



**ONE BELT ONE ROAD (OBOR) POLICY INITIATIVE:
ANALYZING CHINA'S INTERESTS, CHALLENGES
AND CONSEQUENCES OF OBOR INITIATIVE,
2013-2017**

BY

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**A thesis submitted in fulfilment of the requirements for the
degree of Master of Human Sciences in Political Science.**

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ABSTRACT

This research focuses on the One Road, One Belt (OBOR) initiative by China that is expected to play an important role in shaping, not only the present-day, but also the future outlines of international politics. Inspired by the ancient “Silk Road Spirit” that once dominated the global trade arena for thousands of years, OBOR comprises of six economic corridors spanning over more than three continents, involving nearly 65 countries and more. This is a qualitative study to address the research questions using both primary and secondary resources. While the initiators of OBOR claim of forging a symbiotic relationship with other participating countries based on mutual benefits and shared responsibilities, critics are not that keen to jump onto the bandwagon just yet. The study argues that China, as one of the key emerging super powers, is using OBOR as a tool that can be used to empower and consolidate influence of its present leadership domestically, as well as securing China’s concrete presence in the region. However, posing multifaceted challenges this mammoth undertake can take its toll on China. The OBOR initiative is yet to take its full form, hence there should be periodic observations to follow and comprehend the actual extend of impact and effects it will further stir both within and beyond its borders.

ملخص البحث

يركّز هذا البحث على مبادرة "طريق واحد، حزام واحد" (OBOR)، من قبل الصين والتي يتوقع أنّ تؤدّي دوراً مهمّاً في التشكيل، ليس فقط في الوقت الحاضر، ولكن أيضاً الخطوط العريضة المستقبلية للسياسة الدولية. مستوحاة من "روح طريق الحرير" القديمة التي كانت تهيمن على الساحة التجارية العالمية منذ آلاف السنين، تضم شركة أوبور ستة ممرات اقتصادية تمتدّ على أكثر من ثلاث قارات، تضم ما يقرب من 65 دولة وأكثر. هذه هي دراسة نوعيّة لمعالجة أسئلة البحث باستخدام كُليّة من الموارد الأولية والثانوية. في الوقت الذي يدّعي فيه المبادرون من "أوبور" تكوين علاقة تكافلية مع الدول المشاركة الأخرى على أساس المنفعة المتبادلة والمسؤوليات المشتركة، فإنّ المنتقدين ليسوا حريصين على القفز إلى العربة حتى الآن. تجادل الدراسة أنّ الصين، باعتبارها واحدةً من القوى العظمى الناشئة الرئيسة، والتي تستخدم مبادرة OBOR بوصفها أداة يمكن استخدامها لتمكين نفوذ قيادتها الحالية محلياً وتعزيزها، بالإضافة إلى ضمان الوجود الملموس للصين في المنطقة. ومع ذلك، فإنّ طرح تحديات متعددة الأوجه على هذا "الماموث" العملاق، يمكن أن يؤثّر سلباً في الصين. ولم تتخذ مبادرة OBOR شكلاً كاملاً بعد، ومن ثمّ ينبغي أن تكون هناك ملاحظات دورية لفهم الامتداد الفعلي للتأثيرات ومتابعته، والآثار التي سيثيرها على حد سواء داخل حدودها وخارجها.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a thesis for the degree of Master of Human Sciences (Political Science)

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Supervisor

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DECLARATION

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CHAPTER ONE

INTRODUCTION

The ‘One Belt, One Road’, also known as OBOR, is a transnational initiative to cater the foreign policy and economic strategy of the People’s Republic of China (hereinafter referred to as China). Inspired by the ancient silk road of China, this initiative is grounded on the ‘Silk Road Economic Belt’ and the ‘21st-Century Maritime Silk Road’, policies introduced by President Xi Jinping of China (Wade, not dated). While academics and scholars researching China’s policies have been discussing this programme since its initiation in 2013, it has gained interests from academics and other policy makers in Asia, Europe and Africa only in recent times, as the initiative plans to sketch the land and sea route that will connect China to South and Southeast Asia, Central Asia, the Middle East and Europe. According to Sing (2016), OBOR wholly recommences the maritime and land-based Silk Road, as well as rearranges and combines the politics, economics, cultures and education in Europe and Asia.

One of the key issues in the debate among policy analysts is the need to understand China’s take on the political or strategic objectives behind OBOR. Flickers of their national interest can be seen in many local documents, including the official journal of the Central Committee of the Chinese Communist Party where it is stated that OBOR has the ability of relieving its pressure of overproduction as well as being compelled into purchasing hefty debt from U.S (Qiushi, 2015).

Further the Chinese officials are seen confident over OBOR’s potentiality to counter the revered Asia-Pacific Rebalance Strategy, designed by the U.S Department of Defence, commenced by President Barack Obama in 2011 to revert it’s attention

towards Asia Pacific creating a de facto hazard for local leaders like China in the region (CSIS, 2016; Qiushi, 2015). Nevertheless, although Beijing does not deny the political overtones of OBOR but has maintained its stand on striving for symbiotic relationship with other participating countries, persistently asserting their focus on promoting regional growth by building infrastructures and trade in creating links among the regional countries (Xin, 2017). In support, a prominent scholar from Fudan University in China, Sheng Dingli (2015), defends Beijing by affirming OBOR as a very ambitious platform which is using multilateral collaboration to utilizing a massive amount of resources without allowing any single country to dominate the process.

However, OBOR has also been a concern for many critics who relate it as a “Chinese version of the Marshall Plan.”(*Strategic Comments*, 2015, p. IV) and “a product of Chinese neo-mercantilist thinking” (Zhang, 2016, Paragraph. 3). A cynical scholar further commented that OBOR is “a nebulous one-size-fits-all slogan primarily driven by Chinese mercantilism, allowing China to exploit new markets and offload excess output from its state-owned enterprises (SOEs) during a period of slowing economic growth.” (*Strategic Comments*, 2015, p. V). On the other hand, the initiative has further created a dilemma for many countries, particularly China’s neighbouring countries that are not convinced about the benign nature of this initiative. For example, India, one of China’s regional contenders, has labelled OBOR as China’s grand strategy of domination in the regions of Asia, Africa and Europe by casing the rhetoric like integration, connectivity and trade ties (Pitlo and Karambelkar, 2015).

Therefore, the understanding and discussion on OBOR are necessary in the current international politics literature. In this regard, this research is a humble effort to cater to the growing literature on OBOR outside China, which aims to outline the origins of OBOR, its main features, and attempts to understand the reasons and challenges for

China to launch such policy and the constrains to the appealing passive resolutions that OBOR hopes to achieve.

1.1 SIGNIFICANCE OF THE STUDY

This research focuses on a topic that is shaping the contemporary contours of international politics. China today is an emerging super power, which considers OBOR as a beneficial tool that can be used to empower and consolidate the internal influence of its present leadership domestically, as well as securing China's concrete presence in the region (Lam, 2015). As pointed out by Lim Wen Xin (2017), a greater political impact within and beyond the region is inevitable with the multifaceted nature of this project. Hence, the China's OBOR initiative can be identified as a foreign and economic strategy to create a corridor that connects China with the rest of the world (Wade, n.d). Sing (2016) describes OBOR as a mammoth economic undertaking that is designed to cut out a route across areas with a population of more than 4.4 billion, covering the developing areas with the per capita GDP of US\$3,000 (RM12,071) and developed areas with the per capita GDP exceeding US\$10,000 (RM40,238). In the meantime, China has already become the world's second-largest military spender after the United States in which it was reported that the country has been increasing its military spending by 500% in real times (Bender, 2015). This amount includes its exerted effort to expand its territorial scope in the disputed South China Sea. Consequently, as stipulated by Sing (2016), even if a fraction of the goals set by OBOR can be achieved, the dynamics of the current regional, as well as the global political status quo will be stirred.

Understanding OBOR, therefore, is vital for political analysts and also for policy makers and stakeholders who will be affected by this massive stratagem. Thus, in order to further elucidate the assumption by Hu Zhiyong's (2015) that the implementation of

the OBOR policy will inevitably attract the attentions of great powers like the US and Russia towards China and the affected regions, in process will engender resentment between these powers. This research is based on these following main arguments:

1. OBOR reflects China's policy of cooperation and development which is deemed as instrumental to bring changes in the region;
2. OBOR signifies China's effort to gain importance as a global player;
3. OBOR can bring positive outcomes based on its economic, trade and investment characteristics;
4. OBOR can be politically and economically risky, not only for China, but also for other countries involved;
5. OBOR is reflective of China's attempt to ride its emerging status as a rising economic and military power in the Asia Pacific region; and
6. OBOR initiative may stimulate a transformation/ rift in the current international political structure

Therefore, this study aims to provide answers to the following questions:

RQ 1. What are the reasons and motives for China to initiate the OBOR policy?

RQ 2. How is China overcoming the challenges it faces in the implementation of OBOR?

RQ 3. What are the risks and challenges for China to implement OBOR?

This study is based on the following research objectives:

1. To discuss the reasons and motives that drive China to launch the OBOR policy initiative.
2. To analyse the mechanisms adopted by China in implementing OBOR; and
3. To assess China's risks and challenges in implementing OBOR.

1.2 LITERATURE REVIEW

Most literature explored the OBOR initiative as China's economic, political and military masterplan to attune itself with ongoing factors like globalization, regional integration and better communication. There are four main aspects that will be discussed here, and these were derived from the common patterns found in the existing literatures. This section will include discussion about the OBOR policy as given by its advocates as well as the counter arguments and criticisms of the initiative, particularly scholars' doubt over Beijing's sincere intentions behind this venture. Besides that, this discussion will highlight the predicted economic, political risks and challenges of implementing OBOR. This section will also evaluate the implication of the China's military presence in South China Sea and to conclude, presents the possible consequences of the OBOR initiative on its regional and international political stability. Finally, this section will identify the gaps in the existing literature on OBOR.

The One Belt One Road Policy (OBOR)

The One Belt One Road policy or OBOR initiative is inspired by the ancient Silk Road spirit that dominated the global trade market for thousands of years. The modern Silk Road (aka OBOR) was proposed by President Xi Jinping has extended numerous trade routes and facilitate cultural interactions, as well as connecting the most important civilizations in Asia, Europe and Africa. It is believed that 'accommodating' and 'absorbing' from other cultures are the required processes for transformation and improvement (Sing, 2016). OBOR was officially declared and sketched out for the world in the Vision and Action Plan issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China (2015).

Moreover, as a senior consultant to China National Development and Reform Commission on the Belt and Road Initiative (BRI), Weidong Liu (2016) promotes the concept of Silk Road as part of the history of all the major countries for not only trade, also for exchanging and linking numerous religions, cultures, techno-sciences and civilizations. In this light, OBOR can also be deemed as an effort to retain China's glorious past. Comprising six economic corridors, spanning the Asian, European and African continents, involving nearly 65 countries and counting, this modern day Silk Road is a political and foreign policy marvel of its own kind.

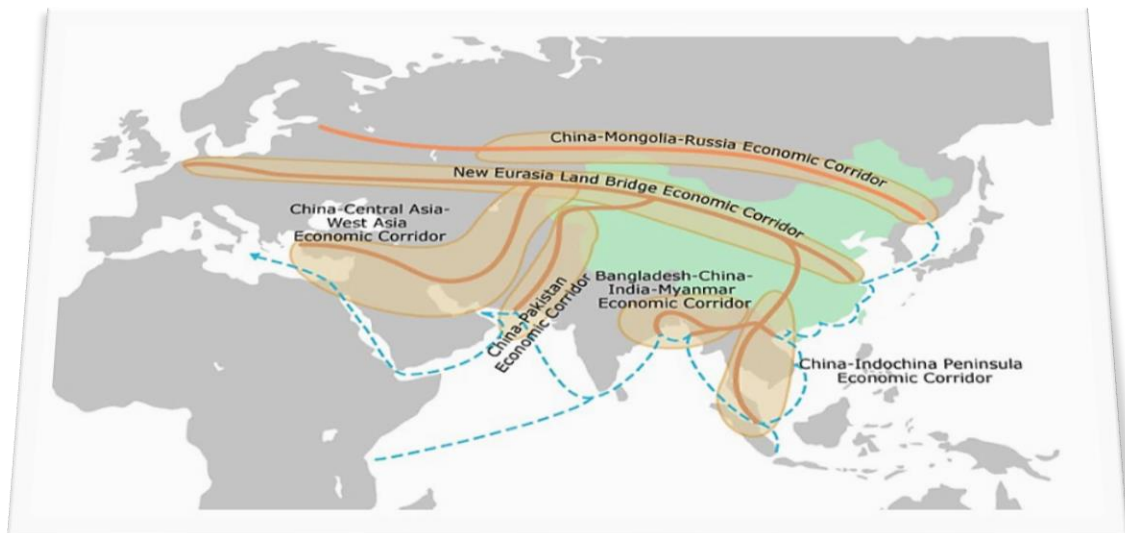


Image 1: Proposed corridors of The Silk Road Economic Belts. (HKTDC Research, 2016).

In this light, China-based scholars like Justin Yifu Lin, emphasizes on the cooperative aspects of OBOR, assuring that Beijing's interests are benign and largely painted a radiant picture of OBOR by arguing "OBOR can not only help China to further develop into a high-income country but also facilitate the industrialization and modernization of other developing countries" (Lin, 2015, p. 589). Beijing has also

declared OBOR as a highly ambitious, multilateral collaboration and that no country will have overwhelming dominance (Dingli, 2015). Consequently, Pro OBOR legislators and scholars have put constant effort to portray it as a generous initiative while Beijing also stipulates that the Silk Road spirit is more needed in the 21st century to tackle the crippling slow recovery of the global economy, and the growing complications in international and regional state of affairs (The National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, 2015).

On the other hand, Peter Ferdinand (2016) assumes that despite China's surge as a global economic player, Beijing is still struggling to make its mark as a significant political agent on the international arena. For the past few years, China has put lot of efforts to create its brand image such as contributing to UN peacekeeping to set up international organization, Shaun Breslin remarked, China still seemed to lack 'a clear, coherent and unified ... approach to international relations and the world order', so, "China's foreign policy objectives needed to be assessed through its actions rather than through any expression of doctrine" (Breslin, 2016, p. 633). OBOR, therefore, seems to be the perfect opportunity for Beijing to cement their image as serious action taker in global politics.

Criticisms and Doubts over the OBOR initiative

The OBOR discourse has dynamically evolved to integrate the non-hegemony promise that ensures peaceful rise of China without infringing others. In most parts, OBOR seems as a strategy, not only to serve as the economic, political and foreign policy goals for Beijing, but also paving a way for China's rise as a global economic power. Australian research analyst, Stephanie *Goche*, have studied China's rise in the last three

decades and observed the country's growth from a "relatively poor agricultural country" to a "nation contending for economic superpower status". However, she stipulates that this country is about to face a decline in recent times partly for the economy has reached a stage of overwhelming utilization of resources making them unable rely upon its domestic infrastructure development to function. Hence she also views the OBOR initiative as "the strategic international development strategy" that has a target set in generating a global partnership for building infrastructure (Goche, 2016, p. 1-6)).

Conversely, experts have raised fears over the financial risks resulting from the grandiose of the project. As it involves many countries, it also requires hefty investment for long-term infrastructural development with indeterminate returns. In addition, this vastly ambitious plan will take decades- to be precise, roughly about 35 years, to complete. Chen Gong, the chief researcher of Anbound Research Centre, predicts that the diversification will cause China's (limited) resources to be wastefully dispersed over too large a field (Wang, 2015), while Xu Gao (2014) has suggested that the OBOR initiative includes massive infrastructure investment, almost a quarter of China's total investment, and given that the returns of infrastructure investment is often low, uncertain and requires a long period of time, China may run into a mire of debts, leading to a financial crisis.

Moreover, the OBOR initiative may create further political tensions. At one hand, most of the countries included in the plan are either considered as developing or under- developed, with their fair share of political disputes, hence, meddling into these already tensed areas will incur a huge risk. Beijing may find itself caught between the government and oppositions that both will try to use the OBOR contract as their partisan agenda (Bondaz, Cohen, Godement, Kratz, Pantucci, 2015). Even if China rightfully pull the non-interference card and mind its own business, these factors will inherently

affect Chinese businesses. Even though OBOR is professed as lucrative as it claims, many developing economies will gaze into the initiative for funding that will sponsor their domestic infrastructure developmental needs. This is exactly the concern for many experts, who doubts credibility of the current financial institutions deployed for the OBOR projects, even if added together may remain unable to fund the relevant needs and demands. There is also possibility of a ' tug-of-war' between the existing global powers, especially the US and the emerging one (China). According to Wei, many states listed in the OBOR initiative will face the dilemma of having to choose sides between Beijing's initiative vs. Washington and its institutions which also prompts some of them to hedge Beijing's economic strength against Washington's strong geopolitical influence (Wei, 2017).

This new active type of Chinese foreign policy has also caught the attention of the Western scholars. OBOR is assessed as a policy that underlines Beijing's growing confidence of China's place as the major player in the international system. Feng Zhang (2015) considers OBOR as a determined foreign policy strategy of China to become a global force, a kind of diplomacy that he terms as 'partnership diplomacy' defining it as a "Chinese approach to winning friends abroad, as well as a Chinese alternative to traditional alliances in international politics" (p. 122). Peter Ferdinand (2016) points out the OBOR initiative as the 'most eye-catching' and with the 'longest-term significance', however, he questions the enthusiasm of China's neighbours in participating in OBOR since the new Silk Road project, which was proposed earlier, did not gain much interest.

Despite the sugar coating, the OBOR initiative have been received with ample criticism and doubts. Concerns are rising on China's 'clandestine agenda' to gain influence through OBOR, 'confine', 'dominate' and intimidate its regional competitors, or largely to enhance its control and manipulation of the states participating in the

initiative (Xin, 2017). Likewise, Junhua Zhang (2016) sees the OBOR initiative as a device to accumulate wealth and capital for the nation, labelling OBOR as a government-led globalization strategy and remarked it as China's neo-mercantilist approach, which is insensitive in nature, particularly for the vast differences of the host countries regarding culture, environment and ethnicity. Largely, this initiative is anything but benign and the only calculation that China really contemplated is how profitable this is for the countries involved to overlook China's whims.

Chinese security dilemma and the OBOR initiative

In recent times The People's Liberation Army (PLA) of China has been perceived to focus on developing their capacity to 'win victoriously' rather than only improve its militaries, signalling vivid signs of a 'more assertive' and 'triumphalist' foreign policy labelled by Shi Yinhong as 'a re-awakening lion' (2015), again, according to Shi, President Xi Jinping is proud of the hard-line approach China is using towards their rivals and strongly advocates the strategic and operational attitude to push the opponents to its limit. Consequently, China has indeed toughened its approach on territorial disputes with neighbouring South China Sea. The apparent intimidations are strengthened by its military presence in the disputed South China Sea, where it has started to build high capacity installations like runways and ports that are capable in handling naval ships. At this point, preaching compassion and compromise - the hallmark of OBOR initiative, certainly seems as a misnomer for Chinese foreign policy.

It is fathomable that the OBOR initiative is an important strategic step in the reinforcement of Beijing's influence and dominance in the South China Sea and the connected regions. After the maritime disputes that had affected China-ASEAN relation, China is eagerly trying to find a way to rekindle its relation with the region and

OBOR seems to be a perfect avenue for this purpose. Efforts are made by Chinese officials like Ling Yoxin, Deputy Director of the Institute of Maritime Silk Road National Institute, who insisted on mitigating non-economic conflict through economic integration. (Goche, 2016). Such efforts are comprehensible given that the countries surrounding the South China Sea, particularly South East Asian (ASEAN) countries are major destinations for Chinese companies and chief contributors to the OBOR initiative. Take the example of the two-way investment of China and ASEAN, which by the end of May 2016 has been said to exceed US\$160 billion by (Wong, 2017).

In contrary, scholars like He Kai and Feng Huiyun from Griffith Business School, are of the opinion that Xi Jinping is most likely to adopt an assertive foreign policy to achieve his strategic goals if external pressure grows too great (2013). Thus, if Beijing's interests are being challenged, such as the recognition of its authority over islands in the South China Sea, Beijing might be inclined to adopt an aggressive policy towards its neighbours. As the OBOR route does cover over some disputed lands, China's rising economic and military power makes its moves in the region even more vulnerable as it will be tricky to balance economic co-operation when political agenda turns sour.

The One Belt One Road is a very current and ongoing project, thus sketching vivid gaps in research on the subject is a challenging task given that new resources are being published on it almost every day. Nevertheless this project is worth keeping the track of and essential for researchers to acquire a comprehensive understanding of this project. For this reason, this study will try to contribute to the following areas of the subject: origins of the OBOR policy, OBOR's main features, as well as China's interests and challenges in implementing the policy. Although some literature have argued the challenges China may face in implementing the OBOR initiative, suggestions and

evaluating the mechanism to counter these challenges are missing from the discussion. On the other hand, interestingly, little can also be found on the rapid extension of Chinese military and the consequences it can have on the OBOR initiative. It is believed that observing the current military presence of China in South China Sea is necessary in current political academia, thus, this literature review therefore will shed light on these gaps in the current literature. This study, henceforth, is a concerted effort to fill in the gaps mentioned, contributing further to the ongoing dialogue on China's One Belt One Road (OBOR) initiative.

1.3 THEORETICAL FRAMEWORK

A theoretical framework demonstrates the understanding of theories and concepts that are relevant to the topic of the concerned research paper, assisting it to explain the findings in a structured fashion. In simple terms, the help of a theory aids the researcher to sort logic of its discovery in an organized way. A theory is defined as "A system of interconnected ideas that condenses and organizes the knowledge about the social world and explains how it works" (Neuman, 2014). This study will apply the Power Transition Theory, as the basic theoretical approach to relate and analyse China's OBOR initiative.

The theory of Power Transition is an ongoing research programme that has spanned over 60 years and more than four generations of scholars. It is described as a living theory with a pattern of growth, spin-offs, and refinements over time (Kugler, Lemke and Tammen, 2011). Coined by Organski in the late 1950s, the Power Transition Theory measures the changing patterns of the international system and differentiates the domestic and international politics as integrated horizontally and vertically to the world politics (Kugler and Organski , 2011). Thus, rather than viewing the international politics as anarchic, this theory envisions international politics "as a hierarchy of nations

with varying degrees of cooperation and competition”, demonstrating how and why changes occur (Kugler, Lemke and Tammen, 2012). At the same time, the differential growth rates affect international system by altering relative power and status quo between nations, consequentially building in new relationships of nations and the development of new political and economic system in the global ladder.

The static representation of existing international structures and rules are results of dynamic factors. In this regard, the state or group of states on top of the hierarchy dictates the functioning of the system by allocating resources and conditions. This dictation and meddling with the system vary upon the power or positions one holds in the hierarchy. The most powerful states are referred to as the ‘dominant’, which are positioned at the top of the global or regional hierarchy (Kugler et.al. 2011). On the other hand, it should be noted that, unlike most theories, the term dominant state does not refer to a hegemon in Power Transition theory, rather, it is to outline the powerful countries and their effort to manoeuvre global politics in order to maintain the status quo. Tammen depicts a classical representation of hierarchical power distribution as follows:

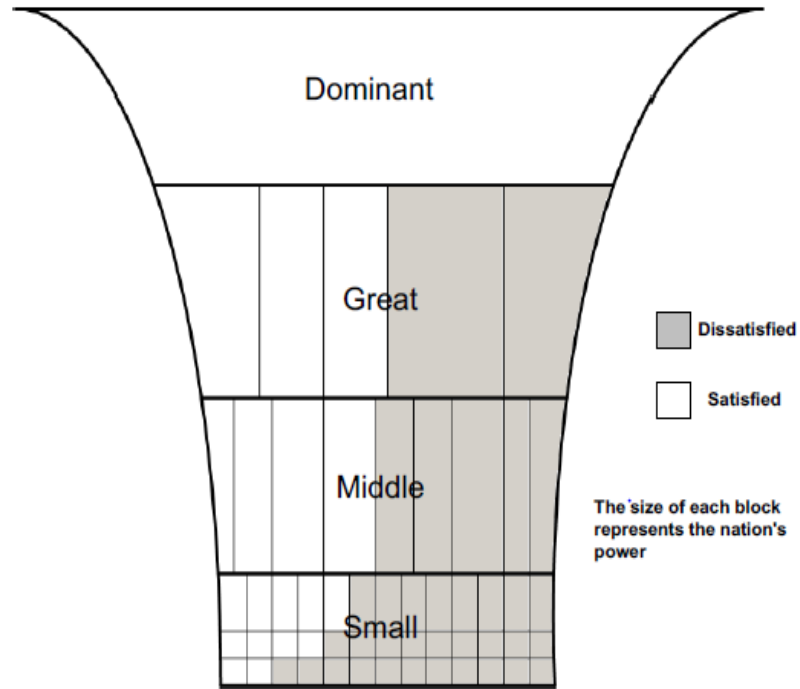


Figure 1: Global Power Hierarchy (Kugler et.al. 2011)

Therefore, for the power transition theory, the lower states in their “sense of satisfaction” with the power (Kugler and Organski, 2011), reside in the static or fluctuation of the international system. Furthermore, the dominant nations will attempt to maintain the hierarchy of the international system, with a coalition of static, satisfied supporter states. These contents are not of concern, because, if they are satisfied with the dominant states, they will help to maintain the stability and existing structure. However, according to the power transition theory, the unsatisfied states will pose the challenge and possible conflict. These states with their personal development will mature into potential challengers. Consequently, when a challenger nation reaches a power that is the relative equivalence to that of the major players, it is predicted that the by-product of differential growth and mounting dissatisfaction can create high potentials for conflicts (Kugler, et.al. 2012).

The power transition theory has been applied in academic studies for a while, particularly to monitor the actions of China and its effect on world politics; in this light, Organski even mentioned about the rise of China in his original explanation of the theory in 1958, and until today, routine comparisons are still sketched between the rising power of China with that of Germany over a hundred year ago (Gates and Kim, 2015). By the year 2025, eight of the world's ten largest economies will be in Asia, and given the size and speed of its growth, China is undoubtedly leading the new movement. Steve Chan (2007) author of the book *China, the US and the Power-Transition Theory: A Critique*, foreseen that an imminent power transition is pending from the U.S to China given the track records of recent growth and development achieved by China, will most likely stir the existing international order.

This study will draw arguments from contemporary social science research and analyse historical evidences and opinions from sources that are familiar and common to this scholarship. Taking into consideration of the assumptions mentioned in the significance of the study, using the popular Power Transition Theory, this research will attempt to provide an understanding of the upcoming changes in both domestic and global setup brought about by China's implementation of the One Belt One Road (OBOR) initiative.

1.4 RESEARCH METHODS AND PROCEDURES

The research methodology used in this research is qualitative in nature. This study will try to explain and answer the research questions and validate the proposed arguments. In this regard, qualitative research is more inductive in nature hence it can be applied in measuring and generating new conceptions simultaneously with the process of data collection. Qualitative research can be defined as “a process that seeks in-depth