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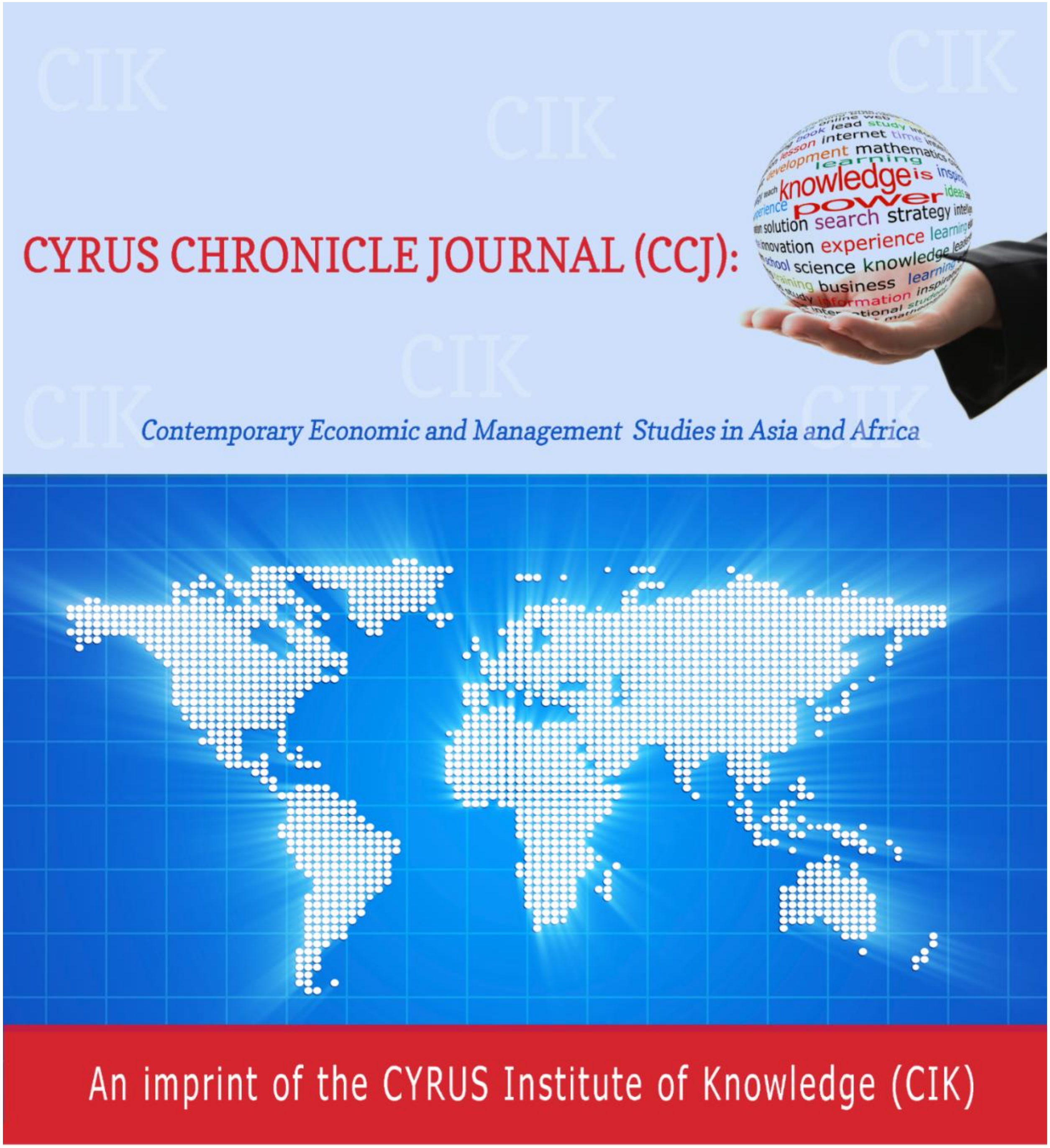

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The One Belt One Road Initiative: An Enabler of Entrepreneurship or Big Business in Developing Countries

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CYRUS CHRONICLE JOURNAL (CCJ):
Contemporary Economic and Management Studies in Asia and Africa

The flagship journal of the CYRUS Institute of Knowledge

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The CYRUS Institute of Knowledge (CIK) Journal is a refereed interdisciplinary journal. The editorial objective is to create opportunities for scholars and practitioners to share theoretical and applied knowledge. The subject fields are management sciences, economic development, sustainable growth, and related disciplines applicable to the emerging economies in Asia, Africa, and other regions. Being in transitional stages, these regions can greatly benefit from applied research relevant to their development. **CCJ** provides a platform for dissemination of high quality research about these regions. We welcome contributions from researchers in academia and practitioners in broadly defined areas of management sciences, economic development, and sustainable growth. The Journal's scope includes, but is not limited to, the following:

- Business Development and Governance
- Entrepreneurship
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- International Business and Cultural Issues
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Submission Process:

For more information on the Institute, please contact: Editor@Cyrusik.org; Sagafinejad@loyola.edu; Nasgary@Cyrusik.org. *CYRUS Institute of Knowledge (CIK), Box 380003, Cambridge, MA 02238-0003, USA*

He will be assisted by an editorial board consisting of distinguished members from world-class institutions of higher learning, practice and industry.

We invite authors to submit their papers and case studies to Editor@Cyrusik.org. We will have a quick turn-around review process of less than two months. We intend to begin with two issues per year consisting of about 5-8 papers and case studies per issue, with fall 2015 being the first issue. A selected number of papers submitted to the CIK conference will be double-blind reviewed for inclusion in **THE CCJ**. We intend to have special issues on themes that are within the scope of Journal. Also, we will have invited guest issues.

THE CCJ: An imprint of the CYRUS Institute of Knowledge (CIK)

Background:

This is a historical time for developing and emerging markets, and The Cyrus Chronicle Journal intends to offer what is most urgently needed. There is no question that organizations and businesses that are capable of analyzing and applying advanced knowledge in management sciences and development are in high demand, especially during transitional periods. It is an unusual time in the target regions and the world. A time which requires active intellectual participation and contributions. It is the era of revolution in terms of advances in communication, technology. It is a time for intellectuals, entrepreneurs, and philanthropists to help enlighten minds, and therefore enrich the quality of life for millions. It is a time to focus intensely on the historical characteristics, achievements, human and natural resources, and the significant deficit in development, management sciences, and democracy in these regions. CIK's vision, "to cultivate the discourse on human capital potentials for better living," is the appropriate response to current challenges, and the journal is a platform for sharing the perspectives of scholars and practitioners with a wider audience.

CIK associates tend to have a foot in two worlds. First, most of the associates possess a wealth of intellectual and experiential knowledge, which is enhanced by their active involvement in business, consulting, scholarly research, and collegiate teaching. Second, some associates are sons and daughters of the afore mentioned regions and possess an ethnic identity, language skills, and the insights only embraced by insiders. Third, most of the CIK board of directors' members and associates are well-known scholars, members of editorial boards of journals, and editors. CIK possesses depth, breadth, and a competitive edge to successfully manage a reputable, double blind peer-reviewed journal. CIK is committed to developing knowledge that positively contributes to the life of the world's citizens. CIK is a charitable, educational, and scientific organization that has been in operation since 2011. CIK is a secular and non-partisan organization and has many scholars and practitioner as member.

Editor's Introduction

Since inception in 2012, the ***Cyrus Institute of Knowledge*** has held five annual meetings. Three years ago, we published the first volume of its flagship journal, ***Cyrus Chronicle Journal (CCJ): Contemporary Economic and Management Studies in Asia and Africa in conjunction with the 2016 annual conference.*** The Institute has had seven successful international conferences since its inception. These conferences have been hosted at institutions in the United States (MIT, Harvard, Hult), and internationally (Hult - UAE, American University in Cairo, and ESCA in Morocco). Several institutions of higher education have collaborated and supported these conferences. Please see CIK website for information about these institutions. We greatly appreciate their support! *The CIK 2020 Conference was held* ***Online*** *and in collaboration with International Symposium on Project Management, Innovation and Sustainability (SINGEP) during Oct. 1-3.*

Generally, conference participants come from at least 15 different countries and 35 institutions, organizations, and companies. Please see CIK website for details. Some of plenary sessions had up to 150 participants. The best papers presented at these conferences have traditionally been accepted for publication in the Journal, along with additional articles by prominent scholars.

The acceptance rate of *CCJ* is generally less than 20%. Our aim is to publish the highest quality papers after they pass through our strict review process. CIK colleagues and conference participants have proposed and suggested special issues of the journal, which is based on core topics (i.e., entrepreneurship, innovation, ethics, and sustainable development) and/or country specific ones. Therefore, we welcome articles that meet these characteristics.

Now we welcome you to read the fifth volume issue 1(CCJ.V5.1). The journal intends to cover scholarship pertaining to emerging economies in Asia, Africa, and other emerging economies. Scholarship dealing with these regions tends to be either ignored or misunderstood, and there are limited outlets for scholars who work in these countries to share their scholarly outputs. Focusing on these two continents will help researchers from these regions - which together account for the largest portion of the world population and growth. The *CCJ* intends to fill these gaps. An examination of our mission may shed some light on this question. The primary purpose of the journal is four-fold:

1. To share and promote knowledge of economic, management, and development issues facing countries of Asia and Africa and other emerging markets. Focusing on assessment, evaluation, and possible solutions help advance these countries, which also have the largest populations. Development challenges are global; virtually all countries face challenges concerning economic development, sustainability, food and water, population and environmental degradation. Yet no country gains by shunning opportunities that globalization can provide, with the possible exception of a few countries whose leaders lack a full understanding of the opportunities that globalization can offer. To take advantage of such opportunities, knowledge is the primary requisite.This journal aspires to make a contribution to this body of knowledge.

2. To encourage the generation and dissemination of knowledge by local scholars whose access to mainstream academic outlets may be limited. There are many scholars from academic, public and private sector organizations whose first-hand knowledge of problems and solutions is not being

shared for lack of an appropriate outlet for dissemination. The *CCJ* seeks to provide an opportunity for spreading such knowledge.

3. Academic scholarship emanating from the region under the journal's coverage tends to get lost in the academic jungle where the pressure of "publish or perish" leaves behind the younger and less experienced members. This journal will provide a venue for the scholars with first-hand knowledge of these areas. By publishing in *CCJ*, they could make important contributions to the body of management and development scholarship on which the journal will continue to concentrate. The *CCJ* will provide a platform for established as well as younger scholars who might collaborate with them in their research.

This fifth volume, issue 1, of the *Cyrus Chronic Journal*, contains three articles. Articles from established scholars and policymakers that cover the gamut from Asian to Latin America. As part of our mission to advance knowledge we will continue to include reviews of major scholarly books relevant to the Journal readers.

On the journal's operational side, we want to make the publication more accessible to a wide audience across the world, and so, consistent with the 21st -century trend toward electronic media, we will continue to publish this journal online. To maintain rigor and originality, articles submitted to the journal will nevertheless undergo the standard double blind review process. Reviewers' anonymous comments are shared with authors, as appropriate. Submission guidelines and procedures are delineated on the journal's website: http://www.cyrusik.org/research/the-cyrus-chronicle

As the first editor of the journal, I am pleased and proud to accept this challenge. I bring some experience; my first editorial assignment was as an undergraduate student at the then Pahlavi University in Shiraz, Iran, a top-ranking institution in the region. A few students and I founded and published *Danesh-Pajouh* (knowledge seeker). In those days when freedom of expression was severely limited, we managed to publish one issue in March 1965 before the censors put a stop to the enterprise.

Years later, while directing a doctoral program in international business in Texas in the early 2000's, I also served as the co-editor - and eventually editor - of the *International Trade Journal* (ITJ) until my retirement in 2013. Under my leadership, the *ITJ* acceptance rate fell below 10%.

Publishing an academic journal is simply a labor of love. The rewards are many-fold and include working alongside a dedicated team of colleagues – Nader Asgary, Alf Walle, Nancy Black Sagafi-nejad, Dina Frutos-Bencze, reviewers, and the entire editorial Board. In addition, of course, we thank our contributors who have trusted their work of scholarship to be published in a new but growing and promising publication. They have spent many hours working to polish and prepare for the journal for publication.

In this fourth issue, we have already reached a threshold of about 20% in acceptance. Still, *CCJ* needs your support and so I ask for your help in the following ways:

- **We are interested to offer special issues based on themes and country case studies. Your support, suggestions, and contributions are welcomed;**
- **Contribute articles, case studies, and book reviews and commentaries;**
- **Encourage your colleagues to do the same;**
- **Encourage promising young scholars – especially those from developing and emerging economies from China to the northern tip of Africa – to submit their works to our journal;**
- **Spread the word, especially in countries where CCJ can be most effective;**
- **Cite the articles published in this journal in your own research when applicable;**

- **Attend the annual conferences of the Institute (http:/www.Cyrusik.org the physical platforms that serves as an annual spawning ground for articles that may ultimately be published in this journal;**

- **Give us your feedback by telling us how we can further promote and improve the journal.**

Welcome to *ITJ*, and thank you.
Tagi Sagafi-nejad, Editor

Abstract

In March 2015, China proposed the Belt and Road Initiative (OBOR) as its signature initiative to advance economic prosperity of the countries along the Belt and Road. The initiative promises economic development including entrepreneurial development and prosperity to mainly developing countries in Asia, Central Europe, and Africa.

Entrepreneurship drives economic change and innovation while at the same time expanding opportunity and unleashing the initiative of people. Entrepreneurs are crucial to building prosperous societies that deliver opportunity to all. Recent evidence however suggests that the entrepreneurial economy is faltering and a small group of giant companies dominate the global economy.

This paper seeks to critically appraise the possible effects of OBOR on entrepreneurship in developing countries along its route. Will OBOR revitalise entrepreneurship in developing countries or further intensify the dominance of the economy by a small group of giant companies. Empirical study indicates a high emphasis on large firms in the economic structure of OBOR countries (Novosak and Jurčík, 2018). This paper seeks to illustrate why OBOR is proving to be more of a Bane rather than a Boon to entrepreneurship in developing countries further promoting the dominance of the economy by big corporations.

Keywords: Entrepreneurship; OBOR; developing countries; economic growth; China.

1. Introduction

In March 2015 China proposed the Belt and Road Initiative (OBOR) as its signature initiative to "promote the economic prosperity of the countries along the Belt and Road and regional economic cooperation, strengthen exchanges and mutual learning between different civilizations, and promote world peace and development" (National Development and Reform Commission, 2015, Preface). The initiative promises economic development and prosperity to mainly developing countries in Asia, Central Europe, and Africa. Ya, Yao and Yin (2017) argue that the OBOR initiative will be a boon to entrepreneurs around the world.

In the 1980s and 1990s, there was a growing interest regarding the concepts of economic development and entrepreneurship. There are several studies in the literature connecting these two important notions (Ács et al., 2013; Szirmai et al., 2011; Naudé, 2011; Braunerhjelm, 2010; Caree and Thurik, 2010; Walzer, 2009). Economic experts argue that countries have abandoned the traditional approach to economic development based on recruiting promoting large companies with different financial and fiscal inducements (Toma, Grigore and Marinescu, 2014). Today there is a greater reliance on small and medium enterprises (SMEs) (Toma, Grigore and Marinescu, 2014). The above has spawned numerous studies on how countries can promote entrepreneurship and build an entrepreneurship ecosystem (Centre for International Private Enterprise, 2014)

In the last five years, however, there is growing evidence that the entrepreneurial economy is faltering and a small group of giant companies dominate the global economy. The McKinsey Global Institute (2015) calculates that 10% of the world’s public companies generate 80% of all profits, and firms with more than US$1 billion in annual revenue account for nearly 60% of total global revenues and 65% of market capitalisation. Litan and Hathaway (2014) report that the number of start-ups is lower than at any time since the late 1970s and that more companies die than are born, pushing up their average age in the United States. The above environment has led Peter Thiel (2014) co-founder of PayPal to state that "Competition is for losers".

Novosák and Jurčík (2018) in a study of entrepreneurial behaviour of the countries who participated in the One Belt One Road Initiative, using data from the Global Entrepreneurship Monitor (GEM) identified four major clusters:

- poor countries (e,g., Bangladesh, Ethiopia, Indonesia, Iran, Turkey and Philippines) with a high number of entrepreneurs but low quality entrepreneurship;
- high income countries (e.g., Qatar, Saudi Arabia and Singapore) high quality entrepreneurship but low-density entrepreneurship;
- Large mid-range countries (e.g., Egypt, China, India, Pakistan, Russia and South Africa) dominated by large firms in the economic structure; and
- Small developing countries (e.g., Malaysia, Thailand, Estonia, Hungary) with high number of opportunities driven entrepreneurs,

The study indicates a high emphasis on large firms in the economic structure of OBOR countries, a high level of needs driven entrepreneurship, with "the potential of the innovation-driven phase of economic development not fully utilized" (p.38). (Novosák and Jurčík, 2018).

This paper seeks to critically appraise the possible effects of OBOR on entrepreneurship in developing countries. The appraisal will provide insights to policymakers on the possible impact of OBOR as it relates to entrepreneurship in their respective countries.

The rest of the paper is organised as follows. The next section provides a review of the benefits of entrepreneurship to economic growth and the components of a supportive entrepreneurship ecosystem. Section three reviews the contemporary literature on the forces driving the domination of the economy by a small group of companies. Section four critically evaluates the Chinese government's objectives for OBOR which is then used in section five to appraise the implications of OBOR for entrepreneurship.

2. Entrepreneurship, Economic Growth and Entrepreneurship Ecosystem

In the 1980s stagflation and high unemployment contributed to renewed interest in supply-side economics and factors determining economic growth. Simultaneously, the 1980s and 1990s have seen a re-evaluation of the role of small and medium enterprises (SMEs) in economic growth and a renewed focus on promoting entrepreneurship (Wennekers and Thurik, 1999). Studies indicate that in the 1970s and 1980s economic activity moved away from large firms to small firms. The employment share of the 500 largest American firms dropped from 20 percent in 1970 to 8.5 percent in 1996 (Carlsson, 1992; 1999). Small firms play an important role in the economy serving as agents of change by their entrepreneurial activity; being the source of considerable innovative activity; stimulating industry evolution; and creating an important share of the newly generated jobs (Acs, 1992; Audretsch, 1993; 1995).

Understanding the role of entrepreneurship and entrepreneurs in the process of economic development requires the decomposition of the concepts. The term 'entrepreneur' seems to have been introduced by R.

Cantillon. He argued that the central component of the definition of the entrepreneur gravitates around risk assumption. Later, J.-B. Say observed that the entrepreneur shifts economic resources out of an area of lower productivity and moves them into an area of higher productivity (Toma, Grigore and Marinescu, 2014). Schumpeter (1911) argued that entrepreneurs are not only innovators, but agents of change, and coordinators of production. He suggested that entrepreneurship occurs under five conditions of newness: new goods, new production methods, new markets, new sources of materials, or new organizations (Schumpeter, 1911).

From an economic development perspective, entrepreneurship is important because it is the economic mechanism through which inefficiencies in economies are identified and mitigated (Baum et al., 2007). According to OECD (1998) “entrepreneurship is central to the functioning of market economies”. The U.S. Small Business Administration (1998) went even further, to declare that “the crucial barometer of economic freedom and well-being is the continued creation of new and small firms in all sectors of the economy” (p.85).

Following the recognition that entrepreneurship is critical to economic development, many governments around the world have implemented a variety of supporting mechanisms and policies for entrepreneurs, including funding, physical infrastructure and business advisory services. The Centre for International Private Enterprise (CIPE) (2014) observes that “regardless of their location, their size, or their industry, the environments in which entrepreneurs operate — the ecosystem — can and does dramatically impact their survival, their growth, and their success. That is why this ecosystem must nurture and support entrepreneurial start-up and growth — to ensure that entrepreneurs operate on a level playing field, that their rights are protected, and that the same rules are consistently applied to all” (p.6).

Sullivan and Shkolnkov (2004) identify several business-friendly policies critical to promoting entrepreneurship, which include: simplification of business registration and licensing procedures; proper disclosure requirements so that information is readily available to consumers and investors; equal access to government information on regulations, requirements, and financial resources; strong enforcement of property rights; strong domestic financial system by privatising state banks and introducing private sector governance principles; removal of restrictions on competition; elimination of subsidies to inefficient enterprises; opening up of industries reserved for state-owned enterprises; elimination of export-import licenses granted to a select few; and removal of price controls, allowing markets to determine prices.

Whilst the general evidence highlights the important role of entrepreneurship in economic growth, innovation, and competitiveness, the evidence for developing countries is much more complex. The disaggregated data from the Global Entrepreneurship Monitor (GEM) into poor and wealthy countries and which distinguish between necessity and opportunity entrepreneurs, suggest several important, but counterintuitive findings: “(a) freer, more competitive, poor countries are not correlated in a statistically significant way with higher levels of opportunity entrepreneurs; (b) recent economic growth in a poor country is not correlated in a statistically significant way with higher levels of opportunity entrepreneurship, and; (c) protection of property rights and levels of corruption don’t seem to matter either” (Lingelbach, de la Vina and Asel, 2005, p.3).

An important reason for the above is the allocation of entrepreneurship among productive, unproductive and destructive forms (see Baumol 1990). In different papers with similar implications, Baumol (1990) and Murphy, Shleifer and Vishny (1991) argue that the allocation of entrepreneurship is driven by the overall structure of institutions and/or rewards. Entrepreneurs are not driven by the possible effects of their activities on society—rather, they act in ingenious and creative ways to increase wealth, power and prestige (Baumol 1990).

3. Domination of Giant Companies

The Economist (2016) in a special report on Companies entitled "The Rise of the Superstars" asserts that the economies are increasing dominated by "a small number of giant companies…are tightening their grip on global markets, merging with each other to get even bigger, and enjoying vast profits" (p.1). The above assertion are supported by evidence that 10% of the world's public companies generate 80% of all profits, and firms with more than US$1 billion in annual revenue account for nearly 60% of total global revenues and 65% of market capitalisation (McKinsey Global Institute, 2015). The number of mergers and acquisitions in a year has also increased from 11,500 deals with a combined value equivalent to 2% of global GDP in 1990, to 30,000 deals with a combined value equivalent to 3% of global GDP in 2008 (The Economist, 2016).

In contrast, the number of start-ups is lower than at any time since the late 1970s, and more companies die than are born, pushing up their average age in the United States (Litan and Hathaway, 2014). The number of listed companies has also halved between 1996 and 2015 from 7322 to 3700 (Ritholtz, 2015). The OECD (2016) observes that on average, the top 100 enterprises in OECD countries account for 40% of exports and imports. And in smaller economies, such as Finland, Hungary and Luxembourg, these shares can be significantly higher (up to 90%).

Several factors contribute to the dominance of the global economies by a small number of giants and some of the factors are a mirror image of factors that promote entrepreneurship. The Economist (2016) highlights three major forces driving the domination of economies by large companies namely: technology, globalization and regulation. Firstly, economies of scale are critical in the modern economy and allow for market dominance. In the modern economy software technology allows companies to advance rapidly because the marginal cost of adding new customers is nearly zero, and globalisation lowers the barriers of entry across countries (The Economist, 2016). Even Silicon Valley the epicentre of the IT revolution has been transformed. The Economist (2016) observes that the Silicon Valley of the 1990s was characterised as: "the breeding ground of a new kind of capitalism—open-ended and freewheeling—and a new kind of business organisation—small, nimble and fluid. Companies popped up to solve specific problems and then disappear" (p.3). Twenty years later the "valley has been thoroughly corporatized: a handful of winner-takes-most companies have taken over the world's most vibrant innovation centre, while the region's (admittedly numerous) start-ups compete to provide the big league with services or, if they are lucky, with their next acquisition" (The Economist, 2016, p.3).

The most powerful force behind the rise of the new giants is technology. But two other forces are pushing in the same direction: globalisation and regulation. The biggest beneficiaries of the liberalisation of the global economy from the 1980s have been multinational companies. The annual list of the world's top multinationals produced by the United Nations Conference on Trade and Development (UNCTAD) shows that multinationals have all become substantially bigger in terms of sales and employment since the mid-1990s. Regulation in turn imposes a disproportionate burden on smaller companies because compliance has a high fixed cost (The Economist, 2016). Crain and Crain (2010) calculate that the cost per employee of federal regulatory compliance is $10,585 for businesses with 19 or fewer employees but only $7,755 for companies with 500 or more. Younger companies also suffer more from regulation because they have less experience in dealing with it (Crain and Crain, 2010).

The Economist (2016) also observes that big companies are also in a better position to indulge in unfair practices more than smaller companies because of their resources, which include tax and regulation shopping, political lobbying and efficient utilisation of customer information. An analysis of more than 4,200 economic development incentive awards in 14 U.S. states by LeRoy et al (2015) “finds that large companies received dominant shares, ranging between 80 and 96 percent of their dollar values. The deals, worth more than $3.2 billion, were granted in recent years by programs that, on their faces, are equally accessible to small and large companies” (p.3). Kotkin (2015) argues that big business and big government are squeezing entrepreneurs.

As pointed out in the earlier section restrictions on competition; subsidies to inefficient enterprises; industries reserved for state-owned enterprises; export-import licenses granted to a select few; and price controls are barriers to entrepreneurship.

4. The One Belt One Road Initiative

As pointed out earlier China proposed the Belt and Road Initiative (OBOR) as its signature initiative to “promote the economic prosperity of the countries along the Belt and Road” in March 2015 (National Development and Reform Commission (NDRC), 2015, Preface). The NDRC (2015) identifies the aim of OBOR as promoting the orderly and free flow of economic factors, highly efficient allocation of resources and deep integration of markets; encouraging the countries along the Belt and Road to achieve economic policy coordination and carry out broader and more in-depth regional cooperation of higher standards; and jointly creating an open, inclusive and balanced regional economic cooperation architecture that benefits all (p.2).

The main priorities of OBOR as set out in the NRDC (2015) document are “policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds” (p.4).

In the literature, OBOR is frequently likened to the Marshall Plan (formally titled the European Recovery Programme), an unprecedentedly large aid package given by the US government to Western European countries for reconstruction after the second world war (Tsui et al, 2017). Although similar in their shared goals for boosting economic growth and trade through infrastructure development, OBOR and the Marshall Plan differ in critical ways. China's Belt-Road is not based on aid or even foreign direct investment, but loan financing. This underscores the importance, for creditors and debtors alike, to carefully factor in pertaining risks with OBOR projects.

Tsui et al. (2017) view OBOR policies as representing “an ambitious spatial expansion of Chinese state capitalism, driven by an excess of industrial production capacity, as well as by emerging financial capital interests” (p.36). Holslag (2017) argues that OBOR represents China’s shift from defensive mercantilism, which aims to protect the home market, towards offensive mercantilism, which seeks to gain market shares abroad. Clarke (2017) concludes that OBOR “is motivated by Beijing’s desire to resolve long-term domestic, economic, and geopolitical challenges by strengthening states in China’s frontier regions, exporting Chinese capital and labour, and establishing an alternative to the current international order” (p.66).

The different views on the objectives of OBOR highlight the need for a more critical analysis of OBOR objectives and principles. OBOR builds on strategies of previous generations of Chinese leaders and bottom-up input from the provinces and companies. From the observations above and NRDC responses to various queries (Holslag, 2017) the primary objective of the New Silk Road is to respond to an increasingly challenging international economic environment. China is concerned that the global economic slowdown, will lead to more protectionism, with countries resorting to competitive devaluation and qualitative trade barriers, as well as fiercer competition between companies (Clarke, 2017). In the above economic environment China wants to stand by its firms and defend its ground in the international market, by countering protectionism globally and holding partner countries to the principle of free trade. At the same time, it wants to continue to be viewed as a benign power, fostering political goodwill in partner countries and advancing its interests through economic integration and openness.

To support the above objectives the NRDC has developed several strategies to be implemented through OBOR. First OBOR is expected to lead to better coordination between Chinese stakeholders preventing so-called vicious competition between Chinese companies (Zhao, 2015). The above is the core responsibility of the State-owned Assets Supervision and Administration Commission of the State Council in 2003. The Commission encourages companies to participate in joint bidding and alliances, with Chinese companies teaming up, for instance, to win infrastructure projects by providing the knowhow, the construction, maintenance and financing services (Zhao, 2015).

Second, OBOR seeks to promote the export of manufactured goods to solve the industrial overcapacity problem in China (Holslag, 2017). OBOR is supposed to support the development of Chinese production chains involving Chinese companies building assembly plants overseas, mostly to penetrate local markets and circumvent import tariffs, while continuing to source components from producers in China (MIIT, 2015). OBOR is also supposed to boost to Chinese service exports, e.g., to a breakthrough in so-called new services, like finance, shipping and airlines (NRDC, MOFCOM, MFA, 2015).

Third, OBOR seeks to increase China's access to natural resources (Holslag, 2017). OBOR is supposed to consist of new or upgraded energy corridors, including pipelines to Russia, Central Asia and the Indian Ocean, and both refineries and liquid natural gas (LNG) hubs (NRDC, 2015b). Critical to the implementation of the OBOR strategies are large Chinese companies, commonly referred to as 'national champions" (Velayutham, 2016). The Chinese government usually distinguishes between national champions or central companies, which are considered indispensable in advancing China's so-called economic security and long-term growth, and smaller firms (Hoslag, 2017).

Recent media reports suggest that several developing countries, e.g., Pakistan and Sri Lanka have accumulated substantial debts to China, leading to economic risks (The Economist, 2018). In the case of Pakistan, the debts are so large that, before long, Pakistan is likely to need an IMF bail-out; and in the case of Sri Lanka a Chinese state-owned firm has repossessed a port after the Sri Lankan government struggled to repay the debts it had amassed to build it.

5. OBOR: A Boon or Bane to Entrepreneurship in Developing countries

Does OBOR enable entrepreneurship or the domination of the economic structure of developing countries by big companies? Dambisa Moyo (2009) in her influential book, *Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa* hopes that Chinese infrastructure projects would contribute to the transformation of Africa: “Perhaps what Africa needs, is a reliable commercial partner, not a high-minded scold. And perhaps Africa should take its lessons from a country that has recently pulled itself out of poverty, not countries that have been rich for generations” (p.113).

As highlighted by the Economic Intelligence Unit Report (2016) OBOR projects heavily emphasise infrastructure development. These developments are frequently based on country to country agreements and China provides the loans for the projects as well as identifies the Chinese companies that will construct the projects. Greer (2018) argues that OBOR investment decisions often seem to be driven by geopolitical needs instead of sound financial sense: “RWR Advisory Group notes that 270 BRI infrastructure projects in the region (or 32 percent of the total value of the whole) have been put on hold because of problems with practicality or financial viability” (Greer, 2018, p.2). It is also pointed out that OBOR projects were driven to achieve favourable political outcomes (Greer, 2018). In the case of Sri Lanka, the OBOR financed Hambantoota Port was reprocessed by China due to Sri Lanka’s inability to make repayments on the loan (Abi-Habib, 2018).

One of the objectives of OBOR is to increase the overseas direct investments (ODI) of Chinese companies. Du and Zhang (2018) found that ODI, especially mergers and acquisitions, rose significantly in the wake of the OBOR strategy announcement. The study also found that both state-owned enterprises (SOE) acquirers and non-SOE acquirers contributed to the surge of acquisitions in the belt-road countries, with SOEs playing a primary role in the acquisitions of target firms in infrastructure sectors and non-SOE acquirers playing a particularly active part in the non-infrastructure sectors. Liu et al (2017) found that Chinese ODI in OBOR countries is more market seeking and highly responsive to government strategy. The Chinese ODI rather than promoting local entrepreneurship stifles entrepreneurship because they acquire local companies.

Local entrepreneurs or small businesses have no or very small role to play in the projects. As pointed out earlier critical to the implementation of the OBOR strategies are large Chinese companies, commonly referred to as ‘national champions’, not small businesses. The only benefit to local entrepreneurs will be the improvement in the infrastructure of the country. Infrastructure projects in Africa however are focussed on servicing China’s mining investments rather than local people (French, 2010) or in the case of Pakistan, a rail connection for China to the Indian Ocean port of Gwadar, financed by Pakistan (Small, 2017). In Malaysia, China has financed the East-Coast Railway Link under OBOR to link the east coast port of Kota-Bahru to the west coast port of Port Klang providing China with an alternative route to by-pass the Straits of Melaka. This project too was renegotiated by the new Malaysian government headed by Mahathir Mohammed with a cost reduction of RM20 billion (Ho, 2019).

OBOR has also contributed to the movement of Chinese migrant entrepreneurs to developing countries on the OBOR path leading to competition with local entrepreneurs (Siriphon, 2018). Baig et al (2020) examine the impact of the China–Pakistan Economic Corridor (CPEC) on micro and small enterprises (MSE) in the tourism industry since CPEC has contributed to increasing Chinese tourist arrivals. They found that whilst CPEC had contributed to the growth of MSEs, they also face growing threats from medium and large enterprises due to financial constraints.

The OBOR initiative also showcases the Chinese model of development—with its emphasis on state-driven investments, political controls and the state-owned financial system as an alternative to the traditional entrepreneur friendly business environment characterised by rule of law and market competition.

Entrepreneurship has a very recent history in China because the collectivisation of agriculture and nationalisation of industry, by the People's Republic of China in the 1950's virtually eliminated the small and medium-sized enterprise (SME) sector (Harding, 1987; Rawski, 1989). Entrepreneurship however, has become a cornerstone of the Chinese economy since the late '70s and has generated significant economic growth and job creation in China (Huang, 2008; The Economist, 2011). Young et al. (2008) observe that Chinese entrepreneurs however, have to navigate China's difficult institutional environment characterised by weak property rights and government interference in the economy.

Huang (2010) highlights an important characteristic of Chinese entrepreneurship – that is "almost all the most dynamic and vibrant entrepreneurship in China is rural, in terms of its geography and in terms of its composition". Second Huang (2010) points out that Chinese entrepreneurship is catch-up entrepreneurship rather than frontier entrepreneurship that is frequently discussed in the literature. These two types of entrepreneurship demand different things from a political system. Catch-up entrepreneurship engages in replicative activities—those activities that have been invented by others and they are now being copied and created at competitive costs. The vast majority of Chinese entrepreneurs are of the catch-up kind. Their main economic contribution is job creation, rather than making breakthroughs in science and technology (Huang, 2010).

Huang (2010) argues that catch-up entrepreneurship makes relatively simple demands on a political system. The political system needs to be stable, deliver basic infrastructures such as roads, public health and education; keep the operating costs low by moderating wage growth and welfare provisions. Compared with the vast majority of developing countries, the Chinese political system meets these demands adequately. There is also considerable evidence that the Chinese possess an entrepreneurial culture contributing to the dominance of Chinese entrepreneurs in many societies where Chinese are a minority e.g., Malaysia, Thailand and Indonesia (Velayutham and Munusamy, 2018).

6. Discussion and Conclusion

China has argued that the OBOR initiative will be a boon to entrepreneurs around the world. Empirical study however, indicates a high emphasis on large firms in the economic structure of OBOR countries. This paper seeks to critically appraise the possible effects of OBOR on entrepreneurship in developing countries along its route, i.e., Is OBOR a boon or bane to entrepreneurship in developing countries on the OBOR route? The study supports the empirical finding and explains the reasons for the increasing dominance of giant companies in the economic structure of OBOR countries.

First, many of the OBOR initiative projects are focussed on infrastructure projects with loans from China and built by Chinese companies frequently by Chinese workers as well. This fits in with Hoslag's (2017) claim that OBOR represents China's shift from defensive mercantilism, which aims to protect the home market; towards offensive mercantilism, which seeks to gain market shares abroad for its products and services as well as develop China's access to natural resources. In the above strategy small businesses in China as well as developing countries appear to have a negligible role.

Second, the infrastructure projects are to support Chinese geopolitical strategic interest or Chinese investments in the host countries for example in the areas of mining. The main benefit to entrepreneurs and small businesses in developing countries would be better infrastructure in their country, but if one goes by the case of Pakistan and Sri Lanka, local entrepreneurs either do not need the improved infrastructure or cannot take advantage of the infrastructure.

The other major negative effect of OBOR on entrepreneurship globally would be the reinforcement of recent trends towards the dominance of the global economy by large companies. Countries around the world would feel a greater need to identify and develop giant companies that would act as "national champions" that would be able to compete with China's "national champions". In many developing and even developed countries, governments have encouraged and sometimes forced companies in critical industries, e.g., banking to merge to enable the emergence of giants who can compete in the international arena, even though this reduces competition (Velayutham, 2016).

The findings of this study have considerable implications for policymakers in developing countries. Entrepreneurship "is central to the functioning of market economies” (OECD, 1998) and a “crucial barometer of economic freedom and well-being is the continued creation of new and small firms in all sectors of the economy by all segments of society” U.S. Small Business Administration (1998). The dominance of the economic structure by big companies, particularly foreign-owned companies will further increase income inequality in developing countries and facilitate neo-colonialism.

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