The Future of International Development Cooperation: Case Studies of Sri Lanka and Kenya
Prelims

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<tr>
<td>AgriTT</td>
<td>Accelerate Agricultural Technology Transfer to Low-Income Countries</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
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<td>BRF</td>
<td>Belt and Road Forum for International Cooperation</td>
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<td>BRI</td>
<td>Belt and Road Initiative</td>
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<td>CARD</td>
<td>Coalition for African Rice Development</td>
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<td>CCC</td>
<td>China Communications Construction Company</td>
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<tr>
<td>CHEC</td>
<td>China Harbour Engineering Co., Ltd</td>
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<td>CRBC</td>
<td>China Road and Bridge Corporation</td>
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<tr>
<td>DFID</td>
<td>UK Department for International Development</td>
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<td>DHSC</td>
<td>UK Department of Health and Social Care</td>
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<td>EIA</td>
<td>Environmental Impact Assessment</td>
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<td>EU</td>
<td>European Union</td>
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<td>FAO</td>
<td>Food and Agricultural Organization of the United Nations</td>
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<td>FCO</td>
<td>UK Foreign and Commonwealth Office</td>
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<td>FDI</td>
<td>Foreign direct investment</td>
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<td>FKE</td>
<td>Federation of Kenyan Employers</td>
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<td>FOCAC</td>
<td>Forum on China-Africa Cooperation</td>
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<td>FTA</td>
<td>Free Trade Agreement</td>
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<td>FTF-ITT</td>
<td>Feed the Future India Triangular Training</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>GSP+</td>
<td>Generalised Scheme of Preferences Plus</td>
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<tr>
<td>ICT</td>
<td>Information and Communications Technology</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>KACA</td>
<td>Kenya Anti-Corruption Authority</td>
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<tr>
<td>KCETA</td>
<td>Kenya-China Economic and Trade Association</td>
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<td>KIPPRA</td>
<td>Kenya Institute for Public Policy Research &amp; Analysis</td>
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<td>KNES</td>
<td>Kenya National Electrification Strategy</td>
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<td>MAP</td>
<td>Kenya Market Assistance Programme</td>
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<tr>
<td>MOA</td>
<td>Ministry of Agriculture</td>
</tr>
<tr>
<td>MOFCOM</td>
<td>Ministry of Commerce of the People's Republic of China</td>
</tr>
<tr>
<td>MoU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>NGOEATU</td>
<td>Non-Governmental Organizations of East Africa Trade Union</td>
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<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>ODA</td>
<td>Official Development Aid</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>OHCHR</td>
<td>Office of the United Nations High Commissioner for Human Rights</td>
</tr>
<tr>
<td>PDTP</td>
<td>Presidential Digital Talent Project</td>
</tr>
<tr>
<td>RE-INVENT</td>
<td>Reducing Insecurity and Violent Extremism in the Northern Territories</td>
</tr>
<tr>
<td>REDIT</td>
<td>Regional Economic Development for Investment and Trade</td>
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<tr>
<td>SAJOREC</td>
<td>Sino-Africa Joint Research Center</td>
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<td>SDGs</td>
<td>Sustainable Development Goals</td>
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<td>SEZs</td>
<td>Special Economic Zones</td>
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<td>SGR</td>
<td>Standard Gauge Railway</td>
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<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<td>SOEs</td>
<td>State-owned Enterprises</td>
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<td>SPS</td>
<td>Sanitary and Phytosanitary Measures</td>
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<td>TERI</td>
<td>The Energy and Resources Institute India</td>
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<td>TICAH</td>
<td>Kenya’s Trust for Indigenous Culture and Health</td>
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<td>UK</td>
<td>United Kingdom</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNCRC</td>
<td>UN Convention on the Rights of the Child</td>
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<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UoN</td>
<td>University of Nairobi</td>
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Executive summary

This report critically examines the modalities of development cooperation and experiences of China and United Kingdom’s (UK) engagements in Kenya and Sri Lanka. Given the increasing importance of China and the UK in development cooperation and assistance, and the new approaches that they bring to such cooperation, understanding the modalities of their engagement may provide useful insights into how partnerships may be cultivated and deepened to realise the Sustainable Development Goals (SDGs).

This report explores the idea of partnerships and, through two country case studies, explores the nature, function and rationale for interaction engagement by China and the UK in Kenya and Sri Lanka. It maps the current national priorities of Sri Lanka and Kenya and their ongoing cooperation with the UK and China. It identifies areas in which cooperation can be deepened, as well as the convergences between national priorities and UK and/or Chinese expertise. For both cases, it also examines current trilateral initiatives with which both countries are involved. It highlights country-specific experiences, and found that for Kenya, trilateral cooperation is concentrated in a few specific areas and will need diversification to better support its national development goals. Moreover, the agenda of trilateral cooperation in Kenya depended largely on who participated in the project. While Sri Lanka has had comparatively little experience in trilateral cooperation, past experiences have demonstrated that national politics play a pivotal role in determining the strength of political will (or lack thereof) and the agenda of development cooperation with other countries.

The following findings emerge from the cases which are important for the implementation and realisation of the SDGs through partnerships:

1. National interests are important drivers for engagement in partnerships;
2. Multilateral and bilateral partnerships should be mutually supportive, and the best form of partnership must be assessed on a case-by-case basis;
3. It is important that all actors, at all levels (local, national, regional, global), are able to exercise agency in partnerships;
4. Partnerships should addressing skill shortages and providing technical support; and
5. Institutions should be formed to build and manage partnerships.
1 Introduction

Dynamic global political and economic processes reshape development cooperation, trade and investment relationships. South-South collaboration and triangular cooperation with developed and developing countries change the economic landscape with the potential to achieve sustainable development outcomes. As the second and fifth largest economies in the world with a Gross Domestic Product (GDP) of US$13.4 trillion and US$2.83 trillion respectively, China and the UK are undoubtedly major actors in international development cooperation (World Population Review 2020). Both countries have strategic interests in infrastructure building and commitments toward the 2030 Sustainable Development Goals (HM Government 2019; Renwick et al. 2018). Kenya and Sri Lanka are two important cases in the development cooperation between China and the UK: Kenya is the fastest growing economy in East Africa (World Bank 2019a: np); and Sri Lanka is geo-strategically located at the centre of the Indian Ocean and has extensive historical ties with the UK and China. Kenya’s and Sri Lanka’s geographical location by the sea are strategic entry points for the Belt and Road Initiative (BRI), China’s global infrastructure project. The UK increasingly cooperates with China on infrastructural capacity-building, for example in the UK-China Infrastructure alliance and the UK-China Infrastructure Academy (UK Government 2016).

Sustainable development strategies are crucial for long-term improvements of ‘human well-being, social equity and environmental integrity, and the particular system qualities that can sustain these’ (Leach, Stirling and Scoones 2010: 5). China, the UK, Kenya and Sri Lanka, as members of the United Nations (UN), have committed themselves to the 2030 Agenda for Sustainable Development, to achieve sustained, inclusive and sustainable economic growth and to eradicate poverty holistically and globally (UN 2015). All four countries have since integrated the Sustainable Development Goals (SDGs) into their national and/or international development agendas. Their varying political landscapes, however, mean that actual commitments to the SDGs differ as national agendas take precedence.

National politics and agendas shape the foreign strategies of the UK and China. The UK follows the Organisation for Economic Co-operation and Development’s (OECD) strategy to target economic development and welfare of developing countries (OECD 2019). Aid is disbursed primarily through overseas development assistance, with a traditional focus on alleviating poverty through economic development and humanitarian interventions. This strategy is likely to change with the changing institutional structures of development and foreign policy in the UK. The UK’s post-Brexit strategy Global Britain aims at expanding and deepening overseas networks. Moreover, there is a foreseeable merger between the UK
Department for International Development (DFID) and the Foreign and Commonwealth Office (FCO) (Worley 2020). The UK’s development strategy may morph into mechanisms similar to the Aid for Trade strategies currently prevalent in the Netherlands (Savelli, Schwartz and Ahlers 2018; Ministry of Foreign Affairs 2019) or the Aid for Trade approach active in Britain from the 1970s to 1990s (Killick 2005: 669). These strategies aim to promote trade for national development (World Trade Organization n.d.), representing a shift from human development to an economics-centric approach.

Conversely, China operates outside the OECD governance regime and classifies foreign assistance differently. The Chinese aid strategy aims to help recipient countries build up the capacity to become self-reliant and independent in development, without imposing political agendas and interfering in internal affairs. China uses state finances to provide foreign aid through grants and interest-free loans. Concessional loans are provided by the Export-Import Bank of China (The State Council of the People’s Republic of China 2011). While the UK focuses on poverty elimination, governance, security and economic development, China prioritises economic advancement through infrastructure capacity-building. The engagement of the UK and China in sub-Saharan Africa and South Asia are significant for the achievement of sustainable development, possibly spilling over its positive effects to entire regions. This economic cooperation with the UK and China helps create opportunities for the concerned countries to diversify their trade relations, to receive investments and to cooperate on development agendas with various partners. Despite sub-Saharan Africa’s economic openness and ongoing economic relationships with international players, the region has not been able to sustainably develop and reduce poverty substantially. Aspiring development is challenging in sub-Saharan Africa due to a lagging pace of growth, a consistent record of failed states, conflicts, famines and disasters, and therefore high numbers of inter-regional refugees (Killick 2005).

Kenya experiences similar development challenges despite a sustained economic growth and clear improvements across the range of human development indices (United Nations Development Programme (UNDP) 2018). Sri Lanka, on the other hand, faces developmental challenges in a different socioeconomic landscape. Economically, it has been hindered by a persistent balance of payment deficit. Political instability and social ethnic tensions are also primary causes of its stagnation.

In sub-Saharan Africa, one of the most targeted areas for poverty reduction, development relations shift with the rapid economic growth of emerging global powers like China. The UK as a traditional donor and trade partner, may also undergo changing development relations as trade renegotiations commence with African countries, like Kenya, following the British
exit (Brexit) from the EU (Gu et al. 2017). Conversely, traditional donors, including the UK, have withdrawn from Sri Lanka recently. As well as its ascension into the middle-income category (World Bank 2019b: np), Sri Lanka has also been shunned for its record of alleged human rights violations (Office of the United Nations High Commissioner for Human Rights (OHCHR) 2015). However, the UK may start taking an interest in Sri Lanka as it prepares for its transition out of the European Union and looks toward the Commonwealth countries to strengthen economic relations. Furthermore, the UK can also look forward to working with China in Sri Lanka, an important hub for the BRI and an important political ally for China.

As the UK and China both engage in Kenya and Sri Lanka, trilateral cooperation mechanisms can create more sustainable and efficient development strategies which are mutually beneficial for every party’s economic development (DFID and Greening 2014). Trilateral cooperation emerges as development partners increasingly recognise their complementarity and the possibility for financial and technical collaboration. Trilateral development cooperation usually refers to a Northern state or agency working with countries involved in South-South cooperation (OECD 2016). South-South cooperation arose from the changing global context: the wish to challenge the hegemony of traditional global governance structures that favour states typically located in the global North and the expansion of economies in the global South (Gray and Gills 2016). The UK’s and China’s development trajectories intersect with that of their bilateral partners, for example in fields of infrastructure and scientific research. The UK and China share communication platforms and have regular discussions on development projects in Africa. Trilateral cooperation is likely to expand globally and upscale in the future with partners like Kenya and Sri Lanka. Trilateral cooperation can be seen as the future of international development cooperation.

1.1 Section summary

This report presents Chinese and British engagements in Kenya and Sri Lanka, examining areas that can bring about benefits for all parties. The following sections direct discussions on future possibilities of international development cooperation between the UK, China and Kenya as well as the UK, China and Sri Lanka.

Section 2 draws on the case studies. We present the development visions of Kenya and Sri Lanka and examine how partnerships with the UK and China can help national governments drive the wanted change. We analyse their bilateral economic engagements (trade, foreign direct investment and development assistance) as well as other cooperative projects.
involving skills transfer and human development projects. We then present country-specific opportunities.

For Kenya, we recommend the following areas of cooperation:

- trade (research on the diversification and value-addition of export products);
- negotiations on lowering trade barriers;
- integrating Kenya into the global value chains in the manufacturing sector;
- advancing Kenya as an outsourcing location in the information and communications technology (ICT) sector);
- security;
- anti-corruption measurements;
- effective city management for affordable housing;
- renewable energy infrastructures;
- climate resilient agriculture for social protection;
- capacity-building on national laws and working cultures; and
- trilateral cooperation for universal health care.

The existing trilateral cooperation between the UK, China and Africa, and other trilateral activities Kenya is involved in, provide entry points for learning from trilateral structures and strategies and to expand to more decentralised, participatory and effective trilateral cooperation strategies between the UK, China and Kenya.

For Sri Lanka, we recommend:

- trilateral cooperation in the areas of trade (streamlining global supply chain of the apparel industry and promoting APTA concessions);
- mediation for intra-regional trade);
- investment (into human capital, infrastructure, ecotourism and technology (for agriculture and security));
- education;
- health;
- reconciliation and social inequality; and
- improving bureaucratic efficiency.

While there are no current trilateral models of cooperation between the UK, China and Sri Lanka, there is much to learn from trilateral models the three countries are currently engaged in. We explore the challenges and achievements of these models to propose what a trilateral initiative between Sri Lanka, China and the UK may look like.
Section 3 outlines the bilateral engagements between the UK and China as their relationship determines development priorities influential in trilateral cooperation. Current bilateral platforms between the UK and China can also be leveraged upon in new trilateral models. The UK and China mainly engage in areas such as trade and industry, energy and transport, finance, people-to-people exchanges and research. Infrastructure has become an essential cooperation linkage in the last few years. As the UK and China build trilateral platforms with Africa, trilateral cooperation is likely to expand. The increasing convergence of British and Chinese development approaches also provide political impetus for trilateral cooperation. We provide an overview of reoccurring challenges in trilateral cooperation mechanisms. We recommend strategies to address these with different levels of intervention suggesting potential partners from the UK, China, Kenya and Sri Lanka.

Section 4 provides a summary on findings related to trilateral cooperation. We highlight the potential and challenges of UK-China engagements in Kenya and Sri Lanka and trilateral engagement.
2 Country study findings

Global partnerships can support the national development priorities of concerned countries, by cooperating in priority areas and in supporting implementations. Both the UK, as traditional, and China, as emerging, cooperation partners are influential actors in trade, investment, development assistance, people-to-people exchanges and skills transfer. The next section presents the cases of Kenya and Sri Lanka. We identify their national development priorities and assess their bilateral relations with the UK and China, demonstrating some opportunities and challenges, which offer entry points for trilateral cooperation opportunities.

2.1 Kenya

2.1.1 Kenya’s national development priorities

To understand Kenya’s development trajectory, this chapter sets out Kenya’s development progress and challenges, and the national development plan Vision 2030. Vision 2030 is a reaction of the Kenyan government to address key development challenges and to achieve sustainable development.

2.1.1.1 Development progress and challenges

Kenya is one of the fastest-growing economies in sub-Saharan Africa and is engaged in significant political, structural and economic reforms to tackle its key development challenges (Trading Economics 2020; World Bank 2019a). Kenya has quickly transformed from an agrarian economy to a diversified market focused on manufacturing, logistics and technology. Strong private consumption played a part in the large GDP expansion in the last few years (Oxford Business Group 2019). Kenya’s GDP annual growth rate averaged 5.4 per cent from 2005 to 2019 (Trading Economics 2020: np). Kenya has also demonstrated a steady progress in human development. Between 1990 and 2018, Kenya saw significant improvements in the areas of income, health and education (UNDP 2019). The UNDP’s assessment concluded that Kenya’s 2018 Human Development Index is below average for countries in the medium human development group but above average for countries in sub-Saharan Africa (ibid: 4). In addition, Kenya ranked 94 out of 157 in the 2017 Human Capital Index, a rating which was ‘higher than what would be predicted for its income level’ (World Bank Data 2018: 2).
Despite this positive development, the country faces challenges in relation to ‘poverty, inequality, climate change, continued weak private sector investment and the vulnerability of the economy to internal and external shocks’ (World Bank 2019a: np). Additionally, the Kenyan economy is characterised by governance challenges, notably corruption. A 2017 Kenya Corruption Report concluded that ‘Kenya’s competitiveness is held back by high corruption levels that penetrate every sector of the economy’ (GAN Integrity 2017: np). Contributing to this is a weak judicial system, endemic bribery among public officials, widespread tax evasion, and rampant fraud in public procurement (ibid). All these acts are prohibited under a 2003 law and 2016 Bribery Act but remain prevalent due to inadequate enforcement by ‘weak and corrupt public institutions’ (ibid: np). Almost 40 per cent of Kenyans live in poverty, with 14.5 per cent in extreme poverty. The country’s unemployment rate stood at 9.30 in 2019, above the world average of 5.27 for the period of 1991 to 2019 (World Bank 2020a: np). The population is also vulnerable to natural disasters. In 2017, the Kenyan Government declared a severe drought a national emergency, in which 5.6 million people were reported to require humanitarian assistance (UNDP 2018: 9). High poverty can be found particularly in the arid and semi-arid lands covering 85 per cent of Kenya’s landmass (DFID 2014: 3). Moreover, conflict is a perennial issue in Kenya and relates to a variety of entry points including its diverse demography and social fragmentation. These social cleavages manifest in visible forms of discrimination and marginalisation, unequal land distribution and ownership in relation to property rights, partisan politics and endemic corruption. Social unrest is further exacerbated by the government’s politicised, exclusive and slow response on conflict and terrorism (Rohwerder 2015).

### 2.1.1.2 Kenya’s national development vision

In response to these challenges, in 2008 the Kenyan Government launched a long-term national development vision: Vision 2030. This strategy aims to turn the country into a ‘newly industrialising, middle-income country providing a high-quality life to all its citizens by 2030’ (Government of Kenya 2018: np). These goals contribute to the SDGs and the African Union’s Africa Agenda 2063 (African Union 2015; UN 2015).

Vision 2030 sets out the **Big Four** development priorities:

- Manufacturing;
- Universal healthcare;
- Affordable housing; and
- Food security.

(Government of Kenya 2018)
The Kenyan Government aims to promote national economic development by increasing infrastructure capacities, promoting sustainable development and accelerating poverty eradication (World Bank 2018a).

Three pivotal pillars (economic, political and social) have been identified to tackle Kenya’s developmental challenges and are represented in five-year medium plans (2008-2012, 2012-2017 and 2018-2022). The economic pillar settled on eight priority sectors which promise to raise Kenya's GDP growth rate to 10 per cent per annum by 2030. These sectors include tourism, agriculture and livestock, wholesale and retail, trade, manufacturing, financial services, business process offshoring and IT-enabled services (Government of Kenya 2018; The National Treasury and Planning Kenya 2018).

The political pillar addresses strategies for Kenya to become a ‘democratic political system that is issue-based, people-centred, result-oriented and accountable to the public’, to entrench equality and harness diversity of Kenya’s people to benefit all (The National Treasury and Planning Kenya 2018: 99).

The social pillar envisions prosperity and well-being through a ‘just and cohesive society that enjoys equitable socioeconomic development in a clean and secure environment' through the improvements of the sectors of education and training, health, water and sanitation, environment, housing and urbanisation, gender, youth, sports and culture (ibid: 72).

Table 1: The Vision 2030 formulates ‘foundations’, which are strategies to achieve the three pillars

<table>
<thead>
<tr>
<th>Foundations</th>
<th>Future pathways and strategies</th>
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<tbody>
<tr>
<td>Infrastructure capacity building</td>
<td>Increasing manufacturing and exports requires improvements to transport, electrification and communication networks</td>
</tr>
<tr>
<td>Macroeconomic stability</td>
<td>To address low levels of underlying inflation, limited public sector deficits, a stable exchange rate, low interest rates and to maintain and stimulate investment</td>
</tr>
<tr>
<td>Continuity in governance reforms</td>
<td>To create better environments for businesses and for Kenyans to enjoy individual rights manifested in the constitution</td>
</tr>
<tr>
<td>Enhanced equity and wealth creation opportunities</td>
<td>For people in particular in arid and semi-arid districts, communities with high rates of poverty and unemployment, and vulnerable groups such as young people and women</td>
</tr>
<tr>
<td>Energy</td>
<td>To compete with foreign energy providers</td>
</tr>
<tr>
<td>Science, technology and innovation</td>
<td>To improve the efficiency of the three pillars and advancing economic development in other industrialising countries through research</td>
</tr>
<tr>
<td>Land reforms</td>
<td>To drive economic transformation through appropriate land use</td>
</tr>
<tr>
<td>Human Resources Development</td>
<td>For a competitive and industrialising economy</td>
</tr>
<tr>
<td>Security</td>
<td>For lowering costs for doing business and providing secure living and working environments</td>
</tr>
<tr>
<td>Public Sector Reforms</td>
<td>To build a public service which is citizen-focused and results-orientated to provide transparency and accountability</td>
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</table>


Twelve years on from the publication of Vision 2030, Kenya has made significant progress including improvements in connectivity, for example through the construction of the Standard Gauge Railway (SGR) and the Road Expansion Programme. Governance mechanisms have improved with the promulgation of a new constitution in 2010. Improved health care and education provision are other successes (The National Treasury and Planning Kenya 2018).

Challenges remain in the areas of security, poverty, inequality and climate change (*ibid*). Various factors slow down the implementation of Vision 2030, including corruption, the mismanagement of finances as well as rapid population growth and a disproportionately large population of young people combined with high rates of unemployment.

The UK, as a traditional, and China, as an emerging, cooperation partner can support Kenya to achieve its vision. The next section will analyse the UK’s engagement in Africa and Kenya.
2.1.2 The UK in Kenya

As part of the Commonwealth, Kenya has had extensive historical relations with the UK. Kenya is the largest, most diversified and innovative economy in East Africa (World Bank 2019a). Several characteristics give Kenya an advantage: ‘its human capacity’, ‘available capital’ giving the potential to ‘create jobs and to reduce poverty’, as well as its ‘entrepreneurial energy’ (DFID 2014: 3). Kenya holds much potential and is therefore an attractive economic partner for the UK.

This section outlines an overview over engagements between the UK and Kenya focusing on trade relations, investment, development assistance and civil society cooperation. This leads up to an analysis on how the UK is or can be further engaged in achieving Kenya’s Vision 2030 to overcome development challenges.

2.1.2.1 Economic relations

Trade

The trade relationship between Kenya and the UK has gradually transformed, with the trade balance becoming increasingly beneficial to the UK. Kenya imported US$672 million worth of products from the UK in 2014, compared to US$513 million in 2018 (United Nations Conference on Trade and Development (UNCTAD) n.d.). The main products imported in 2018 were machinery, vehicles and pharmaceutical products (COMTRADE n.d.). Simultaneously, the export revenue from the UK for Kenya has significantly fallen. Kenya exported products worth US$497 million to the UK in 2014, compared to US$406 million in 2018 (UNCTAD n.d.). Kenyan exports to the UK are generally low value, primary products: mainly coffee, tea, mate and spices, vegetables, cut flower and plants. The UK is one of the biggest importers of Kenyan goods (COMTRADE n.d.) and Kenya is highly dependent on the UK.

Kenya has faced a contraction in its exports and a trade deficit with the UK since 2010 (Figure 2). Kenya violated the EU’s maximum residue limit regulations of certain pesticides to fruit and vegetables, which banned Kenya from selling to European market from 2009 to 2014 (Krishnan, te Velde and Were 2018). Despite changing course to ensure compliance to the regulation, Kenya is still highly regulated by European norms. Goods exported to the EU are often sent back. Ironically, the EU is producing and exporting pesticides to Kenya, which under EU law are not permitted to be used within the EU (Kamau 2019). Kenya could renegotiate its terms of trade with the UK. The UK, however, has stringent regulations on pesticides albeit being the seventh largest pesticide exporter itself (Ross 2017; Workman...
2020), making a change unlikely. Since the incident in 2009, the UK has started importing products from other countries, including flowers from Ethiopia and Colombia and coffee from Côte d’Ivoire. Kenya now faces stiff competition from other countries with similar trade structures, some of which have captured greater market share in the UK (Krishnan, te Velde and Were 2018).

Investment

Foreign direct investment (FDI) financial flows from the UK to Kenya decreased drastically from US$184.5 million in 2013 to US$54.7 million in 2018 in diverse sectors, including manufacturing, hospitality, chemicals and oil and gas (UNCTAD n.d.). However, the British government recently announced its intentions to inject over US$1.72 billion of private British investment into Kenya at the UK-Africa Investment Summit held on 20 January 2020. Investments are meant to support businesses and to create jobs in Kenya and the UK (UK Government 2020d).

Nevertheless, FDI in Kenya is exceedingly low, both for flows and stock. Only 0.9 per cent of total FDI stock for Sub-Saharan Africa in 2014 goes to Kenya (ibid: np). FDI has decreased in the whole Eastern African region since 2015, likely because of the persistence of non-tariff barriers hindering trade flows (Calabrese and Eberhard-Ruiz 2016). Prominent non-tariff barriers such as the quality and safety standards, import bans, customs and trade facilitation measures, corruption and security issues decrease the ease of doing business in the region, creating an unattractive environment for companies and investors. These barriers reduce the benefits of regional integration and fail to promote the region as an attractive single investment destination (ibid; Mendez-Parra, Ragga and Sommer 2020).

According to Dr. Moses Muriira Ikiara (Ikiara 2019), the managing director of Kenyan Investment Authority responsible for promoting foreign and domestic investment, Kenya works on researching and profiling the global market to identify opportunities for certain sectors by negotiating demand avenues with the most appropriate, selected investors. Existing value chains need to be coordinated and refined in cooperation with investors and the identification of global demand centres to achieve improved economic outcomes. The establishment of inward-investment supply chain strategies works most effectively, according to Dr. Ikiara, when the whole value chain is restructured and adapted to meet this identified demand. This research and communication process with investors is aimed to link the market to investments (Ikiara 2019).
2.1.2.2 Development cooperation

The UK as a traditional donor has long provided Official Development Aid (ODA) to sub-Saharan African countries like Kenya. DFID explicitly aims to support Kenya’s development priorities of the Vision 2030 by promoting political and macroeconomic stability, sustained economic growth and social development ‘underpinned by rapidly expanding infrastructure’ (DFID 2014: 3). The UK defined three deliverables in 2018 for Kenya supporting the goal of poverty elimination: economic development, basic services and building resilience to crises, as well as building stability and institutions (DFID 2018).

A meeting between UK Prime Minister Boris Johnson and Kenyan President Uhuru Kenyatta in January 2020 laid the foundations for the UK-Kenya Strategic Partnership 2020-2025, built on five pillars:

- Mutual prosperity;
- Sustainable development;
- Security and stability;
- Climate change; and
- People to people exchanges.

(UK Government 2020d)

Currently, there are 41 active projects implemented by UK government departments in Kenya, which cover these deliverables and pillars. The following table highlights some of them:

<table>
<thead>
<tr>
<th>Table 2: Key active UK projects in Kenya</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UK Department/Agency</strong></td>
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<tr>
<td>--------------------------</td>
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<tr>
<td>UK DFID</td>
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<tr>
<td>Organization</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>CDC Group plc</td>
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<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td>UK - Medical Research Council</td>
</tr>
<tr>
<td>UK - Department of Health and Social Care (DHSC)</td>
</tr>
<tr>
<td>UK - Department for Business, Energy and Industrial Strategy</td>
</tr>
<tr>
<td>Department for Environment, Food, and Rural Affairs</td>
</tr>
</tbody>
</table>

(DFID n.d.)

Kenya received US$181.6 million of net ODA in 2014 from the UK, compared to US$146.6 million in 2018 (OECD n.d.). ODA decreased throughout the time period, but during the UK-Africa Investment Summit on 20 January 2020, the UK made a commitment to back Kenya with US$510.88 million of UK aid in the future (UK Government 2020b).

DFID increasingly provides ODA in arid land regions mostly affected by droughts, food insecurity and economic stagnation (DFID 2014; McVeigh 2018). The agency supports the creation of quality jobs and working places, which stimulate an improved business environment, urbanisation and international investments (ibid; Institute of Chartered Accountants of India 2017). Infrastructure is defined as critical for economic growth and the boost of businesses (Mbabazi 2020). Projects on energy and urban infrastructure are the most pronounced (UK Government (2020a). In 2018 and 2019, DFID’s expenditure for economic development in Kenya made up the biggest proportion of ODA (36 per cent) and a sum of US$50.96 million (DFID 2018: 1).
DFID and FCO link development to security and promote good governance and stability (Wild and Elhawary 2012). In Kenya, the two agencies contribute US$15.45 million of ODA to tackle underlying causes of conflict and corruption through political reform (DFID 2018: 1). Kenya contributes to the African Union’s peacekeeping mission in Somalia and hosts many refugees of the region and is thus a critical security actor in the region. At the same time, the country faces setbacks due to inner conflicts, which makes ODA in the security sector important for Kenya (DFID 2018; UNHCR Kenya 2020). DFID aims to fight corruption and increase self-reliance of the aid receivers through governance capacity-building projects (British High Commission Nairobi 2019; McVeigh 2018).

The UK addressed human development in Kenya by focusing on basic services and building resilience to crises, for example by donating in health services and response mechanisms to humanitarian crisis emerging from droughts and conflict, working to deliver long-term solutions for refugees entering the country (DFID 2018). Many bilateral development programs in education, health and climate change will be readdressed through investments in global funds to improve national and county government capability and to direct efforts to a sub-national level to address deepest poverty and conflict (ibid; McVeigh 2018).

2.1.2.3 Employment, skills transfer and civil society cooperation

During the UK-Africa Investment Summit, the UK agreed to initiate a new project development facility to provide skills and expertise for economic projects and to attract finances from the private sector (UK Government 2020b). This is the result of a long-lasting relationship between the UK and African countries as well as the mobility of people and companies. Around 200 British companies are active in Kenya and provide employment for Kenyans. DFID (2018: 2) notes that ‘1 in 10 working Kenyans is employed by a British company’.

The UK-Kenya partnership is strengthened by entrepreneurship schemes, innovation projects and the building a UK-Kenya Tech Hub. UK science, technology and innovation teams invest in science relationships with Kenya, for example through investments in the Newton Fund. Entrepreneurship programmes like TeXchange and Global EdTech Awards will soon commence in Kenya (UK Government 2018). The UK Government’s Tech Hub Network Flagship Go Global Africa 2019 programme brought digital start-ups together aiming for partnerships to create jobs, secure international investment and to create business opportunities for both the UK and Kenya (UK Government 2019). This means that we can look forward to a more robust commercial relationship between the UK and Kenya,
with opportunities for an increased employment of Kenyans by British companies and accompanying transfer of skills to the local labour force.

In 2019, the British and Kenyan government hosted a two-day symposium in Nairobi on collaboration on affordable housing and sustainable infrastructure, which involved researchers, policymakers, businesses and civil society delegates. Ambitions to strengthen research relationships mutually beneficial for both countries have been increasing in the past few years (British High Commission Nairobi and Republic of Kenya Ministry of Education 2019). In security matters, the British Army Training Unit Africa provides Kenyans peace support training, while British soldiers prepare to deploy in Somalia in Kenyan facilities (Oxford Research Group 2019). Moreover, the British Council engages with civil society organisation, government ministries and institutions in the UK and Kenya to collaborate in areas such as ‘youth and community engagement, social entrepreneurship, equal opportunity and diversity, sport, and active citizenship’ (British Council 2020: np).

While cooperation between Kenya and the UK contributes to economic development, poverty elimination and security in diverse ways, China builds its cooperation strategy with Kenya mainly through infrastructure projects.

2.1.3 China in Kenya

China has a long history of providing fraternal support and solidarity with African independence movements and post-independence states. Since the founding of the People’s Republic of China in 1949, the Chinese government has engaged in economic cooperation with African countries, including Kenya (Hanauer and Morris 2014). This section analyses the bilateral engagement between China and Africa, its effect on Kenya and direct linkages between China and Kenya.

2.1.3.1 China in Africa

In the past two decades, we have seen China’s engagement with Africa transition from the primacy attached to political relations to one grounded substantively in economic and development relations (Forum on China-Africa Cooperation (FOCAC) 2006; Gu et al. 2015; Gu, Chuanhong and Mukweneza, 2016). This was situated in the context of the advent of the Forum on China-Africa Cooperation (FOCAC), the publication of China’s Africa Policy in 2006 and the implementation of China’s Going Out policy for the internationalisation of Chinese enterprises. In this process, an important driver for cooperation was Africa’s overall strengthening, sustained economic growth and greater political and social stability. Today, China’s relationship with Africa is largely focused upon:
• strengthening trade;
• utilising investment;
• promoting Chinese corporate engagement;
• providing targeted bilateral and multilateral technical development assistance; and
• buttressing this with infrastructure capacity-building in transport, communications, energy, health, education, recreation, and civic buildings.

(Forum on China-Africa Cooperation 2018; Hanauer and Morris 2014)

Since 2009, China has been Africa’s largest trade partner; it is also an increasingly important investor and financier (China Africa Research Initiative 2020; COMTRADE n.d.). China reported that ‘development assistance to Africa increased over the last decade, reaching US$7.5bn for 2010-12, while the proportion of total assistance to Africa also increased from 45.7% in 2009 to 51.8% in 2012’ in their White Paper 2011 on aid (Gu et al. 2017: 20). The Chinese government and State Council published two White Papers on its foreign aid, one in 2011 and one in 2014 (The State Council of the People’s Republic of China 2011). As approaches to development aid between China and the UK differ, it is hard to compare Chinese foreign development efforts with the standards by the OECD-DAC bureaucracy. China understands development as holistic approach in connection with investment, aid and trade incentives.

FOCAC provides the main vehicle for formulating joint bilateral and multilateral priorities between African countries and China for planning, funding and implementation strategies and for driving relationships (FOCAC n.d.). FOCAC as a multilateral platform and vehicle for China-Africa cooperation, offers the foundation for China’s policy towards Africa and aids the implementation of the Belt and Road Initiative (BRI) (Ehizuelen and Mitchell 2018; King 2019). The BRI is one of the largest cooperation linkages between China and Africa in recent years (Ehizuelen and Mitchell 2018; King 2019). It is intended to act as a primary force for facilitating critical investment to build closer and stronger channels of maritime and continental connections from China to international markets (Belt and Road Portal 2017; Xinhua 2015). At its core, it concentrates on building greater capacity, principally through infrastructure and focuses on transport, communications and energy (Government of China 2015). FDI and trade are integral components in an approach also including foreign aid and humanitarian support. This is stressed by the consensus of the Belt and Road Forum for International Cooperation (BRF) on promoting high-quality cooperation under the BRI, stressing open, green and clean approaches, as well as goals of high-standard, livelihood-improving and sustainable development (Xinhua 2019a).
2.1.3.2 Economic relations

The Kenyan Government expressed a strong interest in the BRI in a meeting held in Nairobi in August 2016 between President Kenyatta and China’s Foreign Minister Wang Yi (Farooq et al. 2018). According to Kenyan President Uhuru Kenyatta, Kenya will have the chance to benefit from the acquisition of ‘skills, assets and finances necessary to participate in the development of the infrastructure corridors that will enhance connectivity, support trade and reduce the cost of doing business between our countries.’ (Xinhua 2017: np). The Kenyan President committed to align Kenya’s development strategies with the BRI (Farooq et al. 2018; Government of China 2016). The basis for cooperation was consolidated at the first BRF in May 2017. Understanding each other's key roles as trading partners with industrial capacity elevated the bilateral relationship between Kenya and China to a ‘comprehensive strategic cooperative partnership’ (Xinhua 2019b: np). Since then, Kenya has actively participated in the BRI and agreed to the Chinese discourse of a win-win situation (Xinhua 2017). Kenya confirmed its willingness to act as a launchpad for BRI in both Central and West Africa during the second BRF (Xinhua 2019a).

The BRI is only one of the connection points between China and Kenya. The table below aims to illustrate some of the agreements between the two countries. They have been signed on a variety of topics including trade, education, technology, energy or tourism. Some agreements are signed on a national level, while others are signed between corporate partners. As data on agreements from the Chinese side is not easily accessible and transparent, the chart combines information from a variety of data points.

Table 3: Existing Kenya-China agreements on various levels

<table>
<thead>
<tr>
<th>Parties</th>
<th>Agreement/Project</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>The National Treasury of Kenya, Ministry of Commerce of China</td>
<td>Agreement on the Economic and Technical Cooperation</td>
<td>To enhance financial cooperation between China and Kenya and the encouragement to expand trade relationships (Onjala 2008)</td>
</tr>
</tbody>
</table>
| China National Tourism Administration and the Kenya Tourist Board | Memorandum of Understanding (MoU) on Tourism | To implement organised group travel by Chinese citizens to Kenya and to expand people-to-

23
<table>
<thead>
<tr>
<th>Agreement</th>
<th>Description</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Government of Kenya and the Government of the People’s Republic of China, with Chinese state-owned enterprises (SOEs), e.g. China Communications Construction Company (CCCC)</td>
<td>MoU on the Belt and Road Initiative with projects like the Nairobi Standard Gauge Railway, or the Konza Data Center and Smart City Facilities Project</td>
<td>To improve the infrastructure capacity in Kenya and build strategic connections in the vision of the BRI (maritime road through Mombasa port, land roads to connect neighbouring countries) (China Road and Bridge Corporation (CRBC) 2020; Embassy of the People’s Republic of China in the Republic of Kenya 2019; Government of China 2015)</td>
</tr>
<tr>
<td>Ministry of Education, Science and Technology of Kenya and Chinese Academy of Sciences</td>
<td>MoU on the Sino-Africa Joint Research Center (SAJOREC) in Nairobi, Kenya</td>
<td>To promote cooperation in the areas of science, research and innovation ‘in the areas of ecosystem, agriculture, health, the development and demonstration of adaptable technologies’ (Xinhua 2018a: np)</td>
</tr>
<tr>
<td>General Administration of Customs of China and Kenya's ministry of</td>
<td>MoU on Sanitary and Phytosanitary Measures (SPS)</td>
<td>To provide better market access for Kenyan agriculture product into the Chinese market (fruits,</td>
</tr>
</tbody>
</table>
### Agriculture, Livestock and Fisheries


### China General Nuclear and the Kenya Nuclear Electricity Board

| MOU on the development of nuclear power in Kenya | To carry out cooperation in nuclear development and capacity building in Kenya, including staff training and common research on construction, operation, fuel supply, nuclear security (World Nuclear News 2017) |

### The Government of Kenya and the Government of the People's Republic of China

| Negotiations on a treaty on mutual legal assistance | To combat economic crimes like corruption with investigative agencies tracing proceeds of crime (Forum on China-Africa Cooperation and Xinhua 2019) |

The following sections analyse trade and investment structures and the development assistance relationship between China and Kenya, which are highly influenced by the BRI project in Kenya.

### Trade

China became Kenya's largest trading partner in 2014 (Etyang 2015: 1) and Kenya has established itself as China's sixth-largest trading partner in Africa (White and Case 2018). In 2017, Kenya's imports from China reached US$3,778 billion, accounting for approximately 23 per cent of Kenya's total imports. However, Kenya's exports to China in 2017 were worth only US$96.7 million, representing 1.68 per cent of Kenya's total exports (COMTRADE n.d.; World Bank 2017: np).
Over 90 per cent of China’s main exports to Kenya are made up of higher value finished products, machinery and transportation equipment. In return, Kenyan exports to China are low value agricultural and natural resources. Kenya’s persistent balance of payments deficit is a critical issue (COMTRADE n.d.). Kenya’s total trade deficit to China amounts to US$1.1 billion (Munda 2019: np). Kenya’s president Kenyatta voiced his concern about China ‘flooding the continent with manufactured goods’ and aims to increase exports to China to rebalance the China-Africa and China-Kenya trade relationship (Pilling and Klasa 2017: np).

The Kenyan government is addressing this deficit by prioritising the manufacturing industry, which could in the long-term compete with Chinese exports of manufactured goods if more FDI in the sector is stimulated and exports are diversified (Jepchirchir and Githahu 2019). Kenya recognises the need to improve the competitiveness of its manufactured products. The growth of manufacturing stagnated, averaging 2.9 per cent between 2013 and 2017 (Government of Kenya 2018: np). To make its products more competitive, Kenya established Special Economic Zones (SEZs), Industrial and Small and Medium Enterprises (SMEs) parks and invests in skill development and research. Kenya defines infrastructure as the means to establish a better economic advantage. It aims to improve its manufacturing in cotton, fibre and leather products, and to add value to its agricultural, fisheries and livestock products, including tea and coffee. Other high priority industries are machinery, electronics and automotive parts (Government of Kenya 2018). If the Kenyan government is to succeed in its ambition to become a manufacturing economy, it must protect its machinery and transportation equipment industries from cheaper Chinese imports.

Overcoming the trade deficit will require negotiation between Kenya and China to find opportunities for mutual benefit. In Kenya’s third medium term plan, the government aims to address balance of trade deficits by promoting agricultural exports through value addition, accelerating industrialisation and implementing legal and institutional reforms (Government of Kenya 2018). The MoU on SPS supports this aim (Morangi 2018). Oil and titanium exports offer Kenya a potential for future higher-value exports to China or to invest in titanium manufacturing e.g. in the jewellery industry, which could be attractive to the Chinese market. China is an important export market for Kenya’s titanium. In 2017, Kenya’s titanium exports totalled US$133 million (Observatory of Economic Complexity World 2017: np). A recent agreement on the export of Kenyan avocados to China provides prospects for exports of further agricultural goods to China and an increase in revenue generation (PSCU 2019). China agreed on negotiations with Kenya and the EAC to address the trade deficit and emphasised the possibility of free trade agreements. The Kenyan government stated
however that it is not yet ready for a free trade agreement with China as the two countries are at different development stages (Miriri 2019a).

Furthermore, Chinese goods are likely to displace Kenya’s export market in Africa. China has a comparative advantage in Kenyan primary export goods including iron and steel, plastics, and food products (Trading Economics 2018). Uganda and Tanzania are Kenya’s largest market for exports, predominantly iron, steel, plastics, and food products. Therefore, Kenya needs to diversify its exports to maintain trade with its neighbouring countries (Jepchirchir and Githahu 2019). If not, the overall trade deficit will worsen. In recent years, high dependence on agricultural products has prevented Kenya from diversifying its exports (Krishnan, te Velde and Were 2018).

**Foreign direct investment, loans and grants**

According to Chinese Government statistics, the stock of China’s outward FDI in Africa reached US$43.3 billion in 2017, representing 2.4 per cent of China’s total global FDI stock. Kenya received US$410 million in FDI in 2017 from China, compared to US$78.7 million in 2012 (COMTRADE n.d.). China has quickly established itself as one of the most high-profile single-country providers of finance for, and construction of, African infrastructure projects. The 2018 annual review of construction trends review by Deloitte concludes that China is financing one in five and constructing one in three projects in Africa. The report concludes that the BRI can stimulate investment ‘and promote intra-regional and global trade’ (Deloitte 2018: 55).

China is also an increasingly important investor and financier to Kenya. China’s non-financial direct investment in Kenya in 2018 had doubled over that of the previous year to about US$520 million. This FDI is primarily directed into construction, but also industrial engineering, the creative industry, transportation equipment, food and beverage, and information and communication technology (Government of China 2017).

Chinese companies contract for nearly 50 per cent of Kenya’s infrastructure projects, including roads, bridges and ports (China Africa Research Initiative 2020). Chinese acquirers and contractors to Kenya are mainly state-owned enterprises (SOEs) (ibid; Suokas 2018). Kenya’s infrastructure needs are extensive and highlighted under Kenya’s Vision 2030 (The National Treasury and Planning Kenya 2018). Projects to address this include road infrastructure projects and the Mombasa-Nairobi Standard Gauge Railway, contributing to the Kenyan Government’s economic, developmental and cleaner energy strategy (ibid).
The Kenya National Electrification Strategy (KNES) is a roadmap for achieving universal access to electricity and contributing to renewable and clean energy by the year 2022 and contributes to energy access in Kenya (World Bank 2018a). A key project being funded by a concessional loan from the China EXIM Bank is a major solar power plant in the Northeast Kenyan town of Garissa, expected to generate 76,470 annual megawatt hours that will feed into Kenya’s national grid and provide the capacity to power 625,000 homes (Nduire 2018). A particular focus of the Second BRF was on a Green Silk Road; Green Investment Principles for Belt and Road Development (China Council for International Cooperation on Environment and Development 2019).

Additionally, China invests in industrial parks and SEZs as a practical means of achieving its development objectives. After the Kenyan Government announced its commitment to establishing industrial parks and SEZs in September 2015 to attract investments, with an initial three zones designated for Kisumu, Mombasa and Lamu (Government of Kenya 2018; Oxford Business Group 2016). Currently, Kenya has the most SEZs in Africa: 61 out of 237 African SEZs are Kenyan. SEZs offer a global policy environment that contributes to cross-border investments and possibly inclusive sustainable development (UNCTAD 2019). In Kenya, SEZs account for nearly 10 per cent of exports (ibid). Kenya jumped from rank 136 in 2015 to rank 56 in 2020 in the World Bank’s ease of doing business ranking (World Bank 2015: 4; World Bank 2020b: 4). This was partly due to the establishment of SEZs, but also the removal of certain trade barriers and facilitating greater access to credit (McVeigh 2018). While SEZs have been successfully implemented in China, the precise outcomes of SEZs yet need to be evaluated in Kenya.

### 2.1.3.3 Employment, skills training, and technology transfer

A McKinsey and Company report from 2017 (Jayaram, Kassiri and Yuan Sun 2017: 28) conducted in eight African countries concluded that approximately 396 Chinese enterprises operate in Kenya. Across Africa, the McKinsey survey found that Chinese firms display a willingness to invest in hiring African workers and maintain apprenticeship programmes. Chinese enterprises overwhelmingly employ and train local workers (ibid: 40). In the case of Kenya, a report by the Kenya-China Economic and Trade Association (KCETA) concluded that Chinese firms operating in Kenya have created over 50,000 local jobs with the proportion of local employees reaching 96 per cent in 2018 (Xinhua 2018b: np). The report also noted that Chinese firms in Kenya provided around 67,000 local employees with professional training in 2018 (ibid). Commenting on this Isaac Mbeche, Deputy Vice-Chancellor of the University of Nairobi (UoN), argued that ‘Chinese firms have been devoted to cultivating talents and creating jobs in Kenya, enhancing the exchanges and cooperation
between the two countries under the Belt and Road Initiative’ (Gu 2018: np).

However, employment issues remain. According to Federation of Kenyan Employers (FKE) Executive Director Jacqueline Mugo, the lack of knowledge on local labour laws and the understanding for local staff creates disputes between Chinese employers and local employees. These often occur because of ‘salaries below the minimum-wage standards and unfair termination’ (Murathe 2018: np). In the view of the FKE’s Director, the level of disputes results from unfamiliarity with Kenya’s labour law on behalf of the firms, leading them ‘to violate the law without knowing it’ (ibid).

The 2017 BRF was marked by President Xi’s commitment to promoting technological cooperation (Bensen Wahlén 2019). At the centre of this commitment is the Belt and Road Science, Technology and Innovation Cooperation Action Plan (Sheng 2019). This plan proposed four elements: the Science and Technology People-to-People Exchange Initiative, the Joint Laboratory Initiative, the Science Park Cooperation Initiative and the Technology Transfer Initiative (ibid). The 2019 BRF included a sub-forum entitled the Innovation Road and the List of Deliverables states that the Chinese government proposes to launch the Action Plan (Belt and Road Forum 2019).

Technology and innovation are key elements in driving the Kenyan Vision 2030. Huawei is an important partner to Kenya in this trajectory (see Box 1).

**Box 1: Huawei-Kenya collaboration**

<table>
<thead>
<tr>
<th>Huawei’s contribution to technology and innovation in Kenya:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• participation in Kenya’s Presidential Digital Talent Project (PDTP) as a career advisor and sponsor;</td>
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<tr>
<td>• established the Huawei Eastern Africa Training Centre;</td>
</tr>
<tr>
<td>• joining the ICT Caucus Meeting as a think tank and consultant to advise on Kenya’s national ICT plan;</td>
</tr>
<tr>
<td>• partnering with Safaricom, Kenya’s leading mobile network operator, in establishing a new security management infrastructure; and</td>
</tr>
<tr>
<td>• providing an effective Safe City solution.</td>
</tr>
</tbody>
</table>

Sources: Huawei (2017; 2019); GSMA (2019)

There is a Sino-Africa Joint Research Centre (SAJOREC) in Kenya encouraging innovation, whose innovations include the development of a type of toothpaste out of molar tooth sticks (SAJOREC 2017; Zhihao 2019). The China-Kenya Solid State Lighting Technology Transfer
Centre and a US$1 million agricultural research laboratory are funded by China and are intended to address low crop productivity among Kenya’s small- and large-scale farmers (African Farming and Food Processing 2015; African Review of Business and Technology 2015). Kenya sets out contractual requirements for foreign enterprises for knowledge and skills transfers (Nyabwa and Kaniaru 2019). For example, the SGR project involved 40 Kenyan students being funded by the contractor, CRBC, to undertake a four-year bachelor’s degree course in railway engineering at Beijing Jiatong University (Xinhua 2018c). The company also opened a railway technology transfer training facility in Voi, the CRBC Technology Transfer Competence Training Centre to improve the capacity of its Kenyan employees (Kawira 2015).

2.1.3.4 Challenges with the BRI involvement

The effectiveness and impact of China’s development cooperation with Africa is far from clear cut. On the one hand, China has provided significant financing, project management and implementation expertise for infrastructure projects, as well as BRI coordination and administration. China’s cooperation with Africa under the BRI has delivered a wide range of practical outcomes across transport, communications, energy, education, health, environment, and socio-cultural domains. The BRI contributed to bridging and facilitating inter- and intra-regional state and sub-state contacts to drive investment, connectivity and trade. As a continent, Africa has been relatively cautious in its record of engagement with the BRI. This caution remains, but there is an increasing and strengthening interest in the BRI among African states, business communities, and civil society organisations as demonstrable outcomes are resulting from this initiative (Baker 2017; OECD 2018; Renwick, Gu and Gong 2018).

At the same time, challenges with the BRI in Africa relate to questions about:

- where the finance is coming from to pay for the increasingly large number of projects;
- the degree of robustness of project due diligence and risk assessment procedures;
- the equity, transparency and accountability of tendering processes;
- safeguarding concerning alignment of BRI practices with international norms and agreed expectations of right conduct, for example over tendering or environmental protection;
- the critical issue of whether the BRI’s funding is creating debt traps for partner countries; and
relatedly, whether this is contributing to *pushback* among existing or potential BRI participants.

(Farooq *et al.* 2018; Renwick, Gu and Gong 2018)

The BRI has raised concerns and criticisms that it is fuelling a debt crisis in developing countries (Chellaney 2017). The BRI is portrayed as ‘China’s grand plan for expanding its influence’ (Mendis and Wang 2019: np) and, for some commentators ‘threatens countries’ ability to achieve self-reliance’ (Green 2019: np).

Kenya’s overall public debt has been increasing rapidly in recent years, which arose to around 57 per cent of GDP in the 2017-18 fiscal year (World Bank 2018b: np). China’s debt to Kenya accounts for 66 per cent of its bilateral loans, making it the largest bilateral creditor of Kenya (Mubashir 2019; Were 2019). In Kenya, the experience of the SGR has raised questions over Kenya's indebtedness to China; over China's actual commitment to the intended development outcome rather than to the commercial and non-commercial loan provisions, and the corporate cultures and working practices of Chinese firms. Kenya's debt level is said to have risen as a result of the SGR rail project (Miriri 2019b; Renwick, Gu and Gong 2018). According to one commentator, ‘Apart from the SGR loans, China is already the single-largest bilateral lender [to Kenya] owed US$3.5 billion … or 19.4 % of total external debt by the end of the second quarter of the 2016/17 fiscal year’ (Omondi 2017: np). The five-year grace period given by the China EXIM Bank expired in June 2019. Kenyan taxpayers are paying 0.7 per cent of the economy to the Chinese financing agencies for funding the Nairobi Mombasa stage of the SGR (*ibid*; Okoth 2020).

Against this background and an increased risk management future in China, funding for the scheduled extension of the SGR would have been considered in the light of the provisions of the Guiding Principles on Financing the Development of the Belt and Road. These Principles advocate a transparent, friendly, non-discriminatory and predictable financing environment that ensures sustainable economic and social development. Kenya is among 26 countries who have jointly formulated these Principles (Belt and Road Portal 2017).

### 2.1.4 Summing up: The UK’s and China’s contributions to Kenya’s Vision 2030

The UK and China contribute to Kenya’s Vision 2030 by focusing their economic engagements with Kenya on Kenya’s *Big Four* and their ten foundations.

The UK and China address Kenya’s foundation of macroeconomic stability as Kenya faces issues related to low investments, trade deficits with the UK and a persistent balance of
payments deficit with China. FDI is generally biased towards higher-income African countries with an educated labour force i.e. South Africa (Mendez-Parra, Ragga and Sommer 2020). British development projects stimulate improved business environments, the creation of quality jobs and a human resource development promising Kenya to become an increasingly attractive investment location. The UK aims to strengthen its trade and investment links with Kenya after Brexit and the UK-Africa Investment Summit. China similarly engages in projects to improve Kenya’s export balance, manufacturing performance and invests and supports constructing SEZs. Negotiations between the Kenyan and Chinese government contribute to understanding and deeper economic partnerships, seen in more recent MoUs.

Infrastructure is another foundation under Kenya’s Vision 2030, which plays a predominant role in the British and Chinese engagement in Kenya. The BRI contributes to the vision of interconnected network of roads, railways, ports, airports, waterways and telecommunications and China’s support has concentrated on unblocking these flows in Nairobi and different parts of Kenya. Despite challenges related to the BRI, the Chinese Government has moved into a more sober stance regarding the BRI, with closer attention to risk exposure, project monitoring, and outcomes assessment and the BRI's members too are seeking to maximise their benefits from the BRI whilst minimising their risks. The UK increasingly focuses on infrastructure to ensure prosperity and sustainable development together with China.

Economic activities need to suit environmental, social and corporate standards of investments. Disaster-resilient development projects address Kenya’s key challenges to economic growth and sustainable development, i.e. weak governance and corruption through British development programmes. Knowledge and skills transfer between the UK and Kenya, and China and Kenya are essential to foster science, technology and innovation ambitions.

The UK engages in two of the *Big Four*; health care and affordable housing, more directly through social development strategies and investments in so-called *soft sectors*. Research cooperation on green infrastructure both with the UK and China guide the way towards the achievement of the goal of affordable housing.

### 2.1.5 Trilateral cooperation

#### 2.1.5.1 UK-China-Africa trilateral cooperation

As the UK and China have engaged in bilateral economic cooperation and development in African states for a long time, the two countries approached each other to cooperate in
economic affairs while guarding one's own benefits (Buckley 2013; Chatham House 2019). Africa is a central point of cooperation and has immediate influences on the economy and sustainable development in Kenya.

Trilateral cooperation with Africa was initiated after the first China-UK Business Summit in 2009. Conversations started between then British Prime Minister Gordon Brown and then Chinese Premier Wen Jiabao who agreed on a plan for China–UK–Africa agricultural cooperation (Buckley 2013; Qianhui 2015). The China-UK Business Summits concluded with commitments from China and the UK to explore cooperation on infrastructure investment and construction in Africa, innovation development and research cooperation to continue and broaden joint action (Gu et al. 2017). The UK and China hold investment and business forums under the framework of Partnership for Investment and Growth in Africa, through which measures to support African development are discussed (UK Government and the Government of the People’s Republic of China 2019).

DFID plays a significant role in facilitating development cooperation (DFID 2010; UNDP 2016). In response to the first Africa-UK-China Conference on Agriculture and Fisheries in Beijing in 2010, the parties agreed on principles, priorities and mechanisms for trilateral cooperation to improve agricultural productivity and food security for the poorest population in Africa through the program Accelerate Agricultural Technology Transfer to Low-Income Countries (AgriTT) (Buckley 2017; UK-China Sustainable Agriculture Innovation Network 2014). In 2011, DFID and the Ministry of Commerce of the People’s Republic of China (MOFCOM) signed an MoU to achieve the Millennium Development Goals through cooperation and to work specifically on agriculture, health and disaster management in Malawi and Uganda (UK Government 2011). US$12.7 million worth of knowledge sharing technology and expertise was transferred between the Ministry of Agriculture (MOA) and MOFCOM China between 2012 and 2016 (ibid). More recent partners of DFID are the China Development Bank in 2014 and the Development Research Center in 2015 to work on a China-UK Global Health Support Programme Pilot Project on Maternal and Child Health in Ethiopia and Myanmar; a China-UK-Tanzania Malaria Control Pilot Project. Technical cooperation and capacity building are accompanied with knowledge exchange between China and the UK to tackle challenges in Africa (UNDP 2016).

During 2009 and 2010, the UK government, the Chinese Training Centre for Peacekeeping Civil Forces and the Kofi Annan International Training Centre for Peacekeeping together organised three training classes for African peacekeeping forces in China and Ghana (Hirono and Xu 2013).
International and multilateral organisations have also served as a platform for China–UK–Africa cooperation. For example, the UNDP; various World Bank mechanisms, such as the World Bank Trust Fund; DFID; the Export-Import Bank of China; the Chinese Ministry of Finance; the Chinese Ministry of Commerce; and Chinese companies, have all cooperated on numerous small projects across Africa (OECD 2016; UNDP 2016).

Both China and the UK are important economic and development partners for East Africa. With increasing trilateral cooperation strategies affecting African countries locally, Kenya quickly joined discussions. A China-Kenya-UK Trilateral Business MoU was signed by the Kenya-China Economic and Trade Association, British Chamber of Commerce Kenya, and Kenyan Private Sector Alliance in October 2017 to set out a framework for cooperation and business ties between China, the UK and Kenya (Kenya Private Sector Alliance 2017). This MoU provides a framework for cooperation between businesses from Kenya, China and the UK in areas including infrastructure development and communication. Chinese companies have worked with both Kenyan and British companies and business partners in areas like manufacturing, telecommunication, tourism and the financial sector (ibid). The MoU outlines an additional push for joint efforts.

2.1.5.2 Kenya and trilateral cooperation

Learning from best practices is essential when preparing future trilateral cooperation strategies. Kenya has amongst others been involved in the following trilateral projects with other high-income and middle-income countries, development agencies as well as international organisations.

Table 4: Kenya's current tri- and multi-lateral projects

<table>
<thead>
<tr>
<th>Parties</th>
<th>Trilateral Project</th>
<th>Thematic Area(s)/Criteria</th>
<th>Outcomes / Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria, Kenya, Tanzania, Uganda</td>
<td>Strengthen capacities of CSOs to engage in Policy Dialogue in East Africa</td>
<td>Capacity-building of East African NGOs to engage in policy dialogue</td>
<td>Strengthened the NGO’s capacities in the following aspects of Policy Dialogue:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Policy Dialogue and how to engage along the policy cycle</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Evidence based research and policy analysis</td>
</tr>
</tbody>
</table>
| (with seven East African partner NGOs) | Stakeholder management/ mapping for Policy Dialogue  
| --- | --- |
| **Germany, Israel, Kenya** | **Trilateral Tilapia Cooperation** | **Trade and Value Chain of the Talpia Fish** | **Establishment of fishponds in Kenya accompanied with advice from Israel and Germany**  
• Reduced pressure on fishing grounds and improved ecological balance of Lake Victoria  
• Improvement of the value chains to export talpia (Federal Ministry for Economic Cooperation and Development 2014) |
| **Food and Agricultural Organization of the United Nations (FAO), Japan, CARD members including Kenya, Association of Southeast Asian Nations (ASEAN) members** | **Strengthening agricultural statistics and food security information in countries of the Coalition for African Rice Development (CARD)** | **Agriculture and Data collection/ Research** | **Knowledge-sharing on surveying**  
• Enhanced rice production statistics and data for concerned countries which can be used as impediments to the creation of effective policies (Organisation for Economic Co-operation and Development 2016; Food and Agriculture Organization of the United Nations 2020)** |
<table>
<thead>
<tr>
<th>Country/Programme</th>
<th>Organisation</th>
<th>Focus Areas</th>
<th>Objectives</th>
</tr>
</thead>
</table>
| China, Netherlands, Ethiopia, Kenya, Uganda | Dutch-Sino-East African Bamboo Development Programme | Poverty Reduction, Trade, Climate Change, Sustainable Development | • Knowledge sharing on bamboo value chain development, product design, marketing and standardisation  
• Capacity-building of bamboo farms  
• Technology transfer  
• Unlocking the export potential of indigenous bamboo resources (International Bamboo and Rattan Organisation 2019) |
| Indian National Institute of Agricultural Extension Management, Indian Ministry of Agriculture and Farmers' Welfare, USAID, Kenya, Liberia and Malawi | Feed the Future India Triangular Training (FTF-ITT) Programme | Food Security, Climate Change, Education | • Training of 1,400 agricultural professionals from 17 partner countries of Africa and Asia  
• Increase of knowledge on food and nutritional security based on lectures, group discussions, case studies and field visits, and pre- and post-training tests  
• Increase of knowledge on food and nutritional security through (Mittal 2020) |
| DFID, The Energy and Resources Institute India (TERI), Kenya, Ethiopia | DFID–TERI Partnership for Clean Energy Access and Improved Policies for Sustainable Development | Clean Energy, Sustainable Development, Social Protection | • Awareness work on clean energy products and services  
• Promotion of the use of clean cooking and lighting solutions to poor households  
• Installing solar lighting and cooking solutions in 40,000 households (Mittal 2020) |
| Germany, China, FAO, Kenya | Trilateral Cooperation on Carbon-Neutral Tea Value Chains (to start in 2020) | Trade and Value Chains, Climate Change and effects on agricultural productivity | • Traditional tea planting and cropping and using traditional tea planting and cropping  
• Increase energy efficiency of tea factories to to save greenhouse gas emissions (Sino-German Center for Sustainable Development 2019) |

**Key findings from Kenya’s trilateral involvement**

*Accumulation of similar thematic areas:* Kenya is involved in various trilateral projects with different partners. The thematic focus of the projects are trade, agriculture and climate, research and technology, as well as training and people-to-people exchanges. While the projects are important contributions to sustainable development and Kenya’s vision 2030, the themes are highly concentrated on few overlapping areas. To realise Vision 2030, trilateral activities with Kenya and its partners need to be diversify to other sectors, including security, the stabilisation of the manufacturing sector, urbanisation infrastructure and health projects to address a cohesive, holistic and sustainable development for the Kenyan population. Moreover, governance capacity-building projects could be broadened for the Kenyan government to become a ‘democratic political system that is issue-based, people-centred, result-oriented and accountable to the public’ (The National Treasury and Planning Kenya 2018: 99).

*Trilateral cooperation models shape the agenda:* Kenya is involved in a variety of different trilateral cooperation structures, together with high-, middle- and low-income countries as well as international or regional organisations. Some projects involve the Kenyan government, while other projects involve civil society actors. Kenya’s trilateral activity is often compiled with other Eastern African countries (e.g. trilateral cooperation between Austria, Kenya, Tanzania and Uganda). Who participates in the planning, implementation, monitoring and evaluation of trilateral cooperation shapes the agenda and outcomes of development. While national governments and international organisations are mostly involved in global trilateral projects, multi-stakeholder partnerships (e.g. the private sector, civil society and academia) can mobilise additional resources and generate innovative solutions.
Based on the key findings, the UK’s, China’s and Kenya’s expertise and Kenya’s Vision 2030, the following section suggests new opportunities for trilateral cooperation.

2.1.6 New opportunities and potential for innovation and scaling-up

The bilateral cooperation between the UK and Kenya as well as China and Kenya contribute to a variety of sectors and strategies beneficial for tackling Kenya’s *Big Four*: manufacturing, universal healthcare, affordable housing and food security, and the ten foundations (see section 2.1.1). The following table provides suggestions for trilateral cooperation topics between the UK, China and Kenya. The topics are based on the expertise of the UK and China in certain sectors, the bilateral development focus of the UK and China in Kenya, and Kenya’s Vision 2030. Based on that, we see strategic linkages and possible complementary projects in the areas of trade, research, security, governance, urban infrastructure, renewable energy, agriculture, health and skills training.
Table 5: Potential opportunities for trilateral partnership

<table>
<thead>
<tr>
<th>Thematic areas</th>
<th>Contribution to national development priorities</th>
<th>Potential Partners</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and Research:</td>
<td>Macroeconomic stability, wealth creation and the possible extension of the Kenyan manufacturing sector</td>
<td>UK Department for International Trade; Ministry of Commerce China (MOFCOM); Kenya-China Economic and Trade Association (KCETA); Ministry of Industry, Trade and Cooperatives Kenya; British Chamber of Commerce Kenya; Kenyan Private Sector Alliance (based on the trilateral business MoU); Institute of Economic Affairs Kenya; Kenyan agriculture and manufacturing enterprises as target for value-addition; and Kenyan Investment Authority to stream ease of doing business to stimulate foreign investments</td>
<td>Need to convince all parties of benefits of the project, as Kenyan products could be in direct competition with Chinese ones (plastics, machinery, transportation) in Kenya and neighbouring countries. Diversification and value-addition need protection mechanisms, capacity of all businesses, including SMEs and investments.</td>
</tr>
<tr>
<td><strong>Trade:</strong></td>
<td><strong>Macroeconomic stability and wealth creation</strong></td>
<td><strong>UK Department for International Trade; MOFCOM; KCTEA; Ministry of Industry, Trade and Cooperatives Kenya; British Chamber of Commerce Kenya; Kenyan Private Sector Alliance (based on the trilateral business MoU)</strong></td>
<td><strong>The UK, China and Kenya have different trade standards and approaches</strong></td>
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<tr>
<td>Negotiations on lowering trade barriers (quality and safety of standards, import bans, trade facilitation measures)</td>
<td>To ease business to increase export revenues and to stimulate investments</td>
<td>A free trade agreement with China was negated by Kenya, trade agreements need to be based on trust and accountability between all partners (debts from the BRI might negatively affect this)</td>
<td></td>
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<tr>
<td>Integrating Kenya into the global value chains in the manufacturing sector (cotton, fibre and leather products)</td>
<td>The UK and China can encourage firms to engage with the manufacturing sector to promote Kenya’s structural transformation</td>
<td>Competition from other countries in cotton, fibre and leather products in terms of quality and price</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Trade barriers like tax measurements and import bans, quality and safety standards might hinder the</td>
</tr>
</tbody>
</table>
| **Trade:** Advancing Kenya as an outsourcing location in the ICT sector (Fildes 2010, Muchiri 2020) | Macroeconomic stability, wealth creation, human resources development  
To raise productivity, human resource skills and create jobs (African Development Bank Group, Organisation for Economic Co-operation and Development and United Nations Development Programme 2014) | UK Department for International Trade; MOFCOM; Ministry of Industry, Trade and Cooperatives Kenya; KCETA; British Chamber of Commerce Kenya; Kenyan Private Sector Alliance (based on the trilateral business MoU); and British and Chinese companies, e.g. Huawei, and possibly widen the network to other economies like the US | Persisting high energy costs, security issues and corporate challenges with corruption in Kenya |
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<tbody>
<tr>
<td><strong>Security:</strong> peace-keeping trainings and missions,</td>
<td>Security, equity and wealth creation</td>
<td>China-UK High Level Security Dialogue; British Army Training Unit Africa (experience in the peace support training in Kenya); UN Peacekeeping Mission through which the</td>
<td>Security interventions can be seen as foreign interference,</td>
</tr>
<tr>
<td>expanding dialogue platforms</td>
<td>Security issues in the East African region and Kenya persistent. Threats are linked to conflict, radicalisation and terrorism influencing economic and social security. Insecurity remains a trade barrier.</td>
<td>Chinese People's Liberation Army Navy operates in Africa; Multilateral organisations and national humanitarian development funding bodies; Kenya Defence Forces; and Kenyan Civil Society Organisations working on peace, e.g. PeaceNet Kenya.</td>
<td>but the UN can serve as a neutral partner. China can provide assistance in less controversial areas, for example providing training on the use of ICT to track terrorism and violence, and the UK can share knowledge on legislation.</td>
</tr>
<tr>
<td>Governance: Anti-Corruption measurements</td>
<td>Potential British and Chinese investors and companies are concerned about Kenya’s corruption, hindering FDI and trade opportunities. Corruption as trade barrier.</td>
<td>• DFID (and its experience in governance capacity-building), and China’s very own Anti-Corruption Campaign, e.g. with Chinese state-owned enterprises. • Kenya Anti-Corruption Authority (KACA), Kenya Institute for Public Policy Research &amp; Analysis (KIPPRA).</td>
<td>It is difficult for China and the UK to interfere in Kenya’s national politics and to hold the Sri Lankan government accountable for their promises.</td>
</tr>
<tr>
<td>Urban Infrastructure: Effective City Management for Affordable Housing (in a context of population growth and quick urbanisation)</td>
<td>• Silk Road City Alliance. • Knowledge-sharing with the Chinese government on its five-year plan on Green urban architecture, British researchers.</td>
<td>It is difficult to ensure infrastructure management in</td>
<td></td>
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<tr>
<td>affordable and green housing</td>
<td>and companies on green infrastructure and innovative technologies (project: ‘African cities of the future’) • Investments through the Belt and Road Green Investment and UK Climate Investments</td>
<td>‘illegal’ slums, in which most of Kenya’s population lives Developing only some urban spaces might foster inequalities and conflict Ensuring sustainability and poverty reduction in connection to BRI loans and the Silk Road City Alliance might become another challenge reproducing inequality</td>
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<tr>
<td><strong>Clean Energy:</strong> Renewable energy for climate change adaptation and improved investments</td>
<td>Energy and technology (High energy costs in Kenya hinder investments, Kenya is committed to a cleaner energy strategy (KNES))</td>
<td>Based on the KNES, the Ministry of Energy’s Project Implementation Kenya, together with the Belt and Road Energy partnership (and Chinese SOB investing into the industrial supply chain for renewables) and businesses like the British M-Kopa</td>
<td>High initial capital costs, low public awareness on renewable energy and its economic benefits (which might have been mitigated through the DFID-TERI partnership), lack of adherence</td>
</tr>
</tbody>
</table>
| **Agriculture:**  
Climate resilient agriculture for social protection, including pesticide alternatives | Food security, enhanced equity and wealth creation opportunities (poverty is spatial and concentrated in the arid and semi-arid location)  
To add value on agricultural products, monitoring processes are necessary and relate to climate resilience and the use of pesticides | Kenyan research institutions on agriculture (e.g. Kenya Agriculture and Livestock Research Organisation), involving Kenyan farmers and their knowledge; and British and Chinese researchers on agriculture to investigate climate resilience in the Kenyan context, investigating cheap pesticide alternatives (possibly from local Kenyan productions or indigenous methods) | Most of Kenya’s lands are arid or semi-arid. Climate change consequences deeply influence livelihoods in Kenya. Loss in soil fertility drives climate migration, while many Somalians seek refuge in Kenya due to climate issues  
Quick, but thorough research and implementation methods are necessary. Efficient work distribution on data gathering and strong collaboration are the condition for the implementation |
| **Capacity building:** | Enhanced partnership building.  
Human resources development for a cohesive and diverse society in Kenya (lack of knowledge on local labour laws and the understanding for local staff creates disputes between mainly Chinese employers and local Kenyan employees) | • In cooperation with Chinese and British companies based in Kenya  
• Knowledge sharing from workplace diversity in the UK e.g. with the The Employers Network for Equality & Inclusion  
• The Kenyan Central Organization of Trade Unions; the Federation of Kenyan Employers, and Non-Governmental Organizations of East Africa Trade Union (NGOEATU) to support cultural trainings.  
• Chinese investors to fund services for employees, possibly facilitated by the local subsidiaries of the trade unions | Cultural understanding as a long-term process, Chinese ‘debt-trap-policies' and previous negative experiences with Chinese employers created mistrust |
| **Health:** for universal health care, service delivery | Equitable, affordable and quality healthcare to all citizens according to Kenya’s constitution  
Scaling up maternal and child health, immunisation coverage, | China’s BRI project for infrastructure investments, Fleming Fund; experience sharing from the UK on health systems; Ministry of Health Kenya; World Health Organization; Chinese health tech companies in communication with Kenya’s Trust for Indigenous Culture and Health (TICAH) | Setbacks due to the lack of affordable medications, despite public awareness of health and diseases  
Divide between traditional and modern health supplier |
| Prevention of non-communicable diseases particularly diabetes and hypertension, prevention of water borne, TB and HIV sexually transmitted diseases | Needs to be complemented with health infrastructure, in particular in rural areas and for indigenous communities |
2.2 Sri Lanka

2.2.1 Sri Lanka’s national development priorities

To understand Sri Lanka’s development trajectory, it is imperative to understand its political history. This chapter sets out the persistent challenges that Sri Lanka has faced: ethnic conflict leading to political instability and a long-running fiscal deficit. Then, the current administration’s national development vision is drawn upon.

2.2.1.1 Development progress and challenges

Political Instability

The World Bank (2019b: np) classes Sri Lanka as a ‘middle-income country’ that shows much promise despite a long-running civil war that only ended in 2009 and a tumultuous route toward post-conflict development. Former President Mahinda Rajapaksa presided over the end of the civil war period, but as Venugopal points out, Sri Lanka ‘is post-war, not post-conflict’ (2018: 2). Focusing on economic development alone without conscious reconciliatory efforts inflamed prior ethnic tensions between the Tamils and the Sinhalese majority, leading to the democratic election of Sirisena (2015) who promised political stability, governmental reforms and constitutional amendments guaranteeing democracy.

The political power in Sri Lanka has since then shifted back to the nationalist right with the Presidential election of Gotabaya Rajapaksa. This has multi-fold implications for development in Sri Lanka:

(i) Political instability can slow or contract economic growth (Central Bank of Sri Lanka 2018);
(ii) The Rajapaksa administration has recently withdrawn from the 2015 UN Resolution that indicated reformative intentions on Sri Lanka’s human rights record, as well as a commitment to reconciliation (The Associated Press 2020). This distances Sri Lanka from traditional development cooperation partners such as the UN, the International Monetary Fund (IMF), the World Bank as well as states like the UK; and
(iii) The Rajapaksa government has been historically fiscally irresponsible when commissioning infrastructure projects, and may continue behaving so (Moramudali 2019a).
Trade and fiscal deficit

A persistent economic problem that Sri Lanka has been facing since the 1970s relates to deficits in its fiscal budget (Dissanayake 2016) and trade (Jariya and Hassan 2018). The Asian Development Bank (Weerakoon, Kumar and Dime 2019) characterises Sri Lanka’s macroeconomy as *volatile* and *vulnerable* to recurrent balance of payments crisis. Both deficits limit the government’s ability to intervene in the market to improve export revenue or encourage domestic consumption and limits its ability to use fiscal policy as an economic tool. In the long run, Dissanayake (2016: 246) found that Sri Lankan budget deficits can also lead to inflation. The recurrent crises have led Sri Lanka to seek bailouts from banks such as the IMF (2019).

A trade deficit contributes to Sri Lanka’s weak fiscal position. In terms of imports, Sri Lanka largely relies on India, China and the United Arab Emirates (COMTRADE n.d.). The US is Sri Lanka’s largest export market, followed by the UK and Sri Lanka (COMTRADE n.d.). The UK and China will prove valuable in helping Sri Lanka in improving its trade revenue.

2.2.1.2 Sri Lanka’s national development vision

Unlike some other countries, Sri Lanka does not have an official national development agenda. The most recent document that makes reference to Sri Lanka’s national development, the *Report on Sustainable Sri Lanka 2030 Vision and Strategic Path* was commissioned under the government of President Sirisena. Since then, Gotabaya Rajapaksa has been elected as Sri Lanka’s president. Despite the lack of an official document on development strategy, we found that Rajapaksa’s manifesto provided a strong basis of Sri Lanka’s national development basis. It was inappropriate to use any earlier document, particularly as many points and policies raised in Rajapaksa’s manifesto were precisely in opposition to that of the previous administration’s.

Sri Lanka’s national development vision announced by President Rajapaksa prioritises national security, aiming ‘to create a productive citizen, a happy family, a disciplined society and a prosperous nation’ (Rajapaksa 2020: np).

<table>
<thead>
<tr>
<th>Priorities</th>
<th>Future pathways and strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Security</td>
<td>● Strong working links with foreign agencies, opportunities to train locally and abroad, ICT equipment and training for personnel</td>
</tr>
<tr>
<td><strong>Legal protection, housing and welfare concessions for personnel</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Life-long salaries for disabled soldiers</strong></td>
<td></td>
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<tr>
<td><strong>Ensuring transparency and meritocratic advancement</strong></td>
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</tr>
<tr>
<td><strong>Increased training and recruitment</strong></td>
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<tr>
<td><strong>Upgrading technology to reduce drug trafficking; creation of rehabilitation programmes</strong></td>
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</tr>
</tbody>
</table>

| **Friendly, Non-Aligned Foreign Policy** |
| Ensure national ownership of strategic assets and economically important natural resources |
| Work with all friendly nations on equal terms |
| Focus on reciprocal commercial ties and trade relationships with Asia |
| Work on regional security with neighbours |
| Acknowledge the standing of developed countries in commerce and trade |
| Enhance trade relationships with the Middle East, Vietnam, Indonesia, Malaysia, South Korea, the Philippines, and Singapore |

| **An Administration Free From Corruption** |
| Delivering justice on the Central Bank Bond scam and 20 other major financial crimes |
| Punitive measures for corrupt officials including expulsion from the party and judicial procedures |
| Online procurement system for all public investments and expenditure, determination of taxes, awarding of contracts, etc. |
| Using technology to eliminate corruption |
| To make state-owned enterprises profitable and financially independent. Eradicate all forms of malpractices and corruption. Appointments to be based on merit. Mandatory requirement of forensic audits |

<p>| <strong>A New Constitution that Fulfills the Wishes of the People</strong> |
| A Parliamentary Select Committee will be appointed to engage with the people, political leaders and civil society groups to prepare a new constitution |
| Appointment of officials on a basis of merit |</p>
<table>
<thead>
<tr>
<th>People Centric Economic Development</th>
<th>A Productive Citizenry and Vibrant Human Resource</th>
</tr>
</thead>
</table>
| - Macroeconomic targets: average economic growth of at least 6.5 per cent per capita income of more than US$6,500, unemployment rate of less than 4 per cent, single digit interest rate, stable exchange rate  
- Manage foreign indebtedness by promoting domestic investments, reducing import expenditure and raising export incomes. Eliminate all unnecessary government expenditures, develop the economy through domestic resource-based exports and import substitution. Encourage social enterprise  
- Develop agriculture, fisheries, milk, chicken and egg, tourism, apparel and construction sectors  
- Implement the Business Revival Programme  
- Increase domestic production of sugar for self-sufficiency  
- Expanding and depoliticising cooperatives | - Areas of focus: health, youth, women, differently abled and disabled, elderly  
- Culture of Working for the Country  
- Provide adequate and affordable housing. Continue the urban regeneration programme and extend it to rural communities |

<table>
<thead>
<tr>
<th>Technology Based Society</th>
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</thead>
<tbody>
<tr>
<td>- Maximise the use of the Internet of Things, Artificial Intelligence, Biotechnology, Robotics, Augmented Reality, Cloud Computing, Nanotechnology and 3D Printing</td>
<td></td>
</tr>
</tbody>
</table>
| Development of Physical Resources | - Bridge the urban-rural divide by providing services and infrastructure facilities equally. Integrate all major cities, townships and business zones for *agro industrialisation* and to create better links for the tourism sector  
- Develop a Light Rail Transit system and a Metro Rail system to link satellite cities in Colombo; ensure bus transport system complies with *Green Transport*; and complete unfinished roadworks and feasibility studies  
- Upgrade Port of Colombo to double capacity; develop revisit Hambantota port arrangements with the Chinese; and develop airports  
- Move towards renewable energy; provide clean and safe drinking water; reduce elephant-human conflict and improve disaster warning systems |
| Sustainable Environmental Management | - Sustainable agriculture, animal husbandry through the introduction of scientific methods  
- Circular economy to be promoted (Re-use, Recycle, Re-purpose)  
- Minimise waste, improve waste management and introduce sustainable consumption to children  
- Increase national forest cover by 30 per cent  
- Large scale developments will not be allowed to be identified in environmentally sensitive areas  
- Education programmes to increase awareness and to engage with communities |
| Disciplined, Law | - Buddhism first and foremost, but in coexistence with other religions |
Abiding and Values Based Society

- Rule of law is not to be challenged, but to be protected by the government
- Freedom of speech and publication
- Conservation of historical heritage
- Social protection and welfare to address social inequality

While there is potential for Sri Lanka to attain the vision set out in Rajapaksa’s manifesto, the same structural problems persist. Firstly, any economic development will hinge upon the government’s ability to maintain political stability. The constitutional crisis in 2018, for example, led to a slowed growth of 3.2 per cent (Central Bank of Sri Lanka 2018: np). Secondly, as the new government has pointed out, Sri Lanka has to grapple with its fiscal deficit while making productive investments that will better its fiscal position in the long run (Rajapaksa 2019: 36).

2.2.2 The UK in Sri Lanka

In this section, we explore Sri Lanka and the UK’s relationship. We highlight their political and economic relations and posit that future relations will be dependent on the political will (or lack thereof) of the Sri Lankan government to uphold human rights as well as the UK’s perceived economic interest in the country post-Brexit.

2.2.2.1 Political relations

Sri Lanka and the UK share a colonial history: in 1815, the British managed to control almost all of Sri Lanka, then named Ceylon, and Sri Lanka gained independence only in 1948 (Kandaudahewa 2015: 54). As Ratnapalan posits,

> ‘the public face of British decolonization with respect to independent South Asia... was one of modernisation and partnership. The Commonwealth... was reconceptualized as “a world-wide experiment in nation building” against the backdrop of communism expanding its reach.’
> Ratnapalan (2016: 544)

The strategic compromise between Britain’s then post-war strategy and Ceylon’s then leaders’ need to attain independence meant that Ceylon maintained friendly relations with the UK. In April 1985, then British Prime Minister Margaret Thatcher inaugurated Victoria Dam, which cost US$145.38 million in British grant aid (DFID 2004: 1). While DFID closed its bilateral programme with Sri Lanka in 2006 when Sri Lanka became a middle-income
country, it still contributes to the Conflict Prevention Fund in Sri Lanka amounting to about US$2.57 million (DFID n.d.b).

### 2.2.2.2 Economic relations

#### Trade

As the UK navigates Brexit, it is particularly important for Sri Lanka to maintain trade relations with the UK, due to its healthy trade surplus (Ward 2020: 10). The UK is also one of the top five countries that Sri Lanka has a positive balance of trade with (Department of Commerce 2017: 10). While Sri Lankan exports to the UK have fallen slightly from US$1,077.18 million in 2013 to US$1035.14 million in 2017 (Department of Commerce 2017: 12), over 30 per cent of Sri Lankan exports to the European Union (EU) market goes to the UK (Razzaque, Vickers and Goel 2016: 5). In total, the UK accounts for 9.8 per cent of Sri Lanka’s exports (Razzaque, Vickers and Goel 2016: 3). The EU is a comparatively larger market, coming in after India as Sri Lanka’s second-largest trading partner (European Commission 2019a). As the UK and the EU work out the terms of Brexit, there are opportunities for the Sri Lankan government to improve trade relations with both the UK and the EU. Under the EU’s Generalised Scheme of Preferences Plus (GSP+), Sri Lanka’s exports were granted greater access to the EU market in 2017, on the condition that ‘Sri Lanka…[advances] human and labour rights and…[works] towards sustainable development’ (European Commission 2019a: np). Prospects of the Sri Lanka’s eligibility in the scheme are bleak after its recent withdrawal from the 2015 UN Resolution that demonstrated its commitment to promoting reconciliation, accountability and human rights (OHCHR 2014). Even without the political turn of events, it is important for Sri Lanka to negotiate its trade position with both the EU and the UK in the long-term as the country will not be eligible for the GSP+ once the World Bank (n.d.) classifies it as an upper middle-income country.

**The success of Sri Lanka’s apparel industry** - Sri Lanka’s exports to the EU and the UK are dominated by its textiles and clothing industry, accounting for 82 per cent of total exports to the EU in 2016 (European Commission 2019a). The apparel industry is Sri Lanka’s ‘principal manufacturing industry… [that brings] in 43 percent [sic] of the country’s total export earnings’ (Rajapaksa 2019: 35). The Sri Lankan government has laid out plans to carry out tax reforms and to allocate ‘200 acres of land… for the development of a garments town’ (Rajapaksa 2019: 45). The Sri Lankan apparel industry has proved resilient following the termination of the Multi-Fibre Arrangement in 2005, carving out a niche market for itself by attracting specialty international firms such as Victoria’s Secret, Marks and Spencer,
Sainsbury’s and Tesco, among others, that focused on large variety and small scale orders which were compatible with the small-scale operations of Sri Lankan firms (Athukorala and Ekanayake 2017). In particular, Athukorala and Ekanayake (2017) have identified a shift towards high-end niche products such as lingerie, panties and fashion-basis casualwear. For the Sri Lankan apparel industry to remain competitive, the government has to keep adding value to its exports. One factor was Sri Lanka’s regulations on the labour market that allowed the industry to align itself with ethical trade norms internationally: ‘minimum wage legislation, restrictions on labour retrenchment, severance payments… trade union activism’ and signing up to the ILO Core Conventions were pivotal moments that made Sri Lanka’s apparel workers more attractive (ibid: 4). The highly skilled and educated workforce in Sri Lanka also lent itself to quicker upskilling and workplace mobility than other countries and skilled workers are in demand from other countries’ apparel industries though it now faces competition from Asia (Lopez-Acevedo and Robertson 2016).

Sri Lanka can strengthen its export position in relation to the UK and the EU by continuing to invest in human resource development and training in technology and innovation (Bruce 2013). Research projects such as Bruce’s present ways in which private firms in the textile and apparel industries, government and academic institution stakeholder groups can work together in informal associations that ensure that the model of cooperation is flexible, appropriately skilled for the job market and regulated at suitable scales (ibid). As long as the Brexit transitions result in a politically stable UK, Sri Lanka can capitalise on its current comparative advantages in the textile and apparel industry to seek a more favourable balance of payment.

**Foreign direct investment**

UK-Sri Lankan engagements on FDI have largely been led by private firms and Sri Lanka. Recent efforts include the Invest Sri Lanka Forum organised in London by the Colombo Stock Exchange in association with the Sri Lanka High Commission in UK and Bloomberg (Invest Sri Lanka - CSE 2018) as well as the Investment and Trade Opportunities in Sri Lanka event, and a roundtable networking lunch hosted by the Sri Lankan High Commission in London to reach out to Sri Lankan diaspora in the UK (Admingajaba 2019a). There have been higher level discussions as the UK prepares for Brexit such as the meeting between the UK Secretary of State for International Trade Liam Fox and the High Commissioner of Sri Lanka in the UK Manisha Gunasekera (Admingajaba 2019b). In Fox’s speech at the UK Trade and Export Finance Forum (2019), he used Sri Lanka as a successful example of the UK’s Global Britain strategy post-Brexit in infrastructure building. As the sole project amounts to US$61.62 million directed toward building bridges in rural communities in Sri
Lanka, the UK’s contributions pales in insignificance in comparison to China’s. In 2014, the UK was the second largest source of FDI (Deyshappriya 2017) but by 2018, Sri Lanka’s largest investors were China, Hong Kong, India and Singapore (Santander 2019). The lack of political direction in terms of increasing UK foreign direct investment can be partially explained by the following significant political events. Firstly, the UK is wary of pursuing close political relationships with Sri Lanka after the Mahinda administration has been accused of refusing to address human rights violations during its longstanding civil war. While the UK may hope to pursue closer economic ties with Sri Lanka post-Brexit, Sri Lanka’s recent withdrawal from the 2015 UN Resolution, which committed the country to investigations of alleged war crimes during the civil war (The Associated Press 2020), will likely force the UK to distance itself from Sri Lanka. Secondly, after the 2011 scandal in which UK Conservative MP Liam Fox was forced to quit over close connections with Sri Lanka and nepotist behaviour (Burke 2011), the UK government has had to manage its public image cautiously. The type of cooperation UK can offer Sri Lanka will be limited but there is much potential considering UK’s large volume of investment up to 2014.

2.2.2.3 Development assistance

Development assistance from the UK to Sri Lanka is small in comparison to other lower income countries. Active projects in Sri Lanka revolve around the themes of sustainable development, health, education and conflict. We review ongoing projects in Sri Lanka and examine areas in which cooperation can be deepened to support Sri Lanka’s national development goals.

Table 7: Current UK projects active in Sri Lanka

<table>
<thead>
<tr>
<th>UK Department/Agency</th>
<th>Projects/Programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department for Environment, Food and Rural Affairs</td>
<td>Avoiding Deforestation, Managing Critical Ecosystems and Increasing Resilience to Climate Change in Sri Lanka</td>
</tr>
<tr>
<td></td>
<td>Ecosystem Conservation and Management Project Additional Financing</td>
</tr>
<tr>
<td></td>
<td>Darwin Initiative Round 24</td>
</tr>
</tbody>
</table>
Bilateral aid between the UK and Sri Lanka has not been unconditional either. As hostilities escalated between the government of Sri Lanka and the Liberation Tigers Tamil Eelam, an armed group seeking an independent state, escalated during a ceasefire agreement, the ‘UK suspended US$3 million of debt relief’ (Wheeler et al. 2012: 2). The changing political situations in both the UK and Sri Lanka will also alter the dynamics of bilateral relations. The OHCHR’s Investigation Report on Sri Lanka in 2015 revealed human rights abuses and crimes by the government of Sri Lanka during the conflict with the Liberation Tigers Tamil Eelam. The UN Resolution ‘Promoting Reconciliation, Accountability and Human Rights in Sri Lanka’ was adopted, with 23 countries in favour including the UK (OHCHR 2014). As part of its core foreign policy, the UK stated its position that ‘trade is important not only to the prosperity of the UK but to Sri Lanka… However, the UK’s commitment to free trade goes hand in hand with… [their] commitment to human rights’ (House of Lords Hansard 2014: np).

While the 2015 report submitted to the Human Rights Council recognised that the report was mandated under the leadership of Mahinda Rajapaksa and submitted in relation to the Sirisena government, which promised judicial reforms centred on good governance and human rights (OHCHR Rights 2014: 3), the current political leadership has once again shifted back to the Rajapaksa family since late 2019. In early 2020, the Sri Lankan government
withdrew its co-sponsorship of the 2015 UN Resolution (The Associated Press 2020). In the UK, the recent news indicated a foreseeable merger between DFID and the FCO (Worley 2020). This implies that UK’s interest in Sri Lanka may move even further away from development assistance.

Other than projects in less contested areas such as education, health and sustainable environmental management, the UK’s development projects in Sri Lanka are geared strongly toward conflict prevention and reconciliation. Notably, the contested nature of the citizenship of Tamil nationals in Sri Lanka originated from the fact that the British colonial government created class differentials by prioritising English-educated (mainly Tamil) elites over Sinhalese-educated Sri Lankan nationals (World Bank 2003). As UK’s development projects are already not geared toward overseas development aid in Sri Lanka with the exception of conflict prevention, there seems to be a foreseeable continuity in the near future.

**Education** - Educational exchanges between Sri Lanka and the UK take place in several forms. The British Council supports the Sri Lankan education sector through projects like TRANSFORM, sharing expertise and focusing on professionalisation, quality assurance and helping young people transition into employment; the promotion of the English language and best teaching practices; and improving access to education (British Council 2020). The British Council has also worked with the government of Sri Lanka in the above priority research areas in education (*ibid*). Additionally, initiatives such as the Chevening Scholarships identify future leaders for further education in the UK (Chevening 2019). The Sri Lankan has also recognised the low institutional capacities of universities in the country, seeking to make infrastructural investments ‘to increase the intake of students’ (Rajapaksa 2019: 21). In 2013, Sri Lanka only admitted 23,000 out of 223,000 students who sat for university entrance exams; 12,000 students went abroad for university in the same year (D’Souza and Moore 2017). For overseas Sri Lankan university candidates, the UK is the third most popular option (*ibid*). As the Sri Lankan government seeks to expand institutional capacities in the education sector to prepare for an increased intake of students, the government can leverage on education partnerships with the UK, to apply the expertise and experience of the UK in training teachers and designing institutions.

**Health** - Health in the form of human capital development also features in Rajapaksa’s vision for Sri Lanka. Projects that foster research and educational partnerships between the UK and Sri Lanka can help build capacity in terms of healthcare resources (Dissanayake *et al* 2006). For example, a project funded by the World Diabetes Foundation, the NHS and various health institutions in Sri Lanka helped create training and research links, as well as support Sri Lankan researchers ‘in developing and writing project proposals and in securing
funding' to great success (Dissanayake et al. 2006: 351). The Fleming Fund is another programme that helps low- and middle-income nations, including Sri Lanka, ‘fight antimicrobial resistance’ by encouraging the collection of data that can inform policies and practices (Fleming Fund 2018). Similar to the UK, Sri Lanka also has a universal healthcare system. In this regard, both systems face large patient numbers and long waiting lists. The UK and Sri Lanka can seek partnerships and knowledge sharing platforms to share their experiences so as to make both healthcare systems more efficient.

**Sustainable development** - The UK’s interest in conservation of the environment is tied to the nation’s commitment to the its own 25 Year Environment Plan. In Round 24, the Darwin initiative funded the project ‘Livelihoods Insurance from Elephants in Kenya and Sri Lanka’ (Darwin Initiative 2015: np), which helps Sri Lanka governments ‘insure small-scale women and men farmers for damage caused by human-wildlife conflict, primarily from elephants’ (Steele et al. 2019: 2). While the project is still ongoing, there are promises that it can contribute to Sri Lanka’s vision of sustainable development and UK’s aim of reducing the future risk of conflict in Sri Lanka. The program aims to target the ‘North-central and North-western Province’ and ‘at least 10% female headed households’ (Steele et al. 2019: 2), which are the poorest and most vulnerable group in Sri Lanka. This project is a form of social protection that complements the Sri Lanka government’s social protection policies by increasing rural incomes. It also supplements the Sri Lankan vision to conserve environmental biodiversity by reducing the killing of elephants in the event of conflicts with humans. Eventually, the aim of the project is to convince the Sri Lankan government to roll out a national insurance scheme.

The World Bank-managed project on Ecosystem Conservation and Management funded by the UK also aims to reduce human-elephant conflict and is providing support for the Darwin initiative. However, it also has the broader remit of ‘strengthening environmental protection by enhancing environmental governance, safeguarding natural habitats and biodiversity and restoring critically damaged ecosystems in ways that contribute to conservation, poverty alleviation and environmental sustainability’ (World Bank 2009: 2). Primarily, the project will provide technical support to the Sri Lankan government on identifying critically important biodiversity hotspots and turning them into protected areas, capacity building of resource persons and improvements to infrastructure, develop nature-based tourism within protected areas and mainstreaming environmental concerns into Sri Lanka’s development plans (World Bank 2009). The Sri Lankan government can potentially leverage the project to not only help implement its sustainable environment policy, but also capitalise on the knowledge created in the project to help boost the tourism industry, particularly in protected areas, and
generate income for rural families. This will also bring it toward more inclusive economic growth and reduce social, urban-rural inequality.

This section presented the political and economic relations between the UK and Sri Lanka. While we emphasised the uncertainty belying future cooperation due to the political and economic developments in both countries, we anticipate there to be opportunities that the two countries can capitalise upon.

2.2.3 China and Sri Lanka

China and Sri Lanka’s bilateral relations date back over 20 centuries to the Ming Dynasty, when Chinese navigator Zheng He sailed to Sri Lanka for trade and cultural exchanges (Kelegama 2014: 132). Sri Lanka was one of the first countries to recognise and support the People’s Republic of China (Wang and Ye 2019: 483). Economic relations between the two countries deepened in recent years. Former Sri Lankan President Mahinda Rajapaksa signed eight bilateral agreements and Memorandums of Understanding with the Chinese government in a landmark visit in 2007 (Kelegema 2014). Between 2003 and 2016, Deyshappriya (2019: 367) accounted for at least 35 high profile meetings between Sri Lanka and China.

2.2.3.1 Political relations

There is a political aspect to contemporary China and Sri Lanka’s relations. When the Sri Lankan government was accused of human rights violations by the Liberation Tigers of Tamil Eelam at the UN, China supported the Sri Lankan government and later even provided military arms (Wang and Ye 2014: 485). The dynamism of China-Sri Lankan relations are also largely dependent on domestic Sri Lankan politics. Sirisena’s successful election in 2015 against then incumbent Mahinda Rajapksa was partly based on a criticism on the Colombo Port City Project (Wang and Ye 2014: 490). Sri Lanka was warm to Chinese investment under the leadership of President Mahinda Rajapska, particularly in large infrastructure projects. The Hambantota port financed by China’s Export-Import Bank caused much international furore and raised national concerns over Sri Lanka’s independence. Due to a persistent balance of payments deficit, the Sri Lankan government under the leadership of Sirisena faced a crisis as it struggled to service upcoming debt payments ‘due to the maturity of international sovereign bonds’ and chose to lease out the Hambantota port to China Merchant Port Holdings Limited for 99 years for US$1.12 billion (Moramudali 2019a: np). International media such as The New York Times termed Xi’s BRI a ‘debt trap for
vulnerable countries around the world, fuelling corruption and autocratic behaviour in struggling democracies’ (Abi-Habib 2018: np).

No matter what China’s intentions are, how Sri Lankans view China will have an impact on future bilateral relations. When the Rajapska brothers came into power late last year due to their strong stance on national security and domestic political stability, Gotabaya’s manifesto demonstrates an awareness of concerns over Sri Lanka’s sovereignty. In particular, the policy direction to have a ‘friendly and non-aligned foreign policy’ reassures Sri Lankans that the government ‘will be mindful of…national sovereignty… [and] ensure that ownership of strategic assets and economically important national resources are not transferred to any foreign country’ (Rajapaksa 2019: 15). This means that while the Rajapaksa brothers are back in power, we can anticipate more moderate relations with China than when they were last in power.

2.2.3.2 Economic relations

China and Sri Lanka have enjoyed dynamic economic relations, with cooperation deepening in areas of trade, investments, infrastructure building via the Belt and Road Initiative, and tourism. We explore the four aspects and explore how cooperation can be deepened in the South-South model.

Table 8: Overview of formal agreements between Sri Lanka and China

<table>
<thead>
<tr>
<th>Parties</th>
<th>Agreement</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh, China, India, Republic of Korea, Laos and Sri Lanka</td>
<td>Asia Pacific Trade Agreement</td>
<td>Preferential Exports</td>
</tr>
<tr>
<td>Sri Lanka and China</td>
<td>MoU on customs cooperation</td>
<td>Ease of trade and investments</td>
</tr>
<tr>
<td></td>
<td>MoU on quarantine cooperation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>MoU on Trade and Economic Cooperation (prelude to setting up of FTA)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sri Lanka-China Joint Committee for Trade and Economic Cooperation</td>
<td></td>
</tr>
</tbody>
</table>
Sri Lanka, along with 20 other states were invited to be founding members of the Asian Infrastructure Investment Bank (The Embassy of Sri Lanka in the People’s Republic of China 2019).

Other than the above formal agreements between Sri Lanka and China, the two countries have also attempted to enhance trade relations through negotiations on a possible FTA. While the two states have not been able to come to an agreement, Sri Lanka has much to gain from securing a FTA with China. A 2014 report commissioned found that Sri Lanka will gain 542 potential exports to China under the new FTA, creating new market opportunities (Wijayasiri et al. 2014: 6). Even without a FTA in place, trade relations have deepened over the years. In 2016, China surpassed India momentarily to become Sri Lanka’s largest import source (Moramudali 2019b).

**Trade**

Currently, there exist several formal agreements between Sri Lanka and China set up to enhance trade and investment in Sri Lanka. China is an important trade partner of Sri Lanka, and Chinese imports can potentially help Sri Lanka overcome its balance of payments deficit in the long run.

Overall, the total trade turnover has increased over four-fold from US$965.81 million in 2007 to US$4,606.36 million in 2017 (The Embassy of Sri Lanka in the People’s Republic of China 2019). However, the balance of trade is strongly in China’s favour, with Sri Lanka suffering an expanding trade deficit from -US$894.57 million to -US$3,776.08 million in the same decade.

Sri Lanka’s trade deficit can be explained by an increase in Chinese imports, and also a slow growth in its export market. China’s trade deficit with Sri Lanka accounts for 26.4 per cent of Sri Lanka’s total trade deficit, in comparison to India’s 27.3 per cent in 2014 (Deyshappriya 2019: 371). However, as Kelegama (2014) points out, Sri Lanka’s increasing trade deficit with China is not necessarily a negative impact. Sri Lanka’s major imports from China include: light vessels; petroleum products; automatic data processing machines; cotton;
knitted or crocheted fabric; man-made staple fibres; textiles; vehicles and parts; mineral and chemical fertilisers; and plastic products (The Embassy of Sri Lanka in the Republic of China 2019). Many of these imports are primary inputs in Sri Lanka’s export market, primarily in the textiles and garment industry (Deyshappriya 2019: 389). Recent import growth can also be explained by the growth of imports in electronics and durable consumer products that Sri Lanka does not have a comparative advantage in producing (Deyshappriya 2019: 372). In comparison, China is not an important export destination for Sri Lanka, despite attempts by the Export Development Board to increase exports to China (Sri Lanka Export Development Board 2018).

Currently, Sri Lanka is attempting to improve its export volume to China through the following measures:

- The Sri Lankan Export Development Board has recruited an international consultancy to better match Sri Lankan exports to Chinese traders (Sri Lanka Export Development Board 2018);
- Developing high technology agriculture through subsidies, loans, land reformations and the introduction of a product quality inspection system and geographical information certificates recognised internationally (Rajapaksa 2019); and
- Reforming the tax system for the apparel industry (Rajapaksa 2019: 38).

The Export Development Board has also identified ‘apparel, solid or retreaded tyres, tea, coconut fibre, natural rubber, cinnamon, coconuts, fruits, nuts, edible plants preserved with sugar, pepper, frozen fish, excluding fillets and gloves’ as products with the greatest export potential, but laments the ‘miscommunication and lack of negotiation skills of Sri Lankan SMEs’ (Sri Lanka Export Development Board 2018: np).

**Foreign direct investment, loans and grants**

China is also one of Sri Lanka’s largest source of FDI and government debt. According to the IMF (2019: 10), official Chinese loans to the Sri Lankan government amounted to approximately US$3 billion at the end of 2018; about 9 per cent of Sri Lanka’s external government debt. In comparison, Sri Lanka owes 13 per cent of its debt to the Asian Development Bank, 10 per cent to Japan and 10 per cent to the World Bank (IMF 2019: 10). In terms of volume, China has been the largest FDI source since 2012 (Deyshappriya 2017: np). The private sector initiative, the Sri Lanka-Chinese Business Cooperation Council, has actively directed Chinese investment to Sri Lanka by holding fairs and ‘events such as the Kunming Trade Fair in 2011 and 2013, and How to do Business in China’ seminars.
Additionally, the Sri Lankan government has initiated a scheme in which Chinese investors can obtain a ‘Second Home’ passport if they ‘invest at least US$25 million’ (Fernando in Deyshappriya 2019: 374).

Chinese FDI in Sri Lanka has been ‘directed mostly towards infrastructure development including transportation and power and energy’ (Deyshappriya 2017: np). This can potentially be aligned with President Gotabaya Rajapaksa’s vision of developing a ‘people-centric economy’ (2019: 36). More specifically, better infrastructure for transport can help strengthen agriculture exports, improve urban-rural connectivity and position Colombo as a global financial, investment and banking hub. Physical infrastructure will also be key in protecting vulnerable populations from the effects of climate change, deliver judicial processes, maintain religious sites and delivering social protection. President Gotabaya Rajapaksa’s manifesto mentions infrastructure 21 times, illustrating the importance of infrastructure development for Sri Lanka’s national development. In 2017, Chinese official development assistance to, and FDI in, Sri Lanka totalled to over US$14 billion. The concept of connectivity in China’s BRI synchronises with Sri Lanka’s strategic position in the Indian Ocean: major port projects, international airports as well as road and rail networks have been planned to be connected to Special Economic Zones that will ‘transform Sri Lanka into a shipping, aviation and a logistics hub’ (Arif and Rafique 2017: 4-5).

The BRI is an integral part of the economic relations between Sri Lanka and China. The BRI envisions two routes: one on land between China and Europe via Russia and the other maritime route links China to Southeast Asian countries and beyond (The State Council 2015). Other than the US$8 billion in financing through the BRI, the Asian Infrastructure Investment Bank had also proposed funding of up to US$32 billion for further infrastructure projects in Sri Lanka (Wijayasiri and Senaratne 2018: 387). Notable BRI projects include the Colombo International Financial City, the Hambanota Port, the Colombo Port Expansion and the Mattala Rajapaksa International Airport. Considering Sri Lanka’s infrastructure gap, the BRI has the potential to bring about much socio-economic development in Sri Lanka by increasing connectivity within the nation, and also between the nation and its neighbours (Wijayasiri and Seratne 2018: 387-389).

However, even as these infrastructural projects hold promise for Sri Lanka’s development, it remains crucial that the Sri Lankan government can take advantage of these investments by providing an attractive investor climate, strengthening its export value and improving governance mechanisms. Moreover, prudent fiscal decisions need to be made going forward. While the majority of the loans for the Hambantota port project were concessionary, poor governmental decisions to construct the port despite ‘persistent fiscal and current
account deficits’ led the government to lease out the port (Moramudali 2020: np). Sri Lanka’s government made the choice to pay off debts that were due to its non-Chinese creditors - its Chinese loans were not due for repayment yet.

Another factor to consider would be the need to manage mega-projects and to make measured decisions about their locations: they may not immediately be profit-making, if at all (Moramudali 2020). The Mattala Rajapaksa International Airport has been named the World’s Emptiest International Airport; the white elephant project (Shepard 2016). White elephant projects refer to ‘projects that are politically motivated and economically unsustainable’ (Parks 2018: np). Former President Mahinda Rajapaksa made a decision to build a transport hub in Mattalla, his hometown, but the location of the airport and lack of commercial infrastructure meant that the project ultimately failed to reach its ambitions (Shepard 2016).

For inclusive, sustainable growth, infrastructural projects will also need to consider the possible environmental and social impacts. For instance, locals have complained that there has been a lack of public consultation and transparency in infrastructural deals between Sri Lanka and China. Villagers have been protesting against the 15,000-acre investment zone in Beragama that was to be handed over to the Chinese, of which villagers viewed to be the most fertile (Perera 2018). Environmental assessment reports have also claimed that the highway linking the Mattala Rajapaksa International Airport and the Hambantota port ‘cuts through key elephant corridors’, with ‘between 15-20% of the island’s elephant population’ living in the area (ibid). Protestors are worried about the effects of land reclamation projects, such as ‘coastal erosion, landslide threats, noise and air pollution’ (ibid). From the Chinese perspective, however, these struggles were ‘principally a reflection of the political struggles in Sri Lanka’ (Wang and Ye 2019: 493). The general manager of China Harbour Engineering Co., Ltd (CHEC), Zhang Xiaoqiang, on the subject of environmental impact assessments (EIA) in the Colombo Port City Project, reflected that:

(i) The EIA is the responsibility of the Sri Lankan government;

(ii) the approval authority of the EIA belongs to its Ministry of Coastal Resources; and

(iii) the Sri Lankan government should complete all the EIA before handing it over to CHEC.

   i. The government had already handed over all the EIA certificates to CHEC and notified them in writing that the relevant formalities were clear and complete.

(in Wang and Ye 2019: 493)
What this reflects is that there needs to be clear chains of responsibility and accountability, with relevant documents made available to all stakeholders and the public, so as to avoid misunderstanding. Official communications such as strategic meetings and dialogue need to be held periodically and documented. Less official means of communication should also be encouraged, so as to facilitate mutual understanding.

While China is the largest foreign direct investor in Sri Lanka, Chinese FDI in Sri Lanka only amounts to 0.10 per cent of China’s GDP. Comparatively, other South Asian countries such as Afghanistan and the Maldives had stocks worth 2.36 per cent and 0.48 per cent of GDP respectively (Deyshappriya 2017: np). There is greater potential for Sri Lanka to attract a greater proportion of Chinese FDI. Although China views investment in infrastructural development to be the way forward for economic development, the implementation of these development projects will depend largely on Sri Lankan domestic politics.

**Tourism**

The government of Sri Lanka views tourism to be a pivotal sector in driving Sri Lanka’s national development. It will be attempting to build ‘a tourism development programme with the intention of increasing annual tourist arrivals to 7 million people… [and] to annually add a foreign exchange inflow of USD 10 billion to the domestic economy’ (Rajapaksa 2019: 44). The Chinese market is important to the Sri Lankan economy: in 2018, China was the second largest source of tourists with a share of 11.3 per cent and 265,965 arrivals (Sri Lanka Tourism Development Authority 2018: 21). Chinese tourists were also the largest spenders by far, spending US$277.3 billion, trailed by US visitors who spent US$144.2 billion. The Sri Lankan government has launched measures such as free visas on arrival and the reduction of airport taxes to encourage Chinese tourists to visit (Daily FT 2019). The Tourism Ministry of Sri Lanka had also launched numerous publicity campaigns across China, trained people in Mandarin and started discussions with budget airlines to start direct flights between the two countries (Xinhua 2019c: np). While we may see tourism revenue fall in the short term in the aftermath of the coronavirus COVID-19, the Chinese market shows promise for the Sri Lanka tourism industry in the long term. In comparison to other destinations in Asia, ‘current Chinese tourist arrivals to Sri Lanka are negligible’ (Deyshappriya 2019: 387). Only 0.06 per cent of Chinese tourists visit Sri Lanka, as opposed to 41.05 per cent for Hong Kong, 25.7 per cent for Macau and 4.33 per cent for South Korea (Deyshappriya 2019: 387). The growth rate of Chinese tourists in Sri Lanka, however, has increased enormously, growing by 99 per cent from 2012-2013. This implies that Sri Lanka’s tourism industry can be capitalised upon effectively by attracting more Chinese visitors.
2.2.4 New opportunities and potential for innovation and scaling-up

In this section, we present opportunities for trilateral cooperation between the UK, China and Sri Lanka. While there are currently no trilateral cooperation platforms between the UK, China and Sri Lanka, we draw upon trilateral initiatives that the three countries have previously been involved in. Then, we summarise the potential areas for future trilateral cooperation, identifying how they can contribute to Sri Lanka’s national development priorities, the potential partners involved and the anticipated challenges.

2.2.4.1 Existing trilateral cooperation

Recent trilateral cooperation projects involving the UK, China and Sri Lanka were selected based on their relevance to Sri Lanka’s national development priorities. They include:

Table 9: Current trilateral projects in Sri Lanka

<table>
<thead>
<tr>
<th>Parties</th>
<th>Trilateral Project</th>
<th>Thematic Area(s)/ Criteria</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNDP, MOFCOM, Sri Lanka</td>
<td>*Trilateral Cooperation on Renewable Energy in Sri Lanka</td>
<td>Agriculture Technology</td>
<td>• Demonstrated use of hybrid RET systems for energy savings and GHG emission reduction in small- and medium-sized agro-industry including farm, agricultural activities, and agro-processing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• South-South knowledge and experience exchanged (UNDP China 2020)</td>
</tr>
<tr>
<td>FAO, Sri Lanka, China</td>
<td>*FAO-China South-South Cooperation Programme</td>
<td>Agriculture</td>
<td>• Increase of fruit production and trade</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Capacity building and technical support for value-addition</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Increase farmers’ income (Food and Agriculture Organization of the United Nations 2018)</td>
</tr>
<tr>
<td>Country/Region</td>
<td>Initiative/Project</td>
<td>Sector</td>
<td>Description</td>
</tr>
<tr>
<td>---------------</td>
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<td>-------------</td>
</tr>
<tr>
<td>Ethiopia, Sri Lanka, China (with UNDP support)</td>
<td>*Promoting South-South Cooperation in Renewable Energy: Ethiopia, Sri Lanka and China</td>
<td>Physical infrastructure; renewable energy technology</td>
<td>• To promote sustainable energy solutions by focusing on demonstrating the applicability of biogas and solar photovoltaic technologies for communities in Ethiopia and Sri Lanka (UNDP Ethiopia 2019)</td>
</tr>
<tr>
<td>China, UK, Uganda and Malawi</td>
<td>AgriTT: introduction of Chinese technologies to agricultural sectors; UK (DFID) support</td>
<td>Agriculture technology</td>
<td>• Expansion of cassava cultivation in Western Uganda: increasing productivity, improving processing and harvesting, developing value-added cassava products • Improve and expand aquaculture practices for tilapia: decrease cost of production by increasing efficiency and lowering costs of inputs; improve tilapia value chain (Buckley 2017)</td>
</tr>
<tr>
<td>Sri Lanka, India, Japan</td>
<td>*Joint development of the Eastern Container Terminal at the Colombo Port</td>
<td>Physical infrastructure; port development</td>
<td>• Inconclusive but may be affected by Gotabaya Rajapaksa’s election and previous experience with the Hambanota port. Rajapaksa emphasises national security and ownership of strategic assets (India Times 2019; The Straits Times 2019)</td>
</tr>
<tr>
<td>UK, Brazil, African Union</td>
<td>Enhancing Effective Development Cooperation Between the Friendly, non-aligned foreign policy for Sri Lanka: recognising the standing</td>
<td></td>
<td>• Importance of national contexts • Need for all three countries to have input from the beginning • Need to assess the partnership, to discuss challenges</td>
</tr>
</tbody>
</table>
UK, Brazil and Africa of developed countries like the UK Helps maintain Sri Lanka’s national sovereignty (Wilton Park 2016)

*in progress, yet to be evaluated.

**Key finding from Sri Lanka’s trilateral involvement**

**Accumulation of similar thematic areas**: Current trilateral cooperation initiatives mainly focus on agriculture, technology transfer and increasing infrastructure capabilities. While there are many other opportunities for trilateral cooperation, it is imperative for us to consider the findings of previous initiatives. New sector-specific challenges may crop up in the future, but the process of building knowledge, learning and re-learning will allow us to refine future projects.

**Future trilateral platforms can involve diverse actors**: Other than national trilateral cooperation, future trilateral platforms can possibly be built through intranational organisations such as the UN. Trilateral cooperation can also involve civil society organisations and private firms in the future. While the results of trilateral projects supported by the UNDP involving Sri Lanka and China have yet to be conclusive, much can be learnt from the setting up of mechanisms and institutions in the implementation of the projects.

**Sri Lankan politics will greatly affect the implementation of development projects**: Sri Lanka’s national politics is a significant factor in determining the success of the partnership with the UK and China. The former Sirisena government had signed a deal with India and Japan to develop the Eastern Container Terminal at the Colombo Port trilaterally. However, the project has been inconclusive due to the change in administration (*India Times* 2019; *The Straits Times* 2019), which has traditionally leaned toward India and Japan’s regional strategic opponent China. There are now several factors at play in determining the Sri Lankan’s government willingness to work with China and the UK: the perception of the threat to national sovereignty/security, the danger of debt traps and the image of the incumbent government.
2.2.4.2 Future areas of cooperation

Trilateral cooperation in general poses a unique set of challenges, of which we will explore in detail in section 3. For now, we turn to future areas of cooperation in relation to Sri Lanka’s national development vision.
<table>
<thead>
<tr>
<th>Thematic area</th>
<th>Contribution to national development priorities</th>
<th>Potential partners</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trade:</strong> streamlining global supply chain of the apparel industry, promoting awareness of current Asia Pacific Trade Agreement concessions for specialty products like tea and coconut</td>
<td>People-centred economic growth; takes advantage of comparative advantage (Sri Lanka’s niche and reputation for ratifying the International Labour Organisation convention) and generates possibility for value-addition</td>
<td>UK Department for International Trade; Ministry of Commerce China; Sri Lanka-China Business Council; UK private retail firms; Chinese suppliers; advertising firms in the UK; China and Sri Lanka and SMEs in the three countries</td>
<td>Need to convince all parties of benefits of securing a streamlined supply chain. This cooperation is susceptible to competition from other countries in terms of quality and price. APTA concessionary products will still be in competition with other global substitutes; dependent on world prices</td>
</tr>
<tr>
<td><strong>Trade:</strong> The UK and China can mediate between South Asian countries and help increase intra-regional trade</td>
<td>People-centred economic growth</td>
<td>UK Department for International Trade; and Ministry of Commerce China</td>
<td>Region’s preference for import substitution policies (Kathuria 2018)</td>
</tr>
<tr>
<td>Investment: simplify visa processes for business and study; invest in human capital</td>
<td>People-centric economic development; complements the Business Revival Programme. A productive citizenry and vibrant human resource: exchanges can facilitate knowledge transfer in technical skills and also soft skills in cooperation.</td>
<td>UK Home Office; Ministry of Public Security China; and education institutions and commercial firms from the UK, Sri Lanka and China.</td>
<td>Needs to be complemented by a stable political environment in Sri Lanka, as well as Sri Lankans' entrepreneurial spirit. Possibility of brain drain from Sri Lanka to the UK and China in the long-run.</td>
</tr>
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</tr>
<tr>
<td><strong>Investment in infrastructure: ease of doing business, meeting international standards</strong></td>
<td>Physical resources, connectivity. Better infrastructure can boost tourism, increase agricultural productivity in relation to transport, help Sri Lankan ports become logistical hubs. Sustainable environmental management: infrastructure projects.</td>
<td>Chinese firms involved in the BRI; Chinese state-owned enterprises; the AIIB; the Sri Lankan government; the UK Department for Environment, Food and Rural Affairs; the UK Infrastructure and Projects Authority; and local communities in Sri Lanka.</td>
<td>Perceptions of <em>debt-trap diplomacy</em>. Projects identified may not be fiscally or practically sustainable. Truly participatory approaches that involve the local communities in Sri Lanka will also make execution more difficult.</td>
</tr>
<tr>
<td><strong>Ecotourism:</strong> leveraging on Sri Lanka’s natural landscape</td>
<td>People-centric economic development: developing the economy, involving local communities and focusing on sustainability</td>
<td>Values based society: possibility of promoting indigenous ways of living including products such as herbal remedies</td>
<td>UK Department for Environment, Food and Rural Affairs; Chinese Ministry of Environmental Protection; Sri Lanka Ecotourism Foundation; and Research institutions from the UK, Sri Lanka and China, e.g. The Travel Foundation, Asia Pacific Computer Emergency Response Team, Pacific Asia Travel Association</td>
</tr>
<tr>
<td><strong>Technology:</strong> agriculture</td>
<td>Technology-based society: increased productivity through the use of biotechnology</td>
<td>People-centric economic development: making farming an attractive profession, expanding</td>
<td>FAO; UK-China Sustainable Agriculture Innovation Network and Knowledge Sharing and Mutual Learning Platform; The Joint UK-China Centre for the Sustainable Intensification of Agriculture; Sri Lankan Ministry</td>
</tr>
<tr>
<td><strong>export markets and increasing export revenue, contributing to GDP growth,</strong> eliminating seasonal poverty,** opportunities for technical cooperation and knowledge transfer**</td>
<td><strong>Sustainable environmental management: environmentally friendly agricultural practices</strong></td>
<td><strong>may need to adopt protectionist measures for agricultural products in the short term, increasing the burden on the country’s balance of payments temporarily. Protectionist measures (especially when implemented or a long time and without complementary measures) may lead the agriculture industry to be less competitive, stifling innovation and productivity in the long run</strong></td>
<td></td>
</tr>
</tbody>
</table>

| **Technology:** security | National security: cybersecurity, terrorism, drug trafficking, ICT support for personnel | China-UK High Level Security Dialogue; Sri Lanka Ministry of Digital Infrastructure and Information Security; UK | Perception of foreign interference (e.g. US and UK’s perception of Huawei 5G—spy technology from China, previous allegations of cybergroup) |
| **Technology based society:** through ICT support, training, and sharing expertise on legislating for data protection, cybersecurity and intellectual property rights | National Cyber Security Centre; China Ministry of State Security; and Private technology firms in the UK, China and Sri Lanka e.g. Xiaomi, Huawei, Virtusa, 99X Technology, EY, Clearswift | APT 10 acting on behalf of the Chinese state targeting commercial firms in Europe, Asia and the US. China can however provide assistance in less controversial areas, for example providing training on the use of ICT and the UK can share knowledge on legislation. Needs to be complemented with infrastructure provisions |
| **Education:** training, formal schooling, youth participation, health | A productive citizenry and vibrant human resource: infrastructure and technology to be provided to needy rural schools, reformation of curriculum, skill alignment with job markets, increase university capacities, reduce stress, eradicate ragging | China’s BRI project for infrastructure investments; British Council; UK FCO (Chevening Scholarships); Sri Lanka-China Business Council; and Research institutions on pedagogy and on global market needs in all three countries; Businesses in Sri Lanka, China and the UK (corporate social responsibility) | The UK and China can support the Sri Lankan government, but implementation will depend largely on Sri Lankan’s institutional capacities. The need to prioritise (due to funding, capacities, etc) may lead to a less holistic transformative approach, focusing on some areas and neglecting others |
**Health:** education, service delivery, improving patient care, building public fitness facilities

| Programs | A productive citizenry and vibrant human resource: shifting to preventative care, upgrading hospital infrastructure, reducing waiting lists, modernising indigenous health systems, sporting events for youth, upholding the UN Convention on the Rights of the Child (UNCRC) and addressing child undernutrition, training personnel | China’s BRI project for infrastructure investments, Fleming Fund; experience sharing from the UK on health systems; expertise on nutrition programmes in other countries; and support for endorsement of the UNCRC | Sri Lanka’s fiscal management strategy need to be sound or the country may risk falling into a debt trap. Indigenous health systems may support and specific localised approach |

**Reconciliation and social inequality:** women, differently abled, right to practise religion without fear, social protection for the poor

| A productive citizenry and vibrant human resource: increasing productivity of workforce by including disadvantaged groups, provisions for the less able and elderly to live with dignity through welfare programmes | Funding and bureaucratic coordination: Conflict, Stability and Security Fund; UK FCO; Chinese Ministry of Civil Affairs; and Chinese National Health Commission | There is a need to respect knowledges and ensure that the Sri Lankan perspective is not invalidated. Questions also remain regarding the transferability of knowledge to different national contexts |
Disciplined, law abiding and values based society: Buddhism first and foremost but in coexistence with other religion, rule of law, freedom of speech and publication, conservation of historical heritage, social protection and welfare to address social inequality.

A new constitution that fulfills the wishes of the people: establishment of an Inter-Religious Advisory Council to resolve minor tensions between religious and ethnic groups before they grow, bridging the communication gap by making students learn Sinhalese and Tamil.

Knowledge sharing: NHS; UK National Trust; and research institutions from China and the UK to share experiences of conflict mediation: experiences in Syria; Israel-Palestine; and Bangladesh-Myanmar etc. UK to also share own experience on peace process in Northern Ireland.

Reconciliation efforts may be quite superficial as the Sri Lankan government has conflated the cause with social inequality. Historical tensions may not be resolved and may persist or evolve when appearance does not match reality.
<table>
<thead>
<tr>
<th>Governance: democratic governance, corruption and bureaucratic efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>A new constitution that fulfils the wishes of the people: appointment on the basis of meritocracy, removal of bureaucratic <em>red tape</em>, restructuring to meet the SDGs, curbing election related expenditure</td>
</tr>
<tr>
<td>A productive citizenry and vibrant human resource: youth participation in politics to be encouraged, education to be unified under one ministry</td>
</tr>
<tr>
<td>Disciplined, law abiding and values based society: government to protect and not challenge the rule of law</td>
</tr>
<tr>
<td>UNDP; UK FCO; China State Commission Office; NGOs such as UK Youth and British Youth Council; and Ministry of Education China on centralising education</td>
</tr>
<tr>
<td>Bureaucratic inefficiency and corruption may manifest themselves differently or even serve different functions in the varying contexts</td>
</tr>
<tr>
<td>It is difficult for China and the UK to interfere in Sri Lankan’s national politics and to hold the Sri Lankan government accountable for their promises</td>
</tr>
</tbody>
</table>
To begin with, the UK and China can deepen cooperation in areas that they have already been working on with Sri Lanka, including in agriculture, health, education, technology and infrastructure investment. As all three parties learn from their experiences, trilateral cooperation can then be expanded to other areas.

In the next section, we explore the challenges in trilateral cooperation by focusing on the UK and China. We examine their relationship and identify areas of trilateral cooperation for the two countries based on their expertise and currently existing development cooperation mechanisms.
3 China-UK engagements and the possibilities of trilateral cooperation

Trilateral cooperation led by the UK and China is unique at a time in which global leaders such as the US have become increasingly inward looking. Trump’s administration and its infamous *America First* policy led to a withdrawal from the Trans-Pacific Partnership (Office of the United States Trade Representative 2018). The US withdrawal from the Paris Agreement is also expected to come into effect at the end of 2020 (Pompeo 2019). Simultaneously, the UK increasingly looks outward. *Global Britain* and the UK’s post-Brexit trade negotiations create new cooperation opportunities. China’s *Going Out* policy and intensified global projects strengthened through the BRI provides a strong impetus for exchanges and partnerships. As the second and fifth largest economies and influential geopolitical actors, the UK and China hold meaningful responsibilities for future development processes around the world.

Embracing this, the UK and China have approached each other and can use their complementary roles for common strategies. The UK’s changing trajectories also shift the country’s development priorities. The UK increasingly focuses on mechanisms of capacity-building and self-reliance for their partner country. The discourse on ‘people-to-people exchanges’ is increasingly used and aid for trade linkages have become more likely. These changing circumstances provide strong commonalities for bilateral cooperation between the UK and China (DFID 2018; Worley 2020).

Today, China and the UK cooperate in areas of trade and industry; energy and transport; finance (the internationalisation of RMB); people-to-people exchanges; and security issues, as well as in research on health, urbanisation, welfare, science and technology. These are discussed at various bilateral platforms including the Annual Prime Minister’s Meeting, the Strategic Dialogue, Business Summits, the Economic and Financial Dialogue, high-level security dialogues, and the High-Level People-to-People Dialogue (UK Government 2015). China has also deepened its strategic partnership with the EU through the China-EU 2020 Strategic Agenda for Cooperation, which concluded with a China-EU Investment Agreement, and negotiations on a China-EU Free Trade Agreement (*ibid*; European Commission 2019b).

In 2015, the UK joined the new China-led AIIB after Chinese President Xi Jinping’s state visit in October 2015, signing US$38 billion in business deals. The state visit was said to be opening the *golden era* in UK-China relations (UK Government 2015). Both sides have an interest in supporting each other’s major initiatives: China’s BRI and the UK’s National
Infrastructure Plan and the Northern PowerHouse (HM Treasury 2015). Infrastructure increasingly becomes a cooperation nexus. For example, the UK-China Infrastructure Alliance is a platform designed to bring together British and Chinese infrastructure capabilities and to attract Chinese investment into UK infrastructure projects. The first UK-China Infrastructure Academy course was launched in 2016 to educate delegates from Chinese companies and government departments on the policy, financial, planning and legal frameworks governing the UK’s infrastructure environment (UK Government 2016).

Other UK-China projects include:

- the UK-China Joint Strategy for Science, Technology and Innovation Cooperation launched in 2017;
- the establishment of the UK-China Research and Innovation Partnership Fund;
- the 6th UK-China Energy Dialogue, Offshore Wind Industry Advisory Group Meeting; and
- the UK-China Civil Nuclear Energy Working Cooperation Group Meeting setting out mutually beneficial goals to tackle climate change through innovation.

(HM Treasury 2019)

The bilateral relationship between the UK and China has an immediate effect on their trade, investment and relationship as development partners. As major actors in the international political economy and development, there is potential for great complementarity between China and the UK. As part of the BRICS grouping, China spearheads the rise of South-South cooperation while the UK is a leader in the traditional development infrastructure led by the global North. China-UK cooperation sets development priorities and builds strategic platforms. As the UK and China strengthen their bilateral relations, recognise their complementarity, and the possibility for innovating in financial and technical collaboration, trilateral cooperation mechanisms could be deployed to create mutually beneficial strategies and economic advancement (DFID and Greening 2014; OECD 2016).

The trilateral cooperation between the UK, China and Africa may be an inspiration for further engagements with other partners, for example Sri Lanka. As China and the UK already have many common communication platforms focusing on different sectors and cooperation levels, trilateral cooperation is likely to expand in the coming years. Expansion is possible through engagement in extensive and upscaled projects, possibly also in other countries. At the same time, the current UK-China-Africa trilateral cooperation marks challenges which need to be addressed to guarantee mutual benefits for all parties involved.
Most trilateral cooperation projects between the UK, China and Africa (as discussed in section 2.1.4) still need to be thoroughly evaluated. Similarly, trilateral cooperation projects involving Sri Lanka are still in their infancy (see section 2.2.4). Following that, it is necessary to formulate common frameworks to jointly assess projects based on substantive values added by each partner involved and to be transparent about outcomes. Evaluating trilateral cooperation projects will be necessary to understand short-comings and the substantivity of development projects. Despite the current short-term trilateral cooperation mechanisms, we address some of the challenges in the following policy recommendations.

We make these recommendations based on evaluations of previous trilateral cooperation. Here we sum up the challenges faced in trilateral cooperation that informed our recommendations:

**Technology transfer cannot be guaranteed.** Chinese technical assistance may not necessarily be adaptable to local contexts, for example in terms of scale, safety standards, energy source and logistical arrangements (Zhou 2018). There needs to be a holistic focus on sectors: focusing on technology alone will lead to a fragmented approach in improving the value chain, leaving out the private sector, socioeconomic factors and the market (Buckley 2017). Technologies also need to be suited to the target audience and national needs. They need to be able to attract investors, easily taken up by locals and sustainable in the long run (ibid). This necessitates a deeper understanding of the country at the national, local and community levels.

**Coordination challenges need to be overcome.** While South-South cooperation can contribute to a more horizontal relationship in comparison to traditional developmental aid approaches, the actual situation depends on the execution of the project. Firstly, China and the UK need to both commit to realising a more horizontal relationship with the third country (Zhou 2018). Secondly, disagreements over issues of financial management, management structure and compliance of regulations place funders in positions of power that cannot be denied (ibid).

All three countries should have inputs from the inception of the project, all the way through to monitoring and evaluation to have true ownership of the project (Wilton Park 2016). This brings up challenges of institutional capacities, especially considering that development agencies may have a large number of projects to oversee. Having to come to consensus is also time-consuming: spaces for dialogue have to be created and partners have to be acutely aware of power relations.
There is a need to continue to innovate to create better monitoring and evaluation mechanisms for trilateral cooperation. Monitoring and evaluation for trilateral cooperations can be tricky, particularly as ‘the substantive value of each partner involved’ is difficult to demonstrate (UNDP 2016: 13). Expected results such as mutual learning and technical support can also be difficult to measure. Current tools designed to evaluate North-South cooperation may be inadequate for evaluating South-South cooperation.

Based on the challenges prevalent in trilateral cooperation, we present our key findings and recommendations for future trilateral cooperation projects below.

Table 11: Recommendations for overcoming challenges in trilateral cooperation

<table>
<thead>
<tr>
<th>Strategies</th>
<th>The level of intervention</th>
<th>Potential partners and entry points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learn from best practices (e.g. contractual, project management, communication and evaluation mechanism, team roles, mutually agreed quality standards and time plans)</td>
<td>Intra-national</td>
<td>DFID and the Chinese National Health and Family Planning Commission who identified common aid priority countries and their needs for a common health project in Africa</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FAO-China-Sri Lanka trilateral cooperation on agriculture and UNDP-China-Sri Lanka trilateral cooperation on renewable energy: The UK can learn from the bureaucratic workings of setting up trilateral cooperation with China and Sri Lanka; possibly setting up cooperation with UN support</td>
</tr>
<tr>
<td>Expanding the capacity of cooperation projects to sufficiently evaluate the substantiveness of trilateral cooperation projects</td>
<td>International, Local implementation</td>
<td>Involving evaluation institutions like ITAD and the recently agreed upon project development facility (During UK-Africa Investment Summit the UK agreed to initiate this facility to provide skills and expertise for economic projects and the attraction of finances from the private sector)</td>
</tr>
<tr>
<td>Common centralised frameworks</td>
<td>Intra-national</td>
<td>Using existing dialogue platforms such as the UK-China Economic and Financial Dialogue and the annual high-level Dialogues on Africa. The UK could potentially use the FOCAC as an entry point; or to learn better communication and/or working styles from the Africa-China relationship</td>
</tr>
<tr>
<td>Common frameworks on sub-national, decentralised level with local governments, civil society, the private sector and academia to ensure frequent exchanges and quick information flow</td>
<td>Sub-national, County/municipality level</td>
<td>Deriving from existing platforms and in cooperation with DFID/FCO and Chinese ministries (depending on the topic, e.g. the Chinese Ministry of Education)</td>
</tr>
<tr>
<td>Coordinated efforts involving African governments and regional institutions to strengthen the decisive power of concerned countries, the sectors and scope of interventions</td>
<td>Regional</td>
<td>African Union, the African Economic Community, the Kenyan government in close relationship with the UK and Chinese government and FOCAC (and sub-nationally with specific agencies and ministries)</td>
</tr>
<tr>
<td>Academic exchanges to enhance mutual understanding on cooperation interests, needs and skills for trilateral cooperation</td>
<td>National, Local</td>
<td>Academic institutions (universities and think-tanks, e.g. the Kenya Institute for Public Policy Research and Analysis, the China Development Institute, the Institute of Development Studies) and international networks such as UK-China Sustainable Agriculture Innovation Network. Exchanges can also involve private businesses such as technology firms</td>
</tr>
<tr>
<td>Creating widely accessible material on progress and cooperation outcomes (in English, Chinese and national languages of third countries)</td>
<td>International, National</td>
<td>The UK Government and the Chinese Government in close cooperation with the British and Chinese media, e.g. the BBC and Xinhua or the Belt and Road Portal. National governments e.g. Sri Lanka with national media outlets like Sri Lanka Broadcasting Corporation</td>
</tr>
</tbody>
</table>
4 Conclusion

Emerging countries are now increasingly involved in development, with China leading the way through the BRI and its increasing political clout. Traditional donors like the UK, however, have had much experience in international cooperation. With China pursuing win-win resolutions, it seems inevitable that it will increasingly engage with countries like the UK in international development.

In this paper, we examined the potential of UK-China engagements in two developing countries: Kenya and Sri Lanka. While Kenya and Sri Lanka are both middle-income, developing countries, they have had very different historical relations with China and the UK. Furthermore, both countries have set out specific national development plans, with concrete goals and aspirations. We examined Kenya’s and Sri Lanka’s current economic relations with China and the UK as well as people-to-people exchanges in health, education, technology and commerce. Evaluating and comparing current engagements, we make recommendations for trilateral cooperation in Sri Lanka and Kenya in the areas of trade, investment and knowledge-sharing. Keeping in mind that the two cases share fundamentally different social, economic and political contexts, we also make specific recommendations for cooperation in Sri Lanka and Kenya based on past experiences with development cooperation in the respective countries.

Trilateral development cooperation is complex as countries involved have different priorities. Challenges arise due to their different experiences in development. However, accompanying challenges are unique opportunities presented by their varying areas of expertise, enabled by a common goal of mutual benefit. All countries hope to stimulate economic growth primarily through trade and investments. The UK and China can provide support with capacity building through infrastructure projects, technical support and knowledge sharing. Moreover, all countries have a stake in political stability. While development cooperation is subject to the dynamism of international and national politics, much can be achieved with political will and commitment.

Kenya, Sri Lanka, the UK and China have various entry points to and experiences in trilateral activities. For the establishment of UK-China-Kenya and UK-China-Sri Lanka trilateral cooperation mechanisms, it is essential to understand the national context, development needs, areas of expertise and cooperation experiences to achieve outputs beneficial for all. Trilateral cooperation enables the combination of complementary knowledge, in which every actor can be a potential provider, facilitator and beneficiary.
5 References


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