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Unlocking Economic Potential: CPEC-Driven Investment and Trade Opportunities in Gilgit-Baltistan

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Abstract

As CPEC transitions from Phase I to Phase II, the focus shifts to industrial cooperation, agricultural development, and trade promotion. Key areas include economic zones, job creation, innovation, inclusive development, and green energy. The success of Phase I has established a strong foundation in the energy and transport sectors, facilitating future advancements. Phase II is expected to significantly impact the socioeconomic conditions in Gilgit-Baltistan (GB). CPEC is seen as a game-changer for Pakistan, particularly for the GB region. It promises substantial improvements in living standards through projects in roads, energy, and railways. The local population in GB is optimistic about CPEC's potential benefits, but effective management and stakeholder involvement are crucial for long-term success. However, challenges remain. Regions like GB need industrialization to address poverty, unemployment, and regional inequalities. Issues with Special Economic Zones (SEZs), such as the one in Maqpoondass, need resolution. Energy is also a critical concern, with current shortages hindering the full potential of CPEC projects. Ensuring adequate energy supply is vital for boosting trade and investment in GB. Ultimately, the success of CPEC in Pakistan, particularly in GB, depends on addressing security, political, and geopolitical challenges. Resolving inter-provincial disagreements and ensuring all stakeholders' concerns are addressed is essential. The Pakistani government plays a crucial role in the effective implementation of these projects. Although it is a significant undertaking, if managed correctly, CPEC has the potential to be a transformative force for the entire region.

Introduction

The financing and execution of large projects can have significant implications for the socioeconomic development of a community. Economic corridors and collaborations between countries have been successful in many parts of the world. They are often used as a major policy tool to improve the socioeconomic conditions of the region (Gálvez Nogales, 2014). In South Asia, the economic corridor is crucial in the relationship between China and Pakistan. It is an essential part of the national development strategy for both nations (Wolf, 2016). Economic corridors are considered significant strategies to expedite economic growth by alleviating trade and investment bottlenecks and broadening the base of economic progress in developing countries. Typically, the trading partnerships within economic corridors involve two countries, one developed and the other underdeveloped (Ali, Riaz, Ali, & Bano, 2020). Creating partnerships within economic corridors has enhanced trade volume among the partnering nations, considering the economic potential for countries (Thomas, 2009).The establishment of economic corridors is imperative in the modern era to build and strengthen regional integration, establish economic ties among partnering countries for their development, and ultimately act as an economic agent for socioeconomic change (Butt & Butt, 2015). Hence, many economic corridors contribute to socioeconomic development in less developed countries (Hauptfleisch & Marx, 2011). CPEC is a prime example of such corridors, facilitating China's access to Africa and the Middle East via the Gwadar port in Pakistan. It is also significant for Pakistan as it connects the country with Central Asian and European countries (Alam, Li, & Baig, 2019).

One of the parameters in assessing a country's socioeconomic development is the potential for trade and investment opportunities. In Pakistan, the China-Pakistan Economic Corridor (CPEC), a billion-dollar project considered a game-changer, is expected to create trade and investment opportunities for both nations, specifically promoting such opportunities in Gilgit-Baltistan (GB). The GB region is unique in Pakistan due to its geographical and historical background, serving as the entrance for the CPEC project (Nigar, 2018). This chapter specifically delves into a debate on trade and investment opportunities in Gilgit-Baltistan due to the CPEC projects.

Background of China-Pakistan Economic Corridor (CPEC)

The CPEC component of the Belt and Road Initiative (BRI) encompasses various infrastructure projects. These include projects related to roads, energy, railways, and gas pipelines that connect the southernmost part of Pakistan, Gwadar port, to the city of Kashgar in China's Xinjiang Uygur region. The Chinese CPEC project, initiated in 2015, is a crucial part of the BRI, with an estimated 15-year timeline for implementing diverse projects in Pakistan. The overall cost of the project, estimated at $62 billion under the umbrella of CPEC, aims to enhance infrastructure, develop communication (fiber optics and railways), and facilitate trade and commerce between Pakistan and China. Furthermore, there are expectations to extend these benefits to neighboring countries such as Afghanistan, Iran, and the Central Asian Republics. It is anticipated that CPEC's intervention in Pakistan will create job opportunities, and due to this intervention, an annual economic growth of 2 to 2.5% is expected. The rapid investment in the project underscores China's strong commitment to growth and regional economic cooperation (S. Baig, Qasim, Xuemei, & Alam, 2020).

After four years of Phase I of the CPEC, Pakistan is now ready to embark on Phase II. Some 27 projects are planned within the framework of this new phase, emphasizing industrial cooperation, agricultural development, and trade promotion (I. Iqbal, 2020). CPEC, structured into three phases, initially focused on the early harvest projects aimed at establishing critical infrastructure, a prerequisite for industrial revival in the country (M. Khan, Alam, & Yasir, 2024). The success of Phase I is evident in the substantial groundwork laid in the energy and transport sectors, providing a robust infrastructure foundation for future development in industry, agriculture, and human resources. As Pakistan transitions to Phase II, the focus shifts towards industrialization and agricultural advancement, targeting five major areas: economic zones, job creation, the Corridor of Innovation, inclusive regional development, and the Corridor of Green Energy (A. Khan, Ilmas, Zubair, Khan, & Zhong, 2022). This chapter aims to elucidate the potential impact of phase II on the socioeconomic conditions in Gilgit-Baltistan (GB).

An Overview of Gilgit-Baltistan (GB)

GB is situated in the northern part of the country, and it is strategically important for Pakistan at the confluence of the Karakoram, Himalayan, and Hindu Kush Mountain ranges. This region is host to several projects under the CPEC platform, with the most prominent ones focusing on energy, fiber optics, Special Economic Zones, railways, and gas pipelines (M. Ismail, 2019). These initiatives are anticipated to and profound impact on trade and investment opportunities in the region.

To initiate a discussion on the emerging prospects of trade and investment opportunities in GB under the CPEC project, it is imperative to conduct a comprehensive analysis of the prevailing economic conditions in GB. The GB area spans 72,495 square kilometers and is characterized by challenging mountainous terrain, with an estimated population of 1.8 million. Details indicate a low population density of 18 inhabitants per square kilometer, making it one of the more sparsely populated regions in the country (Nigar, 2018).

Given its challenging geographical location, a World Bank report (2018) has identified three crucial determinants that impact economic output: the regulatory environment, market accessibility, and regional constitutional status. As the gateway for CPEC implementation, GB occupies a unique and significant position in terms of trade and investment opportunities. This chapter aims to meticulously analyze the influence of CPEC projects and their repercussions on regional trade and investment opportunities, focusing specifically on GB. Moreover, it endeavors to ascertain how the region capitalizes on its indigenous resources due to the proposed CPEC projects, thereby fostering trade and investment opportunities. This comprehensive approach is anticipated to stimulate and catalyze economic activities, expediting the utilization of regional resources and exploring prospects for trade in both national and international markets. The goal is to fuel growth in the job market, contributing to the region broader economic development.

Beyond Peaks: A Snapshot of GB's Socio-Economic Mosaic

The present trade and investment opportunities are limited in the region. The region's low connectivity and challenging terrain contribute to a fragmented market for factors of production and output. This limitation results in the economic activity being largely informal and dominated by small-scale industries with restricted capacity for value addition. The presence of large enterprises is scarce, and even the number of small and medium enterprises (SMEs) is limited. While there has been a gradual shift towards income crops, most agricultural production still primarily focuses on meeting basic needs rather than generating surplus (S. Baig et al., 2020).

Unraveling GB's Compact Private Sector

Although the formal private sector in GB is relatively modest. The SMEs in GB are confined to the following sectors: hotels, furniture, grocery, timber workshops, and sawmills. The scope of operation of these industries is limited to satisfying the consumption demands of the local populace (S. Baig & Zehra, 2020). On the agriculture side, there appears to be considerable potential for enhancing agricultural productivity, value addition, and marketing. A small-sized private sector is operational, specifically in minerals, tourism, and trade, with the potential to accelerate growth over the medium to larger term. This requires a provision of essential economic infrastructure, including energy, transportation, and irrigation, which is crucial to fostering private sector-driven growth, creating employment opportunities, and facilitating access to essential social services such as healthcare and education. The construction of the Karakoram Highway (KKH) has significantly boosted the private sector, leading to socio-economic impacts such as the growth of local retail businesses, the commercialization of agriculture, and increased mobility related to education and employment (Anwar & Khan, 2019). This highlights the numerous benefits derived from public investments in critical infrastructure. Nevertheless, the private sector in the region has yet to flourish, unlike other parts of the country. The trade and investment opportunities in the private sector require drastic steps to be taken, including developing infrastructure, marketing for commercialization, and connecting the local market to the mainstream national and international markets. Similar findings were reported in research, indicating that the performance of domestic markets depends on the transportation, energy, telecommunications, and associated infrastructure experiences that contribute to competitiveness (Pinstrup-Andersen & Shimokawa, 2006).

Farm Sector as Pillars of GB's Economy

A substantial portion of the population in GB relies on agriculture, livestock, and forestry (ALF) as their primary source of income. Its capacity to bring about substantial changes in the local economy is constrained by modest productivity gains and a sluggish progression towards increased value addition as well as for commercial gain (Ghanem, Xuemei, Alam, & Baig, 2021). The region has the potential to produce delicious, high-quality fresh fruits and vegetables and these are considered the primary source of income generating across the whole GB. Similarly, GB's fruits were suitable for domestic and international markets. A variety of premium fruits, including apples, pears, walnuts, apricots, and cherries, can be found in the vicinity. Of the 169,000 tons of fresh and dry fruits produced in GB, only 10,119 are sold, primarily in lower-class markets. An enormous amount, or 57,178 tons, is wasted due to problems along the value chain. Comparably, out of 152,000 tons of veggies produced, 12,000 tons are wasted because of poor infrastructure, storage facilities, and connectivity (Hussain, Khan, & Liaqat, 2022). Moreover, vegetable crops grown in GB include potatoes, tomatoes, peas, Chinese cabbage, onions, and capsicum. A total of 10,109 hectares were planted with vegetable crops, yielding 153,017 MT of production, according to the agriculture census. Of this, households consume 28,135 MT, and of the 112,987 MT that are marketed, potatoes make up almost 94% of the total. Other than potatoes, only small amounts of other vegetables are typically farmed. While the construction of the Karakoram Highway (KKH) has facilitated the trade and market entry of surplus agricultural commodities, there is still a need to enhance market accessibility and input approaches for further success. Agriculture is reported to employ about 45% of the overall labor force. To support this, the development of intervalley link roads, including the KKH, has facilitated the implementation of a marketing system, enabling the exportation of regional agricultural goods to domestic and global markets. As a result, residents can now sell their surplus produce, including apricots, potatoes, and fruits, which were previously discarded in the market (Anwar & Khan, 2019). Some of the major positions in the farm sector are outlined below.

Livestock

Livestock plays a significant role in the economy, contributing a diverse array of consumable and non-consumable goods. The primary reason for keeping livestock in GB is to produce domestic milk for daily use and dung used as fertilizer (Wright & Duncan, 2005). In general, livestock is raised to produce items such as milk, dairy products, meat, eggs, wool, leather, bone products, medicines, lipids, and industrial proteins. In GB, farmers rely on cattle to obtain meat and dairy products, making livestock a crucial component of the rural economy. However, livestock also has potential uses for both domestic and commercial purposes. The significance of livestock becomes evident as it significantly contributes to generating revenue for local traders. Hides, skins, and dung from livestock constitute a substantial portion, accounting for 35–40% of the total revenue generated from agriculture (Ning, Rawat, Joshi, Ismail, & Sharma, 2013). Despite this, the livestock industry is not fully optimized, as the study identifies insufficient productivity. Key products, such as milk, meat, and leather, hold significant cultural and traditional value (Anwar & Khan, 2019).

In the face of limited resources, the Karakoram Highway (KKH) plays a pivotal role in enhancing livestock production due to its seamless connectivity to the region (Anwar & Khan, 2019), making a noteworthy contribution to the domestic earnings of the populace. Rangelands, constituting approximately 40% of household earnings in GB, underscore the economic importance of livestock. The livestock population in GB increased from 1.92 million to 2.62 million between 2006 and 2019, emphasizing the cultural significance of livestock and the demand for enhanced productivity Khan et al., 2013). There is still space for commercialization-focused livestock production, introducing new species of livestock, and improving the marketing of livestock byproducts (Wright & Duncan, 2005).

Forestry

The GB region is renowned for its expansive forest coverage, spanning 281,600 hectares, primarily in the districts of Gilgit, Baltistan, Diamer, and Ghizer. These forests serve various purposes, including grazing, land use, timber, fuel, medicinal herbs, and non-timber forest products (NTFP). NTFPs like sea buckthorn berries, mushrooms, and honey are highly popular. Beyond providing material resources, these forests play a crucial role in serving as watersheds for downstream populations (Tabassum, 2020).

The forests play a remarkable role in generating cash revenue by commercializing a wide array of NTFPs that the local populace gathers. Additionally, non-cash income is generated by households near the forest who utilize these resources at home rather than for commercial purposes. Cash and non-cash income significantly influences household earnings, complemented by other sources such as employment, trade, investment, establishing forest enterprises, and agricultural sales. This intricate relationship underscores the multipurpose role of forests, simultaneously generating income and ensuring sustainable livelihoods for the community in the region (Agrawal et al., 2013).

The consumption of forest resources plays a critical role in maintaining the economic and ecological balance of households; a practice passed down through generations in GB. The population depends on a combination of agriculture, livestock, and forestry. Although nonfarm sources of income are important, ALF (Agriculture, Livestock, and Forestry) remains the primary source of income, constituting 52% of the total household income. Despite the significance of nonfarm income sources, the harsh weather conditions in the region make ALF a major backbone for households that rely on forests for their livelihoods. Due to the region's marginalized condition and the unavailability of modern energy sources, households predominantly depend on forest resources for heating purposes (I. Ismail et al., 2018). This underscores the critical importance of forests in daily life, the economy, and environmental balance, going beyond economic aspects and playing a significant role in times of need while posing climatic challenges simultaneously. The local people use timber for construction purposes, but there is another use of the forest in the form of herbs and medicinal values. This sector is in a nascent stage of commercialization of medicinal plant and has huge potential for investing (Salim et al., 2019). The market could be particularly attractive to Chinese investors or traders with a long historical tradition of producing green tea.

Mineral sector

The GB region holds a significant geological potential that, if harnessed effectively, could propel the mineral sector as a catalyst for trade and investment. Despite a diverse range of precious and semiprecious stones, metals, and building materials in the region, the industry remains in its early stages, contributing minimally to overall employment, income, and government revenues. While the potential is evident, the sector requires strategic interventions. Currently, the government allocates minimal resources to promote mining and related activities. Recent initiatives led by civil society organizations (CSOs) to enhance value addition through gemstone cutting and jewelry manufacturing are promising but still emerging. A shift towards higher value-added activities within the sector is imperative to unleash the full economic potential of GB's mineral wealth. This transition not only facilitates income generation but also serves to uplift individuals from subsistence agriculture and poverty. Capitalizing on these resources is crucial for expanding income-generating opportunities in the region. The region boasts a diverse array of valuable gemstones like rubies and sapphires, alongside building stones such as marble and granite and metals like gold, copper, molybdenum, and tungsten. However, the sector's contribution to employment, income, and government revenues is modest, with the mining and quarrying sector employing only 0.1 percent of the region's workforce (Ghanem et al., 2021).

Trading in the mining sector currently occurs primarily locally, with only a few instances where local trades approach international markets. However, despite this, the sector presents a plethora of trade and investment prospects. On the contrary, the mining industry faces many obstacles, as evidenced by a study conducted by the Government of Gilgit-Baltistan (2011). These challenges comprise restricted investment, inadequate administrative capabilities to ensure effective regulation and difficult physical accessibility. The obstacles hinder the sector's overall progress. The geographical obstacles GB faces, including the dispersed nature of mineral reserves, impede the smooth facilitation of trade and investment prospects. In order to guarantee accessibility, mine sites require critical infrastructure, such as roads and utilities, due to their intricate geographical features. Moreover, the absence of clearly defined private property rights in the region may present challenges for investors seeking to exploit regions offering substantial geologic potential. Addressing these obstacles is of utmost importance to fully harness the capabilities of GB's mining industry and create a favorable climate for long-term expansion and investment. It is imperative to prioritize the resolution of constraints related to physical accessibility, regulatory capability, and investment to establish a conducive atmosphere that promotes the growth and prosperity of the mining sector in GB (Makhdoom, Shah, & Sami, 2017).

Tourism sector

The GB region is known for its unique geographical importance. The region has inherited breathtaking scenery and a rich cultural legacy. Tourism offers a wide range of revenue-generating options that are underutilized, and still various options for investment in this sector. This region is isolated, and despite the challenges presented by the geography, it is still a major attraction for adventure tourism. Thousands of tourists and travelers, whether national or international, come to the region with dreams and are eager to scale some of the world's most formidable 8,000-meter peaks. To utilize the potential of tourism and expand the related activities, efforts are needed to increase the revenue from the national and international voyages. There is a need to enhance the number of national visitors and continuously improve the associated services, such as infrastructure development and security in the region to promote the tourism sector (Makhdoom et al., 2017).

GB's stunning landscapes and profound cultural heritage make it a lucrative tourist destination, providing numerous opportunities for producing cash. Although GB's topography poses problems, it is a significant destination for adventure tourism, attracting numerous travelers ready to conquer some of the world's most daunting peaks or trek across vast glaciers adorned with alpine meadows. In order to maximize the benefits of tourism, it is necessary to focus on increasing income from international travel, attracting more domestic tourists, and making advancements in areas such as security. It is essential to offer a wider range of tourism experiences and improved services to attract higher average daily expenditure from international visitors. Enhancing transport reliability to and from GB would enhance its appeal to domestic tourists, as it would allow for shorter trips, particularly for those looking for a weekend escape. In order to strengthen trade and investment opportunities along the GB corridor and promote local value addition, it is crucial to enhance trade facilitation and remove governmental barriers about transportation and facilitation.

This not only offers opportunities for enhanced tourist experiences but also leads to increased daily average spending at tourist spots. Meeting tourists' expectations for their planned journeys in the region boosts domestic tourism and entices international tourists for shorter visits. It is crucial to encourage local value addition to materialize trade and investment opportunities through the GB corridor. Resolving issues related to trade facilitation services and addressing policy hurdles in transportation and export can be instrumental. Similarly, the ongoing maintenance of the KKH and other communication infrastructure has the potential to increase the flow of tourists in the region significantly.

Exploring Opportunities: A Comprehensive Examination of Trade and Investment Strategies in Gilgit-Baltistan as part of the CPEC Framework

GB represents an untapped market with significant potential for investment, constituting the main advantage of the region. Despite the unclassified status creating ambiguity for CPEC project implementation, there remains potential to attract investors to various lucrative trade and investment. One key advantage that may draw many investors is the availability of tax exemptions, which can be capitalized upon. Moreover, numerous appealing opportunities exist for investors to venture into niche markets.

Investors are always searching for a secure environment for long-term existence and market share maximization. GB aligns with these expectations as terrorism events are negligible in most parts of the region, contributing to overall safety and security that builds investor confidence. While the full understanding of CPEC projects and their benefits is yet to be realized, considering they are still in the early stage of development, it is anticipated that once fully developed over 15 years, the projects will yield commendable trade and investment benefits in the region. Projections suggest significant impacts on trade and investment in the area, potentially altering the economic landscape and creating new growth opportunities. Stakeholders are closely monitoring the progress of these projects to gain insights into the potential effects of CPEC on trade dynamics and the investment climate, particularly in the prospective terrain of GB.

The exceptional status of GB offers a distinct advantage that might potentially attract more investors to the province. Although there is uncertainty regarding GB's position inside the CPEC deal, it can provide profitable prospects for domestic investors. By building enterprises in GB, investors can optimize their advantages and contribute to the area's economic development through this incentive. Furthermore, GB offers an attractive opportunity for investments because of the presence of a specialized market. Due to a relatively low level of competition, the region offers greater opportunities for investors to capitalize on. This feature is vital for firms seeking to establish themselves in a market where they can secure a substantial market share and promote growth.

The full ramifications of the CPEC initiatives remain to be comprehensively grasped, as they are now in their nascent phases. Nevertheless, there is a significant fascination with forecasting and understanding the possible outcomes, specifically concerning trade and investment prospects. The CPEC is a comprehensive system of different projects that includes pipelines, railroads, and highways. The primary objective of this network is to streamline the movement of goods between Kashgar, located in the northwestern region of China, and Gwadar Port, situated in the southern part of Pakistan. Projections indicate that there will be substantial effects on trade and investment opportunities in the region, which might change the economic situation and generate new prospects for growth. Stakeholders are closely observing the advancement of these projects to obtain a deeper understanding of the potential impacts of CPEC on trade dynamics and the investment environment, specifically in the prospective region of GB.

Industrial Commercialization

The energy projects initiated under the CPEC platform have the potential to provide continuous electricity, which is essential for the seamless operation and expansion of businesses in Gilgit Baltistan. This is particularly advantageous for the numerous opportunities available in the region. Investors can make significant investments in sectors such as minerals, food processing, and ALF. Situated amidst three of the world's longest mountain ranges, GB is home to one of the most abundant reserves of natural resources. In addition to water resources and the largest glaciers outside the polar region, the area is rich in mineral deposits containing energy minerals, precious stones, non-metallic minerals, and various materials utilized in industry. 16 varieties of precious stones and 18 varieties of commercially valuable minerals have been identified. Energy minerals, metallic, copper, antimony, lead, iron, pyrite, Sulphur, tungsten, aluminum, palladium, thorium, and graphite are among those discovered in the region. GB is home to approximately 70% of Pakistan's estimated gemstone reserves and is ranked 5th globally in terms of gemstone deposits. The gemstones as mentioned earlier comprise aquamarine, moonstone, emerald, ruby, and sapphire; tourmaline, peridot, topaz, garnet, pargasite, diopside, sphere, apatite, azurite, and rose quartz; and agate. According to the estimation, there is a huge potential of demand for this product in Europe, India, USA, there is huge potential demand for this product in Europe, India the USA, the Middle East, Hong Kong, China, Taiwan, etc. Locals have been actively involved in the gemstone industry in GB through exploration, mining, and commerce ever since the initial gemstone mine was discovered in the early 1950s. Despite this, the mining industry continues to be informal, underdeveloped, and unprofitable. In the absence of local mining policy and legislation, inadequate human, technical, and financial resources, high risks, and substantial investment costs are the most significant obstacles to the industry. Regarding indigenous territories, the draft "Mining Concession Rules 2014" disregards the appropriate communities. The corridor investment would undoubtedly facilitate the entry of multinational corporations and investment in GB.

There are several challenges associated with this industry. In the absence of robust legislative and policy measures, the economic liberties of locals could be exploited. Additionally, developing a qualified labor force from the mine to the market is crucial for the growth of the regional industry. Similarly, exploration and mining must both undergo technological advancements to remain competitive in the global marketplace, an aspect currently lacking in this industry.

Food Processing Potential

Agriculture has continued to play a major role in meeting the basic requirements of the communities throughout GB. Despite a substantial increase in non-farm income, agriculture continues to be the primary means of living for most people. Approximately half of the households' overall income in the region is derived from farm sources. There is significant potential to enhance farming techniques, which will ultimately increase income derived from farming activities. GB has great potential for implementing adaptable and ecologically varied organic farming systems, especially considering that its agriculture primarily relies on subsistence farming methods using local resources. The fundamental factors of farming systems in GB can potentially advance organic food production systems in the region. This exploration delves into the possibilities of combining organic food value chains with the trade and tourism industry. GB possesses ecological conditions, such as favorable water, soil quality, and climate that are conducive to cultivating valuable grain, horticulture, and vegetable crops. The typical landholding in the region is approximately 7.5 kanals of cultivated land, making it unsuitable for conventional farming. The terrain is well-suited for advocating low-intensity organic farming, which has the additional advantage of protecting the area's delicate ecology. The region exhibits a greater capacity for fruit production, particularly in apricots, apples, cherries, and walnuts. Potatoes have the highest production rate compared to other vegetable crops. Tomato and buckwheat are two commodities that have the potential to generate significant economic profits for growers (A. Baig, Ali, & Raza, 2022).

In contrast to conventional farming, organic farming maintains the health of soils, ecological processes, biodiversity, and the nutrient cycle while producing food without synthetic chemicals. An additional argument favoring implementing organic systems is that GB is a net importer of food commodities from other regions of the country. Food imports have been estimated to have totaled approximately PKR 2.5 billion as of 2018/19. Conversely, the region's food exports amounted to approximately PKR 435 billion. The chemical fertilizer is occasionally employed by vegetable, potato, and cereal crop cultivators to increase yields. While synthetic inputs on fruit trees are less prevalent, applying chemical herbicides and pesticides is widespread in some regions (A. Baig et al., 2022).

Implementing strategies to enhance productivity, create value, and access specialized markets is crucial for GB, particularly within the sub-sectors of Agriculture, Livestock, and Forestry (ALF). In the domain of crops and fruits, improving productivity involves providing superior planting materials and allocating resources for infrastructure development. The energy projects under the CPEC play a pivotal role by facilitating the establishment of cold storage facilities and physical agricultural markets. Additionally, commercialization efforts should be directed towards enhancing value through processing innovations, promoting fair-trade practices, and encouraging organic production methods. The livestock sector in GB has benefited from energy projects, particularly by establishing local feed mills. This initiative contributes to improving livestock productivity and supports the sector's overall growth. In forestry, energy projects could prove critical in linking conservation efforts with revenue-generating opportunities. These opportunities may include sustainable tourism, wildlife credits, and the development of wood substitutes from Non-Wood Forest Products (NWFPs). By integrating conservation with income-generating activities, GB can sustainably leverage its forestry resources.

In a nutshell food processing could unlock growth trade and investment opportunities of the region; for instance, Ahmad notes that the GB of CPEC, due to its seasonal and elevation advantages, will lead to a fruit processing industry being set up in GB and "exports of fruit will get a boost" (Ahmad et al., 2017). This will facilitate achieving the expected Pakistan investment ratio from 15% to 16.5% of GDP over the next decade (F. Iqbal, 2019). There is potential for enhancing local trade and investment opportunities by implementing changes that focus on increasing value addition, diversification, and integration. Thus, the region can be promoted and developed into one of the principal centers and special zones to produce an array of premium organic products for sale in regional and international markets. An opportunity exists to enhance the local economy using a transition towards increased value addition, integration, and diversification.

Small and Medium-Sized Enterprises (SMEs)

Small and Medium Enterprises (SMEs) play a crucial role in the economic development of any nation, contributing significantly to GDP and employment generation. In low-income countries, SMEs contribute over 60% to GDP and around 70% to total employment (Fan, 2003). Access to electricity is essential for SMEs, enabling the expansion of small-scale industries, the processing of agricultural products, and creating new employment opportunities, ultimately boosting production and household incomes. The lack of reliable power has been identified as a significant impediment to the functioning of enterprises, particularly in the small-scale subsector, as evidenced by a study in Nigeria (Ado & Josiah, 2015). Small-scale firms often allocate a substantial portion of their initial expenditure (up to 25%) to acquire generators for self-provision.

In the GB region, various small-scale businesses operate, emphasizing the essential role of reliable electricity for SMEs. Businesses, ranging from local shops to service providers, can operate more efficiently and extend business hours with consistent power. With its predominant SME presence, the region holds substantial untapped potential, particularly in sectors like organic farming, beekeeping, organic dry fruit production, tourism, fish farming, and mines and mineral leasing. The proposed energy projects in the region are expected to reduce the cost of self-generation and increase avenues for trade and investment. A recent study highlights the correlation between electricity provision and economic development. AKRSP's facilitation of electricity in 12 villages led to the establishment of over 40 new micro-enterprises in the valleys.

The contribution of energy projects under the China-Pakistan Economic Corridor (CPEC) is anticipated to provide uninterrupted power supply in Gilgit-Baltistan (GB), making the region more attractive to investors across the country. This can potentially establish large-scale industrial manufacturing units for export purposes using the CPEC corridor. Cheap energy availability will facilitate value addition services, especially in ALF indigenous manufacturing, opening avenues for national and international investors to establish facilities like cold storage, warehouses, packaging supplies, and logistics providers in the region, thereby increasing employment opportunities for the local populace. The positive impact of electricity provision on small and large enterprise growth underscores the interconnected development of the business ecosystem in Gilgit-Baltistan, argue that CPEC's development will enhance investment prospects in Pakistan, fostering progress and industrialization and creating new job opportunities for the local population.

With regional producers gaining access to additional markets, there has been a growing interest in producing marketable surpluses. Various indigenous cultivars of fruits, including apricots, apples, grapes, pomegranates, cherries, mulberries, and walnuts, are now cultivated in different regions of GB beyond domestic needs, considering their marketability. The GB region ranks as the second-largest apricot-producing area and a significant apple-producing region in Pakistan. With their exceptional flavor and vibrant color, Cherries are also gaining prominence. GB's potential for trade and fruit investment is evident from the substantial export of dry apricots, reaching 50 million tons in 2018/19 (A. Baig et al., 2022).

While there is potential for investment and trade in the region, certain challenges are associated with SMEs, such as the implementation and utilization of fresh product handling, storage techniques, and cold storage technology in GB, which are not yet widespread. The market environment is highly competitive, and though there is limited collaboration among rival wholesalers on a horizontal level, some coordination occurs vertically within the supply chain. Accessing the global food market remains challenging due to the high expenses of obtaining certification. Only a few companies in GB, such as the 'Mountain Dry Fruits Company' and 'Hashwan Group,' are navigating the certification standards for agricultural exports. Despite the potential, foreign trade volume remains below 10 percent of the current aggregate agricultural exports from the region. The major impediments include power outages and the lack of a regular electricity supply (A. Baig et al., 2022).

Tourism and Hospitality

Tourism stands out as one of the most lucrative sectors in the local economy, with the KKH being the pioneering mega project that facilitates travel and significantly increases tourist influx into the region. In 2022, there was an unprecedented surge in tourist numbers in GB, surpassing 2 billion, according to official records from the GB administration. The advent of the CPEC is expected to further elevate GB into a prominent tourism destination within GB, given its abundance of natural features, including resorts, glaciers, lakes, and the world's tallest mountain range (Shang, Pitafi, & Rashid, 2022). Tourists visiting these natural attractions often require accommodation, primarily hotels provide. Regular electricity supply significantly enhances hospitality services, encompassing hotels, restaurants, and recreational facilities. This improvement contributes to a better overall tourist experience, enticing more visitors and fostering growth in associated businesses. Energy shortages lead to higher energy prices, adversely affecting the entire hospitality industry, where energy comprises approximately 60% of total costs in the hotel sector (Usman, Iorember, & Jelilov, 2021). Larger hotels with negotiating power can manage electricity prices and implement energy management strategies. In contrast, vacation rentals, especially in developing regions, often lack such preparedness and use outdated systems, increasing operational costs. Despite this, the region of GB remains highly appealing, attracting more tourists each year than its total population. The tourism sector is expected to strengthen further, with investors and personnel from provinces such as Punjab and KP relocating to GB to assume control of enterprises and administrative positions in various sectors (Khalil, 2021). Consistent energy availability is expected to attract more investment in the hotel industry. Recent developments indicate the establishment of well-known hotel brands such as Serena, RAMDA, PC Hotel Chain, and AVARY Express in the Gilgit-Baltistan region. It is anticipated that more investments will flow into the hotel industry, contributing to the local economy. Additionally, sports activities enhance the overall tourist experience. The availability of energy enhances the experience for foreigners, as tour operators and travel agencies increasingly bring tour groups to explore different places in GB. The emerging trend of winter sports, particularly gaining tourist attraction (Nisar Ali, 2021), can also be influenced by an uninterrupted energy supply, leading to increased employment prospects for young people associated with hotels, motels, and guest houses.

Special Economic Zones

Special Economic Zones (SEZs) are designated geographic areas within a country's borders where business regulations differ from those in the rest of the country, encompassing export processing zones (EPZs), industrial parks, free trade zones (FTZs), and other delimited areas with unique economic restrictions (Xiaoyang, 2015). Numerous studies underscore the positive impact of SEZs on trade and investment, with the primary goal being to catalyze the process of industrialization (Farole, 2011).

In the context of GB, one of the nine proposed SEZs is earmarked for Maqpondass, covering approximately 250 acres and strategically positioned 35 km from Gilgit city and 160 km from Skardu city (Khalil, 2021). However, the challenging geographical terrain of GB poses hurdles for major projects like the Gilgit-Skardu road or KKH renovation, which are financially demanding for the local government. While such large-scale projects are essential for job creation and have transformative effects on the private sector, the SEZ in GB is currently not operational. A pending land issue with the government regarding grazing rights requires resolution (Babar & Alam, 2022). Despite these challenges, experiences with SEZ interventions in other countries have shown a significant economic contribution to the region. The substantial investment in SEZs in Pakistan will also serve as a strong economic incentive to improve the business environment, boost commercial activities for local trade, and consequently generate millions of job opportunities for the local community (Kanwal, Chong, & Pitafi, 2019). However, SEZs are expected to promote commerce and job creation, attract Foreign Direct Investment (FDI), and stimulate economic activity. The Maqpondass SEZ is expected to contribute significantly to the local economy. As GB currently lacks a SEZ, residents stand to benefit significantly from the success of establishing such a zone. This could create trade and investment opportunities and foster employment growth through SMEs (Babar & Alam, 2022).

Various studies focusing on SEZs in GB have anticipated significant progress due to the potential contributions of these zones to the local economy through trade and investment opportunities. Khalid & Shah (2018) conducted a study in GB, highlighting a higher proportion of service sector industries in the SEZ, with a particular emphasis on the tourism and hospitality sector. The preference for the service sector in GB is attributed to its comparatively higher literacy rate among the labor force than other areas of Pakistan. The same study acknowledged dried fruits and minerals, giving greater importance to the tertiary sector. Another study suggested that investment opportunities are more resonant in a service oriented SEZ, focusing on tertiary sectors such as information technology, tourism, hospitality, training institutions, and jewelry (Khalid, 2018). It further recommended that primary and secondary industries concentrate on herbs, dehydrated fruits, and minerals with minimal emphasis.

(Bano, Khayyam, & Alam, 2019) conducted a study in GB, with respondents expressing the belief that the industrial sector would see a 28% boost, tourism would increase by 53%, and there would be a 19% increase in the agriculture sector due to CPEC projects. Another study emphasized that SEZ's focus should be on sectors such as marble, iron ore processing, fruit processing, steel industry, mineral processing units, and leather industry. Additionally, there is potential for investment in other sectors, including Agriculture based industries, minerals, livestock, handicrafts, and wood-related trades, all identified as having significant potential for trade and investments (Nigar, 2018). It is argued that when the SEZ is established, it will provide business opportunities for local investors. Moreover, It is planned that local and foreign investors will be given ten-year tax holidays, and exemptions of duties on imported capital, and the federal government will provide them with infrastructure facilities (Shafique & Iftikhar, 2017).

These policies have the potential to attract diverse investments and foster economic growth in the region. Additionally, mineral, and agricultural goods are anticipated to gain access to both domestic and international markets. This necessitates obtaining international quality certification, a mandatory requirement in most cases. The CPEC interventions are expected to expedite the process of attaining international quality standards for local investments, facilitating easier access for local firms to international markets. The projects under CPEC also offer diverse employment opportunities for residents. As a result of expanded trade opportunities with China, numerous employment opportunities will become available to the citizens of GB. Due to the labor-intensive nature of CPEC Phase II, an increase in employment opportunities is anticipated to accommodate the needs of the relocated industries (Babar & Alam, 2022). Moreover, the robust implementation of the CPEC has triggered a substantial upswing in Pakistan's steel and cement sectors. This surge in these critical industries has created conducive conditions for entrepreneurs to explore and initiate new trade ventures, according to insights from Wasim & Siddiqi (2018). As the SEZ attains total operational capacity, it has the potential to foster an economic climate that encourages foreign investors to consider investing in GB. This will facilitate the integration of the moved industries into the mainstream GB economy (Babar & Alam, 2022). Multinational corporations are anticipated to emerge as significant players, facilitating increased FDI and fostering international trade. Currently, the Khunjerab Border serves as the primary trade route between Pakistan and China, operational seasonally. In the current trade landscape, China largely dominates the trade dynamics with Pakistan through the Khunjerab Border. Notably, only 1% to 4% of cross-border trade presently occurs through GB. In 2018, Pakistan imported 1508 containers from China, while a mere 61 containers were exported from Pakistan to China across the Khunjerab border (Alam et al., 2023).

The full functionality of economic zones in GB, opening the potential for substantial improvement in the trade balance. This transformation can be realized when both national and international counterparts actively engage in strategic investments in these designated economic zones. The emergence of thriving economic zones is poised to significantly contribute to increased trade and investment activities and overall economic growth in the region.

Conclusion

CPEC under the Belt and Road Initiative is considered an economic game-changer for Pakistan, serving as a cornerstone for the country to excel as a transformative force in global trade. The Gilgit-Baltistan (GB) region serves as the entry point for this project. It is expected to bring not only socioeconomic benefits to Pakistan but also to the Gilgit-Baltistan region. While the inevitable influence of CPEC extends to neighboring countries, the primary beneficiaries are unequivocally China and Pakistan. The overarching goal of this project is to bring about socioeconomic improvements for the local populace.

This chapter is meticulously crafted to elucidate how CPEC projects contribute indirectly to the region's socioeconomic development and create opportunities for trade and investment. Several planned CPEC projects directly traverse GB, encompassing fiber optics, road infrastructure, energy projects, and railway tracks. Although these projects are still works in progress, they hold immense potential to unlock trade and investment opportunities in GB. The anticipation is that upon completion, they will substantially improve the living conditions of the local people.

The positive perception of CPEC among the local population is notable, with 70.51% expressing optimism about the project's potential to bring regional prosperity and development (Azeema, Gillani, Shah, & Saba, 2021). However, the full benefits of CPEC can only materialize over an extended period if the project is managed in a manner that fosters consensus and a sense of ownership among all stakeholders. Certain regional sectors are expected to flourish, including the road network, internet connectivity, hospitality and tourism, small-scale private sector industries, and the energy sector. The establishment of small-scale private industries, particularly for processing gems, minerals, fruits, and other resources, is envisioned to provide diverse investment opportunities and elevate the living standards of the local populace.

However, industrialization is imperative, particularly in slower-growing areas like GB, to address poverty, unemployment, income inequality, and regional disparities. The proposed Special Economic Zones (SEZs) represent a potential step towards this goal. Notably, the SEZ in Maqpondass faces challenges in becoming operational despite being allocated land, highlighting the need for tangible and realistic actions (Ahmed, Khan, & Khan, 2022).

Similarly, energy projects wield a pervasive influence across various aspects of life, although progress in their development has been sluggish, with some projects yet to be initiated. The persistent energy crisis in the region hampers the efficiency of critical CPEC projects, including fiber optics. Despite these challenges, the Fiber Optics project has made commendable strides in GB, providing 3G/4G connectivity and positively impacting socioeconomic conditions. However, the region's ongoing energy deficiency impeded the full realization of the project's implications, leading to up to 20 hours of blackout. Voices in GB, shaped by political disenfranchisement or influenced by sectarian, ethnic, or nationalistic beliefs, underscore the existence of a political identity crisis. This crisis stems from the constitutional ambiguity faced by GB since gaining independence. Ensuring energy access for businesses emerges as a top concern for boosting the region's private sector-led trade and investment.

In a nutshell, the success of CPEC hinges on how effectively Pakistan prepares the stage for implementing CPEC projects. There are immediate issues to address, such as security, political unrest, and geopolitical complexities involving factors such as the Indian stance. Immediate resolution of provincial disagreements over the CPEC project division is imperative. Consultation with GB stakeholders, incorporating their perspectives and promptly addressing concerns, is crucial during this period when CPEC investments hold promise for Pakistan. The government's ability to integrate the region's concerns into the political and constitutional framework will be pivotal, ultimately determining the success of these transformative mega projects.

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