DOI: 10.52131/pjhss.2025.v13i4.2987

Pakistan Journal of Humanities and Social Sciences

Volume 13, Number 04, 2025, Pages 269-275
Journal Homepage:
https://journals.internationalrasd.org/index.php/pjhss

CPEC and Gilgit-Baltistan: Local Industrial Production and International Trade Market Dynamism

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ARTICLE INFO

Article History:

Received:	May 30, 2025
Revised:	December 28, 2025
Accepted:	December 29, 2025
Available Online:	December 30, 2025

Keywords:
CPEC
Gilgit-Baltistan
Local Industry Policy
SEZs

Funding:
This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

ABSTRACT

CPEC is a flagship project under BRI initiated by China in 2013. The aim of this project is to improve the infrastructure within Pakistan for better trade with China and further integrate the countries of the region. Recline in extreme Northern side connected with Pakistan and China borders with unique socio-cultural and economic composition, Gilgit-Baltistan (GB) emerged as an integral component for developing CPEC infrastructure. The government of Pakistan signifies this project as game-changer. No doubt it is. However, there is need to link local industry with international trade centers under SEZs initiatives in GB context, which is missing at the policy level until now for enhancing it into game-changer. Furthermore, these initiatives are also linked with developing skill development Program, promotion of education and the expansion of tourism in the region by articulating liberal socio-political and security measures. The local population is also not properly aware about CPEC related investments, businesses and opportunities. This paper is an attempt to realize the importance of local industry of Gilgit-Baltistan and expand it in an appropriate way under certain policy measures. Hence, by adjoining international trade markets with local industrial input under CEPC, this research will establish a compact understanding for successful leverage of CPEC.

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1. Introduction

Due to geographical alienness, Gilgit-Baltistan remained unconnected with Pakistan until Karakoram Highway (KKH) started operational in 1970s. This road link was built by the people of Pakistan and China. There is worthless effort of the two nations behind the completion of this road link. The KKH opened a corridor of cooperation between Islamabad and Beijing and hence the Chinese government started energy project in Gilt-Baltistan in 1990s under a bilateral treaty. These projects enhance the importance of this region in domestic, regional and international level. On the other hands, the people of Gilgit-Baltistan started interaction with the people of Pakistan and this interaction expanded with the passage of time (Ershad, 2008). The important sources of earnings of the people and economy of the region are traditional agriculture and farming, tourism, mountaineering and import/export of goods from China via Sost Dry port. The industry of tourism and mountaineering is exploring new developments from the last two decades owing to the peaceful environment of the region. Gilgit-Baltistan spread over an estimated area of 72, 971 sq km with total population of 1.7 million (Pakistan Economic Survey Report, 2024). Gilgit is the capital city while Skardu is the largest city with regard to population. The region has mesmerizing beauty of mountains and valleys, diverse socio-cultural environment, attractive places of tourism and mountaineering and home to water channels for irrigating rest of Pakistan ranging from Kashmir to Arabian Sea. Gilgit-Baltistan reclined on extreme Northern side of Pakistan. It is bordered with China on North, Indian held Kashmir is located on East, Afghanistan lies on Northwest side while it is attached with Khyber Pakhtunkhwa on Southern edge. Due to nearby access with Russia via Tajikistan which is separated by *Wakhan* valley, this region has very important regional and international significance (Khan, 2023).

Moreover, chambers of commerce and industries such as Gilgit-Baltistan Chamber of Commerce and Industries, Ghizer Chamber of Commerce and Industries, Nagar Chamber of Commerce and Industries, Northern Areas Chamber of Commerce and Industries, Gojal Chamber of Commerce and Industries and Women Chamber of Commerce and Industries Gilgit have been established to boosting up the local industry. Furthermore, these chambers are interested to establish dry ports and export processing zones in Gilgit, Hunza and Gojal, hydro projects. They have also demanded from the government to help them in issuing soft loans for the business. These cahmbers have also asked the government for declaring Gilgit-Baltistan as tax free zone for establishing business and attracting investors not only from other regions of Pakistan and also from China, Iran, Tajikistan and Russia as well (Gilgit-Baltistan Chamber of Small trader and Industry, 2024). Gilgit-Baltistan (GB) emerged as an integral component for developing CPEC infrastructure. The government of Pakistan signifies this project as *game-changer*. No doubt it is. However, there is need to link local industry with international trade centres under SEZs initiatives in GB context, which is missing at the policy level until now for enhancing it into game-changer. Furthermore, these initiatives are also linked with developing skill development Program, promotion of education and the expansion of tourism in the region by articulating liberal socio-political and security measures. The local population is also not properly aware about CPEC related investments, businesses and opportunities. This paper is an attempt to realize the importance of local industry of Gilgit-Baltistan and expand it in an appropriate way under certain policy measures. Hence, by adjoining international trade markets with local industrial input under CEPC, this research has established a compact understanding for successful leverage of CPEC.

2. China Pakistan Economic Corridor (CPEC)

CPEC is a flagship project under BRI initiated by China in 2013. The aim of this project is to improve the infrastructure within Pakistan for better trade with China and further integrate the countries of the region. This project is expected to exponentially shaping the road, railway and sea network so that the economic incentives may be acquired. Various transportation links, energy initiatives, and SEZs are part of CPEC. CPEC is a 3000 km long road link adjoining Eastern China with Pakistan via GB. Thus, the region of GB is heartland for accomplishing the economic benefits of CPEC for Pakistan. As of the Chinese estimates, US $ 65 billion will invested in this project. The major amount will be spent to energy related projects. Almost 70 percent of the amount will be given to energy related projects while 30 percent will be spent on infrastructure improvement (Salim, 2016). The success of CPEC will have long tracked implications for Pakistan, and the region. Owing to improve the road infrastructure under CPEC, the logistic of goods will take less time and cover more route. It will also enhance the peace, development, employment and find new markets in domestic, regional and international levels. It will also attract the FDI and boost the trade in Pakistan. Hence, CPEC is compared with the Marshall Plan owing to its economic benefits, improving employment and establishing opportunities for the people (Salim, 2016). The success of this project is equally connected with inter-provincial harmony. There is equally needs to transform the local industry of Pakistan and especially of GB. There is an immense capacity in the local industry of this region to claim acceptance from the regional and international markets. Trade fairs, trade loans/opportunities, durable and efficient governance, decentralized decisions/policy making are some of the important ingredients to obtain the fruit of CPEC for Pakistan and GB.

2.1. Importance of CPEC for Gilgit-Baltistan

Geo-economic position of GB makes this region very unique. It also lies on a unique geostrategic location as it shares borders with China, India, Afghanistan and access to Russia through *Wakhan* valley. CPEC connects Eastern China with Gwadar Port in Pakistan and GB lies in the middle. It is the heartland for both Pakistan and China. It has the potential to become a significant hub for regional trade market and consequently may attract global tourism with the passage of time owing to concluding a multilateral agreement with the regional countries by stakeholders sitting in Islamabad (Khan, 2023). While the CPEC is operational, other geographical road links have also been improved and upgraded. This has not made an easy way access to whole GB but also equally transform it in many important sectors such as energy, tourism, organic farming, handicrafts, trekking, hiking, mountaineering and adventurous journeys to the valleys and glaciers. The only challenge is that, it has not yet directly linked with any neighboring market except Eastern China. So the benefits are still away from the access of GB population.

Under CPEC, 27 SEZs have been proposed and only nine have been decided to make operational. Having significant volume of trade potential and industry, it is interesting that only one SEZ has been proposed for GB consisting of 250 acres of land. It is also wonder that, prior to this, GB has no formal BOI and hence no industrial policy has been ratified so far. It is a grim story of this region that political stakeholders based in Islamabad did not pay cognition to the rights and privileges GB population in the past (Ahmed, 2022). The present governments since 2008 figuring out the importance that, with the implementation and further operational capacity of SEZ in GB will find trade, investment and employment opportunities for people of GB in coming years. Prior to the announcement of SEZ in GB, the regulatory framework, governance style and implementation capacity were regarded as poor, inefficient and mismanaged (Nigar, 2017). This trend will reform in the coming years as the government wants potential economic development. The federal government of Pakistan wants to introduce technological transformation in GB so that, connectivity of this region may be achieved with the regional and international forums. However, the progress on this project is very slow. The main objective is to achieve the ongoing energy and development projects first and then transform the technological transformation including the 4G technology. These projects will have deep development impacts on the future of GB (Khan, 2022).

2.2. CPEC Related Development in GB

Construction of modern transportation networks including highways, tunnels, bridges and economic zones are in progress in GB. This is rapid development which has been in process since 2013 when CPEC formally inaugurated. China will invest US $ 65 billion on this important project with 30 percent will be reserved for development projects while remaining 70 percent for energy related projects. A significant portion of this investment will also fix for GB so that the economic posture of this region will transform exponentially.

The Gilgit Baltistan Expressway is a flagship project under CPEC initiated by the federal government in 2016. Under this important road link, Islamabad to Gilgit and Gilgit to Skardu road link has been upgrader according to international road link protocols. Additionally, this link has also been expanded to Azad Jammu and Kashmir by linking Skardu with Muzaffarabad through tunnel (The Express Tribune, September 03, 2016). Upon the completion of this project, time of traveling has been reduced many hours and the movement of good from GB to erstwhile regions in Pakistan has become easy.

Gilgit-Shandur Road is 363 km road link connecting Chitral in Khyber Pakhtunkhwa to Gilgit city via Shandur top. The main objective for the construction of this road is to make trade with China all over year. In other words, it is an alternative route of CPEC (Abbas, 2021). It will be 350 km shorter than the existing CPEC upon its completion. This road will be completed under GB Development Plan 2021-2026 with an estimated amount of Rs 370 billion.

CPEC Railway Link Apart from the road link, Beijing also wants to establish rail link with Pakistan which stretches from Gwader Port to the Kashgar city of Xinjiang Province of China. Upon the completion of this project, the railway infrastructure of Pakistan will steadfastly improve. It will be a 2600 km long track with a line capacity ranging from 34 to 134 trains each day moving with 165 km/h speed. The main objective of this project is to transport the goods at rapid pace without delaying or consuming time.

Energy Projects Various energy projects have also been in progress under CPEC. Most of these energy projects are hydro power projects. These projects have been initiated in difference cities/locations of GB. A 80 megawatt project is established in Ghizer while a 100 megawatt electricity project has been in progress in Gilgit. The federal government has also proposed to establish a regional grid station Gilgit city for providing electricity to whole region of GB. More over Diamir-Bhasha dam, Bunji hydro project and China-Pakistan Optical Fibre projects are also underway (Khan, 2022). These projects will promote economic growth and development, improve access to trade centres and markets and will create more jobs for the people in Pakistan

(Buneri, 2023). The aim of all these projects in GB is to provide link to region with the rest of the country so that local industry of the region may get incentives and due importance.

2.3. Special Economic Zone (SEZs) in Gilgit-Baltistan

There are multiple objectives for establishing SEZs across the world. Some of the most important objectives are enhancing trade with neighboring, regional and international countries, to obtain economic development and promote employment in the domestic market by seeking trade opportunities and skills from other countries. These SEZs are established to obtain multiple economic benefits and have long ranged policies and benefits often associated with economic development. These are often established to created an attractive business environment so that FDI may come from the domestic, regional and international investors (Khadim, 2020). The SEZs across the nations are setup for acquiring economic and industrial development. That is why, the establishment of SEZs under CPEC ware aimed to enhance trade, adaptation of industrial cooperation, and find mechanism to strong the local economy linking it with domestic, regional and international markets. Under CPEC 27 SEZs have been proposed by Ministry of Planning, Development and Reforms in different regions of Pakistan. One such SEZ was proposed for GB in Maqpoondas. A total of 250 acres of land has been allocated for the zone. This SEZ is aim to boost the production and trade of agri-goods, livestock material, mines and minerals, local handicrafts and wood-related goods. Furthermore, trade of organic fruits based in GB is also on the agenda {Nigar, 2017 #13;projects', 2016 #11}. Until now, acquisition of land for SEZ is pending due land reforms issues in GB. As soon as the issue is resolved, the implementation phase will be started.

2.4. Local Industry of Gilgit-Baltistan

GB has many local industries which needs to be studied more broadly. Some of these are associated with technical, others are skills while most of these are unskilled or semiskilled. We study about the local industry of GB in a detailed way in following paragraphs;

Agri-based Industry: It includes the wheat, maize and some kinds of fruits. All these are formed organically with zero use of pesticides. These are produced in natural way without using additional chemicals. In fruits; cherries, apples and apricots are very important. While wheat and maize is harvested on limited scale which only fulfill the local population needs. However, by exporting fruit varieties to the regional countries, GB can obtain significant amount. According to a survey by Asian Development Bank as quoted in Business Recorder report, GB is the largest apricot producing region in Pakistan with more than one lac matric ton production on annual basis. Every household have 15 trees of apricot. If GB gets access to Russia via CPEC route, the farmers can have lavish earning (Shoaib ur Rehman, 2017). The farmers of GB need to improve the agricultural skills on modern techniques.

Tourism: GB is considered as one of the most attractive places for domestic and world tourists. The nature has gifted this region blessings and beauty, lavish green/rocky mountain, fresh channels of streams and rivers, highest peaks in the world, gigantic glaciers and variety of scenery. Every year, millions of domestic tourists explore different places of this region. However, a few people from the regional and international countries come here due to bad international image of law and order. Pakistan needs to formulate regional peace agreement to promote tourism in this region.

Mountaineering: GB is also home to five 8000 meters above sea level peaks globally. Furthermore, there are more than 150 peaks over 7000 meters height while 700 others with 6000 meters height. It can attract thousands of climbers every year from across the world. However, there exists not a single mountaineering or climbing institute in in this region. The Pakistani climbers/porters have semi-trained training for providing services to the mountaineers at high altitude. There is need to open at least 50 international standard training schools/institutes in this region. So that more income would be generated through adventurous tourism (Baltistan Adventure).

Handicrafts: Stone work, woolen craft, caps, carpet waving key chain, wallets and wood utensils are some of the important handicrafts which have significant cultural impact on the livelihood of local population. There is need to organize trade fairs for expanding these GB skilled workers and commercial support should also provide to them so that they can earn more and more to the regional and international market.

Fish Farming: Commercial fish farming in GB started in 1908. It was started in streams, rivers and other natural water resources. With the passage of time, trout fish became a significant brand of this region. The fisheries department of GB is encouraging kitchen fish farming at the household. While, under the title of agriculture emergency, the GB government in 2019-2020 started a five-year project named *'promotion of trout farming in GB'*. These initiatives are based on to fulfill the local production needs. These are needs to expanded on commercial levels to export them to the neighboring countries. Pakistan should expand cooperation with China in this perspective (The Nation, 2023).

Food Processing Techniques: For exporting food such as fruits, dry fruits and other such items from GB, there is need to introduce skills related to food processing by the different chambers of commerce and industries of the region. This will not only enhance the quality of food but also find new markets for exporting these food items.

Commercial Projects: The major projects such as energy generation and green environment initiatives are some of the bigger commercial projects that may find opportunities for skilled workers from domestic and regional countries. Most of these projects are required the commercial services by different international and domestic companies. Commercial institutes should be established to train the local people so that employment opportunities be given to them at their home stations.

Human Resource Development: Human Resource Development is very important for any region or country for linking local industry with international market. It is a training and development of the population for helping them in improving their skills and knowledge. There exists no HRD in GB for providing large scale skills and development strategies to the general public. There is urgent need to establish a framework in this perspective. It needs to provide relevant skills to the people so that they acquire the economic stability. The organization, functioning and role of chamber of commerce and industries of the region is very important in this way.

3. The Potential of Local Industry of GB

The federal government of Pakistan has neglected GB for many decades. The development did not take place and many challenges are still there. This is a valid argument that *Lai Expressway* of Rawalpindi has more budget than the total budget of whole GB. No doubt, the region has potential in many sectors. There is need to explore all those sectors.

- Tourism industry has significant boom for regional and international visitors apart from the domestic tourists. There is need to attach local folk music, poetry, culture, performing art, photography, skilled porters/expeditions, art, design, electronic publishing by using different mediums of communication, tech industry and commercial platforms of advertisement to this sector with an appropriate way.
- The region has linguistic diversity. A small valley named *Ishkoman valley* situated in Ghizer has unique linguistic diversity where almost 10 languages are spoken and every person can speak and understand at six languages. This place may be developed into a linguistic and recreational hub for people. A research center should be established at KIU to study the diversity of language and culture of this region and should present it before the people of other region by using communication channels.
- For enhancing the public interest to invest in this region, there is need to develop the basic infrastructure of this region by increasing development budget. Basic amenities such as education, health, water, road connectivity and internet access are not meeting the standards and needs to be improved.
- The region has rich cultural heritage which needs to be preserved to attract the world tourists. There is also need to expand the literature by establishing website links so that people can be attracted from other regions. The Agha Khan Development Network has performed significant work in this important direction. The government of Pakistan should establish a policy and budget for preserving historical sights.
- This is the age of digital entrepreneurship. Although Special Incubation center of KIU and software technology park of Gilgit have been setup to revolutionize the communication

sector. There is need to establish such Hi-Tech centers in other parts of the region (Iftikhar, 2021).

- The domestic industry needs support in terms of technology, skill development and marketing for linking it with the regional and international market. There is need to incorporate policy measures in this direction.

3.1. Recommendations

- There is need to frame a suitable industrial policy for the region by contextualizing on SEZ initiative.
- This is the age of digital entrepreneurship. So digital revolution is very significant for developing international and regional linkages for exporting/importing items in GB
- Regional peace agreement is very important for developing trade connectivity of GB with China, Russia, India and Afghanistan. Pakistan needs to normalize its relations with regional countries.
- Skill development is very important for linking domestic industry with regional and international market. There is need to attach local electronic publishing by using different mediums of communication, tech industry and commercial platforms of advertisement to this sector with an appropriate way
- Public – private initiative is very important to expand the domestic outcomes of GB across the region.

4. Conclusion

Gilgit-Baltistan is a gateway to China Pakistan Economic Corridor. The region has great potential to grow in tourism, Information technology, food processing technology, fisheries and mountaineering sectors. The federal government has proposed to develop a special economic zone. So far, there is no development on that SEZ. The swiftness of development projects in road and railway link sectors is also very slow. Various projects under CPEC Authority related to GB region are still pending. The initiatives taken by the regional government are based on scanty resources. For linking the local industry of GB with regional and international market; there is urgent need to develop far-sighted policy. That policy should consider the local industry development standards and also improve the technological grounds. Despite having immense potential of growing this local market, the business community lacks proper business orientation. That needs to be addressed in letter and spirit. For establishing business friendly environment, road linking network should also be improved throughout the year. The last but not least is that GB region should be made politically isolated for the success of CPEC.

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