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BELT AND ROAD INITIATIVE IN SERBIA: AN IMPACT ON ENTREPRENEURSHIP DEVELOPMENT

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ABSTRACT

Belt and Road Initiative' (BRI) is a major global initiative with severe economic impact , geopolitical, environmental and social implications. The Belt and Road Initiative is a very ambitious project started by the Chinese Government with a partnership of 152 countries .Our study is based on a review of existing literature, our own research and GEM data. Also, our research on Serbia showed that impact of China is rather on the recovery of the country than geopolitics. In addition, the impact of the BRI on entrepreneurship in Asia is complex and multifaceted. While the initiative has the potential to create significant opportunities for entrepreneurs, it also poses some challenges and risks that need to be carefully managed. In any case, the Belt and Road Initiative can provide a significant opportunity for entrepreneurs to expand their businesses, promote innovation, and contribute to economic growth in participating countries.

KEYWORDS

Belt and Road, entrepreneurship, investments, development, sustaianbale development goals

INTRODUCTION

The Belt and Road Initiative (BRI) is a development strategy proposed by the Chinese government that aims to promote economic cooperation and connectivity among countries in Asia, Europe, Africa, and beyond. The Belt and Road Initiative consists of two main components: the "Belt," which refers to the overland corridors that connect China with Central Asia, the Middle East, and Europe, and the "Road," which refers to the maritime routes that connect China with Southeast Asia, South Asia, Africa, and the Middle East. The BRI involves a vast network of infrastructure projects, including highways, railways, ports, and other facilities, that are intended to enhance trade and investment between participating countries. Entrepreneurship can play a significant role in the Belt and Road Initiative by facilitating the creation of new businesses and startups, promoting innovation, and supporting economic growth in participating countries. In line with this, Hillman (2020) in his book explores the implications of the BRI for China's rise as a global power and the opportunities and challenges it presents for other countries. In addition, Jing Wang and Xi Tian (2022) explore the potential impact of the BRI on global trade and investment flows, arguing that it could significantly increase economic integration between China and other countries. François Godement and Abigaël Vasselier (2017) in their report assesses the

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potential benefits and risks of the BRI for European countries, including the potential impact on European infrastructure, trade, and geopolitical relations.

Nguyen Thi Thuy Trang (2020) provides an in-depth analysis of the economic and political motivations behind the BRI and its implications for China's domestic and foreign policies.

In addition, researchers have offered a wide range of perspectives on the program, highlighting its potential benefits , and risks for China and the countries involved. Critics of the initiative argue that it has resulted in unsustainable debt burdens for participating countries, and that it may be used to further China's political and strategic interests. Supporters argue that it will promote economic growth and development in participating countries and enhance global connectivity and cooperation. However, in order to achieve this goal, Hillman (2020) concludes that China should learn from the past experiences of the West to make the BRI more equitable and high-quality.

LITERATURE OVERVIEW

The new Silk Road or the Belt and Road should reconnect the continents, joining the East and the West via a network of roads, railways, ports, and other infrastructure (Radović-Marković, Tomaš, 2019). The countries associated with the project are benefited at various levels with lots of challenges in terms of funds . A study conducted on five countries in Asia associated with the project, namely China, Taiwan, South Korea, Japan, and Hong Kong, found that the Belt and Road Initiative has a positive impact on entrepreneurial intentions in these countries (Mathur, Nathani, 2020). The study also found that perceived opportunities and perceived capabilities affect entrepreneurial intentions positively, whereas fear of failure affects entrepreneurial intentions negatively.

Since its announcement, the BRI has generated a significant amount of research and analysis from scholars and experts across various fields. Some of the key research themes and findings related to the BRI include:

- **Economic Impact**: Many studies have examined the potential economic impact of the BRI on participating countries. Some argue that the initiative could boost economic growth and development by improving infrastructure, trade, and investment. Others are more skeptical, noting that the initiative may create unsustainable debt burdens and exacerbate existing economic inequalities. there are some studies that have examined the broader impact of the BRI on economic development and entrepreneurship. For example, a study by Li et al. (2022) examined the effect of the BRI on the economic growth and development of participating countries. The study found that the BRI has a positive impact on economic growth and development, although the effects vary depending on the country and the specific project. Another study by Fu et al. (2020) examined the impact of the BRI on international trade and found that the initiative has led to increased trade between participating countries. The study also found that the BRI has the potential to promote entrepreneurship development through increased access to markets and resources.
- **Geopolitical Implications**: The BRI has important geopolitical implications, as it involves China expanding its influence and presence in key regions of the world. Some experts argue that the initiative could help China establish itself as a global leader, while others worry that it could lead to increased tensions and competition with other major powers.
- **Environmental and Social Concerns**: The BRI also raises environmental and social concerns, as many of the infrastructure projects involved in the initiative have the potential

to cause significant environmental damage or displace local communities. Some researchers have called for greater attention to be paid to these issues to ensure that the initiative does not have negative impacts on people and the planet.

- **Financing and Governance**: Another important area of research related to the BRI is financing and governance. Many experts have raised questions about the transparency and accountability of the financing mechanisms used to fund BRI projects, as well as the governance structures that will be put in place to oversee these projects. Namely, the initiative proposed by the Chinese government was to launch several projects in 2017 and 2018 under the Belt and Road Initiative to support "the use of the yuan as a billing currency for trade and create direct trade routes between China and other countries" (Huang, 2020). Huang also noted that The Shanghai International Energy Trading Centre launched a yuan-denominated oil futures contract in 2018 with the aim of raising it to a benchmark status in the Asia-Pacific region.

- **New Value Chain**: The BRI can also gave rise to novel opportunities for companies to redesign and refine their value chain design. While protectionism creates friction in global trade, the BRI is creating lubricants to ease cross countries trade frictions and thus countries that were not lucrative part of the world value chain now have the opportunity to become integral parts of the global value chain. Policy coordination made it much easy to cross borders. Ethiopia is one good example. While the BRI in execution, major apparel companies started to explore and incorporate Ethiopia into their value chain design. Companies such as Phillips-Van Heusen (PVH) and Hennes & Mauritz (H&M) started to source from Ethopia and Chinese manufacturers, Huajian, started manufacturing shoes in Ethiopia. These initiatives created larger imapct for e.g. there will be more supply chain network to support the industry, availlability of trained labors and ease of attracting capital investors (Lee, Shen, 2020).

- **Information Infrastructure:** In addition to physical infrastructure development, the BRI, calls for growth in digital trade and the expansion of communications networks to develop an The third prong of the initiative the “digital new silk road” or “information silk road” incorporated digital sectors like internet of things infrastructure, telecommunications, and e-commerce. Digitization seems to be a powerful way to reduce the cross-border logistics friction previously discussed (Hausman et al., 2010).

- **Sustainable Social and Economic Development:** The BRI aims to strengthen interconnectivity between countries along the land-based Silk Road Economic Belt and 21st Century Maritime Silk Road, while at the same time promoting sustainable social and economic development amongst all BRI countries (Lewis, et al., 2021; Lewis, Moise, 2018). BRI construction covers eight major areas, including infrastructure, industrial investment, economic and trade cooperation, resource development, cultural exchanges, financial cooperation, marine cooperation, and ecological protection. It is worth noting that both SDGs BRI and the give priority to solving the primary problems such ashealth, poverty alleviation, education, and employment that is also the major concerns of today’s global population (Hong, 2016; UN Press Release, 2019).

- **Enhancing Development Resilience:** The Belt and Road Initiative promotes synergy among involved nations and the efforts include engaging in regional, economic and social cooperation and development, thus contributing towards global infrastructure connectivity and propeersity and resilience (UN, 2022).

The BRI aimed to eventually cover more than 4.4 billion people and contribute more than USD 21 trillion towrads the global GDP (Meltzer, 2017). In 2018, a US$ 600 million technology and innovation fund was launched by the eWTP to focus on the BRI (Daily Times, 2018).

According to a report by Refinitiv (2019), a financial data provider, between 2013 and 2018, Chinese firms invested over $90 billion in Belt and Road countries, with the largest recipient being Pakistan, followed by Bangladesh, Indonesia, and Malaysia.

In 2019, the value of China's trade with Belt and Road countries reached $1.3 trillion, accounting for 28% of China's total foreign trade, according to China's Ministry of Commerce.

As of 2020, there were more than 138 countries and international organizations that have signed Belt and Road agreements with China, according to the Chinese Ministry of Foreign Affairs (Green Belt and Road Initiative Center, 2020).

A report by the World Bank in 2019 found that the Belt and Road Initiative had the potential to lift 32 million people out of moderate poverty, but also warned of potential environmental and social risks associated with the project.However, there have been concerns about the financial sustainability of some Belt and Road projects, with some countries struggling to repay loans. For example, in 2017, Sri Lanka handed over control of the newly-built Hambantota Port to a Chinese firm on a 99-year lease after failing to repay a loan.

A study by the Center for Global Development in 2018 found that eight out of 23 Belt and Road countries were at "particular risk of debt distress" as a result of the initiative's financing arrangements (Gaines, 2018).

FOSTERING ENTREPRENEURSHIP DEVELOPMENT BY BELT AND ROAD

The Belt and Road Initiative (BRI) has the potential to foster entrepreneurship development in the participating countries in several ways:

- ***Infrastructure development*:** The BRI is primarily focused on infrastructure development, including building roads, railways, ports, and other transportation and communication networks. This can create new business opportunities and enable existing businesses to expand their reach and improve their efficiency.
- ***Developing infrastructure for entrepreneurship*:** The BRI involves the development of a vast network of infrastructure, including transportation, energy, and telecommunications facilities, that can facilitate entrepreneurship. For example, the development of new ports and logistics facilities can support the growth of international trade and e-commerce.
- ***Investment and financing*:** The BRI involves significant investment and financing from China and other countries, which can provide funding and support for entrepreneurship development. This can include funding for startups, small and medium-sized enterprises (SMEs), and other businesses, as well as support for technology transfer and innovation.
- ***Trade facilitation*:** The BRI aims to facilitate trade between participating countries by reducing trade barriers, improving customs procedures, and enhancing connectivity. This can create new opportunities for businesses to expand their markets and access new customers and suppliers.

- ***Knowledge and skills transfer*****:** The BRI involves cooperation and exchange between participating countries in areas such as education, research, and innovation. This can facilitate the transfer of knowledge and skills, which can support entrepreneurship development by fostering the development of local talent and capabilities.
- ***Entrepreneurship support networks*****:** The BRI has the potential to create new entrepreneurship support networks by bringing together entrepreneurs, investors, and other stakeholders from participating countries. This can facilitate the sharing of knowledge, experiences, and resources, as well as the development of new partnerships and collaborations.
- ***Encouraging cross-border entrepreneurship*****:** The BRI provides an opportunity for entrepreneurs to expand their businesses beyond their borders and tap into new markets. The initiative can facilitate cross-border entrepreneurship by providing access to financing, business incubation services, and networking opportunities.
- ***Supporting innovation and technology transfer*****:** The BRI can support the transfer of technology and knowledge between participating countries, which can stimulate innovation and entrepreneurship. Entrepreneurs can leverage this opportunity to develop new products and services that address local needs and contribute to the growth of the local economy.
- ***Promoting small and medium-sized enterprises (SMEs)*****:** SMEs play a crucial role in economic development, and the BRI can provide a platform for them to expand their business and reach new markets. The initiative can support SMEs by providing access to financing, training, and business incubation services.
- ***Building entrepreneurial hubs*****:** The BRI could focus on building entrepreneurial hubs in the countries it connects. These hubs could provide co-working spaces, incubators, accelerators, and access to funding for entrepreneurs. By creating these hubs, the BRI could encourage innovation and entrepreneurship in the region.
- ***Facilitating international collaboration*****:** The BRI can provide a platform for entrepreneurs from different countries to collaborate and exchange ideas. This can lead to the development of new partnerships, joint ventures, and cross-border business opportunities.
- ***Innovative Supply Chain Alliances*****:** The BRI offers new opportunities to consolidate the innovative supply chain netwroks through cross border tir-ups.

Overall, the BRI has the potential to foster entrepreneurship development by creating new business opportunities, providing funding and support for businesses, facilitating trade and knowledge transfer, and creating new entrepreneurship support networks. However, it is important to ensure that the initiative is implemented in a way that is sustainable and equitable, and that takes into account the needs and aspirations of all participating countries and communities.

CHINA'S ROLE FOR INVESTMENTS AND SUPPORT ENTREPRENEURSHIP IN SERBIA

China is among those countries which are interested in expanding their influence in the Western Balkans. Namely, "Chinese view the region as a gateway to the European Union market and as a land bridge between the Chinese-owned port of Piraeus and Central Europe" (Hänsel, Feyerabend, 2018). Thus, China has begun to increase bilateral trade with the countries of the region and is investing in developing the transport and energy infrastructure and in certain strategic industries in the Western Balkans. For these reasons, China has signed a large number of bilateral agreements with Serbia, "agreed on $3 billion package of economic investments" (BIRN, 2018). However, Chinese investments in Serbia with current and announced projects should reach $ 10 billion in 2019 (Radović Marković, Tomaš, 2019).

The result of strong bilateral links between two countries can be recognized in a number of projects over the past few years. Chinese build highways, railways, bridges, energy, and other infrastructure facilities, as well as factories and the construction of large industrial–technological parks in Serbia. One of the greatest Chinese investments in Serbian economy was in "Železara Smederevo." In addition, China has invested in traffic infrastructure starting with the construction of the "Pupin Bridge" in Belgrade, then in building of the highways part of the Pan-European Corridors X and the so-called Corridor XI that connects Serbia with Montenegro (Radović-Marković, Tomaš, 2019).

Globalization Impact on Entrepreneurship has a great opportunity for Serbia (Radovic Markovic, 2018a), to improve its railway infrastructure, which has already begun with an agreement on the improvement of the Belgrade–Budapest line. Construction of the Belgrade–Budapest railway line clearly show intentions to build a unique transport system so that goods from China can be transported from the port of Piraeus to Central Europe and vice versa.Also, Chinese company Zijin has become the strategic partner of RTB Bor, and Huawei Technologies will upgrade the Serbian phone company. Therefore, the investment of 1.26 billion dollars and 200 million for the settlement of debts of RTB was the largest investment in 2018 in Serbia. The Chinese will invest $ 1.26 billion in RTB in the next six years, of which 75% will be invested in the first three years (Radović-Marković, Tomaš, 2019).

The Chinese build a new 350 MW power block in the Kostolac thermal power plant, the largest investment in the domestic energy sector and the first large power plant that is being built in Serbia after nearly three decades. The total value of the second phase of the modernization project of TPP Kostolac B is $ 715.6 million, of which the investments in the construction of the new block B3 of 350 MW is $ 613 million (Radović-Marković, Tomaš, 2019). Chinese loans for major infrastructure projects are mostly provided by the China Exim Bank.In a short period of time, China more than doubled trade with Serbia, but export from Serbia is still very small.

How much will the Chinese investments contribute to Serbia's economic development and how much to Chinese ambitions in Western Balkans as well as their political consequences, opened a debate among scholars and politicians (Radović-Marković, 2018). They are divided into those that are against China's influence in the Western Balkans and those who think that it will generate economic opportunities and challenges for the region. Despite their different views on strengthening the influence of China among the Balkan countries and possible long-term political consequences, recent research findings of Le Corre and Vuksanovic (2019) has shown that "Serbia seems focused on the recovery of their own country rather than geopolitics." It is confirmed with the last key conclusion for EU institutions emerged from examining the Chinese approach to Serbia, especially regarding aid and investment, and that is that money has flowed for activities which Belgrade thought were in its best interest, rather than priorities that the Chinese determined from Beijing (AFET, 2017).

CONCLUSION

The Belt and Road Initiative is a complex and multifaceted initiative that has generated a significant amount of research and analysis across a range of disciplines. As the initiative continues to unfold, it is likely that further research will be conducted to better understand its potential impacts and implications.While the Belt and Road Initiative has brought significant investments and economic benefits to some countries, its long-term impact and sustainability remain uncertain, and there are concerns about debt sustainability and other potential risks associated with the project. By focusing on building entrepreneurial hubs, providing access to funding, developing a skilled workforce, facilitating cross-border trade, and promoting digital connectivity, the BRI could help entrepreneurs build successful businesses and drive economic growth (Radović Marković, Tomaš, 2019).

Our research has simultaneously shown that Serbia in the last couple of years has reached improvements in implementation of in internal reforms and creation of a more favorable business climate for development of small and medium companies and strengthening of the business sector. Thus, the development of entrepreneurship in the beginning of 2016 was on the list of priorities of the Government of the Republic of Serbia, which continued throughout 2023 as well. There was also established the Development Agency of Serbia (DAS), as the crucial executive institution in charge of implementation of entrepreneurship policy in the country.

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