed companies in China: Self assessment by the China securities regulatory sommission. ✓ OECD Report for 2003 - Checklist for Foreign Direct Investment Incentives Policies ✓ OECD Report for 1960 - Convention on the Organisation fro Economic Co-operation and Development ✓ McKinsey Quarterly Report for 2010 - What's driving Africa's growth ✓ United Nations Economic Report on Africa 2013 - Making the Most of Africa' Commodities: Industrialising for Growth, Jobs and Economic Transformation ✓ UNCTAD Report for 2006 - Guidance on Good Practise in Corporate Governance Disclosure ✓ UNCTAD World Investment Report for 2009: Transnational Corporations, Agricultural Production and Development ✓ UNCTAD Report for 2010 - World Investment Report: Investing in a low Carbon Economy ✓ UNCTAD 2006, 2005, 1997, 1993 - World Investment Report ✓ Martin Drewy Report for 2014 - Honest Accounts? The true story of Africa's billion dollar losses from Health Poverty action

- ✓ UNCTAD Reports for 1994-2002: Sharing Asia's Dynamism - Asian Direct Investment in the European
- ✓ McKinsey Quarterly Report for 2010 - Fulfilling the promise of Sub Saharan Africa
- ✓ McKinsey Quarterly Report for 2010 - Making the most of Chinese aid to Africa: Its time to move beyond sterile arguments and accept China's role in Africa. But it is also time for China to enahnce that role.
- ✓ IMF Report for 2007 - What drives China's Growing role in Africa?
- ✓ IPPA Report for 2014 - China in Africa: An Evaluation of Chinese Investment
- ✓ Brooking Report for 2014 - Africa in China's Foreign Policy
- ✓ Report for Oxfam for 1996 - The IMF, the World Bank and Economic Policy in Rwanda: Economic, Social and Political Implication
- ✓ IMF Report for 2008 - Africa's Burgeoning ties with China maximising the benefits of China's increasing economic engagement with Africa
- ✓ Perrow, C. 1999, *Normal accidents*, Princeton University Press, Princeton, NJ.
- ✓ Perrow, C. 2007, *The next catastrophe*, Princeton University Press, Princeton, NJ.
- ✓ UN Global Compact, 2015, *United Nations Global Compact*, UN GLobal Compact

Source: Various Sources: Created by Charles Okumu

Appendix 6

Table 17: Kenya's History

Before 1920	• Kenya was known as the British East Africa Protectorate (Ham, Burtler & Starnes 2012).
1963 to 1973	• Kenya achieved independence from the British. • Kenya promoted rapid economic growth through public investment in smallholder agricultural production and incentives for industrial investment. GDP grew at an annual average rate of 6.6 per cent and agricultural production grew at an annual rate of 4.7 per cent.
1974 to 1990	• Inappropriate agricultural policies, inadequate credit and poor international terms of trade contributed to a decline in agriculture and to an overall decline in Kenyan economic performance. • Kenya's inward-looking policy of import substitution and rising oil prices made its manufacturing sector uncompetitive. • The government began a massive intrusion into the private sector. Lack of export incentives, tight import controls, and foreign exchange controls made the domestic environment for investment even less attractive.
1991 to 1993	• Kenya experienced its worst economic performance since independence. • Growth in GDP stagnated and agricultural production shrank at an annual rate of 3.9 per cent. • Inflation reached a record 100 per cent in August 1993 and the government's budget deficit was over 10 per cent of GDP. • As a result of these combined problems, bilateral and multilateral donors suspended program aid to Kenya in 1991.
1993	• Government of Kenya began a major program of economic reform and liberalisation. • A new minister of finance and a new governor of the Central Bank of Kenya undertook a series of economic measures with the assistance of the World Bank and the International Monetary Fund (IMF). • As part of this program the government eliminated price controls and import licensing, removed foreign exchange controls, privatised a range of publicly owned companies, reduced the number of civil servants and introduced conservative fiscal and monetary policies.
1994 to 1996	• Kenya's real GDP growth rate averaged just over 4 per cent a year. • The Presidents of Kenya, Tanzania, and Uganda re-established the East African Community (EAC). • The EAC's objectives included harmonising tariffs and customs regimes, free movement of people and improving regional infrastructures.

1997	• The economy entered a period of slowing or stagnant growth, due in part to adverse weather conditions and reduced economic activity prior to general elections in December 1997. • The Government of Kenya refused to meet commitments made earlier to the IMF on governance reforms. • As a result the IMF suspended lending for three years, and the World Bank also put a US$ $90-million structural adjustment credit on hold. • Although many economic reforms put in place in 1993-94 remain, conservative economists believe that Kenya needs further reforms, particularly in governance, in order to increase GDP growth and combat the poverty that afflicts more than 57 per cent of its population.
1999	• The Government of Kenya took some positive steps on reform, including the establishment of the Kenya Anti-Corruption Authority (KACA) and measures to improve transparency of government procurements and reduce the government payroll.
2000	• GDP growth was negative. • IMF signed a US$ $150 million Poverty Reduction and Growth Facility (PRGF). • The World Bank followed suit shortly after with a US$ $157 million Economic and Public Sector Reform credit. • The Anti-Corruption Authority was declared unconstitutional.
2001	• GDP growth improved slightly as rainfall returned closer to normal levels. • Reform effort faltered. • The IMF and World Bank again suspended their programs.
2002	• Economic growth continued to improve slightly. • Various efforts to restart the program through mid-2002 were unsuccessful. • Government of Kenya began an ambitious economic reform program and resumed cooperation with the World Bank and the IMF.
2003	• Economic growth continued to improve and reached 1.4 per cent. • Government enacted the Anti-Corruption and Economic Crimes Act and Public Officers Ethics Act aimed at fighting graft in public offices. • Other reforms especially in the judiciary and public procurement led to the unlocking of donor aid and a renewed hope of economic revival. • Adoption of key anti-corruption laws and other reforms by the new government. • Donors reengaged as the IMF approved a three-year US$ $250 million Poverty Reduction and Growth Facility and donors committed US$ $4.2 billion in support over four years. • The renewal of donor involvement provided a much-needed boost to investor confidence.

2004	• Economic growth continued to improve and reached 4.3 per cent. • The three East African countries signed a Customs Union Agreement.
2005	• Economic growth continued to improve and reached 5.8 per cent.
2006 to 2007	• The Privatisation Bill was enacted although the setting up of a privatisation commission was not finalised, civil service reform was implemented. • The country won the UN Public Service reform award. • The main challenges included taking action on corruption, enacting anti-terrorism and money laundering laws, bridging budget deficits, rehabilitating and building infrastructure. • The aim was to maintain sound macroeconomic policies and speed up the rapidly accelerating economic growth, which was projected to grow to 7.2 per cent.
2007	• Kenyan government unveiled Vision 2030, which is an ambitious economic blueprint and which, if implemented in its entirety, has the potential of putting the country in the same league as the Asian Economic Tigers. • However, all these economic projections now hang in the balance following the political uncertainty occasioned by the aftermath of the 2007 disputed Presidential polls, which left the country economically dented.

Source: Various sources, prepared by Charles Okumu