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PROSPERITY
Britain as a force for good

Outcompeting Strategic Challengers: The Case of China in Africa

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Foreword

By Alexander Stafford MP (Con, Rother Valley)

Earlier this year, I joined the Coalition for Global Prosperity and CAFOD, the Catholic Agency for Overseas Development, to see first-hand the impact the UK is having through its development programmes.

Together we visited communities in Marsabit, who are experiencing the worst drought in forty years. The humanitarian crisis in the Horn of Africa is now one of the worst in the world, made worse by the global consequences of Russia's invasion of Ukraine. In Kenya alone, over four million people have been affected by the drought with 4.5 million now at risk of starvation.

I have always believed that as Members of Parliament, we have a special responsibility to ensure that all taxpayers money is being well-spent, in line with our country's interests and values. That is what I saw in Kenya. Through its development work, the UK is helping people in dire need respond to the effects of a crisis that, if not addressed, could destabilise the region. As Pope Francis has said, "Poverty, decadence and suffering in one part of the earth are a silent breeding ground for problems that will end up affecting the entire planet."

It is not just because of the moral case for doing so, that I think the programmes that I saw are so important. It is also in our national interest to ensure that partners like Kenya, Commonwealth members, with whom we share long and meaningful ties by way of language, shared values, legal systems, governance and traditions, know that we are committed to their development and a shared vision of the international, rules-based order. That shared commitment to the international order has been particularly evident in the wake of Russia's invasion of Ukraine, which the Kenyan government has been steadfast in opposing with us at the UN and in other international fora. We want to help Kenya to achieve its ambitions; to help them develop and become more prosperous, more resilient to shocks and a bulwark of regional stability.

Other countries, particularly China, have a very different view of the international system and in countries like Kenya, the Chinese government and its intermediaries have spent vast sums of money to try and cultivate their influence. Unlike us, they do not share a commitment to transparency, good governance or our belief in the importance of individual rights.

As this report sets out, we are right to ensure that allies of ours like Kenya, whose global importance will increase significantly in the decades to come, have a meaningful alternative in partners like the UK. Through our development work, not just aid, but also through trade, security and shared diplomatic endeavours, we can deliver in our mutual interests, whilst also helping people in real need, like those I met in Marsabit.

Alexander Stafford MP
Member of Parliament for Rother Valley

Summary and Recommendations

Both the original Integrated Review (IR21) and the recently published refresh (IR23) are right to identify China's rise and increasingly assertive global role as the most significant change to the geopolitical context in the 21st century. However, both of these strategies fail to grapple with implications of China's growing role on the African continent, and what these will mean for the UK's partnerships with our key foreign policy partners across Africa.

Kenya is a particularly relevant case study for the growing influence of China and Chinese investment. Consistently identified as one of the UK's most important strategic and economic partners in Africa, the country has also seen an influx of Chinese funding for major infrastructure projects, especially under the banner of the Belt and Road Initiative (BRI).

While some Chinese investment in Kenya has undoubtedly spurred economic growth and development, lending from China has also exacerbated concerns over both the sustainability of Kenya's mounting debt burden and environmental concerns. As such, now is an important time for the UK to illustrate that we can be a serious and responsible development partner of choice, for countries looking for alternatives to China.

While many important steps have been taken to deepen and strengthen the UK-Kenya relationship since the publication of the Integrated Review in 2021, a disconnect remains between the UK's ambitions for the relationship and the resources and focus dedicated to delivering on these. As such, this report recommends the following steps be taken to further solidify the UK's commitment to Kenya as a major strategic partner, and to ensure that the UK-Kenya relationship delivers on both the UK and Kenya's core priorities.

01

The UK should consider developing a cross-departmental Integrated Delivery Plan for Kenya, to ensure appropriate cross-government focus on delivering on the ambitions set out in both the Integrated Review and the UK-Kenya Strategic Partnership.

02

More should be done to foster regular, high-level, government-to-government dialogue and collaboration, which could potentially include the creation of an annual UK-Kenya Summit.

03

The Government should do more to align development support to Kenya with the country's own core development objectives, as set out in the Kenya Vision 2030 strategy.

04

The UK should use its role in multilateral organisations, including at the UN, to advocate for the core priorities of key partners facing debt distress or the risk of debt distress. This should include support for the ambitions of the Bridgetown Agenda and debt relief initiatives aimed both at debt restructuring and ensuring that the system works for developing and middle-income countries, particularly those facing the acute effects of climate change.

05

The Government should consider how to work most effectively with allies, including the US and the EU, to provide genuine alternatives to partners in Africa looking to diversify their development support and reduce their reliance on Chinese investment.

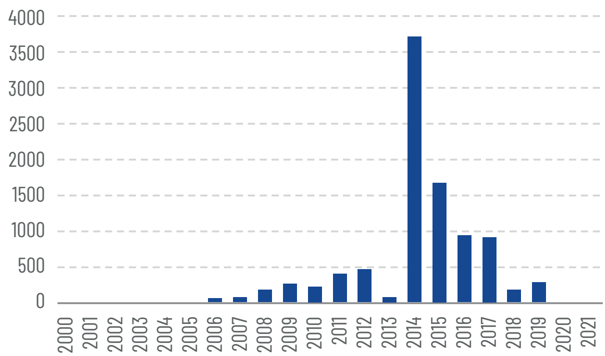
Chapter One
Introduction

In our first report, Global Britain: The Confidence to Lead, we set out our view that the UK should be optimistic about the role that it can play in building a better world. Since then, the Government has announced a refresh of its Integrated Review of Security, Defence, Development and Foreign Policy (IR).

Since the publication of the Integrated Review (IR21), the world has changed in ways that are largely consistent with the picture that IR21 painted of the changing world order. Russia's invasion of Ukraine has been the starkest illustration of IR21's fundamental premise that the international environment is becoming increasingly competitive.

A less stark version of that competition is also clear in many other parts of the world too: it is the wider geostrategic competition with China, which is identified in the Integrated Review as the most significant change to the international geopolitical environment in the 21st century. Many countries illustrate this dynamic, Kenya amongst them, into which the Chinese government has poured resources and launched countless initiatives aimed at deepening its influence in the country and wider region. The scale of that investment is clear, as the below illustration demonstrates, China has invested almost $10 (USD) billion between 2000 and 2022.

Chinese Loans to Kenya Since 2000 (in USD million)



Source: Chinese Loans to Africa Database. 2022.

That investment has been accompanied by sustained political attention. China's vision of the future of the international order not only differs starkly from our own, but Chinese foreign policy has also increasingly become more muscular, and the Chinese government has been clear that Africa is central to its strategic aims.

In the IR and its subsequent International Development Strategy (IDS), the Government has made clear that it regards this competition with China as being an important framing for its foreign, defence and development policy and the UK's own actions in the wake of the IR will do much to determine our success in achieving that.

As many of our most important foreign policy partners of the future look for reliable development partners who share their aspirations for good governance, human rights and individual liberty, the UK should demonstrate that we can be their partner of choice. We should utilise the full scope of tools available to us, including in our development, diplomacy and military toolkits, to demonstrate to Kenya, and similarly important low and lower-middle income countries, that we are committed to building genuine partnerships based on the principles of shared prosperity, human rights and democratic governance.

While we believe that the strategic framework set out in the Integrated Review is the right one, and certainly outlines the UK's commitment to realising the ambition set out above, we also believe that the Government could and should do more to fully realise these ambitions in Kenya. Important steps have been taken in recent years, including with the agreement of the UK-Kenya Strategic Partnership, however, the seriousness with which the UK is considered in Kenya has also been undermined by cuts to the aid budget and a perceived lack of engagement. And we cannot be blind to the fact that neglecting our engagement with African countries benefits our competitors by default.

In the following chapters of this report, we lay out our argument that the African continent has become a key theatre in China's global quest for influence, and that aspects of China's engagement on the continent should be a concern for both the UK and our allies, but indeed also African lawmakers and civil society. We then turn to the specific situation in Kenya and utilise the Kenyan experience as a case study to demonstrate both how China is looking to expand its influence, but also how the UK has real opportunities to build on one of its most important and longest-standing relationships in Africa.

Chapter Two
China in Africa – The State of Play

Debt Trap Diplomacy?

Before we turn to our assessment of the UK's wider strategic interests and ambitions in the context of the UK-Kenya partnership and indeed evaluate the growing role of China as a development partner for Kenya, we first want to lay out why the scale of Chinese engagement on the African continent has sparked concern among both Western and African policymakers, and in many places, African citizens.

International concern over the growth and scale of Chinese aid and investment in Africa have been evident since the early 2010s, with then US Secretary of State Hillary Cliton warning African leaders of China's 'new colonialism' during her visit to the continent in 2011.[1]Clinton took this to mean the Chinese practice of investing in African countries to buy political influence, or to link the repayment of loans with the extraction of natural resources. A newer iteration of this argument, which has proliferated since the launch of Xi Jinping's Belt and Road Initiative (BRI), is the idea of 'debt trap diplomacy'.

Easy enough to understand, this argument suggests that China hobbles developing African nations with unsustainable debt burdens, with the aim of 'trapping' African countries into China's sphere of influence and extracting strategic concessions, such as letting China open a military base or take over key infrastructure.

We take a somewhat more nuanced view of Chinese aid and investment in this report, stressing the importance of African agency and recognising the real, tangible impacts that Chinese aid and investment has had in some instances on economic

1. Reuters. Clinton Warns of New Colonialism in Africa. World News. 11 June, 2011.

growth. However, Chinese aid and investment on the continent has posed real challenges to both recipient countries and Western countries with African partners, such as the UK. These range from detrimental impacts on democratic governance, to increased alignment between China and Africa in international forums such as the UN and the negative environmental impacts of some Chinese-funded infrastructure projects.Moreover, some of China's strategic posturing in Africa, such as monopolising the mining of critical minerals or building new military bases, should be a real cause for concern in the West.

In this chapter, we sketch out the state of the debate when it comes to Chinese aid and investment in Africa and trace the historical foundations of the China-Africa relationship, and how Africa became the main recipient of Chinese development assistance in the 21st century.[2] We discuss how investment in Africa fits within China's increasingly assertive foreign policy under Xi Jinping and explore the scale of investment under BRI. This includes an extensive list of major infrastructure projects bankrolled by China across the continent, including the Standard Gauge Railway (SGR) in Kenya, the Headquarters of the African Union in Ethiopia and the Caculo Cubaca hydropower plant in Angola. And we also assess the impact that these projects have had on African debt distress.

In the subsequent chapters, we then put forward our argument that regardless of your view on China's motivations for this scale of investment and engagement in Africa, the Chinese Communist Party (CCP) has undoubtedly been able to capitalise on a lack of engagement from the West. As such, the UK could and should do more to build partnerships with countries like Kenya and other foreign policy partners whose importance will grow significantly in the decades to come, to offer our low- and middle-income partners in Africa a genuine alternative to the Chinese model of engagement.

2. Dreher, Fuchs, Parks, Strange and Tierney. Banking on Beijing. 2022.

China in Africa: The Historical Context

Before addressing the contemporary debate over the motivations and typologies of Chinese aid and development finance in Africa, it is worth reflecting on the historical contours of the Sino-African relationship. The African continent has long been important to Chinese leaders, both from a political and economic perspective. Since the end of the Chinese Civil War, and the formation of the People's Republic of China (PRC) in 1949, developing African nations have been seen as key allies by the Chinese Communist Party (CCP), in their efforts to stand up against perceived Western imperialism.[3]

In the early days of Mao Zedong's leadership of China, Chinese overseas aid and assistance was, as would be expected, mostly directed at other communist regimes, particularly communist war-time leaders such as those in North Korea and Vietnam. China itself was also a major beneficiary of Soviet aid and assistance, and in addition to China's support for communist regimes within her 'near abroad', the CCP was forming an alliance with the Soviet Union to create a communist bloc. Following the deterioration of the relationship with the Soviet Union, culminating in the Sino-Soviet split in 1960, the African continent became increasingly important for China as it sought to project an image of itself as a fellow member of the 'Third World', and to drive more South-South cooperation to compete with both the Soviet Union and the West for influence.[4]

As such, foreign aid became a cornerstone of China's foreign policy and one of the principal methods by which China sought to build new relationships with African nations. Throughout the 1960s, China especially provided support to newly independent states pursing a self-reliant, socialist trajectory such as Ghana, Guinea, Mali, Zambia and Tanzania.[5] This support ranged from governance assistance to a number of large infrastructure projects, the most notable one of which is the TAZAR railway connecting Zambian copper mines and the Tanzanian Southern Highlands with Tanzania's biggest port, Dar es Salaam.[6] In addition to support for communist and socialist governments, China also supported a range of revolutionary and dissident groups in Africa throughout this period, including in Angola, South Africa and Cameroon. In 'Banking on Beijing', the authors term this phenomenon 'revolutionary diplomacy' and point out that

3. Banking on Beijing. 2022. (Historical Foundations and the Early Years. Page 41).
4. Konings. China and Africa: Building a Strategic Partnership. 2007.
5. Konings. China and Africa: Building a Strategic Partnership. 2007.
6. Banking on Beijing. 2022.

between the mid-1960s and mid-1970s, China spent as much as 6 percent of their annual budget on overseas assistance, demonstrating the scale at which the CCP was operating to support other developing nations.[7] This placed a heavy burden on China's national budget, as almost all the foreign aid was delivered as grants or interest-free loans.

The 1960s and 1970s was of course also the period during which China was competing with Taiwan for international recognition, and some Chinese aid to developing African nations during this period has been referred to as 'chequebook diplomacy', as China funded major projects in places like Tanzania and Zambia, in return for support for China's ambition of replacing Taiwan at the United Nations (UN).[8] These efforts did not always sit neatly with China's Eight Principles of Economic and Technical Aid (Eight Principles), which was set out by Premier Zhou Enlai on his visit to Africa in 1964 and which emphasised mutual benefit, non-interference, equal cooperation and sovereign independence.[9]

Following Mao's death and the end of the Chinese Cultural Revolution in 1976, China reduced its foreign aid spending considerably. Following the establishment of diplomatic relations with the United States, China also became less concerned about the need to compete with Taipei for international recognition, and the CCP turned its focus to delivering on its existing foreign aid commitments in the Global South rather than launching new programmes. China's own opening up during the late 1970s and 1980s also meant that the PRC became a net recipient of aid under the leadership of Deng Xiaoping as Western countries gradually established diplomatic relations with China. Deng's doctrine of 'biding one's time and hiding one's capabilities' also meant that China's foreign policy became much less expansionary during this period, and in the case of foreign aid, reforms were made to make economic considerations and motivations just as important as political ones.

By the 1990s, China's relationship with Africa came to revolve primarily around access to critical resources to support a booming Chinese economy. Securing oil imports became particularly important, as economic growth meant that China became a net importer of crude oil in 1993 for the first time.[10] During the 1990s, China also developed new funding and lending mechanisms for delivering foreign aid, both to African nations and other recipients. Following calls to limit interest-free borrowing and grants to the very poorest countries, China gradually started issuing interest bearing loans for projects likely to generate profits, such as various infrastructure projects. This practice was institutionalised in 1994 with the establishment of Eximbank in 1994, as the state bank responsible for creating and overseeing Chinese foreign aid loans.[11] During this period of modernisation and increased economic links with the rest of the world, China's efforts to support Marxist and similar political movements in Africa also ceased as China instead turned its focus to advocating for economic stability and cooperation.

7. Banking on Beijing. 2022. Page 46.
8. Rich and Banerjee. Panama Switch Marks China's Return to Checkbook Diplomacy. 2017.
9. Sun. China's Aid to Africa: Monster or Messiah? Brookings. 2014.
10. Albert. China in Africa. Brookings. 2017.
11. Banking on Beijing. 2022. Page 50.

The Road to Today: The 2000s and the 'Going Out Strategy'

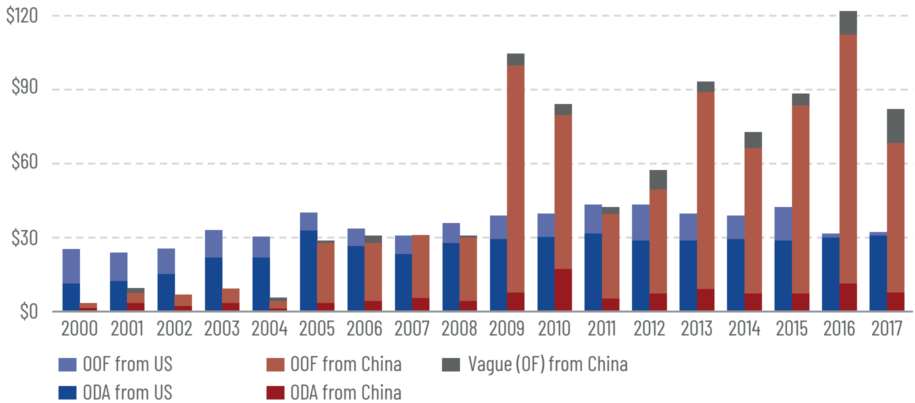
China's global role as a provider of development finance has grown dramatically since the early 2000s, and nowhere is this truer than in Africa. More than half of all Chinese development finance went to Africa between 2000 and 2014, and between 2000 and 2020, China has lent more than $160 billion to Africa.[12] After more than two decades of being a net recipient of development finance in the 1980s and 1990s, the early 2000s saw a resurgence in Chinese overseas spending with China again becoming a net provider of foreign aid in 2005.

This was a result of the CCP's new 'Going Out Strategy', launched in 1999. Faced with the problems of domestic industrial overproduction and an oversupply of foreign currency reserves due to the sustained trade surplus, CCP leadership feared a domestic economic slowdown and inflation. To deal with this, the CCP gave state-owned banks a mandate to dramatically increase foreign currency-denominated lending to overseas borrowers. This was done primarily to facilitate the participation of Chinese companies in overseas projects and to avoid the problem of excess foreign reserves entering the Chinese economy and stoking inflation.[13]

12. The Economist. Special Report: China in Africa. 2022.
13. Banking on Beijing. 2022. Page 55.

The early 2000s also saw China continue the trend started in the 1990s to provide more interest-bearing loans and non-concessional finance (debt) as foreign assistance rather than relying on grants and concessional finance (aid). The authors of 'Banking on Beijing', label this a 'benefactor to banker' transition. This practice dramatically increased after the adoption of the Going Out Strategy, as Chinese state-owned banks looked for bankable, profit generating projects in which to park excess foreign reserves.[14] This meant that between 2000 and 2014, only 23 per cent of Chinese overseas lending met the OECD for 'official development assistance' (ODA), which must be provided on a heavily concessional basis. In contrast, the Development Assistance Committee (DAC) of the OECD delivered more than 90 per cent of their overseas spending as ODA during the same period.[15]

Official Development Assistance (ODA) and Other Official Flows (OOF) from the U.S. and China, 2000-2017



Source: OECD-DAC and AidData

14. Banking on Beijing. 2022. Page 55.
15. Banking on Beijing. 2022. Page 5.

This was an important transition as it allowed China to dramatically grow its development finance spending without substantially increasing the fiscal burden on China's domestic budget. As is demonstrated above, this transition has led China to become the biggest provider of development finance, overtaking the US in 2009. [16] But as the above also shows, the US remains a bigger provider of finance meeting the ODA designation, demonstrating just how prominent other types of interest-bearing loans have become within China's total overseas spend.

The proliferation of this type of financing was particularly important to developing nations in Africa, as China was able to increase the total sums involved, enabling African governments to secure financing for major infrastructure projects which would have been hard to fund via traditional ODA. A good example here is Tanzania, who was able to secure Chinese backing for major infrastructure projects included in their Five-Year Development Plan (FYDP) in 2011, resulting in a Chinese investment of $2.9 billion between 2011 and 2014. However, this approach also sparked global criticism of irresponsible lending practices as China lent large sums for several ill-conceived 'white elephant' projects requested by government leaders in developing countries looking to boost political support.[17] Here, it is also important to stress that despite the growth of debt-financed Chinese foreign assistance, Africa also remained the main recipient of aid-financed assistance in this period. [18]

The 2000s also saw the proliferation of commodity-backed Chinese lending in Africa. Linked to the wider growth of debt-backed development finance, commodity-backed lending mechanisms tie the future export revenues of a given commodity, such as oil, to the repayment of a Chinese loan. This mechanism enabled Chinese investment in several high-risk geographies, such as Angola following the end of their Civil War in 2002. From 2004, China became Angola's primary lender of last resort and played a significant part in supporting the Angolan reconstruction, including via a $3.5 billion loan to finance the Kilamba Kiaxi satellite town near Luanda. [19] The risks of commodity-backed lending have also arguably been most apparent in the case of Angola, as following the sharp decline in oil prices in 2015, the Angolan government had to turn to IMF stabilisation assistance to avoid defaulting on their debt to China.

16. Malik and Parks et al. Banking on the Belt and Road. 2021. Page 13.
17. Banking on Beijing. 2022. Page 18.
18. Banking on Beijing. Page 116.
19. Usman. What Do We Know About Chinese Lending in Africa. Carnegie Endowment for International Peace. 2021.

In the 2000s, China also cemented their focus on the global infrastructure finance market and spent nearly two-thirds of their total overseas assistance on infrastructure projects. Finance was often provided on the condition of purchasing Chinese industrial outputs, such as aluminium, iron, cement or steel, to deal with China's overproduction problem. This focus underpinned the launch of Xi Jinping's centre-piece foreign policy agenda The Belt and Road Initiative (BRI). Many authors also point out that in the period since 2000, China has demonstrated little interest in diversifying their development assistance to African nations and has focused extensively on infrastructure projects. Indeed, two thirds of all Chinese lending to Africa was for infrastructure projects between 2000 and 2020.[22]

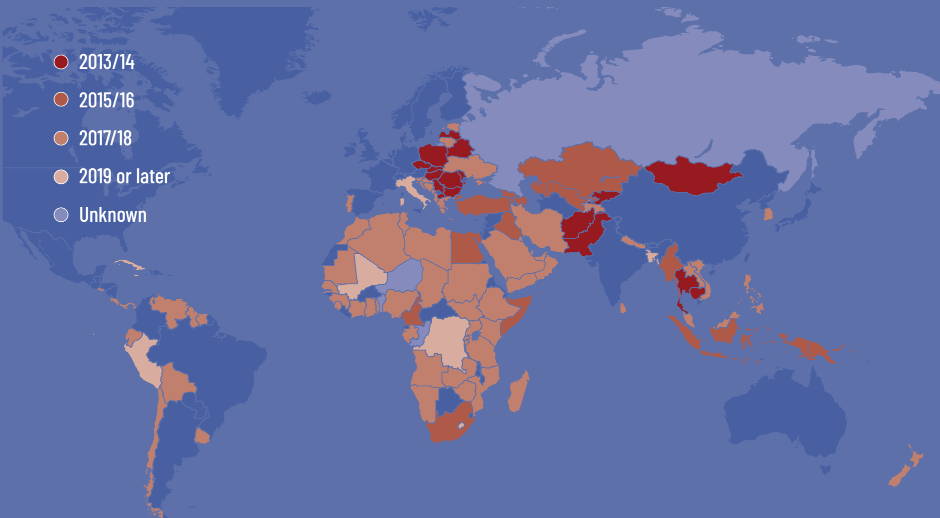
Some of these took the form of mega-loans for, what are by now well-known, projects such as Nairobi Expressway in Kenya, the TAZARA Railway in Tanzania and the China-Congo 'deal of the century' swapping mining rights for a host of infrastructure projects. This focus on infrastructure also sets China apart from other donors of development assistance, with Western donors typically focusing more than half of their assistance to Africa on social welfare and humanitarian needs. This means that between 2007 and 2020, China provided 2.5 times more development finance for infrastructure than all other nations combined.[21]

20.The Economist. Special Report: China in Africa. 2021.
21. The Economist. Special Report: China in Africa. 2021.

President Xi and the Belt and Road

After President Xi Jinping's accession to the leadership of the CCP in 2012, he announced the launch of the new Belt and Road Initiative to much fanfare in 2013. Drawing on the trade routes along the old Silk Roads connecting China with Asian neighbours, the Middle East and Europe, the BRI was announced to build new land and sea connections along these ancient trade routes. The reception of this new initiative in the West was mixed, with some countries in Eastern and Central Europe, such as Hungary, Greece, Austria, and Italy, joining the initiative and other Western European countries and the US remaining sceptical over China's geostrategic ambitions.[22]

While the initiative was conceived as primarily focused on the Asia Pacific, the reach of the project grew quickly, and it now reaches most of the African continent as illustrated below.



Sources: Green Belt and Road Initiative Center; Belt and Road Portal

22. McBride, Berman and Chatzky. China's Massive Belt and Road Initiative. Council on Foreign Relations. 2023.

The BRI was launched as a bilateral initiative, with Chinese officials stressing what the project could deliver for both participating countries and for China, by generating a return on Chinese investment. As such, the focus on profit seeking and a reliance on interest-bearing loans, as seen in the early 2000s, continued. Indeed, in BRI's first four years, it issued thirty-one times more loans than grants.[23]

The early period of BRI, until 2016, saw a hay-day of Chinese mega-loans for major infrastructure projects, including on the African continent. This culminated in 2016, where China lent $28.2 billion to Africa. Lending has since come down to just $1.9 billion in 2020 (in part due to the Covid-19 pandemic), but the sheer scale of Chinese lending to the continent has worried some observers that China is looking to buy influence for infrastructure.[24] These criticisms frequently reference that under BRI, investment and assistance is demand-driven, meaning that the projects put forward are sometimes politically rather than economically motivated. For example, the home provinces of African leaders are 70 per cent more likely to see investment from China than other provinces, which increases to 134 per cent in election years.[25]

BRI contracts in Africa are also often opaque and subject to confidentiality clauses, meaning that it is difficult to gauge the conditions imposed on African governments to secure Chinese investment under BRI. This opacity has led to a number of high-profile controversies when aspects of contracts have been leaked, for example in 2018 when a memo leaked from the Kenyan Auditor General, which said that the Kenyan Ports Authority risked having assets, including Mombasa Port, seized by China if the Government defaulted on the SGR loans. While this specific concern has since been debunked, the secrecy surrounding Chinese contracts on the African continent continues to generate criticism.[26]

It is also difficult to gauge the full extent of Chinese investment on the continent under BRI given the proliferation of Chinese lenders. While the Chinese Government, Eximbank and the China Development Bank remain large lenders, Chinese commercial lenders are increasingly also playing a role in Africa. According to a recent report by Chatham House, quantifying the exact amount of public debt held by China in multiple African countries can be challenging, with Zambia for example owing money to at least 18 different Chinese lenders.[27] In 2020, this meant that Zambia's request for debt forgiveness on their Eurobonds was rejected, as the opacity and preferential payback arrangements with China led European bondholders to reject their request. Moreover, after the Zambian Government led by Edgar Lungu was replaced by the new government led by Hakainde Hichilema in 2021, it was also discovered that the lack of transparency around Chinese loan agreements meant that the amount owed to China was twice the original estimates.[28]

23. Tiffert and McPherson-Smith. China's Sharp Power in Africa: A Handbook for Building National Resilience. 2022. Page 4.
24. Moses and Hwang. How Chinese Loans to Africa Changed During the Covid-19 Pandemic. Boston University Global Development Policy Centre. 2022.
25. The Economist. Special Report: China in Africa. 2022.
26. Brautigam et al. Risky Business: New Data on Chinese Loans and Africa's Debt Problem. China in Africa Research Initiative. 2020.
27. Vines et al. The Response to Debt Distress in Africa and the Role of China. Chatham House. 2022.
28. Thomas. Zambia's Chinese Debt Could be Double Previous Estimates. African Business. September, 2021.

Since the launch of BRI, concerns have also mounted of debt sustainability in Africa and the impact of Chinese development finance on debt distress on the continent. The argument around 'debt-trap diplomacy' contends that China's ambitions for BRI are to strong-arm African governments into taking on unsustainable debt burdens, ultimately resulting in the appropriation of African strategic assets, such as ports or other key infrastructure.[29] Concerns over debt distress have been particularly acute recently, as 22 countries in Africa are currently either already in or facing a high risk of debt distress, according to the World Bank.[30] The role of China has been highlighted as key to this, and while China is a significant lender to the continent, we should remember that it currently only accounts for around 12 per cent across the continent as a whole.[31] As such, recent work has disputed the idea that China is solely to blame for the debt crisis, although in some countries like Djibouti and Angola, and in low-income Africa more generally, China holds a much greater percentage of public debt.[32]

29. Jones and Hameiri. Debunking the Myth of Debt-Trap Diplomacy. Chatham House. 2020.
30. Vines et al. The Response to Debt Distress in Africa and the Role of China. Chatham House. 2022.
31. Vines et al. The Response to Debt Distress in Africa and the Role of China. Chatham House. 2022.
32. Bautigam. Risky Business: New Data on Chinese Loans and Africa's Debt Problem. China in Africa Research Initiative. 2020.

Moreover, seen in tandem with Xi Jinping's increasingly assertive foreign policy, BRI development assistance and investment in Africa has worried some western audiences over China's political motivations on the continent. In 2018, Richard Fontaine and Daniel Kilman from the Centre for New American Security summarised this argument in a piece in Foreign Policy which argued that Chinese economic assistance to African countries is motivated by a drive to export a 'China model' of governance and economic development.[33] Additionally, work has also identified that Chinese lending seems often to be connected with increased Chinese political influence and 'political goodwill' towards China in participating countries. This has meant that Chinese partners in Africa are more likely to vote with China at the UN and in some countries, the population has a more positive view of China as a major power than the US or the EU. This has bolstered arguments that Chinese development assistance in Africa undermines western interests on the continent and erodes support for democracy and democratic institutions.

33. Fontaine and Kilman. On China's New Silk Roads, Democracy Pays a Toll. Foreign Policy. 2018.

Chapter Three
British Ambitions and Opportunities in Kenya

The Importance of the Relationship

We now turn to the potential impact of Chinese development assistance and engagement on British ambitions and strategic interests in Kenya. In our view, Kenya is a particularly important example as a long-standing partner of the UK, which is of ever-growing strategic importance, especially as the UK's most important security partner in East Africa.

Economically, this is also an easy case to make as Kenya is the sixth biggest economy in Africa, the biggest economy in East Africa and a major entry point into the wider region as the cornerstone of the East African Community (EAC), which is the biggest common market on the continent. With a GDP of over $110 billion[34] and an average annual growth rate of nearly 6% in the decade preceding the COVID-19 pandemic, Kenya is already one of Africa's biggest economic success stories.[35]

34. World Bank. GDP Data: Kenya. 2022.
35. USAID. Kenya: Economic Growth and Trade. 2022.

With strong economic growth forecast in the coming decades, the importance of the UK's economic relationship with Kenya is even more evident when we look to the future. Not only does the country's young and dynamic workforce and strategic geographical position make it an attractive destination for British businesses looking to break into African markets, but Kenya also shares many of the UK's own key economic ambitions. 'Kenya Vision 2030', which is Kenya's long-term development plan, outlines ambitious plans to lower barriers to trade, improve infrastructure and tackle structural economic challenges, all interventions designed to transform Kenya into a vibrant, middle-income economy.[36] The progress already made on many of these metrics, including lowering trade barriers with the support of the UK, make Kenya an ideal investment destination in sub-Saharan Africa.

Moreover, the country is an integral global partner in the race to net zero. Consistently identified as one of the countries most vulnerable to climate change, Kenya is a world leader in green power generation, particularly off-grid solar technology and geothermal energy, and generates around 90% of its power from renewable sources.[37] Indeed, Kenya is also already working with the UK as a part of the 2050 Calculator programme, to identify the right carbon reduction methods to achieve Kenya's climate ambitions.[38] This programme has given Kenya the opportunity to pioneer climate mitigation approaches in the East Africa region. As such, Kenya is an obvious partner for the UK in the global race to net zero, and a key champion of green economic development in low- and middle-income countries.

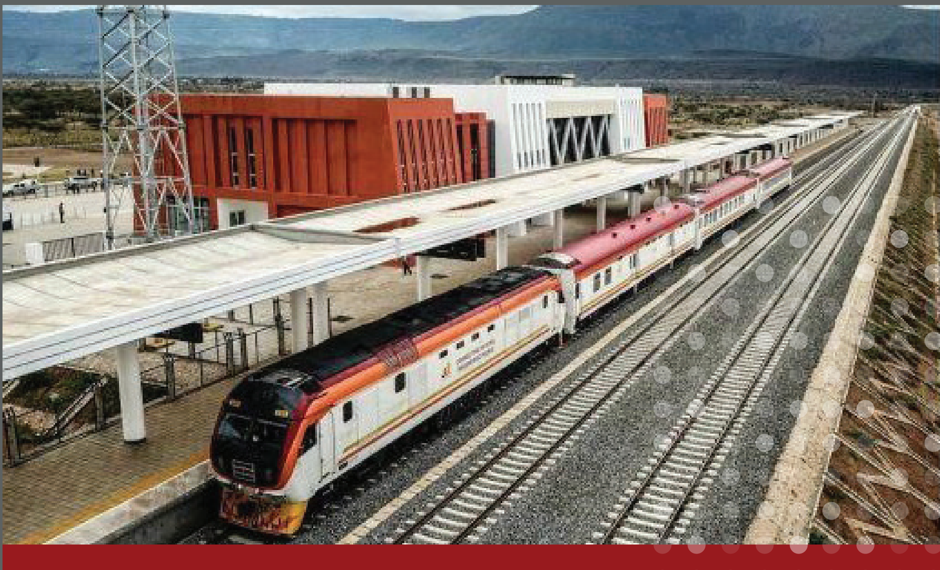
The importance of UK-Kenya cultural ties should also not be forgotten. An important member of the Commonwealth, our historic ties are continually deepened via the 200,000 strong Kenyan diaspora in the UK, the 100,000 British tourists that visit Kenya each year and the 30,000 British nationals who call Kenya home.[39] And most importantly, Kenya's strategic position on the Horn of Africa, also makes the country central to the UK's security interests, both in terms of ensuring stability, countering extremism, and safeguarding democratic institutions in the region, but also from a domestic counter-terrorism perspective. Our common ambitions on security, shared prosperity and strengthening democratic governance, coupled with a young population and a growing economy, means that the opportunities for UK-Kenya collaboration are wide ranging.

36. Government of the Republic of Kenya. Kenya Vision 2030. 2008.
37. USAID. Kenya: Inclusive Economic Growth. 2022.
38. British High Commission Nairobi. Kenya Launches 2050 Calculator to Advance Climate Change Mitigation in East Africa. 29 July, 2022.
39. DFID. Kenya Country Profile. 2018.

China-Kenya Relations

Given Kenya's strategic importance, it is also hardly surprising that Kenya has been a major recipient of Chinese development assistance and lending.

Since the early 2000s, when then Kenyan President Mwai Kibaki initiated his 'Look East' policy, Kenya has increasingly diversified its sources of development assistance away from the US and the UK, and towards other partners, in particular China.[40] The total scale of Chinese investment in the country is impressive, with Kenya having received just under $9.2 billion worth of loan commitments from China between 2000 and 2020, and by mid-2022 China accounted for $6.83 billion of Kenya's outstanding external debt.[41] The majority of this is accounted for by the flagship Standard Gauge Railway (SGR) project, which connects the capital Nairobi with Mombasa Port and Naivasha, and for which Kenya received $3.2 billion from China Eximbank.[42]



SGR Railway, Phase 2A, Nairobi to Naivasha. Photo: RailJournal

40. Eickhoff. Chinese Mega Projects in Kenya: Public Controversies Around Infrastructure and Debt in East Africa's Regional Hub. German Institute for International and Security Affairs. 2022.
41. Vines et al. 2022.
42. Eickhoff. 2022.

China has however also extended a number of multi-million dollar loans for other major infrastructure projects, such as the Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) corridor and the Nairobi Expressway, which opened in 2022.[43]

Chinese financing for these mega-projects has had mixed results. The SGR has been widely criticised for being a 'white elephant' political project, which will never be able to pay for itself. Moreover, the scale of Chinese lending has also been linked to Kenya's growing debt to GDP ratio, which stood at nearly 70 per cent in 2022, when the IMF assessed Kenya as being at a high risk of debt distress.[44] While Chinese lending is not the sole cause for this, Kenyan attitudes to Chinese finance have soured as the cost of debt servicing has gone up, and the Kenyan Government has frequently been accused of mishandling funds and engaging in excessive borrowing for political purposes.

According to Professor Oscar Otele (University of Nairobi), as China has become the largest bilateral lender to Kenya, the door has also been opened for closer security cooperation.[45] Indeed in 2021, the Pentagon reported in its annual report on China's military that the People's Liberation Army (PLA) was considering establishing a military base in Kenya, in addition to a number of other locations including Tanzania. While the Chinese Government publicly disputed this claim, Chinese strategic aims in East Africa remain a concern for the US.

In recent years, particularly since the start of the Covid-19 pandemic, Chinese lending to Kenya has fallen dramatically and as of 2022 China was no longer Kenya's biggest bilateral lender on an annual basis. The decline in financing comes amidst growing concerns over Kenyan debt sustainability and mounting criticisms of Chinese lending practices, both from international audiences and within Kenya. In late 2022, it was also reported that Kenya had defaulted on some repayments for the SGR loans, and although this specific claim has been disputed by the Kenyan Government, China and Kenya remain in negotiations over the timeframes of debt repayments.[46] As such, as China faces increased scrutiny over its engagement with Kenya, there is arguably now an opportunity for the UK to demonstrate the role that Britain can play as a more responsible development partner.

43.Otele. China-Kenya Relations: Economic Benefits set Against Regional Risks. Mercator Institute for China Studies. 2022.
44.Eickhoff. 2022.
45.Otele. 2022.
46.Yusuf. Kenya Denies It Defaulted on Debt to China. Voice of America News. October, 2022.

The UK Comparative Advantage

While the UK both cannot and should not try to compete with China when it comes to the scale of infrastructure investment, the UK does have other significant comparative advantages. In particular, the UK has had significant success in supporting development outcomes in Kenya in the last ten years. Indeed, in 2018 the then Department for International Development (DFID), estimated that from 2015 to 2018, UK aid to Kenya supported 270,000 children to gain a decent education, reached nearly 315,000 women and children through nutrition related interventions and supported nearly 620,000 women and girls to access modern family planning.[47]

Additionally, prolonged partnership and cooperation on development priorities has helped to build trust and respect for aid agencies and partners and has fostered a strong collaborative relationship. Former Secretary of State for International Development, Penny Mordaunt, highlighted this in 2018 when she hailed Kenya as a perfect example of how UK aid should work, in reference to the Kenyan government committing to take on the UK's support programme for drought hit communities, after this sunsets in 2024.[48] Moreover, UK aid has also been key to supporting many of Kenya's economic development priorities, particularly when it comes to enabling trade. The Regional Economic Development for Trade and Investment Programme (REDIT), which has been in effect since 2017 and is scheduled to conclude in June 2023, has been a key part of Kenya's efforts to boost shared prosperity and job creation by increasing trade, both with the East Africa region and globally.

47. DFID. 2018.
48. Calderwood. Kenya is Hailed as a Perfect Example of How UK Aid Works. Global Citizen. 2018.

This UK programme, delivered via TradeMark East Africa, has delivered support for improving trade infrastructure, particularly at the Port of Mombasa and helped to drive down barriers to trade by investing in new ICT systems, all aimed at making Kenya a more globally competitive trade.[49] The direct benefit to the UK from this type of trade-focused economic development programmes is clear, as lowering barriers to trade has enabled UK businesses and investors to access both Kenya's major domestic market and the wider East Africa region.[50]

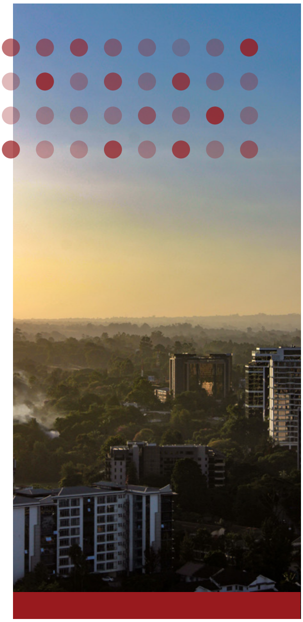
Our sustained commitment to Kenyan security, and ever deepening defence cooperation also means that the UK is already one of Kenya's main security partners. The British Army Training Unit Kenya has since 2015 provided training to more than 1100 Kenyan soldiers every year and has been key to preparing soldiers deploying as a part of the African Union (AU) Transition Mission in Somalia. With the new UK-Kenya Defence Cooperation agreement signed in 2021, both countries have already taken steps to further collaboration on new and evolving security threats, including on efforts to counter and disrupt terrorist organisations.[51]

As such, it is evident that the UK already has a strong foundation from which to build when it comes to deepening collaboration and engagement with Kenya. The following sections of this chapter evaluates recent progress and interventions and considers how the UK-Kenya relationship has evolved since the publication of the Integrated Review.

49. FCDO. Development Tracker: Regional Economic Development for Trade and Investment Programme. 2022.
50. McVey. UK Aid Budget Cuts Threaten a Decade of Trade Progress in East Africa. Coalition for Global Prosperity. 2021.
51. HoL International Agreements Committee. Scrutiny of International Agreements: UK-Kenya Defence Cooperation Agreement. HL Paper 145. 2022.

UK Aims and Ambitions

Our starting point for assessing the UK's strategic ambitions and priorities in relation to Kenya is the 2021 Integrated Review (IR), which sets the direction for British foreign, defence and security policy.[52] As such, we consider the Review to be the broadest articulation of the UK's strategic framework and look to evaluate how subsequent plans and country-specific interventions meet the ambitions set out within the Review. While Kenya is specifically mentioned multiple times within the Review, we also reflect on UK priorities in relation to East Africa and the wider sub-Saharan Africa region.



Kenya in the Integrated Review

The Integrated Review rightly identified Kenya as one of the UK's key partners in Africa. In particular, the document set out plans for the UK to establish stronger defence and security cooperation with Kenya in an effort to tackle security risks on the Horn of Africa. This includes the terrorist threat from Al-Shabaab in particular, but also other forms of violent extremism and organised crime. Kenya, in addition to Nigeria, South Africa, Ethiopia and Ghana, were identified as the UK's key partners on the African continent, and the IR spelled out the UK's commitment to working with these partners to pursue common goals related to shared prosperity, democratic values and security interests.

52. HM Government. Global Britain in a Competitive Age: The Integrated Review of Security, Defence, Development and Foreign Policy. 2021.

In addition to country-specific and regional objectives, the Review also sets out four overarching themes to guide the future priorities for British foreign and defence policy, and these are:

01
Sustaining strategic advantage in science and technology

02
Shaping the open international order of the future

03
Strengthening security at home and overseas

04
Building resilience at home and abroad

Within the Review, the Government focused mostly on the role of Kenya as a security partner of the UK, mentioning plans for closer defence cooperation with Kenya as a way of investing in British security interests on the Horn of Africa. The importance of cooperation on counter-terrorism interests in the region is also mentioned. As such, it is clear to see how the UK-Kenya relationship sits at the heart of the third theme of the Review.

The Review focused less on aligning the UK-Kenya relationship with the other three themes, and it also does not mention the importance of Africa in the context of wider geostrategic competition with countries such as China. The growing challenge posed by increased competition with China is recognised throughout the document, and indeed, the Review identifies China's growing international stature as the most important contemporary geopolitical factor. However, the Review fails to grapple with the evolving role of China on the African continent, and when reflecting on the need to invest in British soft power to counter Russian and Chinese cultural power projection, the Review does not reflect on how this applies to Kenya, or indeed Africa more broadly.

However, what we have seen since the publication of the Review are a series of positive steps to both broaden and deepen UK-Kenya cooperation on arrange of other areas, which are explored in more detail below.

The UK-Kenya Strategic Partnership

The UK-Kenya Strategic Partnership was launched by then Prime Minister Boris Johnson and the former Kenyan President, Uhuru Kenyatta, in January 2020. In a joint statement, both countries said that this elevated the existing relationship between the UK and Kenya, and demonstrated that the UK was taking Kenya seriously, not just as a security partner, but also a key economic and diplomatic partner in Africa. The Strategic Partnership encompasses five key pillars, which are:

01 **Mutual prosperity**

02 **Stability and security**

03 **Sustainable development**

04 **Climate change**

05 **People to people**

The first pillar, mutual prosperity, is intended to build on the UK's already strong economic ties to Kenya and to create new opportunities for trade and investment.[53] This announcement came immediately following the UK-Africa Investment Summit in January 2020, during which £1.35 billion of British investment was committed to Kenya. This pillar of the partnership was announced to build on the UK's commitment to supporting the City of London to mobilise billions of pounds for investment opportunities in Africa, backed by £400 million of UK aid.[54]

On pillar three and four, sustainable development and climate change, the UK has also already made significant progress, with the announcement of fast-tracked finance for five major green energy projects in Kenya at the COP27 Summit in November 2022. In this announcement, Prime Minister Rishi Sunak praised Kenya's climate leadership and said that the five new green investments, which include commitments for the Green High Falls Dam and a green regeneration project for central Nairobi, would be flagship projects of the UK-Kenya Strategic Partnership.[55]

53. FCO. UK-Kenya Strategic Partnership 2020 to 2025: Join Statement. GOV.UK Press Release. 21 January, 2020.
54. DFID. UK Government Supporting City of London to Mobilise Billions of Pounds of Investment to Transform Africa. GOV.UK Press Release. 17 January, 2020.
55. British High Commission Nairobi. Climate Finance to Flow to Kenya as UK Prime Minister Agrees with President Ruto to Fast-Track KES 500 Billion of British Investment. GOV.UK World News Story. 17 November, 2022.

The International Development Strategy

The UK's Strategy for International Development, published in May 2022, outlines the core principles of the UK's approach to international development following the cut to the UK aid budget in 2021.[56] In addition to a broader focus on bilateral development spending, as opposed to funding for multilateral organisations, the Strategy sets out the following four principles:

01
Honest and reliable investment

02
Support for women and girls

03
Providing life-saving humanitarian assistance

04
Work on climate change, nature and global health

The Strategy is light on details in terms of the UK's specific interventions, but like the Integrated Review, it stresses that the UK is looking to maintain its development commitment to the African continent. In this context, Kenya is also specifically mentioned as a key strategic partner, alongside South Africa, Nigeria, Ghana and Ethiopia. The Strategy also recognises that the UK's approach to development aid on the continent will also form part of a wider geo-strategic contest for influence on the continent, particularly with China. It is welcome to see the Strategy recognise the importance of utilising and deploying development aid as a tool through which to support and advocate for good governance, in addition to the importance of free and open societies.

However, the Strategy is not explicit about how to mitigate the consequences of the UK's aid budget cuts on Africa, which is where the aid cuts have been most acutely felt. It also does not commit to publishing any type of delivery plan, outlining how the UK plans to meet its key objectives and put the Strategy's guiding principles into action on the ground in key strategic partners.

56. FCDO. The UK Government's Strategy for International Development. 2022.

The UK-Kenya Defence Cooperation Agreement

Following the publication of the Integrated Review, the UK has moved ahead with its stated ambitions of deepening defence cooperation with Kenya. In July 2021, the UK-Kenya Defence Cooperation Agreement was signed, building on the proud track record of defence cooperation between the countries.[57]

The scope of the new agreement anchors the defence priorities of the two countries in the East Africa region between 2021 and 2026, and it expands the scope of collaboration to also focus on counter-terrorism and it continues the UK's commitment to training at least 1,110 Kenyan soldiers each year, in preparation for deployment as a part of the Somalia Peacekeeping Force. The increased focus on counter-terrorism support and collaboration reflects the UK's concern about the threat from organisations, such as Al-Shabaab, both in the East Africa region, but also the threat it poses directly to the UK. As such, the new Defence Cooperation Agreement also goes further on issues such as information sharing, to allow the Kenyan and UK armed forces to work in close collaboration on identifying and halting the activities of terrorist organisations in the region.

Indeed, when launching the renewed agreement, Secretary of State for Defence Ben Wallace, said that Kenya has long been the UK's security partner of choice in East Africa and committed to standing shoulder to shoulder with Kenya in the face of new and evolving security threats. This will continue to be particularly important given the continued threat from Al-Shabaab, both within Kenya, but also as a result of 'spill-over' effects from Al-Shabaab strongholds in Somalia.

57. FCDO. Kenya and UK Sign Defence Cooperation Agreement to Tackle Shared Threats Across East Africa. GOV.UK Press Release. 28 July, 2021.

The Strategic Coherence of the UK's Approach

As illustrated above, the UK government clearly sees and understands that Kenya is an important strategic partner, and we very much welcome this recognition, both within the Integrated Review and subsequent strategies, including the UK-Kenya Strategic Partnership.

However, it could be argued that since the publication of the Integrated Review, not enough has been done to ensure the strategic alignment of country-specific interventions with the priorities of the Integrated Review, thus undermining the coherence and efficacy of the UK's engagement with a country like Kenya. This has been exacerbated by the effect of the cuts to the UK's ODA budget, which has meant that the UK is now a much smaller donor of ODA to a wide range of high priority countries, including both Kenya and Ethiopia in East Africa.[58] . The cuts to the aid budget have had a particularly pronounced impact on the Integrated Review's stated ambition of 'building resilience at home and abroad', as both the amount and proportion of UK ODA spent on humanitarian aid has been reduced. Spending on girls education, a key part of the global resilience agenda, has also been reduced, with a significant cut of £183 million across the South Asia and sub-Saharan Africa regions.[59]

Moreover, despite a strong track record of partnership and collaboration with a country like Kenya, the cuts to the UK's aid budget have damaged the UK's reputation as a reliable partner, with UK ODA spending in Kenya estimated to have fallen by about 40% from 2020/21 to 2021/22.[60] As such, while the UK has taken important steps forward to prioritise its relationship with Kenya in recent years, the UK's strategic ambitions in relation to Kenya, as laid out in the Integrated Review, have also been somewhat undermined by some government decisions.

58. Niblett. Global Britain in a Divided World: Testing the Ambitions of the Integrated Review. Chatham House. 2022.
59. Worley. Tracking the UK's Controversial Aid Cuts. Devex International Development. 2023.
60. Worley and Alecga. UK Aid Cuts Hit Poorest Countries Hardest, Devex Analysis Finds. Devex International Development. 24 September, 2021.

Conclusion

In both IR21 and its recent refresh of the Integrated Review, the Government was right to single out Kenya as a vital strategic partner for the UK. Its importance will grow significantly in the decades to come. The rapid progress that it has made in recent years underline the fact that it is a country which typifies many of the trends that have led others to argue that the 21st century will be the African century.

The Government is also right, in both the original IR and its subsequent refresh of it, to reflect on the changing balance of global power that is making the world both more competitive and a more potentially unstable geopolitical environment. The continued efforts of the Chinese government and its efforts to shape a world order more in line with its own preferences. As this report sets out, the Chinese government's efforts to cultivate its influence have changed significantly in recent decades. It continues to pursue these at scale, often in ways which prove to be opaque, unsustainable or unbalanced.

The Government is correct to think that its ability to change how the Chinese government pursues its own efforts is limited and to conclude that its efforts should be focused instead on out-cooperating and out-competing the Chinese government and its other strategic competitors. Part of that will involve ensuring that the UK's approach in countries like Kenya is defined by detailed, long-term and coherent engagement that lays the foundation for delivering on the long-term, mutual interests of both countries.

Since IR21, the Government has shown, through partnerships like the so-called AUKUS agreement, that it is willing to work selectively with its partners and build unique partnerships that reflect a shared vision of the future. The flexibility, imagination and willingness to resource the partnership appropriately, have all been hugely important. Many of the same characteristics have been evident in the continued success of the climate partnerships on the model of the Just Energy Transition Partnerships, which the UK has continued to pursue since the publication of IR21.

In the wake of the IR refresh, it is now important that the UK set out in more detail how it will build on the broad, close partnership that it currently has with the Kenyan government and build a relationship that reflects the country's growing importance and demonstrates the same traits of flexibility and ambition.

Our recommendations set out how this could be achieved, and they look to build on the many positive steps taken in recent years on the UK-Kenya relationship and lay out a set of steps for further developing and solidifying this key partnership.

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Britain as a force for good