

The China-Pakistan Economic Corridor: an assessment of potential threats and constraints

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Introduction

China and Pakistan have developed strong bilateral trade and economic ties and cooperation over the years. China has gradually emerged as Pakistan's major trading partner both in terms of exports and imports. Bilateral trade and commercial links between the two countries were established in January 1963 when both signed the first bilateral long-term trade agreement (Ministry of Finance, 2014:126). Under the Free Trade Agreement (FTA) between the two countries – signed on November 24, 2006 and implemented from July 1, 2007 – Pakistan secured market access for several products of immediate export interest.¹ Later, both countries signed the FTA on Trade in Services on February 21, 2009 that became operational from October 10 that year (Ibid).

According to statistics provided in Pakistan Economic Survey 2013-2014, the volume of trade between Pakistan and China has increased from US\$ 4.1 billion in the year 2006-07 to US\$ 9.2 billion in 2012-13, representing an increase of 124 percent. While China's exports to Pakistan increased by one percent during this period, Pakistan's exports increased by 400 percent from around \$600 million in 2006-07 to \$2.6 billion in 2012-13. As a result, China's share in Pakistan's total exports has gradually picked up from four percent in 2008-09 to 10 percent during the fiscal year 2013-14.²

The China-Pakistan Economic Corridor (CPEC) is expected to further strengthen trade and economic cooperation between the two countries. Chinese Premier Li Keqiang emphasized the construction of the CPEC during his May 2013 visit to Pakistan (Tiezzi, 2014). The incumbent Pakistani government has also shown much enthusiasm for the project since then. The corridor will connect Gwadar Port in Balochistan (Pakistan) to Kashgar in north-western China, which will make Gwadar not only fully operational but also a significant deep sea port in the region. Opened for operations in 2007, the control of Gwadar Port was transferred to China's state-owned China Overseas Ports Holding in February 2013. Since then, Gwadar is undergoing a major expansion to turn it into a full-fledged, deep-water commercial port (*South China Morning Post*, 2014). When the corridor is constructed, it will serve as a primary gateway for trade between China and the Middle East and Africa.³ The corridor is expected to cut the 12,000-kilometre route that Middle East oil supplies must now take to reach Chinese ports (Ibid).

¹These include cotton fabrics, blended fabrics, synthetic yarn and fabrics, knit fabrics, home textiles like bed-linen etc, minerals, sports goods, cutlery, surgical goods, oranges, mangoes, industrial alcohol, etc.

² For details see chapter 8 of Pakistan Economic Survey 2013-2014 available at <http://finance.gov.pk/survey/chapters_14/08_Trade_and_Payments.pdf>

³ The whole project is expected to be completed by 2030, whereas related short-term projects including motorways and energy projects are to be finished by 2017-2018.

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Besides meeting China's needs in energy and developing its far west region and upgrading Pakistan's economy, the CPEC is expected to benefit the people of countries in South Asia, contributing towards maintaining regional stability as well as economic integration (*China Daily*, 2013).

As cited earlier, the CPEC is a comprehensive development program that entails the linking of Gwadar Port to China's northwestern region of Xinjiang through highways, railways, oil and gas pipelines, and an optical fiber link. Major physical infrastructure to be built includes 2,700-kilometre highway stretching from Kashgar to Gwadar through Khunjrab, railways links for freight trains between Gwadar and Khunjrab linking to China and having possible regional connectivity with Afghanistan, Iran and India, and the Karachi-Lahore motorway. The project will also undertake the revival and extension of the Karakorum Highway that links Xinjiang with Pakistan's northern region Gilgit-Baltistan and Khyber Pakhtunkhwa.⁴ Besides physical links connecting Pakistan and China, the project also envisages establishing several economic zones along the corridor. Also, an Energy Planning Working Group of the CPEC has been established that will undertake fast-track implementation of power projects related to the CPEC. Those projects of 21,690 MW power productions will be undertaken with the assistance of China under the CPEC plan (*Pakistan Today*, 2014).

This report assesses potential threats and risks that could affect the implementation of the CPEC project in terms of insecurity and violence that pervade Pakistan, internal political and economic constraints, and also global and regional geostrategic impediments. The purpose is to understand and evaluate Pakistan's security, political and economic environment and regional geostrategic dynamics in the medium to long term to explore feasibility prospects for the corridor and also to manage potential threats, if any, that could hamper the implementation. Most importantly, the report discusses the security aspect in detail in which the probability of threats vis-à-vis extremist militancy, nationalist insurgency and criminal violence are analyzed with the main focus on areas across Pakistan which will be traversed by the China-Pakistan Economic Corridor.

1. Political and economic constraints

Although Pakistan regards China an "all-weather friend" and bilateral relations between the two countries have never been uneasy over the course of history, yet it is important to evaluate the variables that can affect Pakistan's political and economic capacity and response to implement the elements of the larger CPEC project over longer periods of time. Important among these variables are: 1) Pakistan's political stability and policy consistency; and 2) The present situation of Pakistan's economy and future scenarios.

With regard to the first variable, a positive aspect is that there is almost consensus among Pakistan's political parties on maintaining friendly relations with China which suggests that in principle there should be no major political impediment in the way of the construction of the China-Pakistan Economic Corridor. With an exception of minor segments among nationalist parties in Balochistan,⁵ Pakistan's regional parties look towards China in a positive manner to preserve bilateral ties. Similarly Pakistan's military

⁴ The highway was started in 1959 and completed in 1979.

⁵ Some Baloch nationalists believe that mega projects in Balochistan such as Gwadar Port are not providing due share or benefit to the Baloch people. In that context, too, it is not specifically an anti-China sentiment on their part rather it is their anti-mega projects narrative that makes nationalists aggrieved with Chinese involvement in Balochistan's development projects.

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establishment, which is also a key stakeholder in policymaking processes in Pakistan, considers China a trusted and valuable partner in bilateral military, economic and strategic areas of engagement and cooperation. Every political party that comes into power in Pakistan holds frequent high-level meetings with the Chinese government to discuss the political and strategic prospects that are helpful in strengthening bilateral relations and cooperation. Nor have there been high level bilateral exchanges of military officials between the two countries less frequent.

Also, Pakistani and Chinese geostrategic concerns have historically remained largely converged around many common areas of strategic and bilateral interests. The relationship between the two countries mainly hinges on four shared areas of interest that include 'economic cooperation, energy security concerns of both countries, shared internal security concerns, and largely converging geostrategic interests' (Mezzera, 2011).

All these factors indicate that a change of government in Pakistan is less likely to reverse or halt the CPEC project as successive future governments are expected to maintain consistency in Pakistan's foreign policy towards China and also policy on bilateral trade and economic engagement. For example, the incumbent Pakistan Muslim League-Nawaz (PML-N) government in Pakistan restarted the country's political and economic engagement with China from the point where the outgoing Pakistan People's Party (PPP)-led government had left it.

At the same time, as the revised alignment of the corridor, or eastern alignment which will be discussed at length later in the report, will not run through most parts of Balochistan and Khyber Pakhtunkhwa (KP) as initially planned, some analysts are of the view that it would be difficult for the federal government to muster political ownership for the CPEC project from all the provinces.⁶ As the new CPEC route will largely pass through Punjab, the political leadership of Balochistan and KP may view their provinces as being deprived of the development and employment opportunities the CPEC will bring with it. However, the government claims it has not abandoned the original western route, which will be constructed later, and that the decision to first construct the eastern alignment was based on financial and security reasons.

Apart from that, long-term political stability will be required in Pakistan to smoothly implement projects such as the CPEC. In the past, Pakistan has faced many phases of political instability and turmoil that weakened the country's development roadmap and also affected policy consistency. It was a very promising development for the country's political stability that a democratically elected government completed its five year term and a peaceful transition of power happened after the 2013 elections. But the current government now faces a political crisis after just 14 months of being in power. This crisis unfolded itself after two political parties – Pakistan Tehreek-e-Insaf (PTI) led by Imran Khan, and Pakistan Awami Tehreek (PAT) led by a religious scholar Tahirul Qadri – started their protests and sit-ins in Islamabad on August 14. Apart from certain other demands, both parties demanded resignation of the prime minister. While the former is a political stakeholder having representation in the National Assembly and also heads the coalition government in Khyber Pakhtunkhwa, the latter had not contested the 2013 election and does not have considerable electoral strength. The PTI alleges the ruling PML-N of rigging in elections and demands fresh elections under a 'neutral' interim set-up. Nonetheless, the PAT advocates a new political system that ensures 'true and participatory' democracy.

⁶ Author's interview with Fazlur Rehman, executive director, Pakistan Council on China, Islamabad, October 2014.

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The ongoing political instability has already caused huge losses to the economy besides distracting the political leadership from other matters of vital importance related to governance, terrorism, policymaking and implementation of policies. Certain important visits to Pakistan of heads and officials from different countries and also international organizations including the International Monetary Fund (IMF) were either deferred or shifted to locations outside Pakistan in the summer-autumn of this year.

As far as the second variable is concerned, economic growth and development are linked to political stability to a great extent. At present, Pakistan's economic outlook, although not bright, seems positive and improving. On August 18, 2014, the IMF raised its growth forecast for Pakistan to 4.3 percent for the current fiscal year, up from 4 percent (*Daily Times*, 2014). In the absence of certain major political crisis and policy breakdowns, it would be safe to say that the country's economy is right on the track and will improve gradually.

Put it another way, Pakistan can provide the required funds and facilities for the CPEC project over a longer period of time, if there is no major political conflict and no economic meltdown. The government has already allocated over Rs73 billion as the budget for the Public Sector Development Program (PSDP) to execute development projects under the CPEC during the current fiscal year. Most of it this will be spent on the construction of Karachi-Lahore motorway and connecting roads and for land acquisition and relocation of utilities (Zafar, 2014). But in the case of a prolonged political crisis and economic meltdown gripping the country, such yearly and periodic allocations for the project could be disturbed causing delays to the project outcomes beyond the set targets.

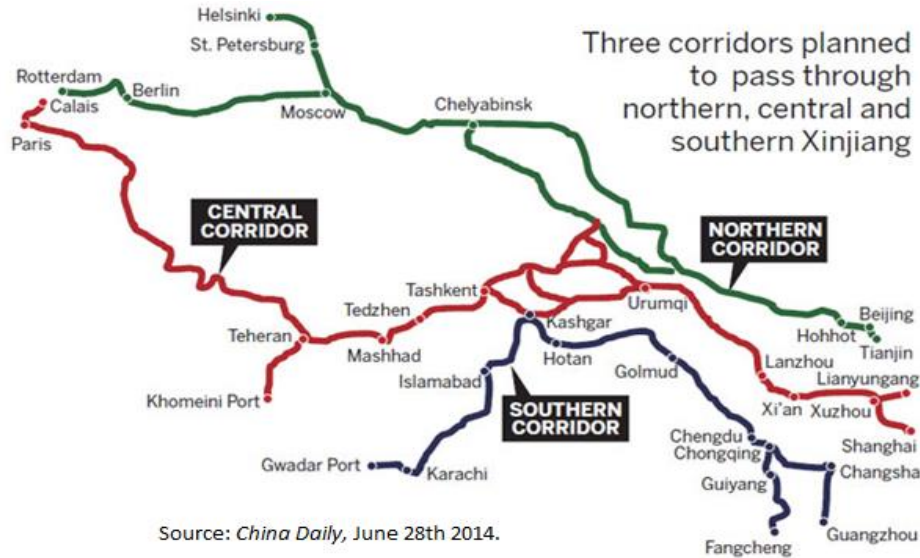
The China-Pakistan Economic Corridor project needs about \$32 billion of investment and loans for the project are expected to come mainly from Chinese banks and corporations. For that purpose, the Federal Minister of Planning, Development and Reform Ahsan Iqbal and the Punjab Chief Minister Shahbaz Sharif held several meetings on their three-day visit to China in July 2014 with the Chinese National Development and Reform Commission, National Energy Administration, China Development Bank, Industrial and Commercial Bank of China, Exim Bank, and heads of the Chinese corporate sector (Ibid).

Secondly, the corridor will be largely built on BOT (build-operate-transfer) basis. As a result of Chinese financing loans, the project will be completed by Chinese companies, especially state-owned enterprises in China. It is expected that the project will be financially viable for these companies because the revenues generated by the project through BOT-related facilities would cover its cost and provide sufficient return on investment. Under BOT arrangements, Chinese companies will also receive concessions from the government to finance, design, construct, and operate the designed projects as agreed in the concession contract, or BOT. The government may also provide support for the project in form of provision of the land.

2. Geostrategic dynamics

The CPEC is part of China's efforts meant to strengthen its trade and commerce connectivity with different regions of world. In September 2013, Chinese President Xi Jinping emphasized reviving the ancient trade routes connecting China, Central Asia and Europe through developing three main corridors through southern, central and northern Xinjiang, which connect China with Russia, Europe and Pakistan (Jia, 2014). Also, the Chinese have recently increased focus on the Bangladesh-China-India Myanmar corridor that would provide China's landlocked Yunnan province access to the Bay of Bengal (Chowdhury, 2013).

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While China's prime focus in constructing these corridors seems to strengthen its trade and economic connectivity with countries in the region and beyond primarily to fulfill its soaring energy needs and enhance exports, it is expected that Pakistan could emerge as a hub of commerce and trade in the region with the construction of the CPEC that would entail establishing several economic and industrial zones and physical road and railway links connecting Pakistan and China. As the corridor also anticipates having regional connectivity with India and Afghanistan—although it is still too early to comment whether regional element of the CPEC will become operational or not—it could also enhance regional economic and trade cooperation, that in turn would contribute towards regional peace and stability.

Gwadar holds central place in the utility of the China-Pakistan Economic Corridor because without making the Gwadar Port fully functional, it would be difficult for China to see the anticipated corridor as an energy corridor that appears as one of its main objectives behind the construction of the CPEC. Located near the Strait of Hormuz, which channels about one third of the world's oil trade, Gwadar could play a key role in ensuring China's energy security as it provides a much shorter route than the current 12,900km route from the Persian Gulf through the Strait of Malacca to China's eastern seaboard (Chowdhury, 2014).

However, there is the view that the construction of the CPEC will 'place Gwadar on the matrix of intense geo-strategic competition' (CPGS, 2014). It has been said that Gwadar will also put China and Pakistan in a strategically advantageous position along the Arabian Sea compounding already existing Indian concerns that stem from 'China's involvement in nearby ports such as Hambantota in Sri Lanka, Sittwe in Myanmar and Chittagong in Bangladesh' (Chowdhury, 2014). On the other hand as India is also energy hungry it looks forwards to developing Iran's Chabahar Port. In October 2014, Indian Prime Minister Narendra Modi's cabinet decided to develop Chabahar Port, which many believe is central for India to open up a route to landlocked Afghanistan, where it has developed close security ties and economic interests (*Dawn*, 2014a), and to have access to energy-rich Central Asian States.

While Gwadar is located in Pakistan's Balochistan province, where a nationalist insurgency is rife, Chabahar is located in the Iranian province of Sistan-Baluchistan where unrest prevails as well mainly due to certain violent Sunni sectarian-nationalist groups operating in the district. If peace and stability is not achieved in Afghanistan after the drawdown of international assistance forces, and countries in the region,

mainly India, Pakistan and Iran, engage in proxy wars, it could have some implications for internal security mainly for Pakistan, Afghanistan and Iran that could impact development projects. Pakistan has blamed India in the past for supporting Baloch insurgents from Afghan soil. Similarly, Iran has concerns regarding Jundullah—a sectarian insurgent group based and operating in Iran's Sistan-Baluchistan province with free cross-border movement into and from Pakistan. But analysts argue that while Pakistan has struggled to achieve security in Balochistan, Iran has the capacity to enforce its writ in Sistan-Baluchistan that suggests Chabahar could become functional earlier than Gwadar, if pursued by India and Iran fervently.

Nonetheless, China has devised a pro-active foreign policy vis-à-vis the Middle Eastern countries by using the United Nations as a platform to negate the ongoing war in the region (CPGS, 2014). As far as Iran is concerned, China wishes to resolve the Iranian nuclear issue through peaceful political settlement. Moreover, when it comes to ties between Pakistan and India, China has played its part (Ibid). At the same time, for China, Pakistan's geo-strategic position is very crucial as it serves as a window into the Middle East. Meanwhile, it has already expanded its trade, infrastructure and energy links with most of the Central Asian Republics (Pakistan-China Institute, 2014). But insecurity and instability in Afghanistan are a major source of concern not only for China but also other neighboring countries including Pakistan, India and Iran. China is already the biggest economic investor in Afghanistan with about \$7.5 billion investment (Ibid). China has recently enhanced bilateral and trilateral efforts aimed at strengthening regional cooperation and coordination. It hosted the Fourth Ministerial Conference of the Heart of Asia-Istanbul Process Beijing on October 31, 2014 with a view to promote security and stability in the Afghanistan, in cooperation with its neighbors (Arif, 2014). China has also pushed the matter of Afghanistan's future after the drawdown withdrawal to the top of the Shanghai Cooperation Organization's agenda (Pakistan-China Institute, 2014).

While cooperation among all countries in the region, at least in terms of trade and economy, would be an ideal scenario with changing regional dynamics, there is a strong likelihood that persisting bilateral conflicts and an environment of mistrust will keep them polarized and part of alliances where Pakistan would certainly remain closer to China, with emerging regional dynamics having little impact on the construction of the CPEC and functioning of the Gwadar Port. But it still remains to be seen whether or not the CPEC and Gwadar could become instrumental in forging and enhancing regional coordination and cooperation, although they are designed to have regional connectivity with India and Afghanistan.

3. Security-related threats

There are certainly security-related threats linked to the China-Pakistan Economic Corridor and while most might originate in Pakistan, the Xinjiang province in western China is also facing security threats from Uighur militants and the East Turkestan Islamic Movement (ETIM). Uighur and ETIM militants have long sought shelter in Pakistan's tribal areas along with the local militants. However, Pakistan's security forces have fought foreign militants in North Waziristan Agency including ETIM and Uighurs in recent months with the commencement of the military operation *Zarb-e-Azb* which has also weakened the operational capacity of ETIM (Khan, 2014). Furthermore, US drone strikes in various areas of FATA have also dented the group by eliminating a number of its leaders.

The security of the corridor is of crucial importance for Pakistan as well as China in order to further strengthen trade and development-related ties. It is feared that growing militancy will threaten the commencement of projects designed for the corridor. It will thus be a challenge for both countries to quash

militant groups and their fighters along and across their borders. China also expects assistance from Pakistan in this regard. The presence of local and foreign militants in Pakistani tribal areas usually generates pressure on the government, therefore affecting bilateral relations (Rana, 2014).

Militant groups in Pakistan are relatively less hostile to China when compared to America and its western allies, but at the same time, they have targeted Chinese citizens, workers and engineers in past. The Uighur militants' links with the Taliban in FATA pose a major threat to Chinese interests in Pakistan. An Uzbek-speaking militant leader Mufti Abu Zar al-Burmi recently released a video message directing all Taliban groups to carry out attacks on Chinese embassies and companies and kidnap or kill Chinese nationals (Rehman, 2014). The second source of threat to security could be Baloch insurgent groups who are against mega development projects in Balochistan, including Gwadar Port currently being developed by Chinese companies. Thirdly, the militant-criminal nexus in certain areas also poses a threat to Chinese engineers, workers and citizens in the form of kidnapping and robberies. In the past, there have been many incidents of kidnapping and killing of Chinese citizens working and living in Pakistan.

This part of the report discusses the nature and level of potential security threats to the China-Pakistan Economic Corridor, which can appear in different parts of Pakistan in form of protracted violence, terrorist attacks, kidnapping and criminal activities. The threat assessment for different regions—through which the CPEC will pass—is based on the frequency of terrorist attacks reported from these areas over the past few years, and also the presence of militant, insurgent and criminal groups in those regions.

3.1 Geography of the CPEC

The CPEC is a huge project that will undertake the construction of highway and railway links running through most of Pakistan starting from Gwadar in Balochistan and culminating in Kashgar in western China, while passing through parts of Balochistan, Sindh, Punjab, Khyber Pakhtunkhwa provinces and Gilgit-Baltistan in northern Pakistan to reach the Khunjrab Pass and beyond to China.

Eastern alignment: Pakistan and China have decided to initially construct the eastern alignment of the corridor mainly due to two reasons: first, Chinese companies are reportedly willing to undertake the construction of the eastern alignment on a BOT (build-operate-transfer) basis, and secondly it is more secure compared to the western alignment planned earlier. The eastern alignment will run through only a few areas of Balochistan and KP provinces where the security situation is more volatile compared to other parts of the country. This change in original planning earned some criticism from parliamentarians in these two provinces who thought the new alignment will deprive their respective provinces of development and employment opportunities that the CPEC brings (*The News*, 2014).

Senators from KP and Balochistan during a meeting of the Senate Standing Committee on Finance held in June 2014 said that the new corridor alignment [eastern] excluded many areas of their provinces and the new route largely passed through the Punjab (Ibid). The Federal Minister for Planning and Development, Ahsan Iqbal informed the senators that investors were unwilling to construct the western route on a BOT basis. He said the government had decided to construct the relatively more secure eastern route first with Chinese assistance and that it had not abandoned the original western route, which would be constructed later (Ibid).

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The eastern alignment of the corridor originates from Gwadar, travels parallel to the Makran Coastal Highway eastwards (towards Karachi), and then after passing through parts of interior Sindh, and southern, central and northern regions of Punjab, it reaches Islamabad. From Islamabad, it extends to Haripur, Abbottabad, and Mansehra districts of the relatively peaceful Hazara Division in KP –this part of the corridor will also run through Muzaffarabad, the capital of Azad Jammu and Kashmir—and reaches Khunjrab after passing through Diamer and Gilgit areas in northern Pakistan. The corridor will also run through the Pamir Plateau and Karakoram Mountains. A link from Taxila through Peshawar and Torkhum will connect the eastern alignment of the corridor to Jalalabad in Afghanistan. Regional connectivity with India through the eastern alignment is designed to be provided through the Hyderabad-Mirpurkhas-Khokhrapar-Zero Point link and the Wagha border, Lahore.

Western alignment: This was the original alignment which the government says it has deferred until the eastern alignment of the corridor is completed. According to the western alignment plan, the economic corridor (highway and railway) starts from Gwadar and runs through some southern and eastern districts of Balochistan (Khuzdar and Dera Bugti, respectively), and some districts in South Punjab to reach D.I. Khan in KP. From D.I. Khan, it further extends to Islamabad and Abbottabad and from there onwards, the route is the same as in the eastern alignment. The western alignment will have an additional regional connectivity link to Afghanistan through Chaman and will connect to Iran through Quetta-Kho-e-Taftan link.

Karachi-Lahore Motorway: It will run from Karachi to Lahore through traversing interior Sindh (mainly Hyderabad, Dadu and Sukkur), and parts of south Punjab, including Raheem Yar Khan and Multan.

3.2 Potential security threats to CPEC in each geographical region of Pakistan

Pakistan faces diverse challenges to its security and stability, for instance, Taliban militancy in KP and the tribal areas, a nationalist insurgency in Balochistan, ethno-political violence in Karachi, growing religious extremism and radicalism, and the deteriorating law and order amid acts of terrorism and violence being reported from across the country almost on daily basis.

This prevailing environment of insecurity, militancy and violence can pose serious threats to the construction of the China-Pakistan Economic Corridor. As the level and nature of this threat is not uniform, it is a positive aspect that the finalized eastern alignment of the corridor runs through parts of the country which are relative more secure with few exceptions.

As China and Pakistan have decided to initially construct the CPEC along the eastern alignment, this section of the report assesses the security, law order situation and militant landscape of the regions through which the Gwadar-Kashgar Highway and railways will run, also including areas to be traversed by the Karachi-Lahore Motorway.

Gwadar and Makran Coastal Highway⁷

⁷All data and statistics used in this section are taken from the Pak Institute for Peace Studies' (PIPS) database on conflict and security (<http://san-pips.com/index.php?action=db&id=1>), unless otherwise stated.

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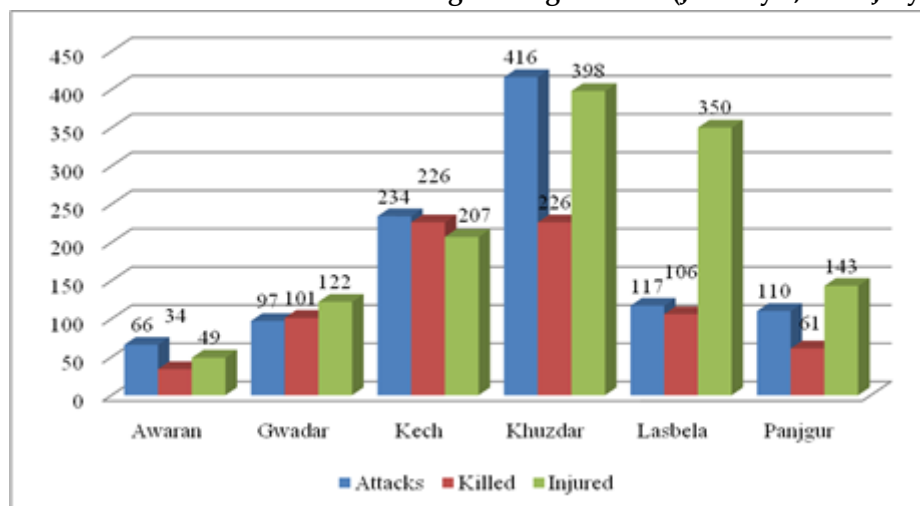
Summary: Baloch insurgents pose the key threat in Gwadar and the coastal belt; the Taliban and sectarian militants have minimum presence in this region. Baloch insurgents can carry out low intensity attacks targeting the CPEC-linked installations and infrastructure and workers besides attempts at kidnappings. The level of threat is medium, and needs stringent security measures.

The 653 kilometers long Makran Coastal Highway extends towards the east to link Gwadar with Karachi. This is where the Balochistan part of the CPEC will originate from and run similarly towards Karachi. Security threats to the construction of the CPEC and workers can also appear from neighboring northern districts of Gwadar and Makran Coastal Belt, e.g. Kech, Awaran and Lasbela. As the militant landscape of these districts is largely linked to that of Panjgur and Khuzdar, too, it is pertinent to assess the security situation of this entire region spread over 6 districts.

A review of reported terrorist attacks between 2007 and July 2014 suggests that Kech and Khuzdar are the most volatile districts in this region. (See Chart 1) A worrisome factor is that Gwadar shares boundaries with Kech, a district where the activities and influence of Baloch insurgents has increased over the past few years. On the whole, 1,040 terrorist attacks took place in these six districts between 2007 and July 2014, representing 23 percent of total attacks reported from Balochistan during that period. In other words, 23 percent of total terrorist attacks reported from Balochistan between 2007 and July 2014 were concentrated in six districts of Gwadar, Kech, Awaran, Panjgur, Lasbela and Khuzdar.

Targets hit in most of these attacks included security forces, civilians, political leaders, non-Baloch settlers and workers, gas pipelines and power pylons, railways tracks, and government installations and property etc.

Chart 1: Terrorist attacks in Gwadar and neighboring districts (January 1, 2007-July 31, 2014)



— Violent religious/sectarian and militant groups such as Lashkar-e-Jhangvi (LeJ) and the Tehreek-e-Taliban Pakistan (TTP) or its Balochistan chapter Tehreek-e-Taliban Balochistan (TTB) have very little presence and operational activities in Gwadar, Kech, Awaran and Lasbela, four districts that will have immediate proximity with the CPEC alignment. But religious extremist and violent sectarian groups have enhanced their presence and activities in Khuzdar that lies towards north of Lasbela and Awaran districts.

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- That means the immediate threat to the CPEC in Balochistan is less likely to come from the Taliban or associated groups and sectarian groups such as LeJ due to their minimum presence in Gwadar and its immediate neighborhood. Another reason is the fact that such development projects have not been prime targets for religious extremist and sectarian groups.
- However, most of the insecurity in terms of terrorist attacks and threat of kidnapping in Gwadar, Makran Coastal Belt and neighboring districts emanates from Baloch insurgent groups, mainly the Balochistan Liberation Front (BLF) and Lashkar-e-Balochistan (LB) while the Balochistan Liberation Army (BLA) and Baloch Republican Army (BRA) are also occasionally found involved in insurgent attacks reported from these four districts.
- The BLF, led by Dr. Allah Nazar Baloch, is predominantly focused in the southern coastal Makran belt although it operates across Balochistan. The group represents disgruntled middle-class and lower middle-class Baloch youths. The LB led by Javed Mengal is concentrated in south-western districts of Balochistan (Panjgur, Gwadar, Kech, particularly Turbat) and also Khuzdar. It is suspected that the group was involved in terrorist attacks on the Chinese Consulate in Karachi and a blast at the Lahore Railway Station in August 2012 (PIPS, 2013). The BLA and BRA are also active in parts of Gwadar and its neighboring districts particularly Panjgur and Kech.
- As far as the security situation of Gwadar district and Gwadar coastline is concerned, the frequency of terrorist attacks in these areas is quite low compared to other regions of Balochistan. From 2011 onwards, Baloch insurgents have hit different targets in Gwadar at an average of nine attacks in 2013 or less than one attack a month. These targets range from security forces including Gwadar coast guards, non-Baloch settlers, state installations, public and private property, and political leaders and workers etc.
- The drug peddlers, human traffickers, and criminal groups are also present in Turbat, headquarters of Makran Division, and parts of Gwadar. Also, the growing nexus of Baloch insurgents with Taliban-like groups and criminal networks has the potential to increase the overall security threat for Gwadar and its neighborhood. To curtail such a threat it is necessary to counter the Taliban, sectarian groups and criminals from across Balochistan so that they are not able to expand their outreach to Gwadar region.

Karachi and interior of Sindh⁸

Summary: *The level of threat is medium in Karachi and very low in interior parts of Sindh. With the presence of large numbers of militant, sectarian extremists and criminal elements in Karachi, there is a probability of attacks on engineers and workers of the CPEC-related projects and also security personnel deployed to provide security to the project sites and workers. Incidents of kidnapping too cannot be ruled out.*

A security analysis of major areas of Sindh along the eastern alignment through which Gwadar-Kashgar highway and railways and Karachi-Lahore motorway will run reveals that major threat can emerge from Karachi whereas the level of threat in interior of Sindh is quite low.

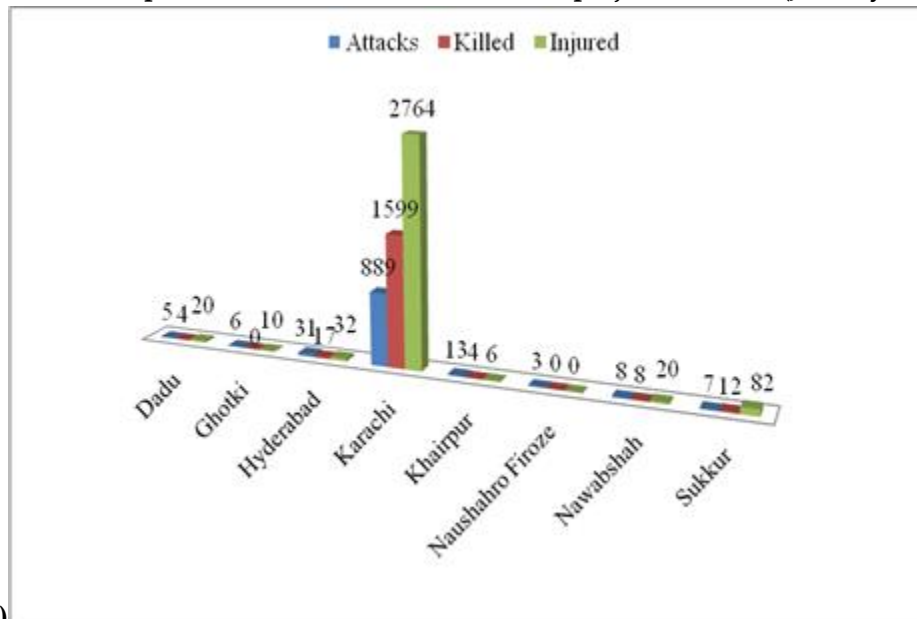
⁸All data and statistics used in this section are taken from the Pak Institute for Peace Studies' (PIPS) database on conflict and security (<http://san-pips.com/index.php?action=db&id=1>), unless otherwise stated.

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Between 2007 and July 2014, as many as 962 terrorist attacks took place in areas of Sindh through which the CPEC and Karachi-Lahore Motorway will run. Most of these attacks, 889, occurred in Karachi alone. Among 31 attacks reported from Hyderabad, most were low intensity attacks carried out by Sindhi nationalists and others.

Most of these attacks targeted security forces and law enforcement agencies, civilians, Shia and Sunni religious communities, and political leaders and workers. A few attacks also targeted NATO supply vehicles. A considerable number of low intensity attacks also hit railway tracks and trains, mainly in interior parts of Sindh.

Chart 2: Terrorist attacks in parts of Sindh where CPEC-linked projects will run (January 1, 2007-July 31, 2014)



- Karachi has become hub of the Tehreek-e-Taliban Pakistan (TTP) and associated groups and sectarian militants such as Lashkar-e-Jhangvi and Sipah-e-Muhammad. While sectarian groups are largely engaged in sectarian violence—with an exception of Lashkar-e-Jhangvi that is also engaged in terrorist attacks on security forces and other targets being a key ally of TTP—most of the terrorist attacks including high profile are carried out by the TTP and associated groups.
- The ongoing security operation in Karachi has failed to break the network of militants in the city. Reports also suggest that criminals were mainly targeted in security forces’ surgical strikes going on in the city for several months now. There is dire need to launch a comprehensive operation against militants in Karachi because the TTP and its allies including foreign militants are well entrenched in the city, more than what is usually thought, mainly in areas of Gadap, Sultanabad, Gulshan-e-Buner, Manghopir, Sohrab Goth, Mauripur, Musharraf Colony, Usmanabad, Steel Town, Sultanabad, and Orangi Town. The brazen attack on cargo terminal of Karachi airport in June this year provides enough evidence to suggest how militants have established their network and strengthened their operational capabilities in Karachi. It also highlights lapses in the state’s security and intelligence infrastructure.

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- Also, Karachi can become more vulnerable after the military operation has been launched in North Waziristan. Taliban militants based in Karachi along with Sunni sectarian groups will be more than happy to welcome their fellow Taliban militants fleeing from North Waziristan.
- As far as parts of interior Sindh are concerned, in recent years religious extremism has been reported to be gradually rising there. The increasing incidents of persecution of religious minorities there suggest that interior Sindh, which historically and traditionally has been a land of peace and pluralism, is not safe anymore from the onslaught of religious extremism and radicalism. Although the frequency of terrorist attacks has been quite low in interior parts of Sindh, yet few high profile attacks were reported from there in recent past including a lethal suicide-and-gun attack by a group of five militants on the regional headquarters of the Inter-Services Intelligence (ISI) in Sukkur in July 2013.
- While the presence and activities of militant groups have been quite low in parts of interior Sindh, through which the CPEC will run, threat to security of these areas has been gradually rising from Sindhi nationalist groups mainly Sindhu Desh Liberation Army. Sindhi nationalists have carried out some low intensity cracker attacks in recent months and years targeting state infrastructure such as railway tracks but their operational capacity and organizational strength are too weak to cause some heavy damage. Hence the threat from nationalists to security of interior parts of Sindh also remains low that can be easily managed with stringent security measures.

Punjab and Rawalpindi-Islamabad⁹

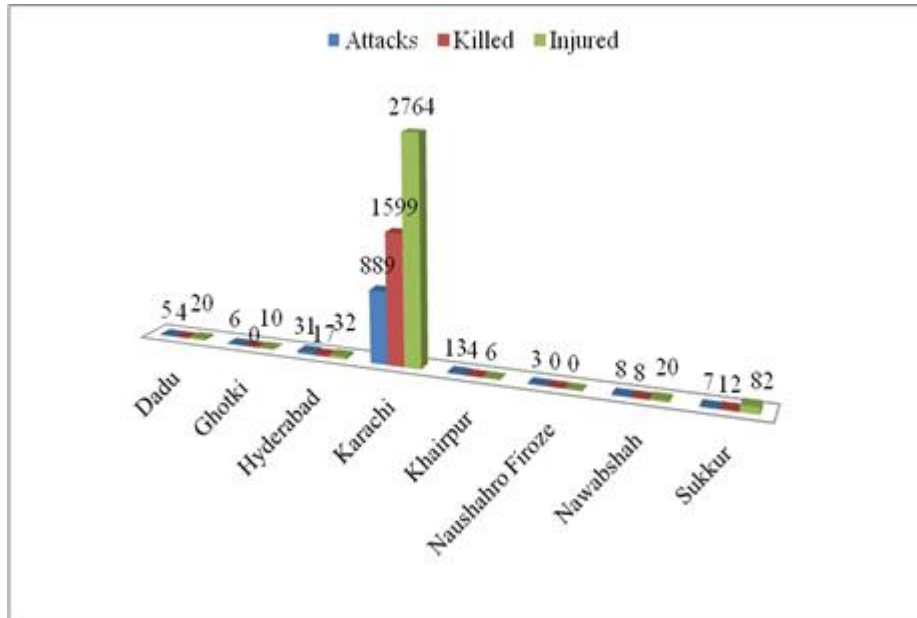
Summary: *The overall threat level is low in those parts of Punjab and Islamabad from where the CPEC corridor will pass. However sporadic incidents of violence including against the project-related targets such as sites, engineers, workers and security personnel cannot be ruled out completely. It is imperative to eliminate TTP's support structures in Punjab to prevent high value and high intensity attacks in future.*

Over the past eight years, starting from 2007, Lahore and Islamabad-Rawalpindi have faced maximum terrorist attacks and casualties compared to other regions of Punjab through which the CPEC-linked roads and railway links will pass. However, sporadic attacks have also been reported from other areas as illustrated in Chart 3.

Chart 3: Terrorist attacks in parts of Punjab and Islamabad where CPEC-linked projects will run (January 1, 2007-July 31, 2014)

⁹ All data and statistics used in this section are taken from Pak Institute for Peace Studies' (PIPS) database on conflict and security (<http://san-pips.com/index.php?action=db&id=1>), unless described otherwise.

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Targets for most of these attacks were security forces, civilians, and Shia and Sunni communities. Some attacks were also aimed at political leaders and workers, private property and NATO supply vehicles. A spree of terrorist attacks including lethal suicide attacks gripped Lahore and Islamabad-Rawalpindi after the 2007 Red Mosque siege and that continued for 2 to 3 years. Even after that time period, high intensity attacks have been reported in few other cities of Punjab.

- The TTP has support structures in parts of Punjab in the form of groups like LeJ and also some Deobandi madrassas. These support structures have helped the TTP in past to carry out lethal attacks in the heart of Punjab, Lahore, Rawalpindi and Islamabad. But strong vigilance and surveillance of security and law enforcement agencies in Punjab have denied the TTP permanent operating bases or safe heavens. That keeps the security threat to the CPEC-linked projects and personnel in Punjab low.
- Secondly, the eastern alignment of the CPEC will run through those parts of Punjab which are relatively safer and tactically difficult for the free movement and entrenchment of militants. For instance, the CPEC alignment in southern Punjab (Raheem Yar Khan, Bahawalpur and Multan regions) will be located towards the east of the Indus River and will be least vulnerable to security threats that could emerge from the western side of the River Indus. To the west of Indus certain areas are the hub of extremist groups and criminals gangs (D.G. Khan and Rajanpur, respectively) but also serve as districts where militants from Khyber-Pakhtunkhwa are found as it is the simplest entry-point into Punjab – D.G. Khan through the Indus Highway and link roads is the route used. Also, to the west of the Indus, there is the presence of criminal elements, mainly in Kacha area of Rajanpur, an area that lies between the River Indus and the Indus Highway. These criminals reportedly have formed a nexus with LeJ and have been found involved in kidnapping and road robberies.
- Areas in central and northern Punjab parts of the CPEC alignment are even relatively safer than south Punjab. Although Chart 3 displays a large number of terrorist attacks reported in Lahore and Islamabad-Rawalpindi between 2007 and July 2014, as mentioned earlier these cities were specifically targeted in the aftermath of Red Mosque operation of 2007. Also, most of these attacks were

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orchestrated from outside and terrorist infrastructures have minimal presence in these cities, although operational support exists. Another factor to be noted is that development projects and infrastructure schemes have hardly remained targets for militants in these and other cities of Punjab.

- Although it appears that security threats to the CPEC project in Punjab will be low and minimal, it is also important that militants have the capacity to orchestrate high value and high intensity attacks in those areas of Punjab from where the CPEC road and railway links will pass. It is imperative to ensure that the tribal militants' support structures in Punjab are eliminated and strong surveillance and vigilance is maintained to prevent any major terrorist attacks. Police and intelligence agencies have a major role to play here.

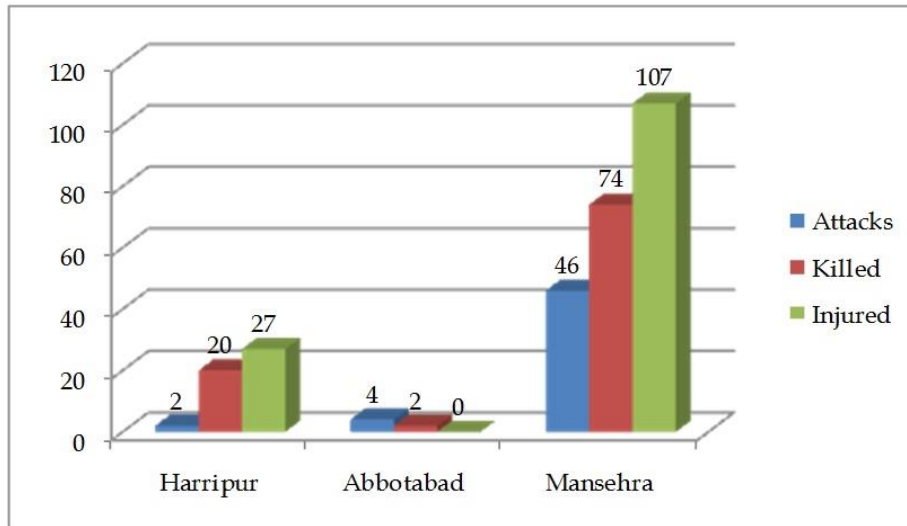
Khyber Pakhtunkhwa and AJK¹⁰

Summary: *The threat level for the CPEC alignment in this region is also low because the Hazara Division of KP is relatively more secure and safer from militancy than other parts of the province. However, local Taliban militants in Mansehra, some of them linked with the TTP, could pose a security threat to workers and engineers associated with the CPEC.*

Parts of KP through which the CPEC will travel (Haripur, Abbottabad, and Mansehra) have traditionally been least violent when compared to other regions of the province. The presence of militant groups is also low in these areas, with the exception of Mansehra where local Taliban groups are operational but with minimum capacity to carry out major attacks without help and support from outside terrorist groups. Between 2007 and July 2014, as many as 4,732 terrorist attacks took place in KP and only 52 of these attacks, or 1 percent, occurred in the three districts of Haripur, Abbottabad and Mansehra. Also most of these 52 attacks were concentrated in Mansehra alone; 4 in Abbottabad and 2 attacks took place in Haripur, respectively. (See Chart 4)

Chart 4: Terrorist attacks in parts of Khyber Pakhtunkhwa where CPEC-linked projects will run (January 1, 2007-July 31, 2014)

¹⁰ All data and statistics used in this section are taken from Pak Institute for Peace Studies' (PIPS) database on conflict and security (<http://san-pips.com/index.php?action=db&id=1>), unless otherwise stated.



As mentioned earlier, local Taliban militants in Mansehra, some of them linked with the TTP, can pose a degree of threat to workers and engineers with the CPEC, but the probability and intensity of such a threat is low.

- Abbottabad and Haripur have remained largely isolated from Taliban militancy in the province. However, the Taliban in the past have tried to make inroads into these areas. For instance, in September 2007, an attack on army's mess building in Haripur had killed 20 soldiers. Since no major terrorist attack has been reported from these two districts.
- Strict security measures are required to keep the TTP and other militants away from this region, and also to counter any threats that might be posed by local Taliban and extremist groups.
- This part of the CPEC will also be linked to Muzaffarabad, capital of Azad Kashmir. Muzaffarabad has also remained peaceful over the years with the exception of a few attacks in the past; only three terrorist attacks occurred in the city between 2007 and July 2014, all in 2009. One of these attacks was a sectarian-related suicide attack that claimed 10 lives and injured 81 others. Another suicide attack had targeted an army barracks killing two soldiers, while the third attack was a low intensity cracker blast that killed one person. 2009 was the year when reports started to appear in the media that the TTP was trying to make inroads into Muzaffarabad, but since then no such attacks have been reported; nor have any reports surfaced describing the TTP's presence in the region.

Diamer and Gilgit¹¹

Summary: *The region has seen plenty of sectarian violence in past. Some high intensity attacks in recent years on security forces and foreigners also revealed TTP and other militants' outreach to these areas. However, the absence of militant bases and support structures in Gilgit and Baltistan suggests the threat level to the CPEC in this region will be low. However, sporadic attacks on the CPEC-linked sites and personnel cannot be ruled out.*

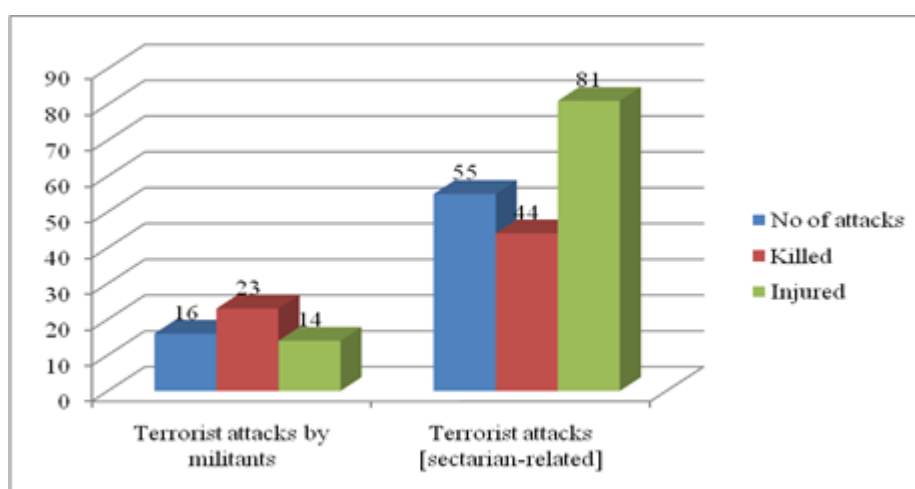
¹¹ All data and statistics used in this section are taken from Pak Institute for Peace Studies' (PIPS) database on conflict and security (<http://san-pips.com/index.php?action=db&id=1>), unless described otherwise.

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After passing through parts of KPK and Azad Kashmir as described earlier, the CPEC will run through Diamer and Gilgit districts of Gilgit-Baltistan. Sporadic terrorist attacks from the region in recent years, aimed at high value targets, attracted global attention and also raised concerns that Pakistani militants, mainly the TTP, in collaboration with the ETIM and Chinese Uighur militants would attempt to entrench themselves in this region. Other than that most violence incidents reported from this region have been sectarian-related.

A total of 74 terrorist attacks were reported from Gilgit-Baltistan between 2007 and July 2014 – 71 from Diamer and Gilgit alone – out of which 55 were sectarian-related and only 16 were carried out by the TTP and associated militants and other groups. (See Chart 5)

Chart 5: Terrorist attacks in parts of Gilgit-Baltistan where CPEC-linked projects will run (January 1, 2007-July 31, 2014)



- On June 23, 2013, militants killed 11 people including nine foreign tourists and two Pakistanis at Nanga Parbat tourists' base camp near Bunar Nullah. The TTP spokesperson Ehsanullah Ehsan told media representatives through telephone calls that the group's faction named Junud-e-Hafsa had carried out the brutal attack. He further said the killings were in revenge for US drone attacks and the killing of TTP chief, Waliur Rehman Mehsud (Khan, 2013). The Diamer attack also revealed that the nexus of the TTP, Al-Qaeda and the East Turkistan Islamic Movement (ETIM) could pose as a threat to Pakistan's internal security and also that of China's Xinjiang province.
- Later on August 6, 2013, three security force officials, including an army colonel, a captain and the Superintendent of Police in Diamer were shot dead in Chilas City (the district headquarters of Diamer) by the TTP militants. These officials were investigating the Nanga Parbat incident and the killing of foreign tourists by the militants (*The News*, 2013).
- On July 4, 2014, over three dozen militants wearing Pakistan Army uniforms stormed a police station in Diamer district. They took away 10 guns, three pistols, thousands of rounds, wireless telephone sets, police uniforms and other police personnel belongings (*Dawn*, 2014b). Locals from Diamer suspected these attackers were associated with Taliban militants.

3.3 The state's capacity and responses to maintain security and law and order

Pakistan has the required capacity and security infrastructure to deal with potential threats to the CPEC project. The country has a huge security and law enforcement infrastructure comprising military, paramilitary including Rangers and FC, police and local police forces such as the Khasadar force in FATA and Levies force in Balochistan. Additionally, it has strong professional intelligence agencies. Sufficient sources and equipment for security, law enforcement and intelligence agencies would imply better standard. But with the threat of terrorism being non-conventional and asymmetrical, Pakistan needs more stringent efforts to deal with this threat.

Tribal militants against whom the Pakistani army has launched several military operations in the past, including latest military operation, *Zarb-e-Azb* – launched on June 15, 2014 in North Waziristan that is ongoing – would suggest a policy of containment of militancy, but much needs to be done in this regard. Initial reports following the launch of the military operation in North Waziristan suggested that foreign militants mainly those from Central Asia and China were prime target of military strikes. Several militants belonging to ETIM and the Islamic Movement of Uzbekistan (IMU) – both groups along with the TTP have close links with Chinese Uyghur militants – have been killed in the military operation so far. The government and army have vowed to clear North Waziristan of all militants including local and foreign, so there is hope that these foreign militants from Central Asia and China will no more find sanctuaries and shelter. Some reports suggest many of them have already relocated to either Afghanistan and elsewhere or other parts of FATA and Pakistan. However, it has been established that many of their 'hideouts' in Waziristan have been destroyed. This will certainly reduce security threats for the CPEC project emanating from FATA.

As far as Balochistan is concerned, the province is already under strict security scrutiny in the presence of the Frontier Constabulary, police and Levies. In recent months, attacks by nationalist insurgents and militants have decreased. The state's security apparatus in Balochistan, if utilized effectively, is capable to deter any threats to CPEC-linked projects and activities.

However, there is an immediate need to address security problems in Karachi, which is complex city where militants find many weak spots and spaces to hide, recuperate, recruit, plan and operate. The Rangers and police have carried out security operations in the city, but there is need to expand scope of this operation to eliminate all sorts of militants.

Law enforcement agencies, mainly the police can handle the security of the CPEC alignment in Punjab, Islamabad, KP and also Gilgit-Baltistan with the help of intelligence agencies. Coordination among different security, law enforcement and intelligence agencies will be vital to secure the route, construction and workers of the CPEC project.

Provincial police departments can take pre-emptive steps to ensure the security of Chinese engineers and others working on the CPEC-related projects. Some precedents were set in recent past. For instance, the Lahore City Police established eight special security desks around the city in June 2014 for Chinese citizens employed in government, semi-government and private sectors (*Express Tribune*, 2014).

4. Conclusion

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Long-term political stability in Pakistan is vital to smoothly implement the projects like the China-Pakistan Economic Corridor. In the past, Pakistan has gone through phases of political instability and turmoil that weakened the country's development roadmap and also affected policy consistency. Similarly, if now or later, some prolonged political crisis and economic meltdown grip the country, the yearly and periodic budget allocations for the CPEC project could be disturbed causing delays to the project outcome beyond set targets.

Although the prevailing environment of insecurity, militancy and violence in Pakistan can pose serious threats to the construction of the China-Pakistan Economic Corridor, the level and nature of this threat is not uniform across Pakistan. It is encouraging that the areas through which the finalized eastern alignment of the corridor will run are relatively more secure than those of the earlier planned western alignment, though with few exceptions. The level of threat to the security of the CPEC project, including sites and personnel, is low along most areas of eastern alignment with the exceptions of Gwadar, the Makran Coastal Belt and Karachi, where threat level is assessed to be medium. At the same time, it is imperative to ensure stringent security measures along the entire CPEC alignment.

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