



**IT'S A TOUGH WORLD.**

## **Special Report: China-Pakistan Economic Corridor (CPEC)**

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*Islamabad, Beijing continue with CPEC despite numerous security, political threats in volatile Balochistan Province*

*May 2016*



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## **Executive Summary**

China and Pakistan continue to progress on the China Pakistan Economic Corridor (CPEC), a 45.6 billion USD plan that will link the two countries via 3,000 kilometers of infrastructure and energy projects. Both countries are determined to see the project through, notwithstanding the many challenges involved. For them, successfully completing the project carries tremendous economic and geopolitical opportunities.

However, the success of the project in Pakistan's restive Balochistan Province is threatened by a variety of actors opposed to the investment, including nationalist parties, Balochi separatist and militant groups, and transnational jihadist activity. Going forward, violence from these parties will remain an everyday threat not only to property and business continuity, but also to those personnel operating in conjunction with the CPEC in Balochistan.

While Pakistan will attempt to provide the security necessary to bring the project to fruition, threats to the CPEC will persist and may even escalate unless Islamabad is able to muster a sustained, targeted security force in the area and promote local support to the project. Anti-militancy efforts are ongoing in the province, yet the region's remoteness, topography, resistance to intervention, and ethnic stratification will continually pose problems. With Beijing's support and pressure, though, we do assess that Islamabad will make more concerted efforts to tackle the insurgency and will most likely be able keep violence at sustainable levels, thus allowing for the project's eventual completion.

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## **Methodology**

This report is based on the knowledge MAX has gained through studying the Asia region in general and closely monitoring Pakistan in particular. Connected to our daily coverage of Asia as part of our ongoing service to our intelligence package subscribers, this necessitates surveying day-to-day events as well as potential long-term trends and activity, both on a regional scale and within individual countries.

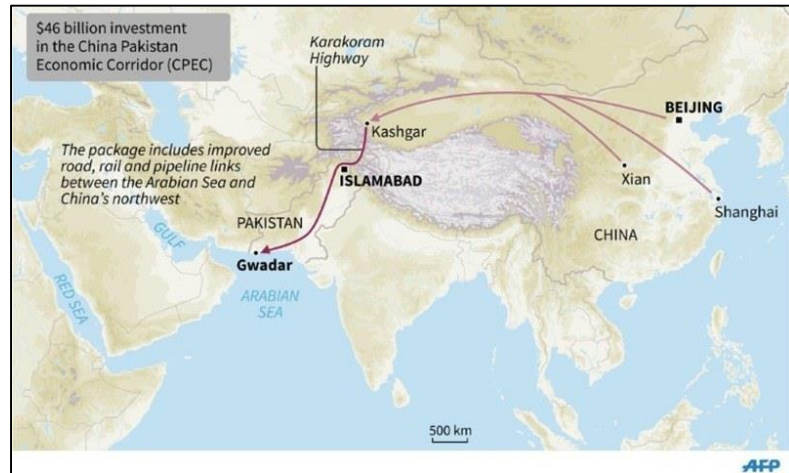
Team leaders and members assigned to special reports and projects are chosen based on their relevant backgrounds. Bolstered by our previously noted daily coverage of the Asia region, this report was the result of team members' extensive review and analysis of reports and statements emanating from local and official media, as well as militant materials, including statements, audio recordings, and videos. Research involved open sources, such as social networks, news outlets, and expert analysis. Each piece of information is cross-checked and deemed credible through our triangulation of open, ground, and official sources, along with coordination with our Operations Department. Unconfirmed information will not be displayed in this report unless considered notable or critical for our assessments.

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## Current Situation

China and Pakistan are currently in the process of constructing the 3,000 kilometer-long China-Pakistan Economic Corridor (CPEC), a 45.6 billion USD project that will link China's western region of Xinjiang with Pakistan and the Indian Ocean. While much of Pakistan remains unstable, the project snakes through the particularly-restive Balochistan Province, within which is located Gwadar Port, the project's terminus.



Security threats against the project come from a variety of sources, including nationalist parties in the province, Baloch separatist groups and militants, and transnational jihadist activity.

A number of significant security incidents concerning the project in Balochistan, or incidents in Balochistan in general, have already been reported since 2015. On April 11, 2015, 20 laborers working on one of the project's components, the Sohrab Dam in Turbat, were killed when militants stormed their camp as they slept. On July 5, militants killed three workers at Gwadar Port. On August 30, armed militants attacked Jiwani Airport, west of Gwadar, killing an engineer and kidnapping another. On September 3, militants fired rockets at Gwadar Airport; no damage was reported. On September 14, six Balochistan Development Authority (BDA) officers were abducted by militants in Qilla Saifullah.

On November 11, several rockets struck areas near Gwadar Airport amid a visit by a delegation of Chinese officials. Later, on November 16, militants fired rockets into Balochistan from areas along the Iran-Pakistan border. Militants also killed two Coast Guard personnel in a landmine explosion in Gwadar on January 9, 2016. 14 were killed in a suicide bombing near a polio center in Quetta on January 13, 2016; a second suicide bombing on February 6 killed at least 12, including four Frontier Corps officers, near a government building in Quetta. Firefights on March 19 and 21 reportedly killed 16 suspected Balochistan Liberation Army (BLA) militants, including several commanders. Related clashes between militants and security forces are ongoing as of May 2016.

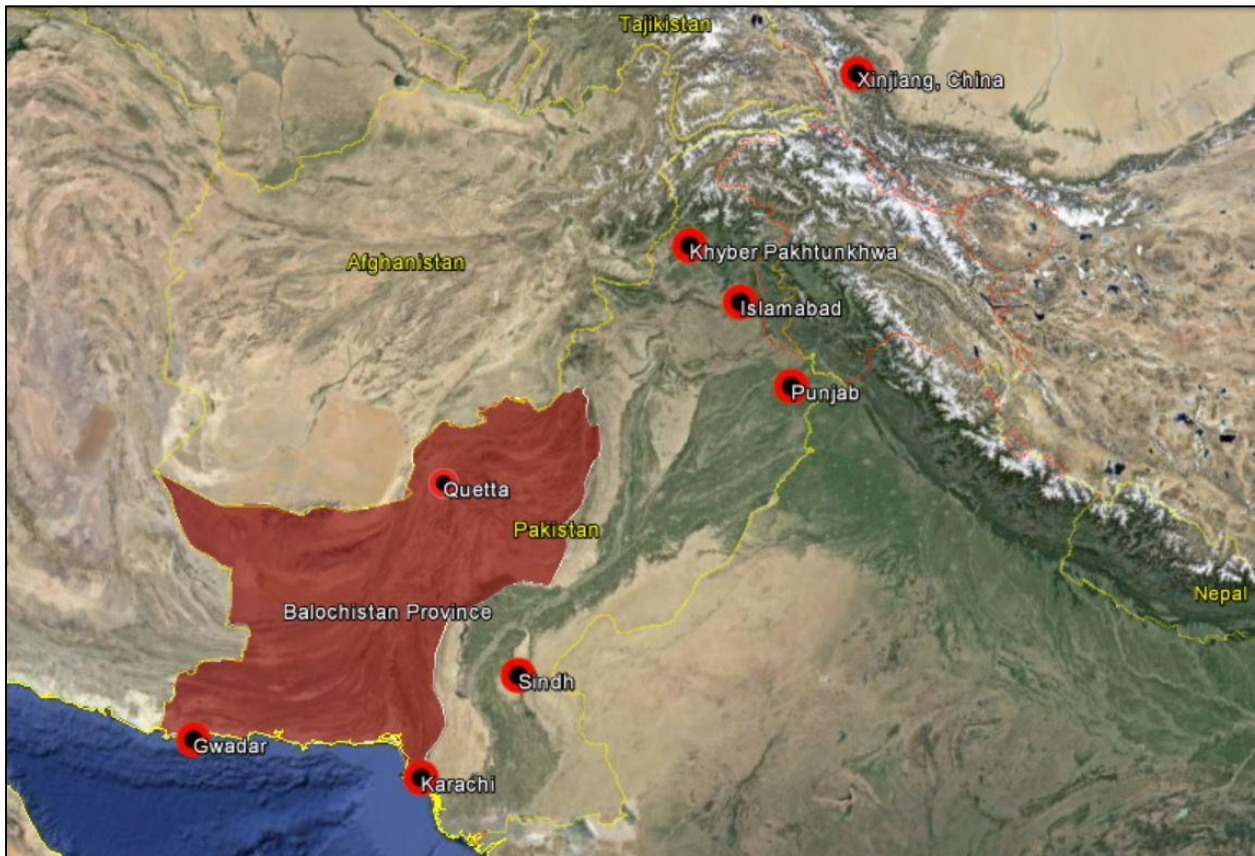
Meanwhile, political tensions related to the CPEC continue to fester as well in Balochistan. On December 10, 2015 the Baloch National Front (BNF) observed a partial strike against alleged human rights violations by the Pakistani national government. One month later, on January 10, a multi-party conference convened by 20 different political parties in Balochistan criticized the government's handling of the project and called for Islamabad to revisit the plans in order to bring more development to the province. On March 25, Balochistan Home Minister Sarfaraz Bugti reiterated Islamabad's intention to crush militancy and bring stability to the region. Meanwhile, political tensions relating to the CPEC extend beyond Balochistan, and into Pakistan's other provinces. For instance, reports from May 8, 2016 indicated that police authorities





in Khyber Pakhtunkhwa Province refused to provide Chinese engineers working on the project some 200 police officers meant to provide protection. They added that such security missions rested with the army, whilst reiterating that the provincial government has strong reservations with the CPEC.

Despite these security and political obstacles, security efforts and investment into the CPEC continue to move forward. On November 11, 2015 Pakistani authorities handed over 2,281 acres of Gwadar Port's free trade zone to a Chinese company on a 43-year lease. Also, in what is one of the first steps in the government's promise to bring the benefits of the CPEC further into the country's poorer West, on March 30 Islamabad announced that it had approved the construction of the Hakla-Dera Ismail Khan four-lane expressway, a 285-kilometer long western route linking Khyber Pakhtunkhwa, in northwest Pakistan to Punjab, in Pakistan's northeast. The government allocated 1.24 billion USD towards the project, in addition to approving approximately 130 million USD for purchasing the relevant land. In late April, Pakistan and China signed financing agreements worth 4.2 billion for the 120-kilometer long Thakot-Havelian Highway and the Multan-Sukkur Highway.



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## Background

The CPEC is one of the signature elements and the “first stop” of China’s pivot to the West under the “One Belt, One Road” (OBOR) megaproject. The OBOR project, which Beijing announced in autumn 2013, envisions a series of trade linkages, one overland and one maritime, that will connect China westwards to the rest of Asia, the Middle East, Africa, and Europe. The CPEC, which was unveiled by Islamabad and Beijing earlier, in spring 2013, is a 45.6 billion USD offshoot that will stretch 3,000



*Gwadar Port*

kilometers from China’s restive Xinjiang through Pakistan towards its terminus at Gwadar Port, in Balochistan Province. The CPEC is envisaged as a series of commingling projects that will comprise Chinese investments in Pakistan’s transport infrastructure, including roads, airports, and ports, energy economy, and information technology sector.

Economic and infrastructural developments are large facets of the plan. According to officials, the CPEC will see the inauguration of the 1,152-kilometer Karachi-Lahore Motorway, a 44 million USD investment in a modern fiber-optic cable system in Rawalpindi, localized upgrades on the 1,300-kilometer Karakorum Highway, and new, modernized rail linkages between Karachi in the south and northern cities. Gwadar will especially see heavy investment: in addition to a fully-functioning deepwater port, the city will host a new international airport and new transport linkages.

The plan will also aim to address Pakistan’s pressing energy needs, and will ultimately invest upwards of 15 billion USD in building an additional capacity of 10,000 MW in the country via a variety of solar, wind, coal, and hydro projects. However, the success of the CPEC is to some extent threatened by a broad-based insurgency in Balochistan. Militancy in Balochistan comes from a variety of different sources, and generally boasts less expert knowledge and empirical statistics than other insurgencies



*BLA insurgents*

worldwide. In general, major sources of instability come from Baloch separatist groups, affiliated militant outfits, local Sunni jihadists, and transnational Islamist networks. Baloch separatist groups include the Balochistan Liberation Army (BLA), the Baloch Republican Army (BRA), and the Baloch Liberation Front (BLF), among others. All have a complicated series of linkages among themselves and with legitimate political outfits; the BRA, for instance, is represented in the political sphere by the Baloch Republican Party (BRP). In addition to separatist groups, Balochistan also hosts elements of Pakistani Sunni Islamist groups,





such as the Tehreek-e-Taliban Pakistan (TTP), the Pakistani offshoot of the Taliban, and Jundullah, itself an offshoot of the TTP. Furthermore, in recent months, Pakistani intelligence services have also warned of the growing footprint of transnational jihadist groups in Balochistan, including al-Qaeda and the Islamic State (IS). The significant local hazards to the section of the CPEC in Balochistan is in large part informed by the province's unique historical, demographic, and geographic characteristics. There is some historical tension between the region and Islamabad—before Partition, the area currently known as Pakistani Balochistan was made up of several princely states that were dominated by the Khanate of Kalat. They only hesitantly agreed to separate from India, and after a brief bout of independence, were forcibly integrated into Pakistan by the latter's army in 1948, with insurgencies continuing to simmer thereafter. Demographically, the province is also complex. Although verifiable statistics are hard to come by, Balochistan is believed to hold approximately 8-10 million residents, a majority or plurality of which are ethnic Balochis. Within the Baloch population, there are significant tribal and linguistic variations, some of which can contour membership in militant organizations. The province also features large numbers of other ethnic groups from Pakistan. Foremost among them are ethnic Pashtuns, who largely inhabit the north around the provincial capital of Quetta. There are also significant populations of illegal migrants from Afghanistan present, with some estimates in the millions. Ethnic groups tend to be spatially stratified, with Balochis predominating in the south of the province and experiencing relatively low interaction with other groups. Socioeconomic indicators in Balochistan are depressed compared to most other areas in Pakistan, and especially so among ethnic Balochis – the literacy rate in Balochistan in 2015 was approximately 43 percent, significantly lower than the nationwide rate of 58 percent.



Unsurprisingly, ethnic Balochis have long accused the Pakistani government of exploiting their natural resources without recycling benefits back to the native people. They also claim that the government in Islamabad has been attempting for decades to turn Balochis into a minority in Balochistan. Large population flows from Afghanistan and other areas of Pakistan into Balochistan have caused intercommunal tensions in the past. This demographic insecurity informs much of the militancy by Baloch separatist groups, which seek to preserve Balochi sovereignty and force independence from Pakistan. In the context of the CPEC specifically, Baloch separatist groups claim that the mega project and its resulting influx of capital and development will bring economic migrants to the region, which will swamp Balochistan's native peoples and turn them into a plurality or minority, comparable to Xinjiang. For this reason, many separatist groups have specifically targeted or threatened infrastructure works of the CPEC.





As comments of the Baloch Republican Party evidenced on August 26, even moderate political factions express solid opposition to Chinese investment in the region.

Many of the Baloch separatist groups' structures are also contoured along existing tribal loyalties, which mitigate their penetration by Pakistan's security services. Geographic features also inform security dilemmas in the area. First, Balochistan boasts a large, mountainous, arid area: at approximately 347,190 square kilometers, the province composes 44 percent of Pakistan's territory. Its climate is generally dry and inhospitable, which explains why approximately 12 million live there, about 5-6 percent of Pakistan's total. It features the extensive Sulaiman Mountains to its northwest, which are a historical militant redoubt due to the difficulty of navigation. The province is remote from Pakistan's large population, political, and economic areas, which tend to be concentrated in the fertile valleys to the east. This poses problems of scale and supply lines for the Pakistani military.

Additionally, the province boasts thousands of kilometers of borders with Iran and Afghanistan, as well as a shorter border with the Federally Administered Tribal Areas (FATA), a fact which encourages smuggling of weapons and militants in the area. Specific groups known to conduct cross-border raids include TTP. TTP has generally operated along Balochistan's border with Afghanistan and the FATA in the north and northwest, and has conducted high-profile attacks on civilians, infrastructure, and other targets in the Chagai District, Qila Saifullah District, and others. The Pakistani Jundullah also conducts attacks in the area, while the Iranian version, as well as Jaish al-Adl, regularly attacks Iranian and Pakistani targets along the shared border.

Despite the security threats, Pakistan and China have vowed to continue the development. Work is ongoing in a series of projects, including the special economic zone (SEZ) around Gwadar Port as well as Gwadar International Airport. On the security side, Pakistan has promised upwards of 8,000 forces specifically to guard infrastructure projects and workers in the region.

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## Despite risks, China & Pakistan determined to continue CPEC

Both Beijing and Islamabad have significant economic, strategic and political interests in advancing and securing the CPEC against the security risks involved. For China, perhaps foremost among the project's possible benefits is that the CPEC will provide Beijing with an alternative route to the Malacca Straits for its oil and gas shipments. In addition to being the world's largest energy importer, China relies on other countries to receive the majority of its oil. As of 2014, China receives approximately 60 percent of its imported oil from the Middle East, a percentage which may increase in the near future in the wake of the Iranian nuclear agreement. 80 percent of that total passes through the narrow, dangerous, and piracy-ridden Malacca Straits, which then courses upwards through the perennially disputed South China Sea. This route's length and vulnerability to bottlenecks and stoppages are perceived as a strategic danger by Beijing's elites. A new overland route that would begin at Gwadar Port in southern Pakistan and snake its way to Xinjiang would reduce the length of time it takes for energy deliveries from the Middle East.



Beijing is also hoping that the CPEC will contribute to the economic development and pacification of its restive western province of Xinjiang. Over the past decade, China's long-simmering conflict there with Uyghur separatists, jihadists, and other associated militants has escalated, causing hundreds of fatalities in the region and throughout China. As with other separatist conflicts domestically, the central government in Beijing views strong security crackdowns, demographic shifts, and economic development as a method of reducing separatism over the long-term and integrating Xinjiang more closely into the Han Chinese heartland. The CPEC is seen as a central element in the region's economic development, which will ultimately integrate it into the larger "One Belt" trade route and reduce instability. Thus, despite the probability of isolated, short-term attacks on Chinese nationals working in Pakistan, China will shoulder the risk in order to assure social stability and Communist Party control in its borderlands.

The project's terminus at Gwadar Port also figures as part of China's rumored "string of pearls" strategy, which envisions a series of ports of call for the Chinese navy on the Indian Ocean. Establishing such a foothold at Gwadar Port would vastly increase Beijing's military reach and give it opportunities to challenge India's growing hegemony in the area. Moreover, China's limited blue-water navy has long been perceived as a liability in regards to national defense and power projection. It would also provide the Chinese with greater access to the important Strait of Hormuz, which lies approximately 400 kilometers to the west.

Beijing also sees the CPEC as a way of encouraging political stability in Pakistan. Given Pakistan's endemic economic and political problems, burgeoning population of close to 200 million, high defense spending, and long-running struggle against domestic and transnational militant groups, China has reasonable worries about regime stability in the country. China's major goal on this front is to use economic development to bolster Islamabad's legitimacy in the eyes of the public and reduce that of the militants. The project's focus on increased energy production is an especially pertinent part of the plan in light of the wave of protests in Karachi and other major cities in summer 2015 over extended load shedding and energy blackouts.

Finally, China is also hoping to use the CPEC as a way to tie other countries in the region closer, especially Iran. China has an obvious interest in courting Iran; the Islamic Republic boasts the world's largest supplies of natural gas and the fourth-largest proven oil reserves. It also sits at the crossroads of one of the world's major trade routes, through which China receives much of its imported oil. One of Beijing's first practical steps in doing so is its agreement to finance a natural gas pipeline from Pakistan



to the border with Iran. The 2 billion USD project will in part stretch 700 kilometers from Gwadar Port to Nawabshah in Sindh Province; Iran has already built its portion of the pipeline leading to the Pakistani border. The portion between Gwadar and Iran has yet to be finalized. While Pakistan hopes that the project, dubbed the "Peace Pipeline," will provide up to 4,500 MW of energy to its struggling southern metropolises, China is probably aiming to integrate the pipeline into its Karakoram highway system, which would allow overland energy trade between Tehran and Beijing. China is also hoping to use the CPEC to connect its trade linkages with Afghanistan, although those plans remain less developed.

Among Pakistan's most important reason for ensuring the CPEC's security is the importance of its economic and political ties with China. Deepening its relationship with Beijing has arguably become more important in the past few years due to the US' receding presence in the region and Islamabad's calculus that confronting an expanding New Delhi will require not just "hard" military power, but "soft" economic influence as well. In this context, the CPEC will cement that relationship with projects worth approximately 20 percent of Pakistan's current GDP. As stated above, it will lead to huge advancements in transport, fibre-optics, and infrastructure, all of which could strengthen the ruling government's legitimacy nationwide. Additionally, Islamabad is looking at the CPEC as a stepping stone for future Chinese investments, and would be loathe to lose the trust of Beijing due to security-related issues.

CPEC is also seen by Islamabad's governing echelon as a way of improving Pakistan's strategic position vis-a-vis its arch-rival, India. Not only would it lead to economic development in Pakistan, stronger Sino-Pakistan ties, and possible Chinese force projection in the area, it would also reduce the country's reliance on the port at Karachi, which lies only 200 kilometers from the Indian border. No less importantly, it would



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extend and deepen Pakistan's control over its restive Balochistan Province, as well as the province's strategic depth and natural resources, via economic development. Similar to China, Islamabad hopes that linking Balochistan to the rest of the country economically and infrastructurally could draw it closer and preempt continued militancy. In the meantime, however, Islamabad will continue to blame New Delhi for fostering unrest in Balochistan.

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## Pakistan likely to attempt Karachi strategy in Balochistan

There are signs that Islamabad and the Pakistani military have been encouraged by their “success” in hobbling the powerful MQM and Mohajir community in Karachi with its recent operations there, and that it will try to replicate it in a crackdown in Balochistan. For approximately two years, Pakistan, via its paramilitary Rangers outfit, has operated intensively in the commercial capital of Karachi with the stated aim of reducing militancy and crime. As a result of the operation, officials claim that the city’s safety has dramatically improved: only 1,823 murders occurred in 2014, about 1,000 less than in 2013. The trend has also continued into 2015, with approximately half as many fatalities from violence as 2014 as of October 2015. The government has resoundingly characterized this as a victory. On the other hand, Karachi to this day remains a very violent and volatile city. Killings by militants and powerful criminal factions are regular occurrences, in addition to occasional mass-casualty attacks carried out by jihadist groups. Unstated by Islamabad too is the Rangers’ success in degrading the influential Muttahida Qaumi Movement (MQM), which is an opposition political party with deep roots and influence in Karachi. Similar to Baloch political outfits in Balochistan, MQM’s base comes from a small, quasi-ethnic community suspicious of the state: the Mohajirs, a group of Urdu-speaking people who immigrated to Pakistan during the 1947 Partition. While Islamabad claims it has not explicitly targeted MQM and Mohajirs, over the past two years, Pakistani Rangers have arrested over 4,000 members and sympathizers from the movement and systematically dismantled their funding streams. In March 2015, Rangers also raided the group’s Karachi headquarters and allegedly confiscated illegal items.



*Rangers*

Two of the keys to the current strategy in Karachi, which the government may attempt to implement in Balochistan, are the concepts of requisite force and sustained presence. Requisite force entails a critical mass of security agents as well as expanded detention powers for law enforcement. In Karachi, Islamabad has achieved critical mass via the paramilitary Rangers, which have consistently been deployed in addition to local forces, who were unable to control rising levels of violence. In the past, Pakistan and the Sindh regional government also approved large expansions in the Rangers’ detention powers, specifically their ability to administratively detain suspects for up to 90 days without bringing charges. Rangers have also received expanded engagement protocols, and can immediately shoot “resisting” suspects. Islamabad believes that requisite force, via critical mass and expanded detention powers, is what allows law enforcement to overwhelm militants and roll them back from traditional sanctuaries. As of writing, Pakistan has already begun to implement this tactic for CPEC; approximately 18,000 troops are currently



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protecting the megaproject, many in Balochistan. Such totals are liable to increase given ongoing security threats.

Additionally, Islamabad will aim to replicate the concept of sustained presence in Balochistan. Sustained presence usually manifests as a years-long security crackdown without a delineated end date. In the current Karachi operation, Rangers have been operating since mid-2013, with political leaders repeatedly stating that the operation would continue indefinitely until it reached its “logical conclusion.” They enforce this open-ended timetable by repeatedly re-approving the Rangers’ mandate to operate in the city every 1-3 months. This sustained security presence is meant to create uncertainty and exhaustion among militant groups and raise risk calculations for existing or potential militants. Past operations have shown that such a technique can necessitate several years and possibly billions of dollars in expense. However, considering the robustness of the Pakistani military in political life and the high priority of the CPEC in Islamabad, such a force in Balochistan is unlikely to encounter state pressure.

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## **Crackdown's success depends on targeted policing, benefits to locals**

While requisite force and sustained presence has arguably been increasingly effective in the FATA and Karachi, at least for now, Balochistan presents a host of limiting factors that will need to be taken into account in order to ensure operational success. Specifically, whether or not Islamabad is successful in securing the CPEC will depend on targeted policing and “trickle-down” development among ethnic Balochis.

Targeted policing refers to a dispersal of forces that takes Balochistan's geographic and demographic features into account. Unsurprisingly, the same tactics that work in a city of 23.5 million people in 3,527 square kilometers cannot be expected to hold in a province of 8-10 million in 347,190 square kilometers. The most important geographic and demographic features of Balochistan are its long borders, its large, mountainous land area, the remoteness of key infrastructure, and its stratified ethnic groups.

Any successful security crackdown in Balochistan depends on improvements in the province's border security, both along international as well as domestic lines. The various insurgencies in Balochistan make use of these lax controls not just to transfer militants and arms between theaters, but also to frustrate security efforts through tactical retreats and advances. A significant priority for a crackdown will first be a securing of Balochistan's international borders with Afghanistan and Iran. Specific parts of the border, including the northern section with Afghanistan and the southern section along Iran's Sistan and Baluchestan Province, will be emphasized. Ongoing efforts, such as the building of a trench along the Afghanistan border, are key to dissuading illegal movement. Although Pakistani forces have attempted to make some headway over the border areas, ongoing smuggling through Qilla Saifullah District, for example, speaks to the continuing ease of cross-border transport.

Border control cooperation between governments, especially with Iran, which has a capable state structure and some aligned interests with Pakistan, is critical in neutralizing Baloch separatism. The impending resumption of work on the Iran-Pakistan “Peace Pipeline” following the lowering of Western sanctions on Iran on January 17, 2015 could prove to be an opportunity for such bilateral cooperation to be escalated. Upgrades to maritime borders in order to limit water-based smuggling near Gwadar are also likely to occur. In addition to strengthened international border controls, forces are likely to work to reinforce Balochistan's internal borders, especially those with the FATA and Sindh. Militants continue to stream steadily from the raging battles in the FATA, and this has probably accelerated due to Pakistan's ongoing and sustained military campaigns there. Security forces will also attempt to control the flow of illegal activity from Sindh, and especially Karachi, to Balochistan, which serves as a major funding and arms network for Baloch separatists.

In addition to greater border policing, security forces are liable to dispense with the idea of exerting total control over the territory, and instead isolate hotspots and transition nodes between hotspots for increased law enforcement. Obvious areas of interest include Gwadar and its SEZ, the East-Bay expressway northwest of Gwadar, the Sohrab Dam, the twin 150 MW coal plants on N10 to the east of Gwadar, the provincial capital of Quetta, and other significant projects. Security forces are also liable to

begin the long task of securing the major routes between those nodes, including the networks emanating from Attock and Karachi south and west into Balochistan, highways N50, N26, N85, and M8, and the incipient Hakla-Dera Ismail Khan expressway. This will be accompanied by security forces' expansion of security radii around force multiplier points for militants, which represent areas of low security and relatively high damage potential. Such points would include existing and under construction airports in the region, of which Pasni, Jiwani, and Gwadar airports have already been attacked. Expanding areas of security enforcement around airports are especially crucial for Balochistan given the importance of air travel for connection with the rest of Pakistan, as well as the spate of recent rocket attacks by militants on airports in the province.



*Gwadar Airport*

Key to a long-term decline in regional instability is Islamabad taking into account Balochistan's stratified ethnic reality. Security forces have a checkered history in this respect, but have begun deploying to friction zones between Balochis and other ethnic groups in order to reduce the chance of interethnic violence. Militants will attempt to exacerbate ethnic mistrust, especially by attacking Pashtun areas in the north, such as Quetta. Security forces are likely to emphasize neutralizing these attempts and affiliated protests so that internecine unrest does not derail development. Security in urban areas will also be ramped up in light of the probable movement of militants from rural areas amid an increasing state presence.

Finally, a key barometer of success is Islamabad's work towards ensuring that the project garners broad-based support from all moderate parties and groups in the region, including Baloch political parties. Two clear ways the government is liable to accomplish this local buy-in are making sure that some of the projects' results trickle down to ethnic Balochis, who have long felt slighted by Islamabad's alleged extortion of their natural resources. Pakistan could start by allotting a portion of the excess energy produced at new plants in the region to Balochistan's residents. A good amount to start at would be the province's current shortfall of 1,500 MW. This will go a long way towards reducing popular support for militancy, given that Balochistan is disproportionately impacted by load shedding despite the province's high energy generation.

An additional method to increase local buy-in is integrating diverse political groups' concerns into the CPEC's ultimate realization. Islamabad has arguably made progress on this following its May 28, 2015 meeting at the All Parties Conference (APC). There, the government promised it would create an oversight commission for the project and accelerate construction of its western route through Balochistan. On





January 15, Islamabad announced that it would complete the western route of the project that traverses through Balochistan by July 15, 2018, and on March 30, it announced the imminent beginning of work on the Hakla-Dera Ismail Khan four-lane expressway. These statements go a long way towards reducing skepticism in the country's poor west, and represent a significant alignment of interests between the central government and moderate political entities in the region. Still, garnering widespread local support for the project will likely require legislative gestures by Islamabad towards protecting Balochi cultural and social autonomy in the region in the face of impending migration from the rest of the country. As of writing, the prospect of such moves by the government remains unclear.

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## **Insurgency's impact on business operations**

For the geopolitical and security reasons outlined above, long-term threats to the successful realization of the CPEC are likely to be contained and mitigated by the government and other interested actors, especially Beijing. While serious security issues do remain, government efforts to mobilize the requisite political capital and security forces will likely keep unrest and violence at manageable levels and facilitate the Corridor's long-term finalization. However, those operating in the region should anticipate and plan accordingly for periodic security incidences affecting business continuity. Violence will continue in the region and attacks against CPEC-related interests may include militant raids on labor camps and facilities, roadside bombings and ambushes, highway abductions and robbery, and high-trajectory fire targeting ports, airports, and any other installation linked to the CPEC. Foreigners working on various CPEC projects should also be considered potentially high-profile targets for various militant factions.

Going forward, close connections and communication with local and national governmental actors will be imperative for interested parties in formulating and implementing relevant security procedures. This is especially so considering the constant shifts in militant activity and strategy in order to counteract government policies. A holistic threat assessment of the region is necessary; the security situation for the CPEC in Balochistan is liable to be significantly affected by security trends in interconnected areas, such as Khyber Pakhtunkhwa or Iran's Sistan and Baluchestan Province.

Given the contentious political nature of the project, as well as the diversity of local interests and the regime system in Pakistan, significant changes and additions to the project are possible going forward. The recent announcement of the widening of the CPEC's highways in Balochistan and the beginning of work on the Hakla-Dera Ismail Khan expressway are indicative of the political haggling that can impact the economic contours of the project. Additional upgrades to stated plans in Balochistan are likely as political actors in Islamabad attempt to drum up local support, and could present significant business opportunities.

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## Recommendations

1. We advise against all nonessential travel to Pakistan given the heightened threat of militancy, criminality, kidnappings and sectarian tensions throughout the country.
2. Throughout Pakistan, we advise minimizing nonessential movement, especially in Balochistan, given the daily threat of militant attacks and violent criminality.
3. Those conducting business operations in Balochistan are advised to remain cognizant of local political leanings and grievances. It is advised to maintain a working relationship, if possible, with local leaders, so as to avoid conflicts and sustain business continuity.
4. All facilities should be secure locations, with physical defenses both inside and outside compounds, along with armed guards, to prevent possible infiltration and protect from attacks.
5. Maintain up-to-date emergency protocols, including evacuation procedures, considering the risk of a significant attack.
6. As a general precaution, avoid demonstrations or large gatherings given the potential for unrest or escalations into violence.
7. We advise against all travel to outlying areas as well as the disputed areas of Jammu, Kashmir, Balochistan, Siachen, Swat, as well as overland travel, due to the limited government and security presence, ongoing clashes, and the heightened threat of attacks and abductions.
8. As a general precaution throughout Pakistan, maintain heightened vigilance in the vicinity of government buildings, public areas, airports, military bases, restaurants, high-value soft targets, infrastructure, shopping centers, and religious centers including mosques, as they remain targets for militant attacks.
9. Those operating in Pakistan's Balochistan Province are advised to consult with us for itinerary-based monitoring and ground support.

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**IT'S A TOUGH WORLD.**

Have additional questions? Contact us at [intel@max-security.com](mailto:intel@max-security.com) or call us at +44 20 3540 0434

**MAX Intelligence Division**

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