

## NEWS BUSINESS



## COMMODITIES REVIEW

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## Xi Jinping President for Life

Xinhua pronounced this historical announcement; the Central Committee of the Communist Party of China "proposed to remove the expression that 'the president and vice-president of the People's Republic of China shall serve no more than two consecutive terms' from the country's constitution."

In one fell swoop, President Xi Jinping was President for Life as this will surely be confirmed at the National People's Congress session in Beijing.

The New Yorker Magazine wrote, "Last year, during several trips in which I travelled across China by train, two things in particular caught my attention. First, the red hammer and sickle—Second, the only image I saw more frequently—in elementary-school classrooms, in airports and shopping malls, on billboards on highways and in rice paddies—was the face of President Xi Jinping. Each image was identical: the country's supreme leader, with raven-black hair and a face fastidiously airbrushed to erase any hint of human blemish, smiling calmly, against a sky-blue background: an unimpeachable deity in an officially atheist state."

It is difficult to measure push-back but The China Digital Times, reported a list of terms excised from Chinese websites by government censors includes the letter 'N', Orwell's novels Animal Farm and 1984, and the phrase 'Xi Zedong'. Search terms blocked on Sino Weibo, include "disagree", "personality cult", "lifelong", "immortality", "emigrate", and "shameless". Even Winnie the Pooh recently found himself subject to China's latest internet crackdown. In July, references to the cartoon bear on Sina Weibo were removed after his image was compared to President Xi. Dissent is measured and snuffed out very quickly in China. China has unveiled a Digital Panopticon in Xinjiang where a combination of data from video surveillance, face and license plate recognition, mobile device locations, and official records to identify targets for detention. Xinjiang is surely a precursor for how the CCCP will manage dissent. The actions in Xinjiang are part of the regional authorities' ongoing "strike-hard" campaign, and of Xi's "stability maintenance" and "enduring peace" drive in the region. Authorities say the campaign targets "terrorist elements," but it is in practice far broader, and encompasses anyone suspected of political disloyalty.

Xi Jinping has set out his stall. He is deploying "sharp power" rather than "soft power". I appreciate that the USS Carl Vinson is sailing around the South China Sea but make no mistake, China has elbowed everyone aside in that Sea and is now accelerating its position in the Indian Ocean.

"It seems that we are in the middle of a base race across the Indian Ocean," David Brewster, senior research fellow at the Australian National University, wrote in a February note published on think tank The Lowy Institute. "Watch this space." The Indian Ocean, which borders Africa, the Middle East, Asia and Australia, is home to major sea lanes and choke points that are crucial to global trade. Nearly 40 per cent of the world's offshore petroleum is produced in the Indian Ocean, which also has rich mineral deposits and fisheries. From Sri Lanka's Hambantota Port (which China has snaffled up for 99 years), to Gwadar Port in Pakistan's Balochistan to Djibouti to the Maldives and surely soon somewhere in East Africa, China is growing its "geopolitical" footprint. President Obama's pivot to Asia which has metastasized into the QUAD (US, Japan, India and Australia) and was intended to contain to China is being bust wide open. Xi Jinping is making a pygmy of India's Prime Minister Narendra Modi, who is surrounded on all sides. Pepe Escobar (Asia Times) says "Xi has all but announced his major moves. The increasing influence of the Asian Infrastructure Investment Bank as well as the Shanghai Cooperation Organisation." I wrote last year that Xi Jinping's One Belt One Road programme binds the world to Beijing because all the roads and railways have but one destination and that is China.

It was not very long ago that the US was pronounced a hyperpower. Fast forward and you will note that Xi Jinping and his able wing-man Vladimir Putin have chipped away at the foundations of the hyperpower.

Aly-Khan is a financial analyst

## PARTNERSHIPS

## Sarova Hotels takes up a luxury boutique lodge in the Mara

**VICTOR AMADALA/** Sarova Hotels, Resort & Game Lodges on Friday signed a contract with the McCarthy Family to manage boutique lodge, Spirit of the Masai Mara in Masai Mara Game Reserve.

The lodge has 10 spacious, air-conditioned luxury suites built on solid stone structures, which uniquely blend traditional materials with a contemporary design.

Speaking while signing the agreement, Sarova Hotels managing director, Jimi Kariuki said the company's foray into the luxury boutique segment was in line with their strategy

of offering a diverse guest experience.

"Sarova Hotels is not a chain of hotels, but a collection of unique experiences spread across the country. Time has come for Sarova Hotels to expand the brand into the luxury and exclusive market. Sarova Stanley has for long stood out as a luxury 5-star property within the city and winning numerous continental and global awards. It is this strength and experience that we want to replicate in a luxury boutique lodge," he said.

Justin McCarthy, Spirit of the Masai Mara director said Sarova Hotels was the best

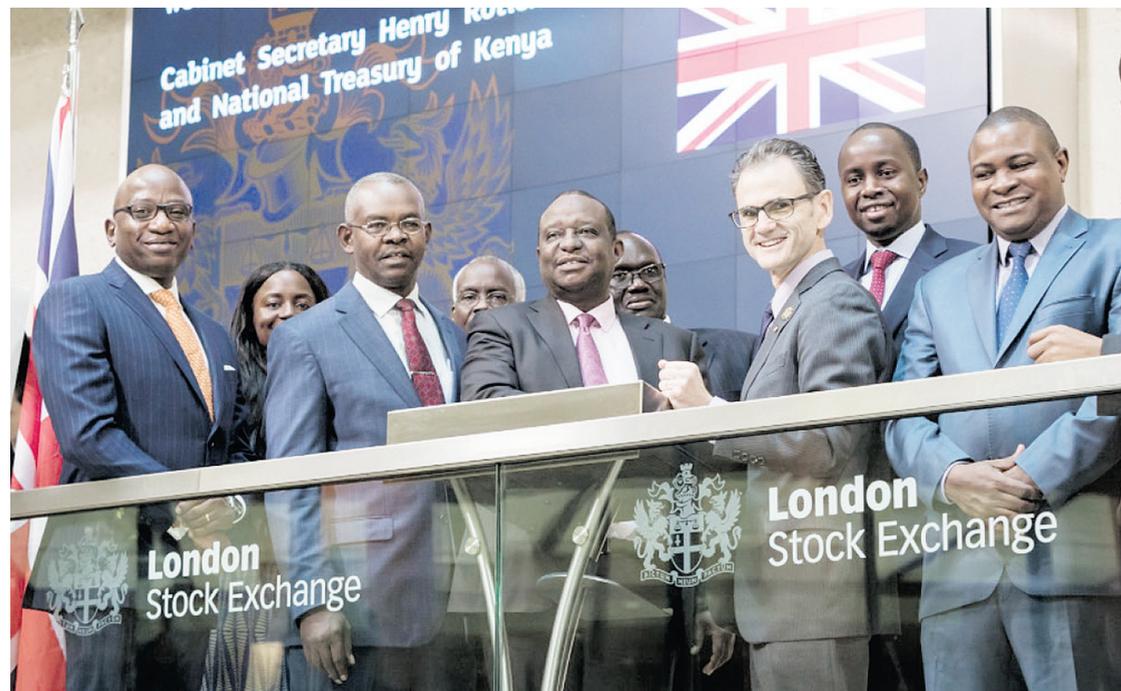
partner in helping showcase the property to international and domestic tourists due to their vast knowledge and expertise in the tourism industry both regionally and globally.

"Sarova Hotels has a strong brand value as a home-grown hospitality group with nine properties across the country, and have managed to reach out to the global markets comprehensively based on the company's 40-plus years' experience. If you combine this with both our high level service provision to our guests we can only grow Spirit of the Masai Mara further," McCarthy said.

## LOAN SPENDING

## Treasury mum on new debt facility spending

Top economists in the country have already raised red flags on increased government borrowing, saying it will put the country in a debt cycle.



Principal secretary Kamau Thugge and Cabinet Secretary to the Treasury Henry Rotich at the London stock exchange when the Kenyan Government's made a \$2 billion bond listing on February 22.

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The government's unwillingness to provide details of how the money raised will be used has left Kenyans guessing, with some fearing the country will have nothing left for development after clearing pending debts.

## WHAT WE KNOW

According to the "Plan of Distribution" in the prospectus, Kenya syndicated loans from October 2015 (debt now \$646 million) and March 2017 (\$1 billion) and proceeds from the new February 2018 issue will be used to pay all of the 2015 loan and part of the 2017 loan and to "manage the maturity profile of the government's debt."

In April, Kenya is expected to repay \$646 million (Sh66 billion) from the two-year \$750 million (Sh76 billion) loan taken in October 2015, whose maturity was extended by six months in October last year.

The original Sh75 billion loan was syndicated to a group of 26 banks and arranged by Citigroup, Standard Bank and Standard Chartered. The loan was to address some of the interest rates pressures by then and attracted a 5.7 per cent interest, meaning Ken-

yans will pay at least Sh4 billion as interest.

In May last year, Kenya borrowed \$1 billion via a syndicated loan from commercial banks, \$200 million more than it had indicated in March, the same year.

The \$1 billion loan mostly used to fund general election was split into a two-year tranche and a three-year tranche. The loan was arranged by Citigroup, Rand Merchant Bank, Standard Bank and Standard Chartered Bank.

According to the prospectus, the 2017 syndicated loan just like the 2015 one can be redeemed earlier on a bond issue by the government of Kenya or the final maturity date, however, the lenders have discretion to waive this prepayment right following an issue of a new bond by Kenya.

## RED FLAGS

Top economists have already raised the red flags on the government's borrowing appetite, saying that it will put the country in a debt cycle.

"If we recall that two years ago Kenyans were debating the evidence trail regarding the 2014/15 EuroBond, be very concerned," Institute of Economic Affairs boss Kwame Owino said in one of his tweets.

The 2014 issue continues to be a mystery, with top government and opposition officials casting doubts on what exactly the loan was used for.

In October 2015, the Controller of Budget Agnes Odhiambo raised troubling questions about the use and whereabouts of Sh176 billion borrowed from Europe in 2014, revealing that Sh53.2 billion was withdrawn from the account and used to pay unknown loans without her approval.

Testifying before the Public Accounts Committee, she said that it was not clear how the balance of Sh122.8 billion was spent or whether it was still in the account.

Auditor General Edward Ouko added a twist to the saga in his 2016 audit report when he said that the government could not account for Eurobond funds two years after it claimed the cash was allocated to ministries.

"Investigations into the receipts, accounting and use of funds related to the Eurobond are still ongoing and the accuracy of the net proceeds of Sh215,469,626,035.75 is yet to be ascertained," Ouko said.

So far, Treasury officials have remained silent on the matter, avoiding media inquiries on the subject.