



Vol. 3 | Social and development concerns in Africa (b)

Vol. 3 Article 10/15 | October 2018

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(An International Publisher for Academic and Scientific Resources)

## IMPACT OF CHINA'S TRADE POLICY IN EAST AFRICA COMMUNITY'S INFRASTRUCTURE PROJECTS

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**Abstract:** *The infrastructure inadequacies demonstrated by poor road networks and outdated railways should be quickly addressed if the East African region is to promote regional connectivity and integration. The People Republic of China is considered to be the second-largest economic power, and in recent years has set a precedent for fast economic growth. In addition to this rapid economic growth, China has increased foreign direct investment all over the world, particularly in Africa. The need for regional infrastructure development in East Africa has left governments open to foreign investments for this sector. This study sought to investigate the role China plays in infrastructure development in East Africa and assess the impacts of Chinese investment in relation to creating new opportunities for economic development and regional integration in the framework of advancement of new regionalism in Africa. A review of existing literature on selected Chinese infrastructure projects was done and interviews with key informants conducted. It was found that China's involvement in infrastructural development projects in East Africa impacted economic development and that these investments have potential to drive regionalism in East Africa. It is recommended that EAC member states work together in developing regional transport corridors in order to capitalize on regional connectivity to promote regionalism. Further, steps should be taken to continually ensure that the engagement between EAC and China remains mutually beneficial to both parties.*

**Key words:** *Infrastructure development, Regionalism, EAC, China*

## 1.1 Study background

Although economic growth in East Africa is strong, a number of constraints remain due to poor transport infrastructure in the region. China has demonstrated an interest in partnering with several African countries in financing and constructing large-scale transport infrastructure projects.

Researchers and development practitioners have considered transport infrastructural development as a catalyst to regional economic integration. Improved road transport infrastructure hugely contributes to regional integration and hence enhances economic growth and development (Omondi, 2014). This is because infrastructure promotes the free movement of people, goods, and services. Additionally, transport infrastructure stimulates economic growth and eases the cost of doing business for investors thus attracting Foreign Direct Investment (FDI). The infrastructure gap in the East African Community (EAC) has the potential of slowing the region's economic growth and putting a hindrance on economic integration. Omondi (2014, p.2) asserts that "the lack of an effective road transport system in the East African region is considered as one of the main impediments to economic development and poverty reduction".

## 1.2 Statement of the problem

In the pursuit of infrastructural development, EAC Member States have turned East to China for assistance. East Africa's shared infrastructure deficit, and increasing Chinese influence amidst decreasing Western influence, has led the EAC to increasingly prioritize high-cost infrastructure development. EAC member states have shared characteristics, such as poor infrastructure and logistic as well as large informal economies, which have favored cooperation over infrastructure development and economic growth. This partnership was developed partially because China has experience in large-scale infrastructure projects. China also has an agenda of deepening its footprint in the East African region so as to increase its global standing and dilute the dominance of the West. Transport infrastructure development has been found to foster regional integration hence promoting regionalism by facilitating efficient movement of goods and services, labour and capital. The extent of integration depends on the level of development of this infrastructure; in terms of air transport, rail and road transport. This notwithstanding, there is scarce empirical evidence on the impact of Chinese policy for Africa on infrastructure development and on regional economic integration. This study aims to examine the impact of Chinese investments in infrastructural development and its effect to regional integration in EAC. Consistent with knowledge gap, the research questions are as follows: What is the effect of Chinese involvement in infrastructural development on transport infrastructure in East Africa? And To what extent does Chinese investment in transport infrastructure drive regionalization in East Africa?

## 1.3 Study Objectives

The general objective of the study was to establish the effect of China- Africa relations in infrastructural development in the EAC, while the specific objectives that guided this study were:

- (i) To analyze the impact of China's investment in transport infrastructure on regionalism in East Africa.
- (ii) To examine the impact of Chinese involvement in infrastructural development in EAC.

## Hypotheses

Two hypotheses were tested in this study:

- H<sub>1</sub>. China's trade policy for Africa has facilitated the development of key transport

infrastructure in the EAC.

H2. China's trade policy for Africa has supported new regionalism in East Africa through the implementation of regional infrastructural projects.

#### **1.4 Theoretical and Empirical review**

Regional integration in East Africa is now more important than ever because nation states are exploring new means to strengthen their bargaining power through the development of regional infrastructure. Regional integration affords EAC countries access to new markets through the free movement of people, goods and services. Consequently, it is not possible to analyze EAC integration using a single theoretical framework.

Regionalism in Africa has always reinforced Pan-African ideas of cooperation and integration. Despite the fact that numerous studies provide useful analysis of economic issues as primary determining factors for the success of regional integration arrangements in Africa, many others focus essentially on the relevance of politics. As such, scholars have focused more on political and economic matters on regionalism in Africa because people in the African continent aspire for integration and unity as a Pan-African ideal and not necessarily as a means to an end (Okhonmina, 2009).

This study used the intergovernmentalism and liberal intergovernmentalism theories to examine the main political-economic issues in Africa's quest for regional economic integration. The New Regionalism Approach (NRA) was also employed in the study because it is "a heterogeneous, comprehensive, multidimensional phenomenon, taking place in several sectors and often 'pushed' by a variety of state, market, society and external actors both within and outside formal regional organisations" (Soderbaum, 2002, p23).

#### **1.5 Methodology**

All analyses derive from academic peer-reviewed articles and books; government data; institutional reports; working papers; and from credible newspaper articles. Academic literature has been used to provide historical and contemporary backgrounds of Sino-Africa relations, present the theoretical framework, and outline the research method. Since there is very limited academic literature on the SGR project because of its recency, the analysis mainly relied on government data, institutional reports, working papers, newspaper articles, and information distributed by companies. Government data and institutional reports are generally reliable because experts and epistemic communities have prepared such studies. Nevertheless, China's closed attitude towards its foreign aid agenda has affected data gathering. Newspaper articles and company data are more limited sources insofar they are not scientifically reviewed. Moreover, they may reflect authors' subjectivities towards the content. For these reasons, data was collected information only from established media channels. The advantage of combining various data sets is that it approaches the case from different angles, thus providing a more complete picture of the considerations at hand.

#### ***Methods and instruments of data collection***

The study used both qualitative and quantitative methods for relevant data collection from respondents from the East Africa Community and Chinese nationals residing in Kenya. Interview guides were also applied to government officials and Nairobi-Mombasa SGR employees.

#### ***Data collection procedures***

Both primary and secondary data were collected and analysed. Primary data was collected

through interviews with key concerned officials of the Kenyan Ministry of East African Community; Kenyan Ministry of Foreign Affairs & International Trade, Economic Counsellor at the Chinese Embassy as well as officials at the Tanzanian and Ugandan embassies in Nairobi. The interview focused on the implementation of the EAC coordinated infrastructural projects for development and trade facilitation, as well as an assessment of Chinese infrastructure investment in the region.

Secondary data was collected from review of existing literature on academic journals, policy documents, books, newspapers, periodicals and academic papers. Data was also collected from the reports and websites such as from the East African Community Secretariat, Ministry of Transport, Ministry of Finance, Chinese State Owned Enterprises, African Development Bank (AfDB), African Union, United National Economic Commission for Africa (UNECA) and World Bank. Further a survey of 24 participants conversant with the regional development projects was with a view to seek deeper understanding of the views from both the interviews and the survey and to corroborate the evidence from the two data collection methods.

### 1.6 Data analysis and interpretation

Collected data was analyzed using thematic, explanatory and descriptive analysis to analyze the EAC coordinated infrastructural projects for the development of the region. Qualitative data was analyzed using content analysis, discourse analysis, and historical data analysis are essential to this research because data include relevant policies, figures, statistics, speeches, and interviews. Specifically, thematic analysis where a reduction a wide variety of items of information to a more limited set of attributes composing a variable. Statistical tools such as bar charts and tables were used for better observation and comparison, as shown in the tables and charts below:

#### Is China's engagement in developing regional infrastructure like the Nairobi

##### Q1 Standard Gauge Rail (SGR) positive?

	Frequency	Percent	Valid Percent	Cumulative Percent
No	8	33.3	33.3	33.3
Yes	16	66.7	66.7	100
<b>Total</b>	<b>24</b>	<b>100</b>	<b>100</b>	

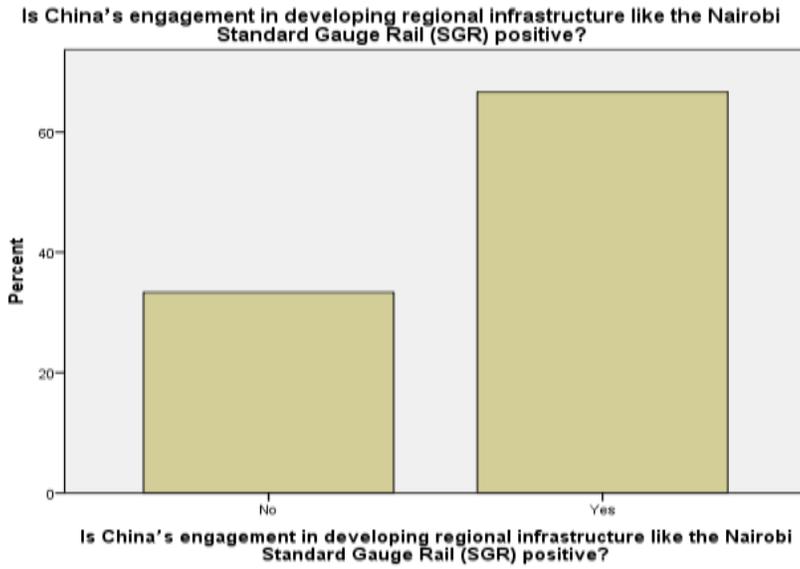
##### Q2 Does China Africa trade policy impact EAC (regional) integration?

	Frequency	Percent	Valid Percent	Cumulative Percent
No	6	25	25	25
Yes	18	75	75	100
<b>Total</b>	<b>24</b>	<b>100</b>	<b>100</b>	

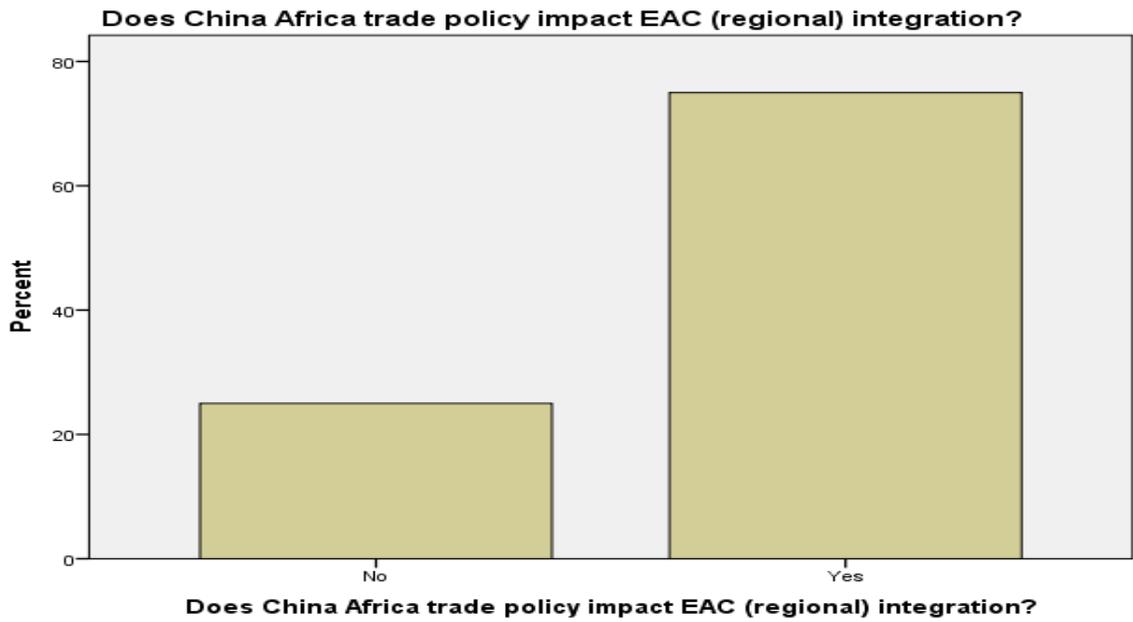
##### Q3 Is China's relationship with Eastern African countries a win-win type?

	Frequency	Percent	Valid Percent	Cumulative Percent
No	16	66.7	66.7	66.7
Yes	8	33.3	33.3	100
<b>Total</b>	<b>24</b>	<b>100</b>	<b>100</b>	

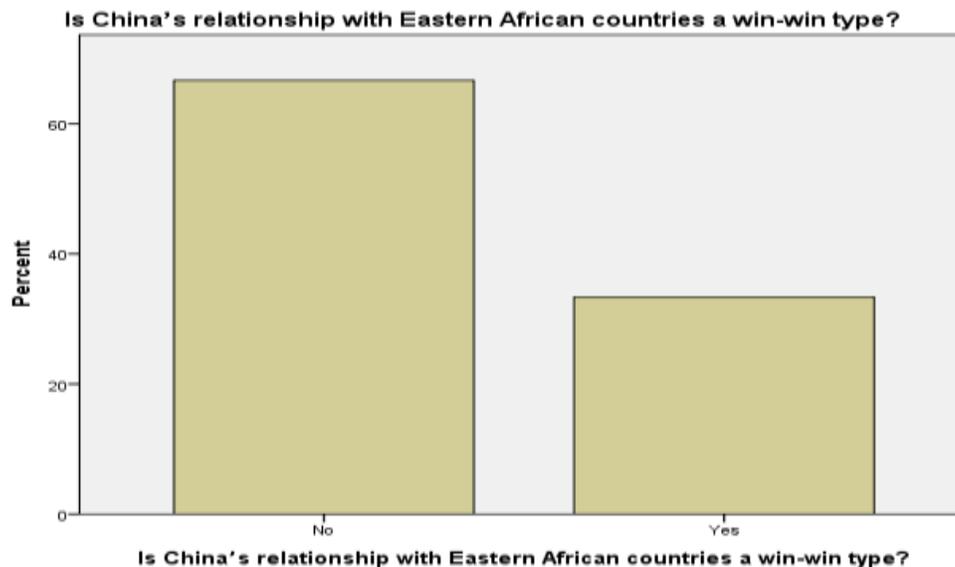
Source: Field data, 2018



Source: Field data, 2018



Source: Field data, 2018



*Source: Field data, 2018*

Ethical behavior is required of all parties in research (Senaji, 2012). Ethics has been described as “...norms or standards of behavior that guide moral choices about our behavior and our relationship with others” (Cooper & Schindler, 2003, p.120). The essential ethical attributes of any researcher are academic honesty, integrity and modesty (Stack, 2005, p.18). In this regard, considerations such as professional practice - ensuring research instruments reliability and data validity and research ethics - were adhered to by the researcher. An informed consent was sought and responses were kept anonymous and confidential. Specifically the research used observer non-forceful respondent compliance, confidentiality and consent of the respondent. Further, research approval was obtained from the Catholic University of East Africa to conduct the research.

### **1.7 Conclusions and recommendations**

This study postulates that China engagement in East Africa has promoted new regionalism in East Africa. This study has focused on Chinese involvement and relationship with East Africa in relation to infrastructure projects. By drawing examples upon different projects this study has attempted to outline of the most significant infrastructure projects that have been implemented in East Africa due to China's interest in investing within the sector.

The scale of China's involvement in East Africa is significant and has been good for the development of Africa's infrastructure sector which is crucial for regional integration. The importance of infrastructure development was further bolstered by Percy Mistry's comments, where he states that Africa's infrastructure projects have not made much real progress in the framework of regional integration. Mistry states that the lack of progress has had a direct impact on regional integration projects, as the upgrades to components such as transport links required to increase inter African trade have not materialised. So, on the question regarding whether China's actions in East Africa has bolstered or hindered the development of infrastructure within the regionalization context, this study contends that China has supported the development of infrastructure in East Africa, and that by supporting this important 'new regionalism' initiative

China's actions are indeed in coherence with new regionalism in Africa in general. This is further supported by China's planned commitment to Africa's development which was outlined in 'China's African Policy' and statements such as "*the Chinese government seeks to increase its cooperation with African states in their quest to improve transportation infrastructure*". Since most infrastructure projects have been concerned through collaborative planning across the EAC member states, it is inferred that such projects promote regionalism. Consistent with these finds, the first hypothesis, *H<sub>1</sub>: China's trade policy for Africa has facilitated the development of key transport infrastructure in the EAC* is accepted. Further, the "external factors influencing political economy context – global drivers" (Bjiers et al., 2015) has been found to provide plausible explanation of how external factors can influence regional integration through infrastructure development.

Since the realization of regional connectivity stands to benefit all member states, member states of the East African Community need to domesticate the policies on infrastructural development so that barriers to transport are equally eliminated in all territories. It is also time for the various East African countries to undertake a common planning for infrastructural development so as to ensure that no country is left behind in this development. Just like interstate collaboration is required, institutional collaboration is also mandatory to ensure that every sector plays its rightful role in ensuring that transport is made easy. As the governments take the initiative to lay down the proper infrastructure that would favor the various people, the road users have to be compliant to the laid down traffic rules and regulations. Also, just like individual governments have a transport authority in their countries, the East Africa Community should consider establishing a regional transport authority to oversee the smooth running, management and maintenance of the regional road networks in an effort to enhance regional integration and boost economic growth of the region.

Furthermore, the East Africa member countries should also look into pulling resources as a region and come up with a scheme for joint financing to handle regional projects as a block. This will ensure speedy completion of regional projects due to the availability of sufficient funds. Therefore, as governments allocate funds to their national projects, they should also allocate funds to the EAC fund. Consequently, the hypothesis, *H<sub>2</sub>: China's trade policy for Africa has supported new regionalism in East Africa through the implementation of regional infrastructural projects* is partially supported. This conclusion is further strengthened by the fact that EAC has a Railway Master Plan which is a proposal for modernizing existing railways most of which serve Kenya, Tanzania, Uganda and extending them firstly to Burundi and Rwanda and eventually to South Sudan, Ethiopia and beyond. The preparation of the Master Plan was a result of an issued Summit directive in 2004 following the near collapse of the railways system in the region. Such collaborative planning of regional projects that cover various countries in a regional economic bloc such is the case in the EAC, is part of the operationalisation of regionalism.

Both the quantitative and qualitative findings corroborated the fact that Chinese engagement in infrastructure development in EAC had positive effects, China trade policy impacted regional integration and that the relationship between china and EAC in the framework of the infrastructure projects needs to developed in a win-win relationship as the findings appear to suggest that the benefits are skewed to word the Chinese.

Firstly, this study suggests that intergovernmentalism theory and the five lens political economy

analytical framework by Bjiers et al. (2015) explain the regional integration process in the EAC. A critical review of empirical studies on the china trade policy for Africa suggests motives that go beyond economic development and regional integration of EAC and as being skewed to the “strategic” objectives and (not necessarily in the interest of Africa). In this regard, empirical investigation is proposed to better understand the motives of these policies.

Secondly, these findings suggest that there may be another wave of “colonization” that Africa needs to be conscious about and that EAC in particular needs to undergo (rebirth) in order to take her rightful place in the community of nations. It is of interest to empirically examine these notions in order to ascertain their veracity for purposes of EAC informing rules of future engagement with development partners.

Thirdly, a fundamental issue appears to arise, that of unbalanced engagement between Africa and China in the framework of (win-win situation). This aspect constitutes an important area of empirical inquiry. In addition, drawing from the intergovernmentalism theory and applying the five lens framework, studies should be launched to test the disposition of EAC with regard to integration from the perspective of each of the lens in order to identify gaps which need addressing in order to realise the vision of the EAC.

It should be recommended that the Republic of China negotiate directly with regional economic blocs and in this case the EAC when initiating infrastructure projects. This will ensure inclusivity of member states and will increase chances of compliance from all parties in the implementation of projects. East Africa member States should also look into pulling resources as a region and come up with a scheme for joint financing to handle regional projects as a block. This will ensure speedy completion of regional projects due to the availability of sufficient funds

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