

CHAPTER I INTRODUCTION

A. Background

China made One Belt One Road (OBOR) initiative and became one initiative that attracted the international attention during the first year as Chinese President Xi Jinping released a several of ambitious economic policies in 2013. This strategy was formed based on the inspiration of the traditional trade routes and known as the Silk Road in the past. If in the past, horses and camels connected China and the Middle East, the OBOR will be driven by railways, highways, bridges, oil and natural gas pipelines (Cipto, 2018). Recently it is known as Belt and Road Initiative (BRI).

The purpose of the initiative of Belt and Road (BRI) are to connect the Eurasia's economic with the infrastructure, trade, and also investment. Belt and Road Initiative (BRI) are consisting of two main components, which are the Silk Road Economic Belt and The 21st Century Maritime Silk Road. Silk Road Economic Belt as a land route that aims to connect the undeveloped province in western China and Europe through Central Asia. Meanwhile, the 21st Century Maritime Silk Road is a sea route that aims to connect China's coastal provinces, which are rich in Southeast Asia to Africa through ports and railways. By connecting China with various parts of the world Xi Jinping expect of an iron Silk Road for China and its interests. (Mitchell, 2017)

The One Road signifies the "21st Century Maritime Silk Road" which plans to connect Asia, Africa, the Middle East and Europe. The purpose of the OBOR is to connect Asia, Europe and Africa

through strengthening partnerships among countries. The Chinese imperial envoy, Zhang Qian, initiated the old Silk Road 2000 years ago, which were used as a trade route to Arabia and Central Asia. Since silk was one of the top export items in China at that time, this route was known as the Silk Road. In 2013, President Xi Jinping stated to build and revitalize the old Silk Road by building relations between China, all parts of Asia, Europe and Africa through the development of infrastructure such as railways and roads. (Nantulya, 2019)

BRI is a big project because it crosses 3 continents, namely Asia, Europe and Africa and 3/4 energy sources with a target of 4.4 billion populations in 67 countries, representing 63% of the total global population. China's expenditure for BRI is estimated to reach \$ 100 billion per year. In order to finance the BRI project, which requires huge capital, China established the New Development Bank in 2013, the Asian Infrastructure Investment Bank in 2014, the Silk Road Fund in 2015, and other funding mechanisms, both bilaterally and multilaterally. (revinitiv, 2019)

There are two sides of the response toward the Belt OBOR initiative. Some researchers think that OBOR is an initiative to promote their devastated economy by creating a smooth global market and is also described to reshape the political and economic order of Asia by developing a network of cultural, political and trade companies. OBOR has 65 countries as members under its initiative. The importance of the OBOR initiative cannot be ignored because of its active role in joint peace and economic development. It connects Asian countries such as Bangladesh, Brunei, Singapore, Sri Lanka, Cambodia, Myanmar,

Maldives, Nepal, India, Sudan and Pakistan through seaports, oil and gas pipelines and economic corridors. (Johnston, 2016)



Figure 1 One Belt One, Road Initiative

Source: <https://mronline.org/2018/10/05/a-critical-look-at-chinas-one-belt-one-road-initiative/>

It also finances free trade economic zones and energy development projects in its member countries. US, Japan, Indian policy makers and scholars have expressed their security threats in the OBOR region because of the increasing influence of OBOR initiatives in China. Although China regards it as propaganda against the peaceful journey of OBOR, the benefits of OBOR will be available to everyone in the world because of its peaceful nature such as cooperation, integration and interdependence. A multi-polar world will be established by proper implementation of OBOR through trends of harmony and peace. (Syaiful Anam.)

The relationship between China and Africa has been running long enough before the OBOR initiative. The flow of aid, trade and investment between China and Africa is one of the external catalysts of nascent integration into the global value

chain. This began with changes in the mid-1990s, for example in apartheid which then ended in South Africa and China became a net importer of energy. For China, greater outreach to Africa is part of official efforts to secure access to energy resources in return for more aid, trade and investment. Related policies include expanded trade preferences for less developed countries and financial support for selective special economic zones. Two decades of explosive growth in trade ties took place, with China becoming Africa's biggest trading partner in 2009. However, trade flows were widely marked by China buying resources from Africa, and reselling manufacturing a controversial historical exchange pattern for Africa. Investment also owes a large part to securing these resources (Institute for peace and security, 2013).

The sharp decline in demand for Chinese exports after the global financial crisis helped explaining why China's demand for commodities fell. The slowdown that resulted from China's GDP growth forced Chinese policy makers to look for economic life outside the model led by labor intensive exports that had low added value. China is home to high levels and savings levels and a rapidly aging population is one reason why Chinese policy makers are increasingly looking for investment opportunities. This section outlines the economic logic and emerging alternative funding alternatives that are loosely under the associated umbrella framework, One Belt, One Road (OBOR) initiative. The focus here is the OBOR links to Africa, the least economically developed region in the world and home to untapped wealth of human and natural resources (Institute for peace and security, 2013).

China's inbound and outbound investment levels, 1990-2014

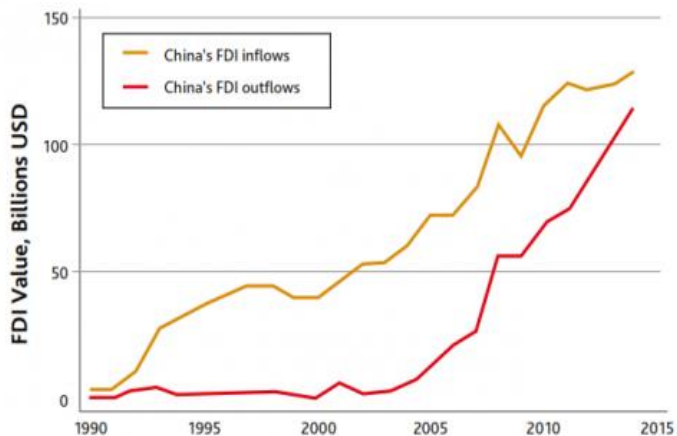


Figure 2 China's inbound and outbound investment levels 1990-2014

Source: Johnston (forthcoming, 2017)

Several reasons are emphasizing China to build an infrastructure and giving aid to Africa such as economic crisis in China in late 1990s and also because of demographical aspect. China is committed to many large-scale infrastructure investments in Africa, in the power generation sector and also in transportation. The flagship project among them is most likely the Standard Measuring Railway project in Kenya. This significance is explained by economics and politics, and in particular by the China OBOR initiative and "Maritime Silk Road" (Institute

for peace and security, 2013).

Below is a large infrastructure project invested by China in Africa:

Country	Project	Description	Value (\$bn)
Nigeria	Coastal railway	1,402-km railway to link Lagos with Calabar (to east), passing through 10 states and linking cities with oil-rich Niger Delta state.	12
Tanzania	Bagamoyo Port	20 million (annual) container port, which would be largest East African port. This would be linked to a railway corridor and sit next to a new industrial zone. Shrouded in uncertainty.	7
South Africa	Modderfontein New City Project	A housing and entertainment precinct being built in outer Johannesburg, South Africa's largest city.	7
Kenya	Standard Gauge Railway	A 609-km railway connecting Mombasa's port the capital Nairobi (set for completion at end-2017).	3.8
Congo DRC	Infrastructure for Mines barter deal	The deal was to develop the mine fields in Mashamba and Dima basins and Kolwezi.	6
Chad	Chad-Sudan Railway	A 1,344-km railway being constructed in three phases and will also link the two nations with Cameroon.	5.6
Nigeria	Dangote Cement Plc Expansion	Dangote Cement Plc expansion in Nigeria, and into Ethiopia, Kenya, Zambia, Senegal, Mali, Cameroon and Ivory Coast. A boost to cement production of 25mn tonnes and taking total production tomore than 70mn tonnes/year.	4.34
Mozambique	Mphanda Nkuwa Dam and Hydroelectric station project	Provide 1,500 megawatts of power to national electricity grid, and includes construction of Moamba-Major Dam to supply drinking water to residents of Maputo	3.1
Malawi	Infrastructure Projects	A 300-megawatts coal-powered station; reconstruction of Chileka International Airport; 140km Tsangano-Mwanza (in Tanzania) road construction; upgrading of Phombeya-Makanjira-Nkhotakota-Chatoloma 220 kV power line; construction of the Blantyre District Hospital and Cancer Centre.	1.7
Sudan	Port Sudan-Khartoum Railway	The project was completed in 2012 and connects Port Sudan to the country's capital, Khartoum in a 762 km of rail network.	1.3

Table 1 Selected large Chinese-invested infrastructure projects in Africa

Source: <https://www.ictsd.org/bridges-news/bridges-africa/news/africa-and-china's-one-belt-one-road-initiative-why-now-and-what>

The most direct historical links to Africa are related to the 14th century Chinese maritime network, which reached the east coast of Africa, specifically the area that is part of modern Kenya. This helps explaining why Kenya is the center of Africa that has been nominated by China for the OBOR initiative. As a relatively large regional and coastal economy with a port of interest in East Africa (in Mombasa), Kenya is also important for reasons of economic geography. The planned train invested by China intends to better connect Kenya and its ports with a number of landlocked economies, including Uganda, South Sudan, Rwanda and Burundi, unlocking Africa and wider opportunities for international trade in the process. In July 2016, neighboring and coastal Tanzania also signed a loan agreement of US \$ 7.6 billion with the China Export-Import Bank (China EXIM Bank). The loan is for the construction of a standard measuring rail corridor that will also connect Tanzania with regional neighbors Uganda, Rwanda, Burundi and Congo. (Johnston, 2016)

China officially promised to help Africa, through the African Union, to build a comprehensive transportation network foundation. It's very involved in increasing the capacity of African power plants too. According to World Bank estimates, the need for African infrastructure funding is around US \$ 38 billion per year, with more than US \$ 37 billion needed each year in operations and maintenance. This is equivalent to around 12 percent of African GDP, a funding gap estimated at around US \$ 35 billion.

(Johnston, 2016)

China has also worked bilaterally to approve fundamental bilateral policies with African countries. For example, China has signed several tax agreements with Ethiopia, Mauritius, Morocco, Nigeria, Seychelles, South Africa, Tunisia and Zambia, as well as bilateral investment agreements with certain other countries. Similarly, to support the internationalization of its currency, the Renminbi (RMB), China signed a currency settlement agreement with more and more African countries and organizations. Recently, Common Market For Eastern and Southern Africa (COMESA) agreed to enter the RMB among official settlement currencies. (Johnston, 2016)

B. Reasearch Question

From the background that has been described, the writer finds a problem:

What are the economic and political impact of One Belt One Road (OBOR) Initiative towards Kenya in 2013-2018?

C. Theoretical Framework

In order to answer the research question and as the guide to writing, this thesis is use one theory. The theory that used is Foreign Aid. Foreign Aid theory used in this research that is in accordance with the impact of China's One Belt One Road (OBOR) Initiative toward Kenya.

Historically, most foreign aid has been provided as direct bilateral assistance from one country to another. Donors also provide indirect assistance as multilateral assistance, where the resources come from several donors. Related to foreign policy that has a state interest, then one form of that policy can be outlined in the form of foreign aid. During the Cold War, this trend was very common among large countries such as the United States and the Soviet Union.

Foreign aid is one of the policy instruments that is often used in foreign relations. In general, foreign aid can be defined as the transfer of resources from one government to another, which can be in the form of goods or funds (Holsti, 1995).

According to Robert Gilpin in his book "The Political Economy of International Relations" namely foreign aid is defined as a number of funds provided by countries that are relatively advanced or rich to countries that are economically poorer. Meanwhile, K.J. Holsti in his book "International Politics: Framework of Analysis" defines foreign aid as a transfer of money, technology, or technical advice from a donor country to a recipient country (Holsti, 1995).

Using Edward's S Manson approach, Foreign aid is positioned as an instrument of foreign policy and can be used in the analysis if it is assumed that there is an interest between the donor country and the recipient country. Manson also added that there was a link between the political economic interests of aid and geographical location. It will be easier to analyze the importance of a country for aid providers when using geographical location as an indicator (Manson).

According to Morgenthau there are six kinds of foreign aid. They are:

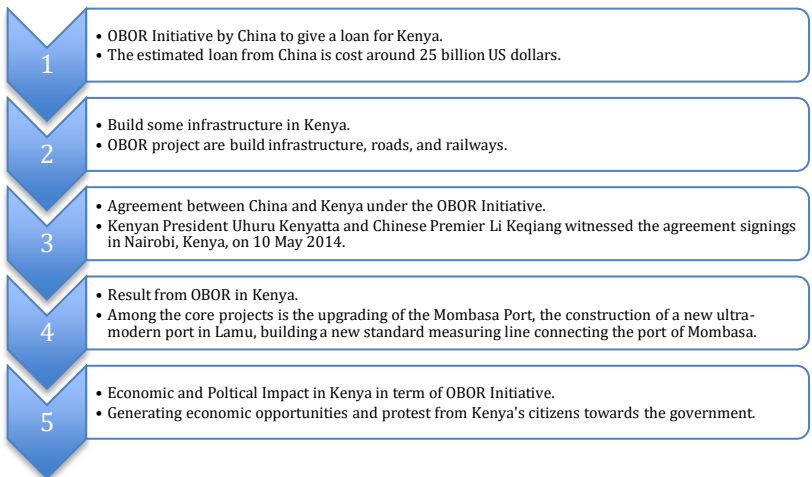
- a) foreign humanitarian aid,
- b) subsistence foreign assistance,
- c) foreign military assistance,
- d) bribery,
- e) prestige foreign assistance, and
- f) foreign economic development abroad. (Morgenthau H. , 2017)

The fund from China to Africa especially to Kenya could be classified as a foreign aids. China as a more advance country is gives aids for Africa especially Kenya to develop their country, the aids from China to Kenya are in the field of infrstructure and economic development. There are also reasons behind China of giving aids to Kenya such as spread China's products to Africa and to thw world easily. (Adusei-Asante, 2016)

The results chain is of course based on an understanding framework that is often well summarized by Results-Based Management (RBM). The results in this chain can be seen as outputs, outcome, or impacts. There are big differences between these three various types of results. Outcome and impacts are considered as more high order results. Hatton and Schroeder (2007) stated several main problems with RBM, including the failure of many evaluations to get past activities. They argue that moving forward from "managing inputs" is a major challenge. A review of the various uses of the term outcome and impacts expressed significant perplexity.

The outcome is often recorded as more concrete concepts, often predetermined, and therefore measurable (Harding, 2014). Using an understanding of this outcome, the impact, therefore, is a broader effect. Assessing the impact or benefits of any intervention arguably requires value assessment, based on normative assessment. Another way to conceptualize impact versus outcome is time. Hatton and Schroeder (2007) identify outputs as short-term results, medium-term results, and the impact of long-term results. Penna (2012) underlines this complexity when noting that although we hope to make an impact, actual outcome are our goal. (Adusei-Asante, 2016)

Echoes Brewer (2011) identifying outcome that are much easier to focus on, where case results can be more easily measured. However, there is also a significant overlap between the use of outcome and impacts. O'Flynn (2010) describes activities and results related to monitoring, outcome as the focus of evaluation, and impacts as changes in people's lives related to monitoring and evaluation results. USAID (2010) identified impact evaluations as "*an evaluation that looks at the impact of an intervention on outcomes rather than outputs*". Roche (1999) notes that although the difference between results and impacts can be beneficial, it is not true, or blurred. (Adusei-Asante, 2016)



D. Hypothesis

Based on the problem formulation and theory that already explained above, the economic and political impacts of One Belt One Road (OBOR) Initiative in towards Kenya are:

1. Generating economic opportunities such as decreasing the unemployment rates, greater

mobilization commuters, shorter goods transfer, Kenya's GDP growth around 1,5%, and technology transfer.

2. In political impact, the threat of debt trap and the threat of wild life animal are fueling Kenya's citizens protest towards the government.

E. Research Purpose

The purpose of this research is to know the economic and political impact of One Belt One Road (OBOR) Initiative in 2013-2018. This research also aims to increase and enrich the science of international relations.

F. Research Methodology

Author will use qualitative method as a data collection technique, by obtaining from secondary sources from several related internet, journal and other informations. Secondary data means that the data contains information that utilized for planning, monitoring or evaluating the study, it is called as secondary data as is collected from another source.

This study uses qualitative method that are used to explain the problem formulation and to verify hypotheses based on empirical data. The qualitative research method itself is an exploratory approach that is used by an individual or group to understand the reasons, opinions and motivations that underlie a behavior. Qualitative research method themselves do not have a relationship or contact with the subjects studied because researchers will collect data

inductively or conduct research ranging from specific themes to general themes to interpret the meaning of the data collected. Qualitative research method are researches that collect various kinds of empirical material such as history, case studies, observations, interviews, personal experiences, focus group discussions, life stories, interactional, biographies, content analysis, and various visual texts that describe routine events and problematic(Masoed, 1994).

According to Bakry, researchers themselves are required to have insight and high sensitivity so that the contained meaning can be interpreted properly The data can be gained from journals, books, articles, as well as the media. The collected data is elaborate to analyze the case. Unit analysis that going to use in this research is the relations between Nation-State. (Bakry, 2016)

G. Scope of Research

To restrict the analysis, the researcher limiting the period of time from all the sources, review in the research conducted since the year 2013 until 2016 where at the tie beginning the idea of Belt Road Initiative (BRI) by China until the protest from Kenya's citizens toward this project. In 2013 Chinese President Xi Jinping proposed the "One Belt, One Road" (OBOR) initiative. Kenyan President Uhuru Kenyatta and Chinese Premier Li Keqiang witnessed the agreement signings in Nairobi, Kenya, on 10 May 2014. In 2015, China loaned \$12billion to African countries. In Kenya protests against OBOR related Chinese built project and the changed the name from OBOR into BRI started in fall 2016. In 2017,

environmentalists failed to stop the construction of phase one of SGR passing through Tsavo National Park. The 2018 Forum on China–Africa Cooperation held in Beijing was ended and demonstration from citizens of Kenya in term of protest towards the OBOR project.

H. Outline

To produce scientific works that are systematic and facilitate understanding, regular order is needed and outline contains the main points of each chapter in the scientific work. In the systematics of this writing there is a summary that shows the answers to the formulation of the problem so that it is more directed into a related unit. Each chapter consists of several sub-chapters that will support the integrity of each chapter's discussion.

The outline are as follows:

The first chapter describes the background of this thesis that explain the reason why this research is important, then the problem of what appears to be the formulation of the problem is followed by theoretical framework that be use as a guide to analyze the case, then the author write hypothesis, after that research methodology to shows the data that the writer's use in this research, the author use scope of research to limit the time of the research, and last is the outline of the thesis.

The second chapter consists of two sub-chapters that explain about the China-Africa

diplomatic relations and China-Kenya diplomatic relations.

The third consists of three sub-chapters that explains about the history of One Belt One Road (OBOR) Initiative, Africa's condition, and One Belt One Road (OBOR) Initiative in Kenya.

The fourth chapter explains economic and political impacts of One Belt One Road (OBOR) Initiative in Kenya.

The last chapter which is the fifth chapter of this thesis is a summary of the essence of all the chapters from the results of the research that have been carried out as the final part of the thesis.