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**TERRORISM AND CPEC PHASE II: SECURITY CHALLENGES
TO PAKISTAN'S ECONOMIC CORRIDOR**

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ABSTRACT

The recent spate in terrorism by TTP and BLA has not only created a volatile situation in the country but also impeded the promises of China Pakistan Economic Corridor (CPEC) Phase II. The complicated relationship between security challenges and the successful implementation of Phase II is extensively explained in the paper. Important findings reflected that recent terrorist incidents directly reduce investor confidence and the progress of development projects. The research concludes with a comprehensive approach, containing a revised security framework including local community participation, which is vital to mitigate these challenges and ensure CPEC Phase II progress.

Keywords: CPEC 2.0, Terrorism, Security Challenges, terrorism in Pakistan, Geo-economics, Special Economic Zones (SEZs), economy, development projects.

Introduction

Can Pakistan's endeavor of economic transformation through CPEC 2.0 prevail in the face of escalating terrorist threats? A nation can only rise as high as its infrastructure allows. China's successful Economic Transformation has provided an ideal model for the developing nations that are seeking economic growth. In 2013, Chinese President Xi Jinping launched the 'Belt and Road Initiative.' This giant initiative envisioned infrastructure connectivity across multiple continents.

There is a blackout of financial information in explaining the financial size of CPEC. However, it was initially estimated that it would be around \$46 billion, then extended to \$62 billion due to the addition of projects. Even some experts have predicted the extension to reach \$100 billion. China has a political willingness to transform Pakistan into an economic power and integrate with other regions. This unprecedented transformation can be considered a blueprint for Pakistan. This model can be effectively

replicated under the umbrella of CPEC Phase 2.0 to eradicate poverty and foster sustainable development. CPEC Phase II will rechange the landscape of China-Pakistan relations. In recent meetings and public appearances, the Chinese diplomats reiterated that phase II will expedite innovation, transfer advanced technology, and open green corridors, promoting sustainable development. Their integration with Pakistan's national development framework comprised five Es: export, e-Pakistan, energy, environment, and equity. Phase II focuses on industrialization through the establishment of nine Special Economic Zones (SEZs). Four of these are close to operational status, and the remaining five SEZs are predicted to get operational status by 2030. These SEZs are likely industrial hubs; they give a tax exemption incentive to foster. Industrialization stimulates investment and empowers local entrepreneurship. SEZs under the CPEC are considered the engine for Pakistan's economic growth and provide opportunities to Chinese investors. CPEC Phase II, which has immense potential, also faces critical challenges, particularly terrorism. The Chinese President, Xi Jinping, emphasized during his meeting with Prime Minister Shahbaz Sharif in June 2024. Pakistan should ensure the protection of Chinese projects, individuals, and institutions. The importance of these concerns for China can be analyzed when Liu Jianchao, minister of the International Department of the CPC Central Committee. He emphasized similar issues that could potentially hinder Phase II of CPEC. These terrorist-related developments are not only destabilizing regional security. It severely undermines investors' confidence, diverts the host country's attention, and depletes resources to curtail this menace. This is paramount for the Corridor's economic sustainability and ensures a business-friendly environment. This paper analyses how these internal security challenges hinder the long-awaited CPEC Phase II.

Research Objectives:

This research work is conducted to comprehensively analyze the evolving terrorist activities perpetrated by the Blochistan Liberation Army (BLA), Tehrik-i-Taliabn Paistan (TTP), and other banned outfits within in the context of China-Pakistan economic corridor (CPEC) phase II. It will examine the impact of these grave threats on timely completion, operationalization of CPEC-related infrastructure, and investor confidence. Finally, this research will review the government security approach critically,

examine gaps, and recommend evidence-based policy to enhance CPEC Phase II viability and security.

Literature Review:

The literature review is aimed at critically examining the security-oriented challenges and their impact on the successful implementation of CPEC Phase II by analyzing the existing literature. Shenzhen, once a fishing village, has now transformed into a hub of innovation and technology. Prime Minister Shehbaz Sharif encouraged its success story (The Express Tribune, 2024). This success story is an inspiration and an essential model that Pakistan wishes to emulate for development. However, doubts persist. Can Pakistan truly replicate the success of Shenzhen? This question identifies the gap between the aspirations and the complex realities that Pakistan faces.

Pakistan's engagement in a series of prominent international fora in China, such as the 3rd Forum on China Indian Ocean Region development cooperation. This development reflects a strategic focus on advancing the next phase of CPEC. Ahsan Iqbal, the federal minister, described the delegation mission as a “once-in-a-lifetime opportunity” to learn from China's unprecedented transformation. The uplifting of over 800 million people is an outstanding example and an inspiring blueprint for Pakistan. This aim can only be achieved under CPEC Phase II. These diplomatic developments signal a political will, but the practical challenges remain crucial.

The delegation's agenda includes key focus areas such as:

- Establishing an economic growth corridor with clear priorities.
- Advancing tech-driven industries and fostering innovation.
- Addressing poverty alleviation, education, and healthcare through targeted socio-economic projects.
- Accelerating energy transitions and promoting sustainable economic models.
- Expanding exports and building global supply chain linkages.

This comprehensive approach endeavors to position Pakistan as a regional manufacturing and trade hub, serving as an economic engine for South Asia.

(CPEC, 2024)

In a meeting, two sides in two sides in the 5th meeting of the CPEC Joint Working Group on International Cooperation and Coordination (JWG-ICC) held in Beijing. Reassured their commitment to high-quality development of CPEC 2.0 with a focus on Special Economic Zones (SEZs), industrialization, clean

energy, agriculture, and livelihood (Dawn, 2025). Collaboration is necessary to ensure investment and exponential economic growth. Muhammad Aurangzaib, the finance minister, warmly invited the delegates at the Asian Forum in Hong Kong to explore multiple trade and financial opportunities under CPEC phase II (CPEC Info, 2025)

However, these economic goals are contingent upon the need for a security framework, effective governance, and sound regulatory frameworks, as mentioned in the ASEAN+3 Regional Economic Outlook (2022), to ensure the success of CPEC Phase II. Currently, Pakistan is facing political and economic volatility and persistent security challenges. This makes it extremely complex to implement the second phase of CPEC in so far as investors and project viability are concerned. (ASEAN+3, 2022). The ASEAN+3 report underscores the importance of a business-friendly environment, which Pakistan is desperately struggling to maintain.

The viability of the \$62 billion of the Chian Pakistan Economic Corridor (CPEC) has been questioned by the Wang Shengjie, China's political secretary to Pakistan, has expressed profound reservations regarding the prevailing security landscape. He stressed that Pakistan's security challenges were merely "false rhetoric" surrounding the project. In an interview, Shengjie warned that the deficiency of comprehensive security and unrealistic expectations had strained China's multibillion-dollar investment in Pakistan. He also accused Pakistan of promoting "false rhetoric" around CPEC projects, which had given locals unrealistic hopes of rapid economic transformation. "If the security is not improved, who would come and work in this environment? There is hatred against the Chinese in Gwadar and Balochistan," Shengjie said. "We don't work in rhetoric like Pakistan—we just focus on development. If this kind of security situation persists, it will hamper development," he added. (Profit Pakistan Today, 2025). Shengjie's comments explain a growing concern about the gap between official narratives and on-the-ground realities.

These security-oriented challenges are inextricably linked to the broader geopolitical dynamics. As CPEC enters into its second phase, many actors have started seeing through the lens of geoeconomics, geostrategics, and. Geopolitical dimensions. The Makran Coast Gwadar Complex can present a potential locus for external actors due to its advantageous position. More importantly, this region can provide various potentials, such as air,

naval, submarine, and missile bases, communication, radar, and intelligence-gathering information. It can give dominating oversight of all Sea Lines of Communication (SLOCS) carrying gas, oil, and other goods in the area of the Persian Gulf and the Strait of Hormuz. Consequently, it can bring terrorist onslaughts to hamper and delay CPEC and undermine it (Malik, 2024). Pakistan is stuck in the geopolitical competition in South Asia, creating constraints in its foreign policy options. Islamabad is seeking to balance between two strategic competitors. Moreover, the return of the Taliban led to the fuelling of cross-border terrorism in Pakistan, exacerbating existing security challenges for the CPEC projects (Rehman & Mingjin, 2024).

The cumulative impact of these persistent security issues is reflected in Pakistan's economic fragility. Zaidi (2024) discussed that Pakistan's fragile economy is impeded by enemies like TTP. Since 2021, a 42% increase in terrorism incidents has been noticed. Islamic State Khorasan (ISK), Taliban, and other banned outfits conducted around 128 attacks. In these attacks, almost 236 died, and 278 were reportedly injured. Law enforcement forces and security forces also noted 218 injured and 117 dead. These challenges further accentuate the existing loopholes in the security of the region that is paramount to the successful implementation of development projects. The statistics provided by Zaidi show the human and economic cost of the resurgence of terrorism.

In the presence of these persistent security threats, the imperative is to foster a friendly and conducive environment for attracting investments, nurturing business, and the safety of outsiders. The local communities must perceive these projects as advantageous for their life. Kakar (2024) mentioned that the Baloch insurgency is stemming from historical grievances of economic and political exclusion. Kakar's understanding provides informative perspectives that are paramount in addressing growing local concerns that are essential for the successful implementation of Phase II.

Conceptual Framework: Impact of Evolving Terrorist Threats on CPEC Phase II:

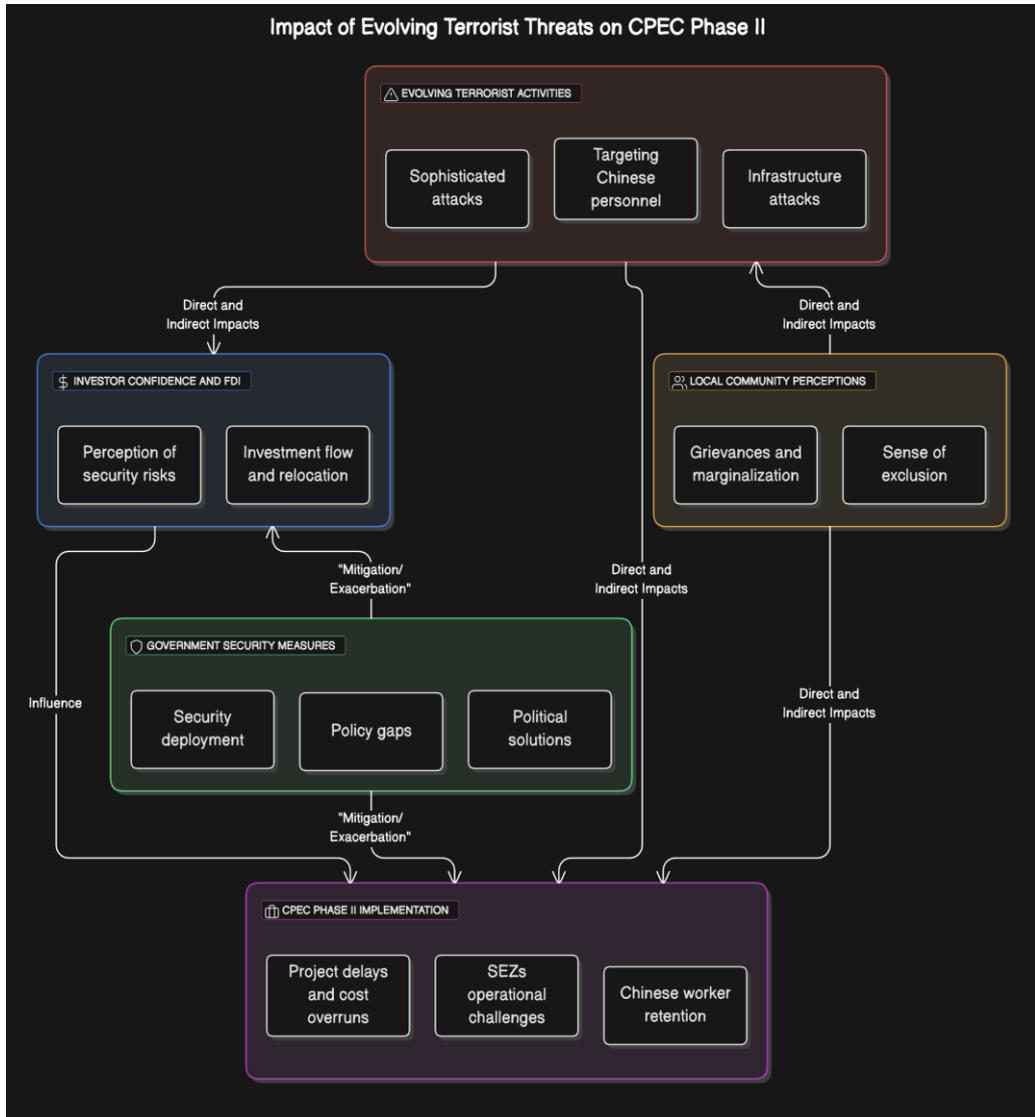


Figure 1: Conceptual Framework

A conceptual framework comprehensively explains the profound relationship among different variables that are influencing each other. The following are the variables that are influencing the successful implementation of CPEC Phase II.

Evolving Terrorist Activities (BLA and TTP):

These independent variables, i.e, the Tehrik-i- Taliban Pakistan (TTP) and Balochistan Liberation Army, have shown enhanced sophistication in their attacks, while targeting critical infrastructures related to CPEC and particularly targeting Chinese personnel. These incidents directly create stumbling blocks to project implementation and reduce investor confidence.

Investor Confidence and FDI:

This factor acts as a mediating variable. It contains the willingness to commit foreign direct investment (FDI) and perceptions of security risks and is highly susceptible to terrorist incidents. The fear of insecurity is fueled by the terrorists.

Induced activities can lead to a decrease in the investment flows and curtail the relocation of businesses to Special Economic Zones (SEZs).

CPEC Phase II Implementation:

This is the dependent variable. Timely execution of projects, operationalization of SEZs, and the expected cost of the projects define the successful implementation of CPEC Phase II. Cost overruns, delays, and challenges in attracting and providing a friendly environment to Chinese workers can hinder the project's overall progress.

Government security measures:

The Pakistani government security approaches serve as an intervening variable. The approach comprises counterterrorism strategies, the deployment of security personnel, and efforts to address policy gaps. These factors play an incredibly important role in countering terrorism related menaces or exacerbating the impacts of terrorist incidents. The potency of these measures directly sways CPEC Phase II's successful implementation and investor confidence.

Local community perceptions:

The perception of the local community acts as a contextual variable. This variable is important, especially in the areas where CPEC projects are going on. Greivances related to marginalization, resource exploitation, and lack of participation can fuel or endorse the narrative of terrorist outfits. However, local community confidence and encouragement can foster a more conducive environment.

Relationships and Dynamics:

The arrows in the diagram show the relationships between the variables. Terrorist activities directly and indirectly influence CPEC Phase II implementation and investor confidence. The

successful implementation of projects is contingent upon investor confidence. Similarly, the government security approach can curtail or even exacerbate the impact of terrorist related incidents. More importantly, local community perception is incredibly important because it affects both terrorist outfits' cause and project implementation.

Research Question:

- 1) How have the tactics of BLA and TTP evolved, particularly targeting CPEC Phase II?
- 2) Are these terrorist activities aimed at sabotaging CPEC Phase II, specifically when it comes to targeting Chinese Personnel?
- 3) What are the effects of these terrorist related activities and security threats on investor confidence in CPEC Phase II projects, particularly within the Special Economic Zones (SEZs)?
- 4) How have these security challenges affected CPEC Phase II development projects and infrastructure?
- 5) How effective is the security approach of the Pakistani government in preventing these security challenges to ensure the successful implementation of CPEC Phase II?

Methodology:

This research adopts a qualitative approach to explore the impact of the recent resurgence of terrorism on CPEC Phase II. A review of the existing literature relevant to this area, despite the limited availability of comprehensive academic research on this recent resurgence of terrorism, and expert interviews provided a complete understanding of the challenges. Semi-structured interviews were conducted with five experts, including a former minister, an academic, a public policy expert, and a journalist. Interviews were conducted via WhatsApp calls or voice notes due to the geographical dispersion of the interviewees. All interviews were conducted and transcribed with the consent of the experts. Thematic analysis is utilized to identify the themes and patterns within the interview. This method has the ability for the system analysis of the qualitative data, identifying vital insights into the impact of terrorism on CPEC Phase II. The analysis was then guided by the conceptual framework (Figure 1), which indicates the complex interlinkage between the recent terrorist incidents, government security framework, local community perceptions, investor confidence, and CPEC Phase II implementation.

It is incredibly important to keep in mind the very recent resurgence of terrorism impacting CPEC Phase II that resulted in a lack of readily available data and established academic work. This

research is intended to contribute to the initial understanding of this new phenomenon.

Analysis and Findings:

This part of the paper analyzes the experts who have been interviewed extensively. These interviews aimed to explore the multi-dimensional obstacles created by the evolving security threats to the second Phase of the Pakistan Economic Corridor (CPEC). During the interviews, the interviewer identified a new trend in terrorism. Adan Amir observed, based on his reporting, that “threats to the CPEC Phase II remain the same as those in Phase I and are primarily posed by Baloch separatist groups in the south and Islamist militant organizations like TTP and ISKP in the north” (A. Amir, personal communication, January 25, 2025). He also observed that “the nature of attacks becomes sophisticated, primarily aimed at targeting infrastructure related to CPEC and Chinese personnel” (A. Amir, personal communication, January 25, 2025). Dr. Dost Muhammad Bareach noted that the recent resurgence of terrorism in Balochistan is the start of a new wave of terrorism, and we are also suspicious that TTP and BLA are in cahoots in targeting CPEC (D.M. Bareach, personal communication, March 2, 2025). This observation is also endorsed by Haroon Shareef, who acknowledged from an investor’s lens that “around 20 Chinese nationals died in the past two years” (H. Shareef, personal communication, February 15, 2025). Consequently, Chinese concerns regarding their engagement mode have increased.

The interviews collectively emphasized that security threats have detrimental impacts on investor confidence. Haroon Shareef, a prominent advocate of investment promotion, stated unequivocally that “it has a huge negative impact on the potential relocation and investment flows, either in an economic zone or outside” (H. Shareef, personal communication, February 15, 2025). Similar concerns were stressed by Dr. Saeed Uzaman, who from a geopolitical perspective identified “terrorism as one of the severe challenges for the CPEC 2.0” (S. Uzaman, personal communication, February 15, 2025). Shareef indicated that China demonstrated a pragmatic approach to de-risking investments through joint ventures with Pakistani companies. This reflects their concerns regarding insecurity. Dr. Bareach added that CPEC is the “only project in the world under BRI that has been witnessing terrorist attacks” (D.M. Bareach, personal communication, March 2, 2025).

Another important theme was the impact of security threats on project implementation. Adan Amir cited that “security threats have significantly delayed several CPEC projects. One of the most notable examples is the Gwadar Eastbay Expressway, which faced multiple delays due to security concerns. The newly inaugurated Gwadar International Airport also took a longer time than it was planned. This explains how security challenges can hinder projects' timely execution. He further stated that “security concerns have also led to a decline in Chinese workers' willingness to stay in Gwadar for extended periods” (A. Amir, personal communication, January 25, 2025). Haroon Shareef emphasized the significance of ensuring the 'security of their money' alongside physical security. Shareef focused on the payment defaults and exit barriers that further eroded investor confidence (H. Shareef, personal communication, February 15, 2025). Dr. Bareach mentioned that the frequent blockades of highways in Balochistan by nonviolent movements such as the Baloch Yakjehti Committee (BYC) raising their voice regarding security concerns also create disruptions in the development of projects (D.M. Bareach, personal communication, March 2, 2025).

The Pakistani government's security measures were seen through a critical lens. Adan Amir, while appreciating the deployment of security forces like the Special Security Division (SSD), criticized it by identifying that “serious gaps remain in securing the movement of Chinese workers.” The vulnerability of Chinese personnel during their movements indicates the lapses and failures in operational security (A. Amir, personal communication, January 25, 2025). According to Dr. Bareach, “securitization has been enhanced exponentially in the Balochistan province” but has failed to counter insurgency. He further suggested moving forward from “geopolitics to geoeconomics,” advocating for regional connectivity (D.M. Bareach, personal communication, March 2, 2025).

Rafiullah Kakar shifts the direction towards local community perception. Focusing on historical grievances over natural resources and a sense of exclusion among the Baloch population. He stresses that CPEC projects are perceived as exploitative projects, merely benefiting the federal government and outsiders while marginalizing local communities (R. Kakar, personal communication, February 27, 2025). Dr. Bareach stressed that CPEC “has not produced fruitful dividends to Balochistan and has further deprived” the region (D.M. Bareach, personal communication, March 2, 2025).. The lack of productive

engagement, coupled with heavy-handed security measures, has further escalated opposition and resentment. Kakar is in favor of a political solution rather than a purely security-dominated approach while emphasizing resolving the root causes of discontent. He says that without any genuine political negotiation and empowerment of the local community, CPEC's potential will remain in looms and security challenges will persist (R. Kakar, personal communication, February 27, 2025). The above interviews highlighted interlinked challenges faced by CPEC Phase II.

Discussion:

The research has explored the complex relationship between evolving terrorist threats and the successful implementation of the China-Pakistani Economic Corridor (CPEC) Phase II. After in-depth interviews with renowned experts and a review of the existing relevant literature, some important findings have been identified that are imperative in the context of challenges and potential solutions of the important projects. This research has identified the changing pattern of terrorist incidents by the Baloch Liberation Army (BLA) and Tehrik-i-Taliabn Pakistan (TTP). They are seeking to target Chinese personnel and infrastructures that are related to CPEC. Consequently, this impacts the project's progress and investor confidence. This finding is underscored by the existing literature that focuses on the evolving nature of terrorist outfits (Rehman & Mingjin, 2024).

These terrorist threats have major implications for investors' confidence. Haroon Shareef, the former chairman of the Board of Investment, endorsed that the recent resurgence of terrorism is hindering the flow of investment and creating hurdles in making Special Economic Zones (SEZs) a successful model of business. This observation also highlights that these terrorist activities are confronting foreign direct investment (FDI) (Zaidi, 2024). The research also explored that security challenges are one of the major factors that are preventing the implementation of CPEC projects. This observation is articulated by Adnan Amir, a renowned Journalist. He emphasized the delays and cost overruns of the projects due to security concerns, such as Gwadar International Airport and Gwadar Eastbay Expressway. Similarly, this finding is also examined in (ASEAN+3, 2022) that insecurity perceptions that profoundly impact infrastructure development projects.

The insights from Rafiullah Kakar and Dr. Dost Muhammad Bareach indicate that the perception of the local community is vital in creating a stable and friendly environment for investors. The

grievances include a sense of economic and political exclusion, which can contribute to the emergence of terrorist outfits related to development projects. To address these concerns, it is necessary to tailor a comprehensive framework that enables the local community to participate equally and benefit from these development projects. This strategy has the potential to legitimize efforts and garner support from the local community.

This study seeks to provide constructive insights into the challenges facing CPEC Phase II. However, the sample size of experts was limited. Future research is imperative to incorporate more diverse views, including those of local communities, policymakers, investors, and Chinese workers.

Conclusion:

The study has examined the challenges that CPEC Phase II faces. These challenges are evolving security threats with sophisticated attacks primarily aimed at Chinese workers and infrastructure. Consequently, this delays projects' completion and reduces investor confidence. More importantly, the government security approach has gaps that are contributing to rampant local community perceptions regarding their concerns of exclusion from political and economic activities. The findings demand a multi-dimensional approach. For instance, the security framework must be strengthened by incorporating transportation protocols and improved intelligence.

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