Towards a framework for understanding the outcomes of economic engagements with Africa: A human capital development perspective

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Abstract: In the last few decades, the world has experienced significant economic and political transformation, which has led to adjustments in economic interaction between countries. However, this new pattern of economic engagement has not attracted adequate investigation from management researchers. This paper aims to fill this gap in the literature by advancing a conceptual framework that can guide researchers towards investigating new patterns of economic engagement across countries. Chinese economic engagement in Africa is used to exemplify how the conceptual framework can be used. The paper concludes by providing directions for research.

Key words: Human capital development, economic engagement, economic development.
Introduction

In the last few decades, the world has experienced major economic and political transformation. These changes have led to significant adjustments in the way regional blocks and nations interact with each other (Sohn 2012; Desai and Vreeland 2014). According to Desai and Vreeland (2014), the value of South-South trade has exceeded North-South trade by US$2.2 trillion. Undoubtedly, this has created new dynamics in the discourse of development and economic engagement, which impact on African countries. For example, it is possible to identify at least three features of the new forms of economic engagement that are relevant to Africa’s quest for development (Sohn 2012). This has hitherto been neglected, especially by international management researchers. Specifically, three features of the new forms of economic engagement have opened up new avenues for research on Africa: (1) the emergence and growing economic engagement among the BRICS countries (Brazil, Russia, India, China, South Africa), (2) the broader increasing economic engagement within developing countries (South-South), and (3) intra-continental/regional economic engagement, especially between a more developed country within a region or continent and its neighbours (ASEAN – Association of South-East Asian Nations, EU – European Union, NAFTA – North American Free trade Agreement, etcetera) (Desai and Vreeland 2011; Sohn 2012). An example of this is the increasing and significant influence of South Africa within Sub-Saharan Africa. As an anecdote, it has been reported that Brazil has more embassies in Africa than does the United Kingdom (Desai and Vreeland 2014).

New developments signal the need to investigate the implications of these developments for African business organisations and nation-states in general. We argue that there is also the need to approach these developments from the point of view of management science. We would also like to stress that even though there has been recent research interest among management researchers in the economic engagement between the developed and transitional economies of the former Soviet countries (for example, Meyer 2001; Peng et al. 2008), an adequate and overarching framework aimed at understanding the big picture of these phenomena remains wanting.

We advocate the view that the new features of economic engagement have indeed highlighted significant openings for research in all areas of management. However, research has thus far failed to take up the opportunity partly because of the absence of a framework within which to investigate the phenomenon and partly because of the failure to identify and
articulate the rationale for investigating this new international phenomenon. We note that other disciplines, such as economics, international relations and political science, have recognised and embraced this discourse in their research and theories (for example, Wenping 2007). Similarly, though to a limited extent, international business researchers have also delved into this area of investigation (for example, Boateng and Gaister 2002; Boddewyn and Brewer 1994; Leung et al. 2005). To summarise, mainstream management researchers, especially those concerned about international development, have not shown adequate interest in the new discourse and phenomenon pertaining to the new pattern and changing landscape of economic engagement in the contemporary era of globalisation.

Based on the changing landscape of economic engagements and its implication for research pertaining to its potentials for nation-states and organisations in Africa, this conceptual article has two broad aims. The first is to articulate and present a conceptual framework that can guide management researchers in understanding how the new features of economic engagement can benefit nation-states and business organisations. We argue that this framework, based on a human capital perspective, can be used to investigate policy transfer, the diffusion of management and technological innovation as well as other broader questions relating to how organisations can harness or appropriate the benefits of economic engagement to achieve organisational objectives. The framework advanced in this article can enable management researchers to investigate how bilateral arrangements interact with the national context to impact business organisations. Our second aim is to present an example of how the framework can be deployed to demonstrate how Chinese economic engagements (CEE) in Africa might influence human capital development.

To achieve the aim of the article, the existing literature on dependency and human capital theories will be reviewed to provide the foundation for a conceptual framework for understanding and investigating the new forms of economic engagement. In addition, the literature on CEE in Africa will be used to further demonstrate the utility of the conceptual framework for the study of economic engagements generally. Within the context of CEE in Africa, the discipline of management can investigate how CEE in Africa can be leveraged by African nations to build their human capital at the national and organisational levels. The indicative objectives of this research area can be as follows:

1. To analyse the nature and characteristics of CEE in Africa;

2. To examine respective African governments’ approach to appropriating the benefits of CEE to build human capital;
3. To investigate the impact of CEE on human capital development in Africa.

Towards a Conceptual Framework and Elements of the Problematic

The conceptual framework advanced here is predicated on the assumption that understanding the outcomes or potential outcomes of the new patterns of economic engagement between Africa and its new economic ‘partners’ will require broader analyses of three key variables: the nature and dynamics of the economic engagement such as historical ties (Wenping 2002); the contextual background of the ‘nation-state’ involved in the relationship, for example its cultural and economic endowment (Leung et al. 2005) and the degree of ‘readiness’ of the nation-state and its constituent organisations and national institutions to appropriate the benefits of the economic engagement, such as its vision and policy framework, which will enable the exploitation of the benefits of the relationship (Stone 1999).

It should be noted that the elements in the construct are by no means exhaustive, neither are they relevant for every research on new patterns of economic engagement; instead, the framework illustrates some of the relevant variables that can impact on the outcomes of the engagement. Dependency theory and human capital theory are used to set the theoretical foundation of the framework. The main features of the theory will be elaborated in an exemplification of how the framework can be applied. The conceptual framework is presented in figure 1.

One of the variables put forward in this framework are the nature and dynamics of the economic engagement. The authors argue that to understand the benefits and potential outcomes of economic engagement, it is important to understand the dependency relationship between the nations involved, their historical, cultural and economic ties as well as the dynamics of the relationship between the nation-states (in other words, the dependency relationship). Similarly, the area of engagement (for example, trade, investment and aid) needs to be analysed since each area has its unique potential for benefits, costs and the shaping of relations. Researchers will also do well if they analyse the type of engagement (for example, South-South, North-South, within BRICS, intra-continental etcetera). This analysis is vital because it can determine the dependency relations and the potential for the exploitation and appropriation of benefits in the relationship. It is also critical to analyse the motives of the
parties involved. The compatibility of motives should make it easier for African nations to appropriate benefits from the engagement. Conversely, incongruence in motives can lead to exploitation, as implied by dependency theory (Frank 1966; dos Santos 1970; Chilcote 1984; Ferraro 2008). The rationale for studying this independent variable is because the economic engagement will be influenced not only by the resources to be exploited but also by the nature and degree of the dependency relationship (Frank 1966; dos Santos 1970; Chilcote 1984; Ferraro 2008). Studying this variable will help predict or at least explain the potential outcomes of the economic engagement.

Figure 1. A Conceptual Framework for the study of the Implications of Economic Engagement in Africa. Source: Authors’ own illustration.
It is argued in this framework that the potential outcome of economic engagement will be influenced by the national context (attractiveness), by which we mean the endowments of the nation-state (for example, natural, human and cultural), as well as by the level and potential of socio-economic development, human capital development, the governance system and national leadership. Another factor that can influence the appropriation of the potential benefits from economic engagement are the nation's motives in economic engagement. These factors constitute some of the key areas in which to determine a nation’s attractiveness (Jelinek 1992; Krueger 1968; Porter 1990), which can also impact on the potential outcomes of economic engagement in Africa. In fact, the role of these factors in influencing international business has long been recognised by strategic management researchers and experts (Davies and Ellis 2000; Rugman and Hodgetts 1995). However, these factors have not been used to develop a comprehensive framework for the study of economic engagement in Africa.

In spite of the nation-state’s endowment and attractiveness, the realisation of the benefits of economic engagement will depend on the level of national and organisational readiness and capacity, that is the ability of the nation-state, through its institutions and organisations in the public and private sector, to appropriate the benefits. This ability will be determined by the articulated vision, the economic and social agenda and the appropriate policy and its implementation (Krueger 1984; Stone 1999). All these aspects will be determined by the human capital residing in the nations’ institutions and organisations. This is because the crafting of appropriate engagement policies, as well as their effective implementation, should be carried out by those who possess the appropriate knowledge, skills, abilities, work ethics and values. These qualities constitute the human capital of nations and organisations (Schultz 1961; Kruger 1968), hence the use of human capital theory as an important perspective in guiding this framework.

Undoubtedly, economic engagement has many potential outcomes far beyond the realm of economics (Hirst and Thompson 1999; Stiglitz 2006). Evidence suggests that international trade and investment have contributed to economic, social, human and even cultural development (Boateng and Gaister 2002; Rugman and Hodgetts 1995; Scholte 2005). Moreover, management research has demonstrated how local organisations have benefitted from joint venture partnerships, human resource development, innovation and market access
as a result of economic engagement among nations (Boateng and Glaister 2002; Liu and Song 1997). However, all these will depend on the variables discussed earlier.

**Conceptual Case Study: Chinese Economic Engagement in Africa**

This section discusses how management researchers can use the present conceptual framework to investigate the potential impact of CEE in Africa on human capital development (HCD), both at the national and business organisation levels. As stated earlier, not all the variables presented in Figure 1 are necessarily subject to investigation in every research. The framework provides relevant variables, which researchers can choose to investigate the issues they are interested in. Table 1 presents the variables that can be used to investigate the HCD potential of CEE in Africa.

<table>
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<tr>
<th>Independent Variables</th>
<th>Mediating Variables</th>
<th>Outcomes</th>
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<tr>
<td>• Area of Engagement</td>
<td>• National and Organizational Vision for HCD</td>
<td>• National Human Capital Development</td>
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<tr>
<td>• Trade</td>
<td>• National and Organizational Agenda for HCD</td>
<td>• Organizational Human Capital Development</td>
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<td>• Investment</td>
<td>• Clear and Appropriate Policies for Appropriating Benefits for HCD</td>
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<td>• Aid</td>
<td>• Policy Infrastructure for Implementation HCD</td>
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<td>• Compatibility of Motives</td>
<td>• Actual Implementation of HCD Policy</td>
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<td>• Natural Endowment</td>
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<td>• Level of Socio-Economic Development</td>
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<td>• Level of Human Capital Development</td>
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<td>• Level of Human Capital Potential</td>
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<td>• Cultural Factor</td>
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<td>• Effectiveness of Governance System</td>
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<td>• Leadership Effectiveness</td>
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<td>• National Motives of Economic Engagement</td>
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*Table 1:* Key variables for investigating Human Capital Development (HCD) potential of CEE in Africa. Source: Authors’ own work

**Background of CEE in Africa:** China’s engagement in Africa has gained prominence in the discourse on Africa. This past decade has witnessed China engage with the continent on several levels of trade, aid and investment (Ayodele and Sotola 2014). Sharing its identity in the global economy as a developing country (low per-capita income in comparison with advanced countries) (World Bank 2016), China serves as a development partner for Africa. Its rise in the global economy offers opportunities for Africa to enhance certain capacities to aid its
development and rise on the global economic stage (Lumumba-Kasongo 2011; Renard 2011; Lin 2016).

China’s emergence from an under-developed nation and closed economy to an emerging global power and the largest recipient of global foreign direct investment (FDI) inflow over the last 30 years is indeed phenomenal. While China’s economic landscape has changed dramatically over the years, its economy grew to be the second largest in the world (World Bank 2016); thus, there is a need for resources and raw materials to support its increasing level of industrialisation and growing population. This has in part necessitated its recent economic activities in Africa (Pigato and Tang 2015; Alessi and Xu 2015). China has established trade, investments and aid links with up to 50 African countries (Zafar 2007).

The volume of Chinese trade and investment in Africa has increased exponentially. China is recorded to be Africa’s largest trading partner, surpassing the United States (US) in 2009 (Chen et al. 2015), China-Africa trade boomed between 2004 and 2009, with an annual growth rate of over 40 per cent. While growth rates have slowed to an average of 10 per cent per year since 2009, China remains an important trade partner to Africa (Eom et al. 2016). According to trade data compiled by the China Africa Research Institute (CARI) at Johns Hopkins University, China’s trade volumes with Africa reached approximately US$172 billion in 2015 (CARI 2016a). China’s top African trade partners as of 2015 were South Africa, Angola, Nigeria, Egypt and Algeria. A significant proportion of China’s imports from Africa are in natural resources such as crude oil, iron ores and copper products (Eom et al. 2016).

While China-Africa trade volumes exceed its bilateral investment volumes, Chinese investments in Africa is still thriving (Chen et al. 2015). According to CARI’s (2016b) China-Africa investment data compilation, Chinese FDI stock in Africa amounted to a total of US$32.35 billion. Geographically, China’s FDI in Africa is highly diversified, reaching 50 countries. The top five destinations in 2014 were South Africa, Algeria, Nigeria, Zambia and the Democratic Republic of Congo (CARI 2016b). While investment is largely concentrated in the mining sector, other sectors such as finance and banking, construction and manufacturing have also benefited from Chinese FDI (Renard 2011). Chinese investments in infrastructure in Africa are notable as Africa is experiencing a deficit in this sector. Over 35 African countries have agreements with China on infrastructure financing (Renard 2011), the largest recipients being Nigeria, Angola, Sudan and Ethiopia. Similarly, the manufacturing sector is increasingly becoming a significant sector for Chinese investments. According to Brautigam (2016), data analysis by CARI shows an increasing number of manufacturing projects approved by Chinese authorities in countries
like Nigeria (128), Ethiopia (80), South Africa (77), Tanzania (48) and Ghana (44), as at the end of 2014.

Recent changes in the Chinese economy, notably the slowdown in the growth rate, will undoubtedly significantly impact global trade and investments, including CEE in Africa. Nevertheless, according to Galabrese (2016), these changes open up opportunities in Africa, particularly in sectors such as manufacturing. Projects such as China’s “One Belt, One Road” initiative will also lead to more infrastructural investments in countries such as Kenya, Djibouti and Egypt as well as an increase in trade within the African continent (Galabrese 2016).

China-Africa economic relations are structured on a bilateral basis. To formalise bilateral agreements, Chinese and African leaders established the Forum on China-African Cooperation (FOCAC) in 2000. The forum has since served as the institutional vehicle for China-Africa engagement (Pigato and Tang 2015). Commitments made at the sixth and most recent FOCAC summit in Johannesburg in 2015 indicate no signs of a slowdown in China-Africa engagement. Chinese President Xi Jinping re-affirmed China’s commitment to partner with the continent to tackle the major bottlenecks to its development – namely inadequate infrastructure, lack of funding and lack of skilled and professional personnel – by rolling out 10 plans for China-Africa cooperation.

The plans include fostering industrialisation by setting up a new China-Africa industrial cooperation fund worth US$10 billion, building industrial parks and vocational education centres and providing training for 200,000 training personnel and 40,000 training opportunities for African personnel in China (Eom et al. 2016). The plans also focus on supporting Africa to modernise its agricultural sectors, build, operate and maintain infrastructures, strengthen financial cooperation, foster green development, promote greater cooperation in trade and investment, assist in poverty reduction, cancel the overdue portions of zero-interest loans and cooperate in areas of public health, including building an African centre for disease control (Eom et al. 2016). Plans to promote cultural and people-to-people exchanges, educational training and research cooperation as well as capacity building in the areas of peace and security were also unveiled (Eom et al. 2016).

This economic relationship between China and Africa comes with concrete expectations from both parties. China expects gains that include, though not limited to, access to much needed resources of oil, metals and minerals as well as access to new markets for its export industry (Alessi and Xu 2015). However, while it is reasonable to assume that African nations embracing Chinese investments expect that their relationship with China will contribute to
economic and social development, the translation of this expectation into concrete outcomes is an issue that requires urgent investigation (Hanauer and Morris 2014; Ayodele and Sotola 2014; Chen et al. 2016). To exemplify, Chinese economic engagement is expected to lead to trade and investments through its strong demand for Africa’s natural resources, thus generating an influx of much needed capital into African economies, boosting infrastructure development on the continent as well as achieving concrete gains in human capital development through job creation and skills development (Hanauer and Morris 2014). In light of these benefits, amongst others, China’s economic engagements in Africa are, for the most part, welcome by most African governments (Ayodele and Sotola 2014; Hanauer and Morris 2014).

It should be noted, however, that concerns have been raised regarding the potential negative effects of CEE in Africa. For example, the issue of the effects of CEE on the local manufacturing industry and the challenges it poses to macro-economic management, the industrialisation process and governance in Africa has been raised by experts and commentators alike (Ajakaiye 2006; Kaplinsky et al. 2006; Wang 2007; Zafar 2007; Oyejide et al. 2009).

China undoubtedly presents an opportunity for Africa’s rise in the global economy as well as a challenge to maximise the positive impacts and minimise the negative impacts that could result from such economic relationships, especially where human capital development is concerned. It has been noted that as the China-Africa economic relationship has evolved, there has been increasing African agency (Mohan and Lampert 2013). In countries like Ethiopia, for instance, the late Prime Minister Meles Zenawi actively encouraged Chinese investments in light manufacturing firms, resulting in concrete gains in the form of factories being set up by the Chinese, for example, the Huajian shoe factory which created about 4,000 jobs for local workers and currently manufactures shoes for export to European markets (Lin 2016). Another notable example is the Rwandan government’s push for Chinese investments to diversify its exports, which resulted in the establishment of a garment factory in Kigali, employing about 500 locals and exporting to other markets (Lin 2016). As other African governments follow suit by actively shaping and leveraging Chinese investments for development, it is pertinent to note that one of the main areas in which this economic engagement will ensure sustainable development is in that of HCD. However, this potential can only be realised if there are appropriate policies in place that will enable the countries involved to reap the potential benefits of the economic engagement.
Within the China-Africa space, studies have stressed the importance of policies and strategic planning and implementation on the part of African governments in order for them to capitalise on and maximise the potentials within this engagement for employment, skills development and industrialisation in their respective countries (Morris et al. 2012; Mohan 2016; Chen et al. 2016). According to Reiter and Steensma (2010), governments have a major role to play in how FDI policy impacts or contributes to human and economic development. This is because FDI policy can either favour the objectives of the investor or those of the recipient. This ‘phenomenon’ has opened up rich avenues for research in various disciplines.

**Theoretical arguments and research underpinnings on CEE in Africa**

The central argument for the study of CEE in Africa in this context is that while engagement can provide opportunities for HCD, these opportunities will depend on whether African nation-states have developed and implemented appropriate policies and agendas to exploit the benefits as well as whether the policies are backed by the necessary policy infrastructure (that is, institutions that monitor and regulate the implementation of HCD policy). This argument can be tested using a case study.

Research by Corkin (2013), Mohan and Lampert (2013), Chen et al. (2016) and Mohan (2016) have emphasised the importance of African agency and policy in leveraging Chinese engagement for development. Research carried out by the Open University, UK, and the University of Cape Town in their “Making the Most of Commodities” project have shown how countries like Angola, Nigeria, Botswana and Gabon, with the use of initiatives such as local content policy, have been able to develop meaningful linkages in their resource sectors, leading to job creation, value added production, inclusion of local suppliers in the supply chain, supplier development programmes and training (Morris et al. 2012). The study should assume that to achieve maximum benefit from any economic engagement, a nation must have a clear vision and objectives of how individuals, business associations and organisations can benefit from CEE (that is, *national and organisational readiness*). The study can then use specific cases to examine the potential impact of CEE on human capital development. For example, the study can examine instances of scholarships, educational and health facilities (infrastructure) funded directly through CEE. The study can also examine vocational training and capacity building initiatives and interventions that are directly attributable to CEE. At the industry/community/organisational level, the study can examine employment and training and capacity building opportunities that can be directly attributed to CEE.
At the outset, the empirical research, which will be carried out in line with what we will propose in Figure 1 and Table 1, should be based on a theoretical framework derived from the literature on dependency theory and its view on South-South cooperation as well as the literature on human capital theory, which emphasises human capital as critical for economic growth and development.

Dependency theory is useful to explain the phenomenon of CEE in Africa as well as the nature and characteristics of the engagement, particularly in relation to how this engagement could yield opportunities for Africa. Human capital theory is useful in explaining the importance of human capital for economic development and the critical need for Africa to build its stock of human capital. The existing literature on human capital theory also covers, at least to a certain extent, the role of the government in HCD. This helps in analysing the extent to which African nation-states have developed appropriate HCD policies and agendas to exploit the benefits that are inherent in CEE. The following sections present a summary of the theories that will guide the study, starting with dependency theory and followed by human capital theory.

**Dependency theory**

In an attempt to understand and explain the phenomenon of contemporary Sino-African economic engagement, a useful starting point would be to adopt a theoretical perspective that can be used to explain the economic relationship between other nations and Africa. Dependency theory is one such theory that can help unpack the complexity inherent in South-South cooperation (SSC) typified by Sino-African cooperation (Agbebi and Virtanen 2017). It is important to point out that, the popularity of dependency theory has waned, and reliance on its applicability to developing countries has been questioned, in part due to the emergence of the developmental state in the 1960s and subsequent development of East Asian countries. Nonetheless, the ideas presented by dependency theorists have been instrumental in the focus on the needs of countries in the Global South, which propelled the creation of the G77 (Group of 77), UNCTAD (United Nations Conference on Trade and Development) and stimulated discussions on the emergence of demands for a New International Economic Order (Amanor 2013). These developments, discourses and principles continue to influence the rhetoric of SSC (Jules and Morais de Sà e Silva 2008; Amanor 2013) and remain relevant in the search for new development paradigms for Africa (Lumumba-Kasongo 2015).

The development of SSC was informed by three major events (Morais de Sà e Silva 2009). The Bandung conference of 1955 which saw representatives from 29 African and Asian states
gather to push for Afro-Asian cultural and economic cooperation, advocate for independence and self-determination and oppose colonialism and imperialism in the global south and promote peace (Lumumba-Kasongo 2010; 2015, Amanor 2013). The Bandung conference is a historically significant event for Afro-Asian cooperation, according to Lumumba-Kasongo 2010, the conference became the “Cornerstone of African-Asian solidarity”. The Bandung conference gave an expression to third world consciousness and paved the way for the formation of Non-Aligned movement in Belgrade in 1961 and subsequently the G77 within the UN in 1964 (Lumumba-Kasongo 2010). These groups were largely formed by developing countries (so called third world countries) with the purpose of challenging the existing international system and press for policy changes that will help the global south break away from its economic and political dependency on the west (Amin 1994, Lumumba-Kasongo 2010, Morais de Sá e Silva 2009). These countries called for a reduction of the industrial and economical gaps that existed between the industrialised countries of the west and the developing countries of the south. The G77 within the UN was effectively a coalition of developing countries that sought to promote fairer standards for international trade to foster their economic development. These movements promoted global solidarity among nations of the global south and formed the basis for SSC today. Dependency theorists view SSC as a possible path to collective economic self-reliance for the global south (Jules and Morais de Sá e Silva 2008).

Dependency theory was developed in the late 1950s under the tutelage of Raul Prebisch, the then Director of the United Nations Economic Commission for Latin America (ECLA). Prebisch and his colleagues were concerned by the fact that economic growth in advanced industrialised countries did not lead to growth in poorer countries (Ferraro 2008). Their studies suggested that economic activity in advanced countries often led to serious economic problems in poorer countries. Dependency theory thus became a very important tool for analysis and in explaining the persistent poverty of poorer countries.

In spite of the wealth of the intellectual ideas, vigorous debates and writings from dependency theorists of different persuasions, there is still no single unified theory of dependency. Dependency theorists differ in their analysis of the specific forms of dependency, their impact on societies and their prescriptions for tackling the issue of dependency. These diverse views have undermined the coherence and development of the theory (Chilcote 1984). We classify the theorists into three groups, the ECLA School, the moderates and the radicals.

In the ECLA school of thought, Latin American economists such as Raul Prebisch, Osvaldo Sunkel and Celso Furtado stood out as emphasising an inward looking development path.
Prebisch (1968) argued that Latin America’s underdevelopment resulted from its position in the world economy and its adoption of capitalist economic policies. His argument was that the historical development of centre-periphery relations was the root cause of the South’s dependent status. According to Prebisch, export competitiveness coupled with the rapid industrialisation of the North created a widening North-South technological divide, resulting in deteriorating terms of trade for the South and eventual dependence of third World countries on Western industrialised countries. Prebisch’s position was neither liberal nor Marxist; instead, it stressed autonomous nationalist development for peripheral states (Prebisch 1980). In order to overcome dependency, Prebisch proposed that Third World countries adopt import substitution industrialisation through protective measures, encouraging economic integration amongst these countries to increase their market share and capturing productivity gains for Third World countries as a whole.

Chilean economist Osvaldo Sunkel, similar to Prebisch, argued that the structure of the international trading system where the peripheral countries of the South exported raw materials and imported manufactured goods resulted in the underdevelopment of these countries (Sunkel 1972). He saw dependency as a result of ‘dependent state capitalism’ and the activities of multinational corporations. He suggested agrarian reforms and the use of primary exports to support the industrialisation and reorganisation of the industrial sector to support the basic needs of the masses and not just those of the elite minority.

Brazilian economist Celso Furtado, also argued that capitalist expansion created a hybrid international economic structure whereby some functioned as part of the capitalist system, and others perpetuated with features of the pre-capitalist system (Furtado 1973). He saw underdevelopment as a result of the penetration of the modern capitalist system into archaic structures, challenging the modernisation notion that underdevelopment was a necessary stage in the process of achieving a modern capitalist system (Furtado 1973). Furtado, unlike Prebisch, saw the limitations of import substitution industrialisation and stressed nationalistic central planning and state investments as a solution to overcoming dependency and underdevelopment. All three economists, Prebisch, Sunkel and Furtado, often classified as structuralists, commonly advocated nationalistic autonomous development as a way of promoting economic development in peripheral states (Namkoong 1999).

Brazilian scholar and politician, Fernando Henrique Cardoso and Chilean sociologist Enzo Faletto can be seen as moderates in their analysis of dependency. They criticised the ECLA approach for not emphasising the imperialist relations between nations and for not taking into
account the unequal relations between classes (Cardoso and Faletto 1979). They identified three dependency situations: (1) enclave economies dominated by foreign investment capital; (2) economies dominated by the local bourgeoisie and (3) a new form of dependency whereby multinational corporations (MNCs) dominate peripheral economies (Cardoso and Faletto 1979). They refuted the idea that underdevelopment was caused by capitalism and argued that capitalist development can occur in peripheral countries as a form of dependent capitalist development. As such, their recommendations for peripheral countries to overcome dependency varied from those of ECLA. They asserted that it was unrealistic for the state to confront the excesses of the capitalist system and thus called for a ‘profound political-structural change’ in the form of a ‘radical political move towards socialism’ (Cardoso and Faletto 1979).

The radical perspective views the system as based on the excesses of capitalism, which is controlled by the North (Ferraro 2008). Unlike the non-Marxist ECLA theorists, they argued that the system could not be restructured to accommodate the South as the benefits from the prevailing system largely accrued to the North. They considered the notion of the existence of a shared North-South interest as unrealistic, given the inability of the South to modify the system (Hoogvelt 1984), and insisted on a social revolution as the way out of dependency (Namkoong 1999). Theorists sharing this perspective comprised of André Gunder Frank, Samir Amin, Theotonio dos Santos and Immanuel Wallerstein.

In line with the non-Marxist scholars of dependency theory, sociologist André Gunder Frank also argued that underdevelopment resulted from the historical, economic and political relationship between the North and South (Frank 1966). Frank posited that capitalism resulted in development for a few (the centre) and underdevelopment for many (peripheries) by entrenching a system in which the centre expropriated and appropriated surplus capital from the periphery. Frank asserted that development and underdevelopment were opposite poles of the capitalist system as opposed to being related stages of growth. He distinguished between a state of being ‘undeveloped’ and being ‘underdeveloped’, arguing that developed states, though once in a state of ‘undevelopment’, were not confronted with the structuralist constraints faced by underdeveloped states. Thus, he rejected the notion that the route to development adopted by the developed countries was viable for underdeveloped states. Frank suggested a socialist revolution and the loosening of ties with the North in order for the South to increase its chances of achieving rapid, sustained development (Frank 1966).

Similar to Frank’s views, Theotonio dos Santos saw dependency as a ‘conditioning situation’ within the capitalist system, which causes peripheral countries to be backward and...
exploited. Dos Santos (1970: 231) saw the reformist strategy of the ECLA theorists as insufficient as dependency ‘cannot be overcome without a qualitative change in their internal structures and external relations’. Thus, he proposed a social revolution as the key to overcoming dependency.

Another prominent dependency theorist, who subscribed to a Marxist approach, was Samir Amin. Like most other dependency scholars, he believed that growth at the centre came at the expense of the periphery. He argued that the capitalist world system was characterised by unequal exchange whereby the periphery was condemned to assume the role of exporter of raw materials. Moreover, the ever-continuing tapping of resources from the periphery engendered a situation in which the periphery was dependent on the centre, thus resulting in the underdevelopment of peripheral countries (Amin 1990). Amin posited that the way out of underdevelopment and dependency was for Third World countries to delink from the world capitalist system. The suggestion here was for a socialist revolution that would enable Third World countries to achieve tangible self-reliant development (Amin 1990).

Another notable theorist, often identified as a ‘world systems theorist’, is Immanuel Wallerstein (Chilcote 1984). Wallerstein posited that a ‘modern world system’ called the capitalist world economy, characterised by unequal exchange, had created a new international division of labour whereby the states at the core achieved development at the expense of those at the periphery (Wallerstein 1974). His solutions for dependency differed from those of the ECLA moderates, in that he insisted on revolutionary socialism, and from those of the radicals in his emphasis on a unified world system. Wallerstein called for revolutionary socialism brought about ‘within the single division of labour that is the world economy and one that will require a single government’ (Wallerstein 1974: 23).

Despite the intellectual disagreements among these dependency theorists, they shared a common view regarding the existence of two categories of countries in the international system: the dependent/periphery and the dominant/centre states. They argued that these countries were locked in a relationship whereby the actions of the dominant states (the advanced industrialised nations of the OECD – the Organization for Economic Co-operation and Development) over the dependent states (Latin America, Asia and Africa) determined the course of events in the dependent states (Ferraro 2008).

As a whole, dependency theorists attempted to explain the underdeveloped status of many nations of the world by looking at the patterns of interactions among nations, arguing that inequality among nations was an intrinsic part of those interactions (Ferrero 2008). This
concept of inequality advanced by dependency theory provides this study with an avenue to explore the central proposition that given the relative economic and social similarities between China and Africa, some degree of equality will manifest itself in any economic transaction. This should lead to a more viable and sustainable benefit, especially through human capital development.

Dependency theory has contributed to the popularisation of South-South cooperation, which criticises often misplaced Western ideas regarding development in the Global South (Amanor 2013). South-South cooperation is based on the idea that partnership and collaboration between developing nations of the South might result in more appropriate and sustainable solutions for the development issues faced by these nations (Fordelone 2009; Rosseel et al. 2009). Dependency theory provides an appropriate framework for investigating South-South economic cooperation. Within the context of this study, it provides the lens through which to examine Sino-African economic engagement. Using this theory, the study can examine the extent to which such engagement provides opportunities for HCD and the conditions under which this might happen. Based on this theory, we advance the following propositions that could be tested by researchers in future research:

**Proposition 1:** Given the relative similarity in socio-economic conditions, CEE in Africa will offer more appropriate and suitable opportunities for HCD.

**Proposition 2:** Given the relative similarity in socio-economic conditions, CEE in Africa will facilitate the transfer of relevant technology and knowledge that will enable HCD.

**Human Capital Theory**

The popularity of the concept of human capital has grown amongst researchers, organisations and policymakers. This can be attributed to the increasing rate of globalisation, advances in technological innovation and the move towards a knowledge-based economy (Nordhaug 1993; Kwon 2009). Countries and organisations around the world are increasingly investing in human capital development. This is based on the realisation that human capital is critical to national and organisational success. Human capital theory is a modern extension of Adam Smith’s idea that workers’ capabilities were a kind of capital. This idea was then popularised in the 1960s when economists argued that the missing gap in explaining the growth of the United States economy were the people – their skills, abilities, knowledge and competencies (Schultz 1961). Schultz later popularised the idea that the quality of human capital can be linked to economic growth. One of the main propositions of human capital theory
is that people are a form of capital for development (Becker 1993; Aliaga 2001; Englebrecht 2003).

In the context of the proposed research, human capital is seen as a critical driver of development in African nations and that the growth of human capital is both a condition and consequence of economic growth and development (Mincer 1981; Blomström and Kokko 2002). In fact, the debates and research on Africa’s development have identified that one of the keys to realising the goal of sustainable economic growth is the development of its human capital (Hall and Jones 1999; Asiedu 2002; Lynham and Cunningham 2006).

Human capital theory seeks to explain education and training as a deliberate investment in people, which increases the productivity of individuals and organisations and encourages the growth and development of national economies (Schultz 1961; Psacharopoulos and Woodhall 1985). Human capital theory asserts that human capital production is a result of private, individual and state investment. The utilisation of human capital theory will help shed light on the role of African governments in building the stock of human capital through the opportunities provided by CEE. Opportunities embedded in CEE can contribute to HCD in Africa, for example, revenues accrued from natural resource extraction can be channelled to fund HCD programmes that will ensure skills upgrade. Important linkages can be developed between local firms and Chinese MNCs operating in various industrial sectors in Africa, maximising the potential for technology transfer and skills development.

Governments can also introduce and implement investment policies as well as industrial and localisation policies that drive development in needed areas while also maximising their potential to contribute to HCD. According to Ritchie (2002) FDI activities in developing countries can and do generate a substantial amount of human capital spillovers and that appropriate policies by host countries have the ability to maximise these. Furthermore, research in the field of FDI and HCD support the premise that appropriate policies can foster HCD in host countries (Willem te Velde 2002). Similarly, an increasing body of empirical research on China-Africa engagement (Morris et al. 2012; Mohan 2016; Chen et al. 2016) shows the potential of CEE in fostering skills building, technology transfer and HCD in Africa when accompanied by efficient policies and strategies. This can be achieved by looking at specific policies and initiatives that leverage CEE to develop human capital. Therefore, the following proposition could be tested in future studies:
**Proposition 3:** The benefits of CEE for HCD in Africa will depend on the existence and implementation of appropriate HCD policies targeted at exploiting the HCD benefits of CEE.

**Conclusion and Direction for Further Research**

We have discussed a useful conceptual framework aimed at guiding research on the new features of economic engagement between countries. It is our view that this approach would have interesting implications in research regarding the African continent and Sino-African engagement in particular. To this end, we have used the framework to demonstrate how the HCD potentials inherent in CEE in Africa can be investigated.

Our aim was to explore whether CEE offered an opportunity for Africa to develop its human resource capacity, which could lead to social and economic development. Our analysis advocated the use of dependency theory and human capital theory as theoretical underpinnings to test three propositions directly relating to CEE in Africa.

It would be interesting to examine whether the relative similarities in socio-economic conditions between China and Africa offer better prospects for social and economic development in the latter through the appropriation of the potentials brought on by economic engagement. Such an investigation can indirectly confirm or disprove the argument by some commentators that international economic engagement within the context of globalisation is inherently exploitative regardless of the nature of the partners involved in the economic engagement (Bello 2002; Held et al. 1999; Nierop 1994). Finally, this kind of investigation can determine the extent to which African nations are conscious of the HCD potentials of their economic engagement with China and the extent to which they determine the approach used to exploit the potentials.

Our conclusion is that the research possibilities regarding the subject in question are multiple. This is because the new forms of economic engagement in the South-South context have not received the traction they deserve. The old paradigm of North-South economic engagement is inadequate to unravel the complexities of the potentials of the new forms of economic engagement taking place in the world today.

Using the framework advanced in this paper, there are research opportunities for scholars interested in African economic development. For example, there is an opportunity to explore the relationship between China’s increasing economic engagement in Africa and its impact on various facets of the social and economic dimensions of Africa. First, researchers can replicate
the research advocated in this paper to investigate the extent to which CEE is used to build stocks of human capital in other countries in the region. Such research can help obtain a clearer picture of the human capital development potential of CEE in the region. Second, another area of research that this conceptual framework can help generate is the diffusion of knowledge and technology between China and Africa. CEE in Africa offers such an opportunity. This is because the available literature indicates that economic engagement between countries often triggers flows of knowledge and skills between parties (Ritchie 2002; Willem te Velde 2002).

Given that CEE in Africa on such a large scale is at its infancy, a fertile ground exists to investigate the potential of diffusion of innovation and knowledge between Africa and China. Third, researchers are encouraged to use the framework to investigate the veracity of the argument that South-South economic cooperation will offer developing countries a more suitable and sustainable way out of their dire economic conditions. Researchers interested in an economic evaluation of the outcomes of South-South economic cooperation on HCD in Africa could integrate cost benefit analysis into the framework. Fourth, another area of investigation generated by the conceptual framework is that of policy formulation and implementation pertaining to appropriating economic engagements benefits between Africa and other regions. Such investigation will yield theoretical benefits from a good governance point of view and shed light on the capacity of African governments to leverage CEE for the actualisation of their national development policies.

Finally, it is widely acknowledged that when societies interact with each other, symbiotic relationships develop, which lead to changes and the adoption or adaptation of behavioural norms and traditions such as language, lifestyle and artefacts that can directly impact social and economic behaviour as well as business activities. Therefore, management and social scientists interested in studying the impact of culture on organisations and nations have an opportunity to investigate whether and the extent to which CEE impacts socio-cultural and economic conditions in Africa.
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