

PRESS RELEASE

Kenyan stakeholders call for the development of a framework for dealing with China to promote sustainable development

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In dealing with China, Kenya needs to develop a framework to guide the Country in realising its development objectives. This recommendation came from an Economic Forum organised by Consumer Unity & Trust Society (CUTS) Nairobi in collaboration with Friedrich-Ebert-Stiftung (FES) Kenya August 14, 2014. The forum, under the theme “Increased trade and economic cooperation between China and Kenya: implications on sustainable development” was held at Sarova Stanley Hotel, Nairobi, Kenya and in attendance were government departments, civil society and private sector representatives.

Presenting a discussion paper during the Forum, Miriam W. O. Omolo from the Institute of Economic Affairs (IEA) noted that the emergence of China has seen the expansion of South-South commercial relations between Africa and China especially after China’s accession to the World Trade Organisation (WTO) in 2001.

In Kenya, she observed that trade with China has been on the rise from 2001 to 2011. In 2001, total merchandise imports from China was USD 95 million, by 2011, the imports had increased to USD 1.6 billion. In regard to exports, Miriam noted that exports from Kenya to China have remained low, in 2001, Kenya exported commodities worth USD 3 million to China, and this increased to USD 43.2 million in 2011. With the wide gap between Kenya’s imports and exports to and from China respectively, she noted that the trade balance has increase seventeen times from USD 92 million in 2001 to 1.6 billion in 2011.

Concerning investments, Miriam mentioned that Chinese Foreign Direct Investment (FDI) flows to Kenya have been increasing in the last decade and that the most recent information available shows that Chinese firms have largely invested in the services and manufacturing sectors in Kenya. “Before 2007, Chinese FDI stock in Kenya was less than USD 58 million; this has increased gradually and currently stands at USD 403 million”, she observes.

In his submission, George Gachoki, the Chief Trade Development Officer, Asia Division, Ministry of Foreign Affairs and International Trade observed that China signed a number of Memorandum of Understandings (MoUs) with Kenya, most notable ones being for the establishment of Chinese cultural centre and the Regional Aviation Industry.

Prof. Japer Okelo from the School of Economics, University of Nairobi on the other hand highlighted the issue of standards as a challenge, which has led to the importation of low quality goods from China. This needs to be addressed from the policy perspective. He further identified the need to institute a framework to guide economic relations with China, rather than the current politically driven agreements in order to enhance the ability of locals to benefit from this relationship.

Discussions during the forum also touched on many other issues including; the need address the challenges posed by Intellectual Property Rights (IPRs), environmental and sustainable development concerns as well as ensuring that local content is promoted in Kenya-China economic relations. This would involve use of local labour and available raw materials all of which calls for a mechanism to enhance the development objectives of Kenya, which can only be provided by a clear framework. This is currently lacking.