

Horizons of CPEC in Gilgit- Baltistan:

**A Prospective
Study**

2017



Aga Khan Rural Support Programme



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List of Acronyms

AKRSP	Aga Khan Rural Support Programme
BCFD	billion cubic feet per day
BHCs	Basic Health Centers
BHUs	Basic Health Units
CENTO	The Central Treaty Organization
CPEC	China-Pakistan Economic Corridor
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FGD	Focused Group Discussions
FTZ	Free Trade Zone
GB	Gilgit-Baltistan
GBLA	Gilgit-Baltistan Legislative Assembly
GDP	Gross Domestic Product
GTZ	German Technical Cooperation Agency
HKH	Hindu Kush
ICT	Information and Computer Technology
IMF	International Monetary Fund
ISP	internet service provider
KKH	Karakorum Highway
LNG	Liquefied Natural Gas
MCH	Mother and Child Health
MICS	Multiple Indicator Cluster Survey
MW	Megawatt
NATCO	Northern Areas Transport Cooperation
NDRC	National Development and Reform Commission
NIM	New Issue Market
OBOR	One Belt One Road
PSLM	Pakistan Social and Living Standards Measurement
SCO	Special Communication Organization
SEATO	Southeast Asia Treaty Organization
SEZs	Special Economic Zones
US	United States
US\$	US Dollar
WDR 2009	World Development Report 2009



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Acknowledgement

AKRSP, being one of the partners in the development of the area, aims at producing knowledge related to emerging needs, changes trends and developments in the social and economic domains of Gilgit-Baltistan and Chitral. In 2017, AKRSP carried out a prospective study about China Pakistan Economic Corridor (CPEC) Gilgit-Baltistan and Chitral (GBC).

This study is outcome of the research carried out by Knowledge Management and Communications section of the Aga Khan Rural Support Programme (AKRSP), with the cooperation of Karakoram International University, researchers and local communities in Gilgit-Baltistan. We are especially grateful to Mr. Muzaffar Uddin for providing the overall guidance and academic insights from the stage of conception of the study to its fruition.

It is hoped that this study will contribute to address the knowledge lacuna about CPEC and its possible impact on the society and economy of Gilgit-Baltistan and Chitral.

Aziz Ali Dad
Specialist
Knowledge Management and Communications



Executive Summary

Since its inception Aga Khan Rural Support Programme remains sensitive to the broader changes occurring at socio-economic domains in Gilgit-Baltistan and Chitral. With the opening of Karakoram Highway, the region got exposed to exogenous ideas, lifestyle and market forces. It was the period when Gilgit-Baltistan witnessed a shift from traditional mode of governance and economic system to modern ones. The cumulative result of these developments appeared in the shape of new ways of seeing things and economic arrangements for livelihood where market plays an important role. KKH has expedited this process. After the 35th of opening of KKH, the governments of China and Pakistan embarked upon a mega project of China Pakistan Economic Corridor (CPEC).

The CPEC is hailed as the game changer for the economy of Pakistan mainly due to its economic transformation impacts. To reap the benefits from CPEC it is imperative to change the modus operandi and strategic shift in managing the economy. With the drastic change in economic outlook expected due to the China Pakistan Economic Corridor (CPEC) initiative, a network of roads, railways and telecommunications linking Western China with Gawadar port in western Pakistan, the community is not yet fully prepared to embrace these changes. To tap these potential gains, a combined approach is needed, specially input from the academia and researchers is of core importance. AKRSP, being one of the partners in the development of the area, aims at producing knowledge related to CPEC vis-à-vis Gilgit-Baltistan so that informed policy decisions will be made to prepare a plan to benefit from CPEC initiative in Gilgit-Baltistan.

This study is one such step in a series of steps that AKRSP is planning to initiate in Gilgit-Baltistan and Chitral. This report encapsulates finding of the prospective study. Providing context of CPEC, history of Pak-China Relations, component of CPEC, Pakistan's perspective on CPEC, social and economic context of Gilgit-Baltistan, Gilgit-Baltistan sectoral review, horizons of CPEC in Gilgit-Baltistan, public perception of CPEC in Gilgit-Baltistan and recommendations. The prospective study covers governance, administration, environment, trade, commerce, transportation, logistics, power, information and communication technology, mines and minerals and tourism.

Being a part of the gigantic project of One Belt One Road, CPEC remains its major flagship because of its investment portfolio of \$57 billion on improving infrastructure, energy and telecommunication structure within Pakistan for increased bilateral trade with China and to further integrate the regional countries. CPEC emerged from the time-tested friendship of China and Pakistan, since 1960s, the friendship between two countries has not only deepened, but also expanded in the areas of economic cooperation. The opening of Karakoram Highway (KKH) in 1978 helped in removing physical barriers, and provided conduit for conducting trade and



commerce between the two countries. CPEC is the transformation of that into highway opening new avenues for trade and cooperation.

Among the component of CPEC energy is the major component as 72% of the total CPEC budget is earmarked for it, followed by 24% for transportation infrastructure and the rest is allocated for establishment of Special Economic Zones (SEZs) in Pakistan. These zones aim at facilitating industrial growth in key financial centers and strategically significant locations in Pakistan. Pakistan's economy has tremendous development potential in the region because of its strategic location in the region, untapped natural resources and high density of raw human resource. Counting in these potentials the country needs to overcome challenges of energy crisis, low foreign direct investment, lack of infrastructure, losses due to war on terror, high current and trade deficit. It is expected that the array of initiatives under CPEC in the shape of infrastructure development, energy production SEZs, activity in real state, growth potential in stock exchange, export of fruits and opportunities in manufacturing sector will help Pakistan to overcome hurdles in its economic development.

Besides challenges, CPEC offers new avenues for the nascent economy of Gilgit-Baltistan. It offers huge opportunities for the human resource development, cash crops and fruit exports, chains of intra city roads in the area, removing trade and tariff barriers, addressing policy impediments and building support for other trade related sectors. Albeit, CPEC is not bringing in any significant direct investment in this area, but the indirect investment effects in the country is expected to morph Gilgit-Baltistan into a regional hub of connectivity impacting multiple sectors of its economy. With the lowest density of roads around 0.06km/sq. in Gilgit-Baltistan, the transportation and logistics sector is expected to grow the most as an inter-district road network is expected to be built connecting CPEC route, bringing in economic and social integration. Additionally, a feasibility study worth \$1.2 million is also contracted for connecting Taxila to Kashgar through Gilgit-Baltistan.

Despite the optimism revolving around the outcomes of CPEC, there is still very little or no awareness at all about CPEC related investments, businesses, and opportunities. Overall the general nature of CPEC seems very ambiguous to the masses; what projects are part of CPEC, what would be total investments in various sectors within the region, etc. Moreover, both the masses and the experts question the feasibility of their products (like dry fruits) access to international markets. However, they believe the strategically important geography will help them cashing the indirect effects of CPEC.

Perceptions by the masses and the opinions by the experts anticipate drastic changes in culture, economy, and daily business activities of the region forcing local populace to adapt to these intended changes. Creating many opportunities in terms of jobs and new businesses and yet at the same time costs attached to it. Additionally, the CPEC induced fiber optic supported internet



connectivity will shift the traditional mode of business causing many businesses to put tremendous resources just to retain their market penetration thus reducing any chances having an edge over non-locals. However, this provides opportunity for the unemployed youth to seek shift in their approach towards employment and venture into e-commerce and other mediums of online earning.

As a general rule, better planning, understanding, creating awareness, developing skills of both educated and uneducated labor, promoting and encouraging partnerships and joint ventures, brining innovations in trade and businesses, and understanding Chinese dynamics of businesses and investments are few ways head among many to get prepared for CPEC-centered future. However, the ambiguous legal and constitutional status of GB poses further challenges, impeding private and foreign investment, creating institutional and policy dysfunctions, and undermine the transfer of much-needed technical and managerial expertise into the region.

The unanticipated and unintended outcomes of Pak-China Economic Corridor including exploitation of local natural and human resource are among the many challenges the area expects to face unless the economic rights of locals are safeguarded by strong policies and legislature. Additionally, other important areas of the local economy must also be safe guarded and even facilitated through policy actions and regulations. The scarcity of skilled workforce from mine to market must be develop on modern lines to serve the regional industry is of the prime importance. Moreover, technological up-gradation both for exploration and mining is imperative to compete in global industry. There is a dire need to develop a sustainable regional tourism policy to boost the industry at a minimum cost. It is also imperative to attract new investments for improved infrastructure along with the capacity building of people directly associated with tourism. In order to ensure safe and fast mobility, government needs to build new airports and connecting routes. Linking regional industry with China which is 4th major tourist destination could substantially yield long-lasting results. Sensitizing tourists on eco-friendly tourism will help in minimizing environmental threats and risks.

The unregulated sectors of Gilgit-Baltistan economy particularly the mineral sector has huge potential to grown under CPEC, it has deposits of eighteen commercially viable minerals and sixteen different forms of precious stones. It is argued that it has the 5th largest mineral reserves in the world and accounts for 70 percent of gemstone reserves in the country. But the policy, administrative and the technical hurdles has also kept this sector out of bloom.

In terms of social/environmental aspirations and concerns of local communities the report encompasses views of different sections of society and stakeholders. There is strong demand of people to include Gilgit-Baltistan in all the processes and decision making related to CPEC. It is of utmost importance to give voice to population of Gilgit-Baltistan, create awareness and start advocacy for CPEC to address local concerns. But for the success of CPEC peace and security is



indispensable. The local communities stated their contentment about prevailing peace in the region on the heel of announcement of CPEC in 2013. Though the CPEC is welcomed by local communities, there is a feeling that before embarking on such a mega project the local interest should be safeguarded.

In order to reap the benefits of CPEC, it is important to invest in initiatives related to skill enhancement. CPEC does not focus only on economic aspects, it also has cultural implications and will contribute to regional disintegration as well. Given the influx of outsiders and tourists into the region and increasing globalization, the local communities have realization that culture and heritage need to be preserved. Also, it is suggested to introduce initiative of cultural exchange.

In terms of economic aspirations and concerns local people it is felt that there is lack of awareness about CPEC. Though CPEC offers enormous opportunities for businesses and investments, lack of capital and absence of entrepreneur class proved to great obstacles. It is suggested to form partnerships, introduce certification for trade, placing legal process for business and international trade.

In order to protect the environment and ecology from different threats including of climate change, a proper policy encompassing tourism, forestation, natural resource management, environment and ecology must be introduced addressing cross cutting factors like air pollution, water pollution and land pollution. Solar and hydro power investments in providing clean energy must be at the top of the agenda in such endeavors. CPEC also has potential to change the course of over reliance on natural resources and move onto different avenues for income generation to reduce the property levels.

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Introduction

China-Pakistan Economic Corridor (CPEC), is a massive bilateral project to improve infrastructure within Pakistan for better trade with China and to further integrate the countries of the region. The project was formally launched on April 20, 2015 when Chinese President Xi Jinping and Pakistani Prime Minister Nawaz Sharif signed 51 agreements and Memorandums of Understanding valued at \$46 billion¹. The goal of CPEC is both to transform Pakistan's economy, by modernizing its road, rail, air, and energy transportation systems and to connect the deep-sea Pakistani ports of Gwadar and Karachi to China's Xinjiang² province and beyond by overland routes. This would reduce the time and cost of transporting goods and energy such as natural gas to China by circumventing the Straits of Malacca and the South China Sea. The announcement of joint space and satellite initiatives between Pakistan and China, spurred by CPEC, followed in 2016.

CPEC is part of the larger One Belt One Road (OBOR) Initiative; to improve connectivity, trade, communication, and cooperation between the countries of Eurasia; announced by China in 2013. CPEC is the largest foreign development-oriented investment programme China had ever undertaken, three times the sum of all the FDI that Pakistan had received since 2002³; it vastly outstripped not only the US Kerry -Lugar civilian support but the entire last 12 years of military aid too.⁴ CPEC has been compared to the Marshall Plan for the rebuilding of post-World War II Europe in its potential impact on the region, and numerous countries have shown interest in participating in the initiative. Because of its importance China's Foreign Minister, Wang Yi artistically said, 'if "One Belt, One Road" is like a symphony involving and benefiting every country, then construction of the China Pakistan Economic Corridor is the sweet melody of the symphony's first movement.'⁵

In its scope CPEC's planned corridor constitute an array of different energy projects, transportation/infrastructure networks, and economic free zones within Pakistan. This investment is part of China's OBOR strategy, which includes the Silk Road Economic Belt and the 21st Century Maritime Silk Road. The investment constitutes a total sum of \$46 billion directed at upgrading Pakistan's existing transportation infrastructure, as well as boosting Pakistan's energy

¹ Haider, M. & Haider, I. (2015) 'Economic corridor in focus as Pakistan, China sign 51 MoUs' Dawn News online <https://www.dawn.com/news/1177109>

² Xinjiang borders the countries of Mongolia, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, Pakistan, and India, and the ancient Silk Road ran through its territory.

³ Small, Andrew. *The China Pakistan Axis: Asia's New Geo-Politics*. Vintage 2015. Page 188, Khan, Ali. *China Pakistan Relations: A Historical Analysis*. Oxford University Press. 2017. Karachi. Page 204

⁴ Small, Andrew. *The China Pakistan Axis: Asia's New Geo-Politics*. Vintage 2015. Page 188

⁵ 'China Readies \$46 Billion for Pakistan Trade Route'. *The Wall Street Journal* (16 April 2015), <<http://>



generation capacity. The proposed Special Economic Zones (SEZs) would follow if the energy and infrastructure projects prove successful⁶.

These days, CPEC is a hot topic and the most debated subject in Pakistan, South Asia, and Asia and to some extent in other parts of the world. In Pakistan, there is confusion about the corridor's route, as provinces have shown their concern over it. South Asian countries are divided on the subject while some look at it as an opportunity for development and prosperity. Others look at it as an alliance against their interests. Asian countries and global community have mixed opinion. Keeping in view all the perceptions, this paper demystifies the confusion and presents the facts.

Study Background

China Pakistan Economic Corridor, ostensibly regarded as the 'game changer' for the region is perhaps the most discussed subject in the current scenario. Since 2013, the project has rolled out and its broader perspectives are eventually coming to the limelight. Researchers, intellectuals, policy makers, development practitioners are attempting to decipher this giant project and unpack it for the general public. Varying perspectives are also presented through both conventional and social media whilst generating new debates. The concept of OBOR is permeating into the discourses whereby experts of politics and international relations look at it from a far-reaching strategic point of view. In this labyrinth of news, views and analysis; the local community in Gilgit-Baltistan is at cross roads in understanding the dynamics of the project, to begin with. How the project is changing the local situation and what are its potential benefits as well as risks; are key concerns for the locals. Policy makers and other stakeholders look at the academia and development practitioners for reasonable responses to the pertinent questions associated with CPEC and its various dimensions such as economics, trade, entrepreneurship, cyber highway, culture, society and most importantly environment. In this backdrop, scientific research and exploration is a timely call to understand the local context hence this study.

This study is a starting point to understand those dimensions with pragmatic directions for the local people so that they are able to make pace with the ongoing developments in a sustainable manner. AKRSP is taking lead role in this drive keeping in view the context explained above and objectives defined below.

⁶ Shah, S. (2015) 'China's Xi Jinping Launches Investment Deal in Pakistan' The Wall Street Journal online <http://www.wsj.com/articles/chinas-xi-jinping-set-to-launch-investment-deal-in-pakistan-1429533767>



Study Objectives

The study is aimed at explaining the overall components and implications of CPEC in the context of Gilgit-Baltistan through;

- Shedding light on its different components, including proposed projects and internal infrastructural developments for Pakistan. China's strategic rationale for investing in Pakistan will also be considered.
- Providing a brief overview of the socio-economic context of the Gilgit-Baltistan to gauge the impact of the corridor on the region.
- Examining the perceptions of local people with regard to CPEC keeping in view the following aspects:
 - Current situation of key secondary data in terms of sectoral indicators (economic, social, cultural, environmental and ICT)
 - Awareness and general understanding amongst people about CPEC
 - Perceptions of local people about the potential benefits to the local economy
 - Concerns of local people about potential risks or threats to the economy, environment and culture
 - Futuristic perspectives amongst common people and opinion leaders
 - Possible challenges in harnessing local potentials to make the best of CPEC as an opportunity

Methodology

This study was conducted in four districts of GB which are directly exposed to CPEC and its operations; which should not imply that other districts are excluded, rather they will be covered through desk studies and consultation in the headquarters of GB. Being a perception study the methodology was mainly tailored to review available existing literature and adopt qualitative instruments. To examine the objectives of the study a systematic study methodology was adopted. That included;

- Data collection

The following methods were used for data collection:

1. Desk study: Desk study was helpful in getting comprehensive data about key indicators in terms of thematic areas such as economics, trade, environment, culture and ICT. Secondly the current repository of research and knowledge regarding CEPC was thoroughly explored to make basis for the study.



2. Focused Group Discussions (FGD): This was the most important part of the study. In order to collect primary data, FGDs were conducted in four districts of GB with the help of interview guide.

3. Consultative session: Based on the above-mentioned data sources, draft report was developed and a consultative session was held with key stakeholders associated with CPEC. The participants included relevant government officials, academicians, business leaders and opinion makers.

- Instruments for FGD

Following are some important considerations for conducting the FGDs:

1. Medium of discussion: The FGDs were gathered in Urdu language and the entire discussions was audio-taped. Note takers were also present during the FGDs to help the key researchers in documenting key points of the discussion.

2. Time and Place for Focus Group: The focus groups lasted for about two hours each. Participants will be given clear details of where and when the focus group will take place and how long it will last.

3. FGD participants: The number of participants ranged between 6 and 12 for each FGD. The participants were recruited based on willingness to participate and capacity to speak Urdu and share his/her idea.

The final product will be a report delineating the current scenario and highlighting the future trends while defining the roles of different stakeholders.

Limitations of the Study

Following are the brief limitations of the study;

- Population of Gilgit-Baltistan is scattered over vast geography, so the consultative sessions and focus group discussions main targeted stakeholders in urban area of the region.
- Limited time for fieldwork and sample size
- The CPEC projects will be mainly implemented in other areas of Pakistan, which may not directly relate to the population of Gilgit-Baltistan.
- As a project, CPEC is still in its nascent stages and the literature on the subject is similarly underdeveloped.
- Some of contract details between Pakistan and China on various CPEC projects are not publicly available.

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China-Pakistan Economic Corridor

In April 2015, Chinese President Xi Jinping visited Islamabad to inaugurate the China-Pakistan Economic Corridor, a \$46 billion investment in Pakistan's energy and transportation sectors. As part of China's One Belt, One Road (OBOR) initiative, CPEC is designed to promote regional connectivity among Pakistan, China, and Eurasia⁷. CPEC is bound to have geopolitical implications for Pakistan and the broader region, especially given the scale of the proposed investments and its connection to OBOR.

For Pakistan, this corridor is viewed as a symbol of the strong relationship it shares with China. The bilateral relationship between both states is characterized by a high degree of cooperation and convergence of strategic interests. Hence, it could improve Pakistan's energy starved economy and the country's internal stability, if all the projects materialize as envisioned. Yet, at the same time, Pakistan's geographical proximity to Afghanistan and constant hostilities with India require a geopolitical assessment of the corridor's expected consequences for Pakistan and the rest of South Asia. This investment also takes place at a time when the Indo-Pakistan relationship is faced with suspicions and hostilities, with several incidents such as cross-border skirmishes, allegations of cross-border terrorism, and the Kashmir dispute characterizing the relationship⁸.

CPEC is a planned corridor constituting an array of different energy projects, transportation/infrastructure networks, and economic free zones within Pakistan. This investment is part of China's OBOR strategy, which includes the Silk Road Economic Belt and the 21st Century Maritime Silk Road⁹. The investment constitutes a total sum of \$46 billion directed at upgrading Pakistan's existing transportation infrastructure, as well as boosting Pakistan's energy generation capacity. The proposed special economic zones (SEZs) would follow if the energy and infrastructure projects prove successful¹⁰. CPEC links the strategically significant city of Kashgar in China's Xinjiang province to the port of Gwadar in Pakistan's Balochistan province. The proposed route allows the passage of goods and services between China and Pakistan. It also gives China access to the Middle East given Gwadar's proximity to the Arabian Sea.

History of Pak-China Relations

Pakistan and China have been enjoying cordial and friendly relations since 1950. The first decade of relations was not as smooth as it were after 1960 especially after the China-India war,

⁷ China Radio International (2015) 'Vision and Actions on Jointly Building Belt and Road' online http://english.cri.cn/12394/2015/03/29/2941s872030_1.htm

⁸ Rifaat, H & Maini, T. S. (2016) 'The China-Pakistan Economic Corridor - Strategic Rationales, External Perspectives, and Challenges to Effective Implementation'

⁹ Caixin, (2014) 'One Belt, One Road' online <http://english.caixin.com/2014-12-10/100761304.html>

¹⁰ Malik, A. R (2015) 'A Miracle on the Indus River?' The Diplomat, online <http://thediplomat.com/2015/12/a-miracle-on-the-indus-river/>



strained relationship between Soviet Union and China, and Pakistan India war.¹¹ At first, Pakistan was reluctant to accept China due to differences between communist and capitalism blocs. The two countries also did not know much about each other, which hindered their bilateral cooperation. Relations between the two countries later strengthened after the devaluation of Indian currency in 1949, which impacted Pakistan's economy badly. Pakistan was importing coal for its nascent industry, but the devaluation halted the trade leaving Pakistan with no choice except to enter into an agreement with China on barter trade of coal for cotton. Pakistan also supported the permanent seat of China at United Nations Security Council. Relations further enhanced after the two countries signed a trade agreement in 1953¹².

Signing of SEATO and CENTO in 1954 and 1955 respectively created some suspicion among Chinese, as they conceived it as a threat to regional and national security. However, Pakistan clarified China that it only signed these as a safeguard against the threat from India¹³. Pakistan also utilized the Bandung Conference to clarify the doubts and China endorsed Pakistan's seven pillars of peace at the conference. President Ayub Khan's statement in 1959 about Tibet again created problems for Pakistan with regard to relations with China. Fortunately, the then foreign minister Zulfikar Ali Bhutto and foreign secretary S. K. Dehlavi controlled the damage. Signing of agreement on border demarcation by Mr. Bhutto in 1963 gave an impetus to Pak-China relations. Moreover, China also helped Pakistan during the war of 1965, which brought two nations very close to each other. However, China's neutral stand during 1971 was conceived by many Pakistani leaders as a sign of no interest¹⁴.

From 1970s onwards, the relations between Pakistan and China strengthened more in all sectors. China has generously supported Pakistan in military, missile and nuclear program, and economic sector, even during the sanctions imposed by the US. This led to confidence building between Pakistani and Chinese policy makers and people. Over the years both countries developed a strong bond of trust. Trust always has been key element of strong relations. Building on the past, Chinese foreign policy gives a special focus to Pakistan in future endeavors of China¹⁵. China-Pakistan Economic Corridor is one of the most prominent examples of that.

The two governments had been working on the concept for a long time (almost two decades). Both countries tried to incrementally work on the process to implement the final phase. Joint Deceleration of 2003, after the visit of President Musharraf, is first document, which outlined the future cooperation plans of two countries. Later, Free Trade Agreement was signed in 2006,

¹¹ Khan, Ali. China Pakistan Relations: A Historical Analysis. Oxford University Press. Karachi. 2017. Page 64.

¹² Chaudhri, M. A. (1987) 'Strategic and Military Dimensions in Pakistan-China Relations' in Pakistan and World Society

¹³ Syed, A. (1974) China & Pakistan. Amherst, Mass: University of Massachusetts Press

¹⁴ Javaid, U. and Jahangir, A. (2015) 'Pakistan-China Strategic Relationship: A Glorious Journey of 55 Years'

¹⁵ Ramay, S. A. (2016) 'CPEC: A Chinese Dream Being Materialized Through Pakistan' SDPI



which helped boost the trade. Trade reached to \$15.15 billion in 2015 from \$1 billion in 1998. Further both the governments have plans to increase the trade up to \$18 billion till 2018¹⁶.

Former President Asif Ali Zardari also pursued the whole development very actively to secure CPEC and cooperation from China during the last PPP led government. Present government has been keeping the momentum and is actively engaged with Chinese government. President Xi during his visit inaugurated some projects along with Prime Minister Nawaz Sharif. Economic significance of the CPEC is very high. It will give an impetus to economic growth and development.

Components of CPEC

Pakistan's Energy Sector

The largest component of CPEC deals with Pakistan's energy sector. A total of \$ 33 billion (or approximately 72 percent) of the proposed \$46 billion investment relates to energy-resource development, including gas and electricity generation through natural resources such as coal¹⁷. A further \$2.5 billion is also dedicated towards the construction of pipelines for transporting liquefied natural gas (LNGs) from Iran to the cities of Nawabshah (Sindh) and Gwadar (Balochistan)¹⁸. This component is vital for Pakistan's economy, as decades of war and strife have led to serious deficiencies in its power-generation capacity. Recent trends have shown that energy shortages alone have subtracted 2-2.5 percent of Pakistan's GDP growth. CPEC seeks to address some of these shortfalls¹⁹.

Transportation Infrastructure

The second largest component of CPEC is investment in Pakistan's transportation network. Specifically, \$11 billion (or approximately 24 percent) of the proposed \$46 billion is directed toward enhancing Pakistan's transportation infrastructure, including highways and railway networks²⁰. This includes the construction of a 1,100 km motorway connecting the coastal city of Karachi (Sindh) with Lahore (Punjab), which is expected to facilitate economic growth and internal connectivity. In addition to the construction of new transportation networks, several existing ones will be revamped, including the Karakorum Highway between Rawalpindi and

¹⁶ Vandewalle, L. (2015) 'In-depth Analysis Pakistan and China: 'Iron Brothers' Forever?', Policy department European Parliament

¹⁷ Ramay, S. A. (2016) 'CPEC: A Chinese Dream Being Materialized Through Pakistan' SDPI

¹⁸ Shah, S. (2015) 'China to Build Pipeline from Iran to Pakistan' The Wall Street Journal, online <http://www.wsj.com/articles/china-to-build-pipeline-from-iran-to-pakistan-1428515277>

¹⁹ Kugelman, M. (2015) 'Pakistan's Other National Struggle: Its Energy Crisis' The Wall Street Journal, online <http://blogs.wsj.com/washwire/2015/07/09/pakistans-other-national-struggle-its-energy-crisis/>

²⁰ Ramay, S. A. (2016) 'CPEC: A Chinese Dream Being Materialized Through Pakistan' SDPI



Kashgar and the main Karachi-Peshawar railway line²¹. The EXIM Bank, the China Development Bank, and the Industrial and Commercial Bank of China are among those providing subsidized concessionary loans to finance these infrastructure projects²².

Special Economic Zones

Since CPEC falls under the umbrella of the OBOR, it places special importance on the promotion of regional connectivity across the Eurasian continent. Regional connectivity will be promoted through the establishment of SEZs aimed at facilitating industrial growth in key financial centers and strategically significant locations in Pakistan. A primary example of such facilitation includes investments in the Gwadar port in Balochistan, Pakistan's largest province in terms of surface area. Approximately 380 km from the Sultanate of Oman, Gwadar's geographical proximity to the Arabian Sea acts as a conduit for China to gain access to the Middle East²³. In addition, a liquefied natural gas facility capable of transporting 500 million cubic feet per day to the Gwadar-Nawabshah portion of the Iran-Pakistan gas pipeline is planned under the corridor²⁴.

Market-oriented policies and governmental measures facilitating trade will complement the establishment of SEZs under the corridor. The establishment of a free trade zone (FTZ) at the port of Gwadar similar to the FTZs in Hong Kong and Shanghai is an example of such market-oriented policies planned for implementation. The involvement of the National Development and Reform Commission (NDRC), China's top economic planner, in discussions to convert Gwadar into a hub for market-oriented growth again highlights the importance China places on CPEC's economic aspects²⁵.

²¹ Alam, I. (2015) 'CPEC May Get Extra Billion Dollars' The Nation, online <http://nation.com.pk/national/22-Jun-2015/cpec-may-get-extra-billion-dollars>

²² Butt, N. (2015) 'Economic Corridor: China to Extend Assistance at 1.6 Percent Interest Rate' Business Recorder, online <http://www.brecorder.com/market-data/stocks-a-bonds/0/1223449/>

²³ Gwadar Port Authority, (2016) 'Gwadar Port' online <http://www.gwadarport.gov.pk/about%20us.html>

²⁴ Yousafzai, F. (2016) 'Gwadar-Nawabshah LNG Project Part of CPEC' The Nation, online <http://nation.com.pk/business/28-Mar-2016/gwadar-nawabshah-lng-project-part-of-cpec>

²⁵ Yan, L. (2015) 'Groundwork Laid for China-Pakistan FTZ' Global Times, online <http://www.ecns.cn/business/2015/11-17/188916.shtml>

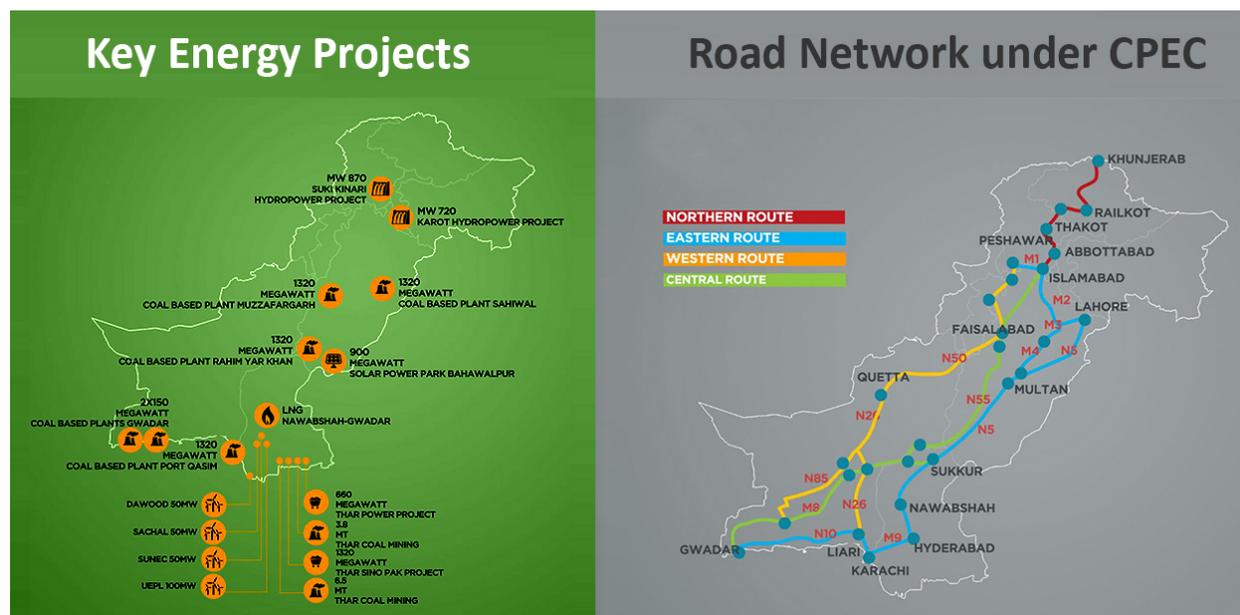


Figure 1: Major Routes and Projects of CPEC

Pakistan's Perspectives on CPEC

Pakistan's economy has tremendous strategic development potential, as it is located at the crossroads of South Asia, Central Asia, China and the Middle East and thus can serve at the central hub for regional market with a vast population, large and diverse resources, and untapped potential for trade.

The major obstacles faced by Pakistan's economy include persistent industrial losses due to energy crisis, low foreign direct investment (FDI), lack of infrastructure development, losses due to war on terror and low exports and high imports. The average shortfall in the power sector is 4,500 megawatts, and nearly two billion cubic feet per day (BCFD) in the natural gas sector. This chronic power shortage, in the form of load-shedding and power outages, cost the Pakistan economy PKR 1,439 Billion (7 percent of GDP) in 2015²⁶. Major industries have seen a downward slump in business because of being curtailed by energy shortages. Under CPEC, a grand total of 21 energy projects have been planned. Altogether, these projects would eventually produce 16,400 megawatts of power, roughly the same as Pakistan's current capacity. Also, 14 Chinese constructed energy projects in Pakistan tied to the CPEC are expected to provide an additional 10,400 megawatts of electricity by March 2018, more than sufficient to make up for Pakistan's 2015 energy shortfall of 4,500 megawatts²⁷.

²⁶ Dawn, (2016) '7 facts about Pakistan's energy crisis – and how you can help end it' Dawn News, online <https://www.dawn.com/news/1275116>

²⁷ Tiezzi, S. (2016) 'China Powers up Pakistan: The Energy Component of the CPEC' The Diplomat, online <https://thediplomat.com/2016/01/china-powers-up-pakistan-the-energy-component-of-the-cpec/>



One of CPEC's primary objective is to address pressing infrastructural requirements of Pakistan. With nearly \$11 billion earmarked for infrastructure development the road and railway network will greatly benefit Pakistan's economy. The road infrastructure will see development along Khuzdar-Basima Highway, Karakoram Highway II, Karachi Lahore Motorway and other projects. These development projects will enhance the connectivity between all four provinces and allow for ease of access of goods. Pakistan Railways is set to attract up to \$5 billion investment for the purpose of upgrading and deployment of new railways infrastructure across Pakistan. To enhance connectivity and improve transportation facilities up-gradation of 1,872 kilometers track from Karachi to Peshawar will be carried out. Other projects for the railway infrastructure includes 1,254 km of railway track from Kotri to Attock city that will be upgraded²⁸.

Table 1: Investments under CPEC²⁹

<i>Projects</i>	<i>Chinese Investment (US\$ bn)</i>	<i>Domestic Share</i>	<i>Domestic Share (US\$ bn)</i>
Energy Projects	33.8		5.9
Coal 7560 MW	8.8	20%	1.8
Wind 200 MW	0.5	20%	0.1
Hydel 1590 MW	4.2	50%	2.1
Solar 1000 MW	1.7	0%	0
Second Phase 6445 MW	9.5	20%	1.9
Mining Expenditure	9	50%	4.5
Roads	5.9	80%	4.7
Railways	3.7	50%	1.8
Mass transit in Lahore	1.6	50%	0.8
Gwadar Port	0.7	50%	0.3
China Pak Fiber Optics	0	0%	0
Total	45.7		18.1

Overall Pakistani government and public view CPEC as a game changer for the country through improved economic activity, enhanced energy supply, activity in real estate market, increase in exports and manufacturing sector.

Special Economic Zones

Special Economic Zones (SEZ) are specialized zones with specific types of enterprises operating in a well-defined geographic area where certain economic activities are promoted by a set of policy. Successful SEZs offer immediate access to high quality infrastructure, uninterrupted power supply, public facilities and support services. Under CPEC, 27 such SEZ's will be setup in

²⁸ Overseas Pakistanis Foundation, (2015) 'CPEC: A Corridor of Opportunities' Online <http://www.opf.org.pk/media/1507/cpec-a-corridor-of-opportunities.pdf>

²⁹ Ramay, S. A. (2016) 'CPEC: A Chinese Dream Being Materialized Through Pakistan' SDPI



different cities of Pakistan, which will give a helping hand to Pakistan's struggling economy. The SEZ's are not just centralized in just one province, instead there are more SEZ's planned in provinces in pre-development stage. Khyber Pakhtunkhwa will have the highest number of economic zones, eight, compared to three in Sindh. Baluchistan and Punjab will have seven such economic zones respectively³⁰.

Once implemented, these SEZ's will be able to enhance the country's productive capacity, expand its export base and help in import substitution; and provide a major impetus for economic and social development through their backward and forward linkages with the rest of the domestic economy. These SEZ's have the potential to be a turning point for the industrial sector in the country, as economic zones have played a key role in the industrial development in many Asian countries. Previously, Pakistan has been lagging behind other South Asian countries in utilizing SEZ benefits.

Enhanced Energy Supply

Over 140 million Pakistanis either have no access to the existing power grid network or suffer from long hours of daily load shedding. Pakistanis who do not have access to the grid are often poorer than those on the grid. Meanwhile, household electricity consumption has grown at an annual growth rate of 10 percent yearly. Up to 500,000 households are impacted with unemployment as businesses have been forced to shut down due to energy shortages. Nearly PKR 30 billion is the approximate expenditure by Pakistani households on UPS and battery charges alone³¹.

Given this context nearly \$34 billion of investments under CPEC in the energy sector are expected to be constructed by private consortia to help alleviate Pakistan's chronic energy shortages, which regularly amount to over 4,500 MW and have shed an estimated 2-2.5% off Pakistan's annual gross domestic product. These investments include the Quaid-e-Azam Solar Park in Bahawalpur, Jhimper Wind Energy Park, Suki Kinari Hydropower project and Kohala Hydropower project.

Activity in Real Estate

Pakistan's real estate market has posted a 118 percent growth in the last 5 years. The high growth rate can be attributed to robust demand from seasonal investors, genuine buyers and an overwhelmingly better security situation. This trend has been supported by the developments under CPEC with property prices rising by nearly 70% in Gwadar³². Also, Baluchistan's government has also introduced modern housing schemes to stir up real estate activity in the

³⁰ Rafi, A. & Khan, F (2016) 'CPEC: Pakistan's Way to Success' IICR

³¹ Dawn, (2016) '7 facts about Pakistan's energy crisis – and how you can help end it' Dawn News, online <https://www.dawn.com/news/1275116>

³² Haq, S. (2016) Pakistan's valiant real estate market The Express Tribune, online <https://tribune.com.pk/story/1064657/trending-pakistans-valiant-real-estate-market/>



area. With the project taking shape in years to come property prices are expected to increase especially along the three routes: Western, Central and Eastern. This will create further activity in the real estate market and build investor confidence which would result in economic activity.

Growth Potential in Stock Exchange

Investment led growth in Gross Domestic Product would augment volumes and earnings of Cement and Steel companies while higher income levels and improved energy availability would help the manufacturing sector through higher demand and cheaper and secure energy supplies. This should help improve feasibility of expansions, expand margins and accelerate earnings growth. Banks would witness accelerated balance sheet growth and a higher share of lending in the asset mix which will likely augment New Issue Market (NIM). Consumer stocks would also benefit from the higher demand and income levels.

Reinforce Export of Fruits

The region of Gilgit-Baltistan is known for its fresh fruit exports, like cherries, apricot and apples, CPEC will be a game changer by opening business opportunities for the region's traders. With an estimated production of 4,000 tonnes of cherries and up to 20,000 tons of apples every year, the region has potential to tap into the Chinese market³³. This will provide local traders with an advantage and help them increase their sales by tremendous saving in cost of transportation. Presently, fruits are being exported through air-cargo via Dubai it would be faster and cheaper if the same could be sent by road to China via Xinjiang. Selling fruits to China would be more profitable as cherries are more popular there. This is also because currently fruits have to be sent to Dubai through air cargo, but it would be faster and cheaper if producers export it to China via Xinjiang, as a one-year border pass is accessible within the border.

Establish foothold in manufacturing sector

The Chinese consumer market is in the midst of a transformation, which offers new opportunities for Pakistan's businesses. Three forces are ushering in the transformation: rise of upper middle class, a generation of free spenders and increasingly powerful role of e-commerce³⁴. It is expected that with growing income Chinese society will get more consumer centric. The burgeoning Chinese middle-class demand for wide range of products at affordable prices is expected to increase. It is projected that in the near future China will make a move up the value chain in manufacturing sector, so while cornering the high-tech manufacturing services like pharmaceuticals, air and space craft and technology for itself, it will outsource medium to low-technology manufacturing activities like food, textile, paper and leather to cheap labor centric

³³ Ebrahim, Z. T. (2016) 'The China-Pakistan Economic Corridor winds through Gilgit-Baltistan' The Third Pole, online <https://www.thethirdpole.net/2016/01/28/the-china-pakistan-economic-corridor-winds-through-gilgit-baltistan/>

³⁴ Youchi Kuo, Y. (2016) '3 great forces changing China's consumer market' World Economic Forum, online <https://www.weforum.org/agenda/2016/01/3-great-forces-changing-chinas-consumer-market/>

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countries. With CPEC under development, Pakistan will have the opportunity to be a beneficiary of China's largesse. China plans to shift parts of its \$300 billion textile to Pakistan for which industrial zones are being identified by both countries³⁵. If adequate government level attention is given to Chinese interest than these opportunities would support Pakistan's manufacturing sector.

³⁵ Khan, A. (2015) 'China plans to shift part of \$300b textiles to Pakistan' The Nation, online <http://nation.com.pk/business/10-Apr-2015/china-plans-to-shift-part-of-300b-textiles-to-pakistan>



Area Background

Pakistan Overview

Pakistan's has a total land area of 769,095 sq. km and an estimated population of 184 million in 2013³⁶, over 60% of which lives in rural areas. It consists of seven administrative units including Punjab (the largest in terms of population with 54%), Sindh, KPK, Balochistan, Federally Administered Tribal Areas, Gilgit-Baltistan and Azad State of Jammu & Kashmir. Population growth rate is estimated at 1.97%. The nominal GDP in 2014 is estimated at US\$ 246.6 billion and per capita GDP at US\$ 4,847.³⁷ The international trade balance is anticipated to be minus US\$ 17.8 billion during 2014. Services sector contributes the largest share to GDP at 53% while agriculture and industries contribute 21 and 24 per cent respectively. Pakistan is a relatively young country with over 55 per cent of the population below the age of 25 and over 35 per cent between 25 and 54 years. The adult literacy rate is 56% but huge variations in terms of urban and rural and different regions. The unemployment rate is 6.7%.

Pakistan has faced multiple challenges over the recent past encompassing geopolitics, natural disasters, internal security, governance and worsening energy supply. For last over a decade it bore all the hall-marks of a stagnating economy with low public and private investments, low national savings, low revenue collection and growth, widening budget deficits, inflationary pressure, increasing poverty and heavy government borrowing from internal and external resources. This has had serious implications for overall economic growth over the last decade. The economic situation further suffered due to exceptionally high floods during 2010 and 2011 resulting in serious damage to agriculture sector with consequent domino effect on a largely agro-based industrial sector and export sector. The economic growth averaged just 2.6 percent during 2008 to 2013 against the average of 5.3 percent in the preceding eight years. Economic growth accelerated with 4.1 percent in 2014 to 4.7 in 2016, which is still slower than most of the South Asian neighboring countries.³⁸ There were however some positives also in this bleak situation. A political government completed its five years term for the first time in country's history resulting in smooth transfer of power. Workers remittances maintained an exceptionally robust growth helping the foreign exchange reserves and the balance of payments situation significantly.

During 2015-16, Pakistan's growth rate has improved somewhat to 4.7 percent against the growth of 4.1 percent during the previous fiscal which also happens to be the highest rate during

³⁶ Pakistan Bureau of Statistics, (2013) 'Pakistan Population Statistics'

³⁷ The Economist Intelligence Unit, (2014) 'Pakistan Country Report'

³⁸ Asian Development Bank, (2016) 'Pakistan: Economy'



the last six years³⁹. The improved economic performance has happened due to a number of ongoing developments and some new measures initiated by the new government. The ongoing Structural Adjustment programme with IMF continues to progress reasonably well, despite some slippages, and is helping the government to maintain reasonable foreign exchange reserves position. The foreign remittances witnessed a robust growth of 11.5 percent. Pakistan returned to international bond market after a very long time with the issuance of 5 and 10 years tenure Euro Bonds and, against original target of US\$ 500 million, raised US\$ 2 billion. Government cleared the long outstanding dues of energy sector (circular debt) amount to PKR. 480 billion in one go which somewhat stabilized the energy supplies to industry. A National Power Policy 2013 was announced to find a permanent solution to entrenched energy crisis. Public sector investments recorded a growth of 17.12 percent whereas overall investment grew by 8.46 percent. Credit to Private sector increased to PKR. 296 billion from the previous year's PKR. 92 billion⁴⁰.

Gilgit-Baltistan Regional Context

Gilgit-Baltistan region has a total area of 72,496 sq. km with around 1.8 million population (estimated) and lies at extreme north of Pakistan with borders connected to Xinjiang province of China (North), Chitral District, KP province (West), Kohistan, Swat and Mansehra Districts of KP province (South) and Indian Administered Ladakh and Kashmir (East). 90 per cent of the area is mountainous, 04 per cent is forest and 4.2 per cent is cultivable waste. The current cropped area is only about 1.2% of the total area⁴¹. Population density is at a very low 24 person per sq km and distances and isolation is the prominent feature of the area. It is connected through an all-weather road, Karakoram Highway, with rest of the country and the distance of 630 kms from provincial capital Gilgit to Islamabad takes around 12 hours. The other end of KKH connects the region with China where nearest sizeable city, Kashgar, is around 16 hours journey. GB is primarily a rural society dotted with small urban centers and agriculture is the primary occupation of rural people. Road densities have improved over the last twenty years, but still low compared to rest of country. All district headquarters are however linked to capital with paved roads.

The ten districts (previously 7 districts) of Gilgit-Baltistan are located in the most remote and isolated parts of Pakistan. The regions 1.8 million population live in approximately 700 villages scattered over vast mountainous terrain. This area has a population density of about 24 persons per sq km, compared with 236 persons per sq km nationally. Much of the region rests 1,200 meters above the sea level, and settled farming communities exist up to an altitude of 3,000

³⁹ Haider, M. (2016) 'Pakistan's growth rate for FY 2015-16 reached 4.71pc against set target of 5.5pc' Geo News, online <https://www.geo.tv/latest/106316-Pakistans-growth-rate-for-FY-2015-16-reached-471pc-against-set-target-of-55pc>

⁴⁰ State Bank of Pakistan (2015) 'The State of Pakistan's Economy'

⁴¹ IFAD (2015) 'Economic Transformation Initiative Gilgit-Baltistan'



meters. While small in population and highly isolated compared with the rest of Pakistan, the area is linguistically and religiously diverse.

Table 2: Population Statistics of Gilgit-Baltistan⁴²

<i>Sr. No.</i>	<i>District</i>	<i>Area (KM2)</i>	<i>Population (1998 Census)</i>	<i>Population (Est. for 2013)</i>	<i>No. Households</i>	<i>Persons per Household</i>	<i>Persons per Sq. Km.</i>
1	Astore	8,657	-	134,780	16,820	8.01	15.57
2	Diamer	10,936	203,591	248,500	30,335	8.19	22.72
3	Ghanche	9,400	88,366	279,380	41,425	6.74	29.72
4	Ghizer	9,635	120,218	227,430	25,975	8.76	23.6
5	Gilgit	3,800	243,324	275,160	35,130	7.83	72.41
6	Hunza-Nagar	13,757	-	182,510	23,200	7.87	13.27
7	Skardu	16,311	214,848	405,730	52,940	7.66	24.87
	Total/Average	72,496	870,347	1,753,490	225,825	7.76	24.19

Gilgit-Baltistan has a unique socio-cultural and economic composition due to its rugged geography and isolation and it is a mix of languages, dialects, ethnicities and sects. Extremities of weather, harsh terrain and a challenging production base has given people not only a hardy character but also engendered a spirit of self-reliance and collective action, sharing and co-existence. As per 2004-5 estimates, Adult literacy Rate is 36 percent (as compared to 40% in Pakistan) and Per Capita Income is PKR. 1,319 per month (as compared to PKR. 1,444 per month at national level). These figures are however quite dated and need to be treated with caution as reliable data in GB is at a premium⁴³. GB accounts for less than one percent of Pakistan's economy but has made substantial development progress over the last two decades. In some of key indicators related to school enrollment/retention, nutrition, water supply and sanitation, the region enjoys equal or better status than rest of the Pakistan. But considerable lags still exist in many other aspects due to dispersed population, isolation and resource constraints. Infant and maternal mortality remains considerably higher than rest of Pakistan.

Although geographically remote, Gilgit-Baltistan represents a critical border area, the stability and security of which has serious implications for the wider region. The diverse religious, ethnic and linguistic backgrounds enrich Gilgit-Baltistan, but also potentially expose it to a range of destabilizing forces including sectarian violence. The area also shares a significant border with Western China, where ethnic tensions have recently heightened, and across which both China and Pakistan seek to expand ongoing border trade, investments and collaboration on security. The importance of that trade and investment, particularly in natural resources, is underscored by Chinese investment in the expansion and upgrading of the Karakorum Highway.

⁴² Government of Gilgit-Baltistan, (2013) 'Gilgit-Baltistan at a Glance'

⁴³ ADB & Government of Gilgit-Baltistan, (2011) 'Economic Report Broadening the Transformation'



Figure 2: Map of Gilgit-Baltistan

Social and Environmental Context

Gilgit-Baltistan (GB), has a turbulent history of governance. The journey of liberation from Dogra Raj in 1947 to an independent state for sixteen days and then annexation to the Islamic Republic of Pakistan is replete with nuances in politics and governance in GB. The administrative arrangement has evolved over the years and currently GB is divided into ten administrative units i.e. districts with Gilgit being the headquarters. Upon the introduction of Self-Governance Ordinance in 2009, GB got a province-like set-up hence resulting in formation of Gilgit-Baltistan Legislative Assembly (GBLA) albeit with limited powers of legislation⁴⁴. GB is now headed by the Governor whereas the affairs of government are looked after by the Chief Minister and his cabinet. Said that there are still lacunas in terms of identity, inclusion and basic rights. For example, the people of GB do not have any representation in the National Assembly and Senate and the legal status of GB is subject to the fate of Kashmir.

⁴⁴ Dawn, (2009) 'Gilgit-Baltistan autonomy' Dawn News, Online
<https://web.archive.org/web/20120601035500/http://archives.dawn.com/archives/30198>



Gilgit-Baltistan is a male dominated society like other parts of Pakistan. In the guise of culture, tradition, norms, honor and the like, women become victims in many ways such as gender based violence. Moreover, the abuse of physical, material, financial and emotional powers and control also make women vulnerable to different forms of violence and violations. On top of that, women do not have the courage, confidence, motivation and knowledge to resist such violence or accessing justice in such circumstances. Resultantly they become voiceless victims of violence while considering it as part of their fate. Even if a survivor of GBV intends to access justice, the social system exerts all possible hurdles to discourage a ‘woman’ to go beyond the so-called social limits. Moreover, there is a serious lack of awareness among common people including the community leaders and opinion makers regarding the rights of different groups such as women and minorities.

In certain parts of GB, women do not have access to basic services such as education and health. Access to resources and decision making about resources mostly comes under the domain of men hence giving them more powers which can be exploited at times. Moreover, in almost all parts of GB, poverty is an issue which needs serious attention as a human rights issue. Because of poverty, many other issues arise such as suicides, social disharmony and thefts etc.

Generally speaking, GB is a peaceful area however, the increasing risks cannot be overlooked. The internal dynamics have already been negatively impacting the situation of security and peace. Communal riots and sect-based violence is a phenomenon that can happen any time, however over the last couple of years, it has not been so serious. With the increasing economic activities and flow of people as well as growing population; security risks are becoming more pervasive. The local populace is vulnerable to a number of hazards both anthropogenic and natural.

The role of media can be very crucial but it is under-utilized or sometimes misused. Unfortunately, the media do not explain and contextualize human rights information rather it is dealt with at a superficial level. In general, data on human rights violations and on human rights standards are available. However, the impact of this information on the public is not as great as might be expected. The media miss human rights stories because they do not pay attention to the specific legal and policy implications they have. Often, they do not have adequate knowledge of human rights and its relevance to the material they are covering. The media frequently also miss the context of human rights stories as well as developmental communication. These shortcomings diminish the professional quality of reporting, and hamper the communication of information that is sometimes essential for understanding. In essence the profession should identify or improve reporting and editorial standards in order to enhance the accuracy and consistency of human rights coverage as well as development of the society.



Gilgit-Baltistan is uniquely situated at the confluence of the world's three great mountain ranges: Himalaya, Karakoram and Hindu Kush (HKH). These mountain ranges harbor a variety of ecosystems along the vertical dimension, which provide numerous goods and services to its inhabitants. Following the snowcapped mountains and glaciers, rangelands and their interfaces are dominant land-use types in GB. Other important and unique ecosystems include alpine meadows and forests, peat lands, swampy areas, high altitude lakes and agro-ecosystems on alluvial fans. These ecosystems provide critical services to about 1.8 million vulnerable mountain people often dependent upon natural resources for their livelihoods. In addition to sustaining local livelihoods, the mountain ecosystem regulates freshwater flow down the mighty River Indus to fuel the agro-based economy of Pakistan.

Economic Context

Conditional on the proper planning and understanding of the regional dynamics, Pak-China Economic Corridor (CPEC) has the potential to promote commerce and trade between these two countries. The revival of the ancient Silk Route, which is one of the oldest known trade routes in the world, by the two countries, China and Pakistan, under 'one road, one belt' initiative will not only provide a route for trade from Kashgar to Gwadar but also help promote trade and commerce development in the underdeveloped regions such as Gilgit-Baltistan and ultimately human development will be its trickle-down effect⁴⁵.

In an economically globalized world, the realization that regional integration is an inescapable measure to meet the demands, the notion of historic Silk Road was reformulated and rephrased by China in 2013 under 'One Road, One Belt' (OBOR) initiative i.e., Economic Belt along the Silk Road and the Maritime Silk Road. CPEC, a mega-project under the OBOR initiative is said to be a game-changer or a fortune-changer for Pakistan's economy. Further afield, it is believed that this project will achieve the political and economic objectives through trade and development and will strengthen the economic and trade cooperation between the two countries. Billions of dollars' of Chinese investments are aimed at constructing energy projects, building roads and rail networks, and laying modern communication lines along the CPEC route, which analysts say could mean the creation of upward of 700,000 direct jobs over the next 15 years⁴⁶.

However, an important question that remains unanswered is whether the enhanced trade through the CPEC will be a game-changer for the regions not directly benefitting under the \$46 billion CPEC investments. One such region is the quasi-province of Gilgit-Baltistan, which despite being the gateway to CPEC initiative, seems deprived of the \$ 46 billion power and

⁴⁵ Ahmad, R. & Mi, H. (2017) 'China-Pakistan Economic Corridor and Its Social Implication on Pakistan: How Will CPEC Boost Pakistan's Infrastructures and Overcome the Challenges?' Arts and Social Sciences Journal

⁴⁶ Gul, A. (2016) 'Pakistani Mountain Town Looks to Cash In on China Trade' VOA, online <https://www.voanews.com/a/pakistan-mountain-town-looks-to-cash-in-on-china-trade/3397607.html>



infrastructure investments⁴⁷. This is in the backdrop, it's imperative to examine the implications of CPEC on these regions. In this research, we are interested in gauging the perceptions of the populace in Gilgit-Baltistan regarding the benefits and/or threats that will accrue as a result of CPEC especially in the context of trade and commerce. Gilgit-Baltistan has paramount importance in making the China-Pakistan Economic Corridor project a success due to its geographical location. Gilgit-Baltistan is a gateway between China and Pakistan and the region links the two countries at Khunjerab Pass. The area also holds immense importance as far as the CPEC is concerned, as a 450km chunk of the corridor route will pass through the territory

Historians have highlighted the importance of Gilgit as a hub of trade and commerce. Historically, China and Pakistan opened the mountainous Khunjerab pass for tourism and limited trade back in the 1980s⁴⁸. While it has been repeatedly highlighted by the researchers and analysts that reviving the historic Silk Route, the remote highway of KKH has the potential to become the cornerstone of a \$46 billion effort to develop trade routes, which has the potential to revive Pakistan's economy thus generating employment opportunities, how does this revival of old trade routes is going to affect the gateway, the Gilgit-Baltistan itself having no promised investments under aegis CPEC is yet to be answered.

On the one hand, the CPEC investments has been hailed as a "game-changer" for Pakistan, roughly equaling all of the foreign direct investment into the country since 1970, on the other hand is the question whether CPEC is a game changer for regions not the direct beneficiaries of the investments. To examine the aforementioned questions, three conditions are necessary to understand: 1) Connectivity: Gwadar-Kashgar road will benefit Gilgit-Baltistan ONLY if road linkages to adjoining economic centers are created; 2) Modern Urban/Industrial/Commercial/Economic zones infrastructure on cities along the route is built; 3) Skill Development/Educational facilities/scholarships for the youth (Port management, etc.). If these conditions are a part of CPEC, then CPEC will be a Game-Changer for the region.

Despite the fact the masses in the region are very optimistic about the outcomes of CPEC, there is very little or no awareness at all about CPEC related investments, businesses, and opportunities. Overall the general nature of CPEC seems very ambiguous to the masses; what projects are part of CPEC, what would be total investments in various sectors within the region, etc. Moreover, both the masses and the experts question the feasibility of their products (like dry fruits) access to international markets. However, they believe the strategically important geography will help them cashing the indirect effects of CPEC.

⁴⁷ Haider, M. & Haider, I. (2015) 'Economic corridor in focus as Pakistan, China sign 51 MoUs' Dawn News online <https://www.dawn.com/news/1177109>

⁴⁸ Gul, A. (2016) 'Pakistani Mountain Town Looks to Cash In on China Trade' VOA, online <https://www.voanews.com/a/pakistan-mountain-town-looks-to-cash-in-on-china-trade/3397607.html>

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Perceptions by the masses and the opinions by the experts' anticipate drastic changes in culture, economy, and daily business activities. Local populace has to adapt to the changes. Many opportunities in terms of jobs, new businesses, and so on will arise yet there will be costs as well. CPEC will bring shift in technology usage due to the installation of fiber optic facility. However, without preparations, it would not be easy to advantage of technology related businesses.

Better planning, understanding, creating awareness, developing skills of both educated and uneducated labor, promoting and encouraging partnerships and joint ventures, bringing innovations in trade and businesses, and understanding Chinese dynamics of businesses and investments are few ways head among many to get prepared for CPEC-centered future.



Gilgit-Baltistan Sectoral Review

Project under CPEC will directly or indirectly affect the economy and society of Gilgit-Baltistan. Before accessing the public perception in the region, it is pertinent that various social and economic sectors in the area should be analyzed. Gilgit-Baltistan Economic Report 2011 is the first in-depth analysis of the area's development challenges and future direction. It analyses the areas development challenges in the light of World Development Report 2009 (WDR 2009) which describe three critical spatial dimensions affecting the development of such areas. These are density (size of economic output), distance (ease of reaching markets) and division (regulations, policies, ethnicities, languages etc.). Majority of the statistics and findings covered in this section are based on Gilgit-Baltistan Economic Report 2011. Additionally Multiple Indicator Cluster Survey (MICS) 2015-16 was consulted for major health and education indicators.

Social Profile

The area is a mix of many ethnicities, languages and sects. The population of Ghizer belongs to Brusho tribe and speak Shina, Khowar and Brushashki in different valleys. Gilgit and Hunza have a heterogeneous population having Brusho, Shin and Yashkun identities and speak Shina (mainly in Gilgit and southern parts of Hunza-Nagar), Brushashki (mostly in central Hunza-Nagar) and Wakhi (in Gojal) languages. In Gilgit there is a mixing of culture due to migrations and economic pursuits. Diamar and Astore are known for Shin, Yashkun and Kohistani population who speak Shina as their major language. In Skardu population belongs to Mongol tribes in majority and Mon, Brokpa, Hor and Pakhtuns as minorities with Balti as a major language. While Ghanche mostly Balti language is spoken and also known for Mongol, Mon and Hor tribal identities. However, Kashmiris, Kohistanis, Gujars, Pakhtuns, Punjabis, Hazaras and Afghans are also seen in small numbers in the whole region as migrants, laborers and businessmen.

Major identity marker in the community is defined by race/caste/tribe, such as Yashkun, Sheen, Moghals, Wakhi, Gujar, Balti, Kashmiri, Saadat, Dom and Kamin, whereas. Under these major categories the social stratum consists of tribes. Within the tribes there are several families. The settlements are generally involved in replication of social pattern in the areas from which the people have migrated. Since the villages are mostly associated with agriculture and profess various sects, the cultural ethos of the communities is diverse. Yashkun and Sheen are the major tribes of the area whereas some Mughals, Rajas, Pathan, Kashmiris, Soniwal and Kashgari also reside here.



Table 3: Caste-wise Population Distribution of Gilgit-Baltistan⁴⁹

Sr. No.	District	Caste-wise (%)							
		Yashkun	Sheen	Moghals	Wakhi	Gujar	Balti	Kashmiri, Saadat	Others
1	Gilgit	50	30	10	3	2	-	-	5
2	Skardu	-	15	-	-	-	75	10	-
3	Diamer	15	40	-	-	-	-	-	45
4	Ghizer	85	-	-	-	-	-	3	12
5	Ghanche	-	-	-	-	-	90	-	10
6	Astore	53	43	4	-	-	-	-	-
7	Hunza-Nagar	50	30	10	3	2	-	-	5
	Total	30	22	3	1	1	31	3	11

Almost the entire population of Gilgit-Baltistan is Muslim. The situation in the Gilgit-Baltistan province shows a considerable variation on sect basis. Ghizer is dominated by Ismailis (87 %). Gilgit and Hunza have a heterogeneous population with majority of Imamia Isna Ashriya Shias (54 %). Ismailis (27 %) and Ahle Sunnat wal Jamat (19 %) also live in a sizeable position in Gilgit. Diamer and Astore are dominated by Ahle Sunnat (90 %), the remaining population of Shia (10 %). In Skardu, Imamia Shias (87 %) coexist with Nurbakhshis (10 %) and Sunnis (3 %). While in Ghanche, Nurbakhshis (96 %, a minority sect in Shias) dominate the district.

Religious functions are a significant force in the lives of all the people. Religious leaders (Mullas/Sheiks) have a hold over a number of aspects of social life and some political parties are organized along religious lines. Two major festivals observed in the project area are the religious festivals of “Eid-ul-Fitr” and “Eid-ul-Azha”. The people are strongly religious minded and tend to practice the religious obligations meticulously. They, come what may, offer prayers five times a day, observe Fasting in the month of Ramadhan and sacrifice animals on Eid-ul-Azha. The however, do pay Zakat or perform Hajj and Umrah. In addition to Eids the Shia celebrate religious festivals like Ashura (mainly in the town of Hangu), Yom-e-Ali, Navroz and Majalis-e-Aza.

Table 4: Sect-wise Distribution of Gilgit-Baltistan⁵⁰

Sr. No.	District	Population (Est. for 2013)	No. Households	Sect-wise (%)			
				Sunni	Shia	Ismaili	N/Bakhshi
1	Gilgit	275,160	35,130	27	54	19	0
2	Skardu	405,730	52,940	3	87	-	10
3	Diamer	248,500	30,335	100	-	-	-
4	Ghizer	227,430	25,975	10	3	87	-
5	Ghanche	279,380	41,425	11	3	-	86

⁴⁹ Gilgit Baltistan Scouts, (2011) ‘Geography & Demography of Gilgit-Baltistan’ Gilgit Baltistan Scouts, online <http://www.gilgitbaltistanscouts.gov.pk/geodemo.htm>

⁵⁰ Ibid



Sr. No.	District	Population (Est. for 2013)	No. Households	Sect-wise (%)			
				Sunni	Shia	Ismaili	N/Bakhshi
6	Astore	134,780	16,820	70	30	-	-
7	Hunza-Nagar	182,510	23,200	-	55	45	-
	Total	1,753,490	225,825	31	39	19	11

Rural Livelihoods and Poverty

Agriculture has historically played an important role in providing sustenance to large part of Gilgit-Baltistan population despite the limited amount of irrigated arable land. Around 1.2% of total GB area is currently cultivated. All productive lands are either mountain side terraces or fields carved out of alluvium deposits along the rivers and streams that are watered through glacial melt based gravity flow water channels. Land ownership is quite small at an average of 0.6-0.8 acres per household and being further fragmented due to inheritance divisions and erosion by water bodies. Through the opening of KKH in 1980s, the improved connectivity to outside world has induced a rapid transition in agriculture from traditional staple crops to cash crops and higher value fruits. The natural agro-climatic advantages of the area, which allows it to produce rest of country's winter crops during the summers and sell them as "off-season" products at a premium, offers great promise for further development. However, this would require further investments in expansion of current limited irrigated area, improved productivity and better connectivity to markets.

Table 5: Land Use in Gilgit-Baltistan (in hectares)⁵¹

Type of Land	Area (000 hectares)	Percentage
Mountains/Lakes/Rivers/Glaciers	4810	66
Forest: a). Protected = 65 which is 1%	646	9
b). Private = 219 which is 3%		
c). Social Agro/Farm = 362 which is 5%		
Total forest = 646 that is 9%		
Rangeland	1646	23
Cultivated Area	58	1
Cultivable Waste	90	1
Total	7250	100

A distinct feature of GB is that over 90% of the households own some agricultural land as compared to 52% in rest of the country. The ownership of cattle, goats and sheep is also almost 30% higher than rest of country⁵². This fact has significant bearing on overall equality in the society and individual empowerment. This high level of ownership also means that per

⁵¹ Government of Gilgit-Baltistan, (2013) 'Gilgit-Baltistan at a Glance'

⁵² IFAD (2015) 'Economic Transformation Initiative Gilgit-Baltistan'



household holding is often very small and average landholding is a very low 0.6-08 acres. GB households also compare poorly in terms of ownership of other assets like TV, refrigerator, motorcycle etc. While no systematic poverty survey has ever been conducted in GB region, the estimates based on PSLM survey (2004-05) indicate that consumption in GB is 90% of the national average and incidence of poverty is about 29% as compared to 24% in rest of Pakistan. An Aga Khan Rural Support Programme (AKRSP) survey of 2005 also suggested similar poverty incidence. However the poverty rate is not consistent across all districts. Similarly, certain non-indigenous (ghair-ma'lik) people like “soniwal” and some settled clans of nomadic “gujjars” also appear to have higher levels of poverty.

An assessment carried out by FAO in May shows that only 26% population is food secure. 41 % is moderately food insecure and 32 % are highly food insecure. An alarming finding is that situation is likely to deteriorate in all three cases if not addressed. The lowest income group derives 59% of their income from agriculture. A large number of households' high reliance on agriculture incomes in rural areas, with smallholdings and production base that is prone to weather and price shocks, makes them extremely vulnerable.

Health and Education

In 1892, British administration established its' first primary school in Gilgit to win the loyalties of local elite and feudal. Prior to this milieu, local religious reverends were the only educationists and healers (doctors). 1940's could be marked as an era towards an educational transformation in Gilgit-Baltistan when first Aga Khan Diamond Jubilee schools started their operations⁵³. After winning the war of independence, the people of Gilgit-Baltistan decided to join Islamic Republic of Pakistan. The nascent state paid less attention to peripheries due to limited resources and turmoil's at the center which compelled the social sector to take lead. From less than 2% in 1901 (Kashmir aggregate), the literacy rate today stands at 62%. Remarkable contribution has been done by hundreds of school run by social sector in reaching this percentage. The district wise disparity in female enrollments remains one of the key challenges to overall literacy in Gilgit-Baltistan. It is imperative to build synergies between public, private and social sectors to ensure equal access to quality education. The availability of suffice qualified Human Resource is a key indicator that the education sector in Gilgit-Baltistan can flourish manifold in future.

Around 2918 educational institutions are working in the region, out of which 1715 are public and 1203 are private institutions. It means that around 58 percent public and 42 percent private institution are engaged in providing the facilities of education in the region. Furthermore, the statistics also shows that almost 47 percent of the students are enrolled in the private educational

⁵³ Zulfi, Z. A. (2017) 'Aga Khan Diamond Jubilee & AKDN's role in development' Chitral Today, online <http://www.chitraltoday.net/sixty-years-of-ismaili-imamat-in-chitral/>



institutions. The trends indicate that the number of the private institutions is growing rapidly with the passage of time⁵⁴.

The Annual Status of Education Report 2015 survey for Gilgit-Baltistan indicates that 85% of children aged 5 to 16 are enrolled in school in Gilgit-Baltistan as compare to the 81% enrollment rate at the national level in Pakistan. In GB, district Hunza-Nagar is on top of the list with a 97.6% enrollment rate, then comes district Ghizer with 96.9% enrollment followed by district Astore with 92.8% enrollment rate in class 1 to 10. The enrollment rates in Ghanche, Gilgit and Skardu are 90%, 88% and 81% respectively. On the other hand, district Diamer is worst performing with respect to enrollment of children having almost half of the children not attending any school, inversely affecting the overall enrollment rate of GB. The data also reveal that there is a wide gap in the enrollment between the boys and girls in the educational institutions in Diamer⁵⁵.

The existing health facilities in Gilgit-Baltistan are few in numbers to cater the needs of geographically stretched and financially weak populace. Only 1133 beds are available to more than 1.5 million souls including private and public hospitals, BHU and BHC. The maternal, infant and under 5 mortality rates are significantly higher than the national average. Hospitals lack basic infrastructure and technology for both diagnosis and treatment. In last three decades, many social sector organizations have started working in Gilgit-Baltistan focusing on mother and child health, and nutrition; and controlling on mortality and birth rate. These include Aga Khan Health Services which runs 31 health facilities across Gilgit-Baltistan, Alkhidmat Foundation and Sihlat Foundation. However, there is a dire need to harness capital resources with private and social sector for a healthier future society⁵⁶.

Health care in Gilgit Baltistan is offered by both public and private sector, but government is considered by far, the main provider of preventive care throughout the region and the major provider of curative services in most of the rural areas. In the public sector, health services are provided through a tiered referral system of health care facilities; with increasing levels of complexity and coverage from primary, to secondary level health facilities. Primary care facilities include basic health units (BHUs), rural health centres (RHCs), government rural dispensaries (GRDs), mother and child health (MCH) centres, TB centres and First Aid Posts (FAP). All of these facilities provide 8/6 OPD services for preventive and a limited number of curative services. RHCs provide a broader range of curative services 24/7. Primary care facilities also provide outreach preventive services to the communities through vaccinators, sanitary inspectors and sanitary patrol.

⁵⁴ Government of Pakistan, (2016) 'Pakistan Education Statistics 2015-16'

⁵⁵ ASER Pakistan, (2015) 'Annual Status of Education Report 2015'

⁵⁶ Government of Pakistan, (2016) 'Gilgit-Baltistan-Multiple Indicator Cluster Survey 2015-16'



Table 6: Number of Public Sector Health Facilities⁵⁷

<i>Type of health facility</i>	<i>Number</i>
District headquarter hospitals	5
Civil hospitals	27
Rural health centres	2
Basic health units	15
Government rural dispensaries	190
MCH centres	93
Sub health centres/First Aid Posts	154

Governance and Administration

An Empowerment and Local Governance Order 2009, passed by Pakistan’s Legislative Assembly gave the status of a province to GB with an elected legislative, a Cabinet headed by a Chief Minister and a Governor. The fundamental rights defined in Constitution of Pakistan have been extended to people of GB through this order. The area has its own Supreme Appellate Court and High Court and is not subject to jurisdiction of Pakistan’s Supreme Court. The executive authority has been vested in Chief Minister and Cabinet but that authority is subject to the powers and oversight of Gilgit-Baltistan Council headed by Prime Minister of Pakistan as Chairman⁵⁸. First elections were held in 2010 under the new order and the government thus formed completed its five-year terms and second elections under the new regime were held in 2015. Most of Pakistan’s laws also stand extended to GB including Penal Code, Criminal Procedure Code, Land Revenue Act, Civil Procedure Code and anti-corruption laws and Accountability Courts. All public procurements have to follow national PPRA Rules.

GB’s institutional structures are less developed and financially less independent compared to rest of provinces. Historically GB was a tax free area and GB Government had little sources of self-generated revenues. The jurisdiction of Federal Board of revenue has been extended to GB, but there are no proper mechanism for taxation in the area as of 2016. The promulgation of Financial Control and Budgeting Rules 2009 has transferred the budget control powers and status of Principal Accounting Officer from Minister for Kashmir Affairs and Gilgit-Baltistan to provincial legislative and Chief Secretary, GB respectively. However, the major issue still is Government of Gilgit-Baltistan and GB Council’s complete dependence on Federal Government for its budgets⁵⁹. So budget making essentially follows the availability of funding and their functional and budget classification with little room for maneuverability. By extension, the fiscal management is also essentially expenditure management. This dependence also results in other

⁵⁷ Government of Pakistan, (2012) ‘Health Facility Assessment – Provincial Report Gilgit Baltistan’

⁵⁸ Gilgit-Baltistan Policy Institute, (2010) ‘Gilgit-Baltistan Empowerment and Self-Governance Order 2009 - Opportunities and Challenges’

⁵⁹ Ali, Z., Naqash, T. & Nagri, J. (2016) ‘Almost Pakistan: Gilgit-Baltistan in a constitutional limbo’ Dawn News, online <https://www.dawn.com/news/1198967>



issues like delayed and unpredictable releases from Federal Ministry of Finance, disconnects between capital and recurrent budgets, large throw forwards and delayed execution of schemes. The development and non-development allocations have however witnessed rapid increase since the promulgation of Empowerment Order in 2009. The 2014-15 outlay for development budget is Rs. 9,498 billion, almost fivefold increase over the last five years⁶⁰.

GB administrative set-up largely mimics the set-up existing in rest of Pakistan with a provincial administration headed by Chief Secretary and assisted by a provincial secretariat encompassing core and line departments. However, being a newly established province, the Secretariat and departments are in process of development and evolution. The Secretariat now consists of 17 Departments, each headed by a Secretary. As a norm, the Secretaries for key posts like P&D, Finance, Home Department etc. are from Federal Services and often from outside the region. The seven districts are headed by Deputy Commissioners with most line departments present and headed by Deputy Directors. The area has two clear regional divisions i.e. Gilgit Region and Baltistan region and most departments have Directors for each region who oversee Deputy Directors at the District and Assistant Directors at Sub-District levels⁶¹.

Formal government institutions in the rural areas are Union Councils which are elected bodies for a fixed tenure of five years. Each Union Council consists of five to seven villages. However, their role and effectiveness in rural development is very limited due to mandate and funding limitations. GB is quite rich in terms of presence of formal community organizations established since 1982 by AKRSP and other programmes like Northern Area Development Project (NADP). Over 6,000 such male and female and mixed organizations were established and a considerable number of them are still active and carry out range of local development and advocacy roles⁶². Among the informal institutions, Jirga, or council of elders in each village and valley plays an important role in local development issues, disputes and conflict resolution. The Jirga also plays an important role in irrigation development and water distribution.

Security and general law & order in Pakistan remains precarious due to regional dynamics and unrest in various areas. GB however is generally more peaceful compared to rest of Pakistan with low reported crime rate. There have been sporadic violent incidents on the border between Diamer District and KP's Kohistan District and periodic sectarian tensions in Gilgit Town. But the rest of GB districts remain quite peaceful and safe for all kinds of travel. Movement of foreigners in and out of area is however regulated and often requires a clearance from the Ministry of Interior.

⁶⁰ IFAD (2015) 'Economic Transformation Initiative Gilgit-Baltistan'

⁶¹ Ahmed, A. D. (2016) 'Status of Gilgit-Baltistan - Another hurdle in the way of CPEC' Pakistan Today, online <https://www.pakistantoday.com.pk/2016/01/16/status-of-gilgit-baltistan/>

⁶² AKRSP, (2014) AKRSP Annual Report 2013-14



Environment

Featured by rugged landscape, Gilgit-Baltistan possesses one of the most diverse physical environments on planet earth. The region is circumscribed by four of the world's greatest mountain ranges: the Karakoram to the east, the Hindu Kush to the west, the lesser Himalaya to the south, and the Pamir to the north. Altitude varying between 914 m and 8763 m feet above the sea level, Gilgit-Baltistan exhibits trans-Himalayan characteristics geographically, climatically and biologically. The region geography consists of largest glaciers of the world outside polar region including Biafo, Hispar, Baltoro, Passu and Siachen. These glaciers contribute to the 70% water of river Indus which is life-line of Pakistan's agriculture. Gilgit-Baltistan owns the most important natural forests in Pakistan. Protecting the important watershed of the river Indus, these forest supplies timber, firewood and forage to the local communities.

Gilgit Baltistan's geographic location has produced a unique flora and fauna. There are four main ecological zones. The alpine scrub zone which is located at upper most reaches of the entire region, contains Dwarf Juniper, Salix, Ephedra Berberis and plateable grass forests. In the sub Alpine forest zone the Betula, Salix, Juniper, Bebris, Lonicera, Ephedra, Vibernum, Anthopogon Ribes are found. In temperate forest zones covering upper Muskin, Astore valley, Nagar, Bagrot, Naltar and Haramosh there are Deodar, chalgoza, Juniper, Ash, Hippophea, Artimesia, Blue pine, Spruce and Rosa forests. In the sub-tropical mountain zone, along the main Indus river upto Raikot and Bunji are Montane subtropical forest, the capris, spinosa, pistacha, Artimesia, Seceharum, Dodonia, Rosa muschata and Daphneolodes. Among the agro-ecological zones, Barsat, Misghar, Hispar, Rondu, Fairy Meadow and Chapurson are known for wheat, millet, potato, peas, vegetable, alfala, pear, cherries, peach, apple, plum mulberry and long grass pastures. In the areas of Babusar, Hopar, Tarishing, Phandar, Yasin, Karumbar, Shigar, Khaplu, Skardu, Dashkin and Sost, the production of maize, apricot, almond, grapes, white poplar, pomegranate, pulses, clover and chalgoza are found on a vast scale. Beyond Astore going right up to Skardu is the world renowned Deosai Plain which is around 60 km long and over 20 km wide alpine pasture with unique flora and fauna and a summer pasture not only for the locals but also for herds brought from Punjab. The area abounds with number of wild animal species including Snow Leopard, Lynx, Wolf, Brown Bear, Black Bear, Fox, Marmot, Ibex, Markhor, Urial, Marcopolo Sheep, Blue Sheep, Musk Deer, Chakor, Ram Chakor, Monal Pheasant etc. There are two large conservation parks and wild-life protection is enforced quite rigourously mostly with community participation. Trophy hunting for Ibex, Markhor and Blue Sheep is allowed in some areas under strict regulations and the realized amount from hunters is apportioned between community (80%) and Forest Department (20%)⁶³.

⁶³ Anwar, M. (2011) 'Major Ecological Zones and Associated Wildlife. In Wildlife of Western Himalayan Region of Pakistan' WWF – Pakistan, Islamabad



Climate change has resulted in drastic changes in weather patterns of the region over past decades. It has shifted regional subsistence patterns and forced many to migrate from their indigenous lands. GLOF are key mountain hazards that have started to occur with increased frequency due to shift in climatic conditions. Global warming has triggered and intensified snow melting at high altitudes and glacial recession is a common phenomenon. Water management has become a key challenge due to large variations in stream flows.

Deforestation and degradation at high altitude is also an important concern, the resources are managed in an unsustainable manner resulting excessive exploitation, encroachments and fire. The biodiversity of the region is threatened by habitat destruction, indiscriminate hunting, tourism and climate change. Air pollution is also becoming a regional environmental problem due to emissions of greenhouse gases from growing non-custom paid vehicles, tourism influx, fossil fuel burning and overexploitations of natural resources.

Trade and Commerce

Despite the huge infrastructure investments in the KKH and Sost, and having found the political consensus among central Asian neighbors for trade liberalization, the sector faces major hurdles. Existing levels of trade remain limited, and trade patterns indicate that Pakistan as whole and GB as a border region are not benefiting as much as hoped from the route in terms of developing related value added activities. The annual closure of the KKH for 3 months due to weather. Beyond the KKH, there are virtually no other links (political barriers block trade to the south with India, and physical barriers block trade to the northwest through the Wakhan corridor in Afghanistan). The low population density and lack of scale in economic activity on both sides of the Pakistan-China border means that the value of welfare benefits in absolute terms from trade through exports and increased retailing of imported goods is likely small. The cost of transportation remains high and the road and communication infrastructure are unreliable. Despite trade agreements, agricultural produce, the goods from GB most likely to find markets in China face tariff and non-tariff barrier, such as the prohibitive quarantine requirements on fresh agricultural products. On the fiscal side, the authorities need to mobilize more revenue from trade and reinvest it to improve local facilities. Finally, the role of Civil Society Organizations and other stakeholder groups needs to be strengthened from their current marginal role.

Expanding trade opportunities through the GB corridor and enhancing greater retention of economic value in the local economy will require restoring the KKH through the landslide area, following through with the ongoing upgrade of the KKH and communication infrastructure, as well as implementing other investments. Beyond overcoming the Attaabad landslide, items that should be high on the policy agenda include: (i) improving the infrastructure and performance of the Sost Dry Port, (ii) removing policy impediments on cross-border transport and logistics, (iii) exploring opportunities for value addition and exporting local products (such as fruits) by lowering trade barriers, and (iv) strengthening import fed retailing through the removal of undue



taxes on local imports and the possible establishment of a border market. These measures will also encourage greater regional integration, a key national development objective of Pakistan as a whole.

The small and medium industries that exist in GB are limited to small flour mills, saw mills, furniture and wood workshops, hydro-power stations, and hotels. These industries are operating at a scale to meet only the consumption needs of the local population. A bird's eye view of the main sectors in trade and commerce in Gilgit-Baltistan is given below;

- **Transport Sector:** In terms of assets holdings, the transport sector in Gilgit-Baltistan has grown as the largest sector. This sector holds assets worth Rs. 316 million. This amount constitutes 34% of the total private sector assets. This sector holds the same leading position in terms of geographical coverage of the region and includes businesses such as automobile workshops, spare-parts shops, service stations etc.
- **General Trade:** With RS. 144 million worth of assets, General Trade is identified as the second largest sector. This sector includes businesses involved in the ordinary trade of goods and services required in fulfilling the basic needs within and beyond the region. According to the a survey by AKRSP, the share of assets for the trading services is worth 5% of the total assets in this sector, compared to 2% for ordinary trade, and 95% for businesses related to import and export.
- **Agriculture Sector:** The Agriculture related businesses constitute the third largest sector in the region. According to the AKRSP survey, it constitutes 13% of the total PS assets, which seems quite meager for a sector that claims to be the mainstay of the region's population, with 90% of the region's population engaged in it. Cash crop businesses such as potato seed, vegetable, and fruit cultivation dominates this sector. Despite being dependent on the down country agricultural products, Gilgit-Baltistan produces some of the best potato seed and fruits in the country.
- **Infrastructure Sector:** The fourth largest sector that constitutes businesses related to construction of roads, buildings, and power generation sis identified as the Infrastructure Sector. The assets in this sector amount to RS. 102.50 million. This amount turns out to be 11% of the total assets in the private sector. The public sector investments involved in this sector constitute 75% of the total investments.
- **Tourism:** The Tourism Sector, being the fifth largest asset holding sector, holds 8% of the total assets involved in the private sector. Despite this sector's vast geographic coverage, its poor asset-holdings are indicative of non-prioritized and poor allocation of financial resources, lack of financial support, political instability in the region, and physical threat to the tourist.
- **Cottage Sector:** the Cottage Sector constitutes local handicrafts, stone carving, woodcarving, traditional jewellery, traditional textile (wool spinning and weaving),



fruit processing (dry fruit products) etc. The Cottage Industry business has assets worth RS. 2.12 million, that amount to only 1% of the total assets in the private sector.

- **Mining Sector:** This sector holds 3% of the total assets in the private sector. According to the survey carried out by the AKRSP, out of the total assets in mining-related businesses, 87% are in the areas of extraction and mining, while 13% are associated within the area of value addition.

Table 7: Trade and Commerce Sector in Gilgit-Baltistan⁶⁴

<i>Private Sector Business</i>	<i>Assets (In million Rupees)</i>	<i>% of Total Assets in the Private Sector</i>
Transport	316.06	33.69%
General Trade	144.00	15.35%
Agriculture	123.20	13.13%
Infrastructure	101.30	10.80%
Tourism	75.20	8.02%
Banking	40.00	4.26%
Oil & Gas	36.62	3.69%
Mining	28.86	3.08%
Forests	22.00	2.34%
Industry	20.00	2.13%
Livestock	13.24	1.41%
Technology	12.80	1.36%
Power Generation	3.60	0.38%
Cottage Industry	2.12	0.23%
Const. Materials	1.20	0.13%
Total	938.20	100.00%

In addition, there are 55 automobile workshops and saw mills in the Gilgit City. These workshops and sawmills provide, as a whole, more than 385 and 150 work force, respectively. Furthermore, 65 state registered hotels in Gilgit-Baltistan, 20 in Gilgit, 4 in Ghizer, 21 in Hunza-Nagar, 10 in Skardu, 5 in Diamer, and 2 in the Ghanche district. Government and private transport companies are also very common in Gilgit-Baltistan. In total, 7 transport companies (one government owned and 6 private) are operational in the region. These transport companies own 360 vehicles, and employ more than 993 employees. The largest company is in the Public Sector which owns 300 vehicles and employs 300 employees.

⁶⁴ IUCN (2003) 'Northern Areas Strategy for Sustainable Development (NASSD)'



Transportation and Logistics

Gilgit-Baltistan remained one of most inaccessible and remote regions of the sub-continent for centuries. Historical records reveal that a few arteries of ancient silk route, which connected east and west from china, passed through this region. Famous travelers, however, had marked it a most hostile terrains along the Silk Route. Gilgit-Baltistan had only 9 pony tracks, 13 suspension bridges and a basic airport at the time of partition. The scenario has been changed radically after opening of Karakoram Highway in 1978, highest paved international border crossing in the world (4,693 metres). The region has now 1,993 KM (2013) of metaled roads, over 400 bridges and two airports-one of which is capable of handling Boeing 737s.

Developing and sustaining efficient transport services in GB is central to economic and social integration with the outside world. Remoteness and physical inaccessibility have constrained development in these parts for centuries, and the completion of the Karakoram Highway (KKH) in 1986 and the initiation of regular aviation services to Gilgit and Skardu have proved transformative in both economic and social terms. While these investments have been instrumental in breaking the spatial trap of the area, enhancing access to basic services and connecting to markets in order to harness the potential of tourism, trade and minerals, for example, hinges on further improving the existing road and aviation infrastructure. The existing road density in GB is one of the lowest in the country. With a total road length of 4,523 kilometers spread over an area of 72,496 sq km, GB has a road density of only 0.06 km/sq. km, which is much lower than the national average of 0.32 km/sq. km.

Within GB, the density and the quality of roads also vary significantly. In terms of road density and length per million people, Gilgit and Ghizer lag behind other districts (see Table 6.7). A large part of the overall road network in GB falls under the category of district roads, which is growing at an annual rate of about 6.4 percent. Currently, the size of the district road network is around 4,523 km, while the national roads account for a total length of 617 km. The national road component in GB comprises two main corridors: the KKH, which stretches 440 km in GB territory from Basari to Khunjerab Pass at the Pakistan-China border (Box 6.4), and Skardu road which measures 177 km connecting Skardu with the KKH. These two national roads are managed by the National Highway Authority (NHA) of Pakistan.

Table 8: District Road Network by Population and Area in GB⁶⁵

<i>District</i>	<i>Road length (km)</i>	<i>Projected population as of 2007* (in millions)</i>	<i>Road length per million people (km)</i>	<i>Area (sq. km)</i>	<i>Road density (km/sq km of area)</i>	<i>Paved roads (%)</i>
Gilgit	550	0.308	1,786	18,270	0.03	20.2
Skardu	1,218	0.275	4,429	18,630	0.065	12.5

⁶⁵ ADB & Government of Gilgit-Baltistan, (2011) 'Economic Report Broadening the Transformation'



Diamer	596	0.165	3,612	7,990	0.074	5.4
Ghizer	520	0.154	3,377	11,970	0.043	48.5
Ghanche	465	0.11	4,227	8,194	0.056	26.7
Astore	465	0.088	5,284	4,096	0.113	28.4
Total	3,814	1.1	3,467	69,150	0.055	21.1

Northern Areas Transport Cooperation (NATCO), established in 1976, started first transport service with 4 jeeps from Rawalpindi to Gilgit. In later years, numerous private sector transportation companies added to the list of ground service providers. Today, round the clock transport is available to the masses traveling from Rawalpindi to Gilgit and Skardu. A daily bus service also connects Gilgit with Kashgar, China and Khyber-Pakhtunkhwa, Pakistan during the summers. Together with 3,679 trucks and 2,158 mini-trucks, around 33,590 vehicles are present in Gilgit-Baltistan. Around 21 goods companies are operating in Gilgit-Baltistan, transporting merchandise of domestic and business use from Karachi, Lahore, Gujaranwala, Faisalabad and Rawalpindi to all district headquarters.

In the loom of Pakistan-China Economic Corridor, the government of Gilgit-Baltistan is planning to improve existing inland links and build new roads. These projects including building of Gilgit-Skardu road, Gilgit-Chitral express highway and Astore-Kashmir road. US\$1.2 million feasibility study is awarded by the Federal Government for Taxila-Khunjreb Railway line that would establish trade link with china to boost trade relations in the two countries.

Power Generation

In general there is short fall of energy in Gilgit-Baltistan, especially in winters most of the region is faced with long durations of load shading. In terms of coverage most of the region is provided with some electrical power through main power of GB-PWD, local hydro power projects or micro hydel project. Currently the total production of electricity in GB in winter is 48 Mega Watts; in summer its 78 Mega Watts. Total capacity of generation of 106 power Houses installed in GB is 96 Mega Watts. The cause of poor power sector in the region is lack of revenue collection. Out of total 500 million rupees estimated revenue only an estimated 270 million rupees is collected. Estimates put energy demand in GB at 300MW, which seem not achievable in near future. The region with a catchment area of 72496 Sq. Km has vast power potential, as more than 27% of GB is covered by glaciers, biggest in the world outside polar region. There are 6 main tributaries of Indus River (Olding River, Shyoke River, Shigar River, Gilgit River, Hunza River & Astore River) in the region, given the head and feasible sites hydro power potential is at least 21000 MW, with additional 1200 MW on sub tributaries.



Table 9: Hydro Power Sector in Gilgit-Baltistan⁶⁶

Sr. No.	Project Description	Type	Number	Status	Capacity (MW)
A	Currently Operational Projects in Gilgit-Baltistan	Mostly Public Sector	106	Operational	98
B	Power Potential				
2	Projects Under Implementation				
	a. Diامر-Basha Dam	Public Sector with International Funding	1	Under Implementation	4,500
	b. Bunji Hydro-Power Project	Public Sector with International Funding	1	Under Implementation	7,100
	c. Phandar Hydropower Project	Public Sector	1	Under Implementation	80
	d. Other Public Sector Projects under Implementation	Public Sector	6	Under Implementation	196
	3. Private Sector Projects	Private	3	Under Implementation	40
4	Solicited Sites	-	12	Projects with Feasibility Study Completed	534
5	Raw Sites	-		Areas Identified	8,540
	Total				20,990

GB is blessed with huge hydroelectric potential and increasing power generation could serve as an important lever for economic growth both locally and in Pakistan generally, which is experiencing major seasonal variations and shortages of power that are hampering activity. At present, most of this hydroelectric power is untapped, and access to electricity within GB is also limited. There are abundant Clean Development Mechanism (CDM) opportunities within the interdependent energy, forestry and agriculture sectors in GB. Development of renewable energy projects can not only curtail carbon emissions to improve environmental sustainability, but could also generate additional revenues to finance critical investments in achieving energy security for the region and the country.

While several sites have been identified as suitable for hydropower development from an engineering standpoint, progress on developing these resources is hampered by difficult access and the need to develop ancillary infrastructure to evacuate the additional electricity generation to load centers within GB and in the rest of Pakistan. The sparse GB population, spread thinly over a vast terrain and engaged in limited economic activity, with the exception of a few more substantial load centers, means that there is little impetus to establish a regional grid, or connect to the national grid, even though this would enable significant seasonal complementarities, as well as mitigating inequitable access, substantial loadshedding, and voltage fluctuations. Looking into the future, the recent administrative changes could bring additional development

⁶⁶ ADB & Government of Gilgit-Baltistan, (2011) 'Economic Report Broadening the Transformation'



funds (public and private) to spur economic activity in the region. The intra-regional imbalance and distances between power generation sources and demand centers, with some areas having excess capacity and some being in deficit, necessitate the construction of a regional grid for an equitable supply of power across GB.

The unclear legal and constitutional status of GB poses further challenges, impeding private and foreign investment, creating institutional and policy dysfunctions, and undermining the transfer of much-needed technical and managerial expertise into the region. For example, before Azad Jammu and Kashmir (AJK) undertook its first private hydropower project, the authorities clearly identified the constitutional issues, secured political commitment from the national government, and streamlined the legal framework for the enterprise. Likewise, GB would have to strengthen the institutions governing the power sector, among other initiatives, in order to attract the necessary investment.

At present, the installed electricity generation capacity in Pakistan is 19,800 MW, of which 6,599 MW comes from hydropower. The GTZ estimates that GB's s hydropower potential exceeds 40,000 MW, almost matching assessments of hydropower potential in the rest of Pakistan of around 42,000 MW⁶⁷. Despite high initial costs, hydropower is a relatively inexpensive and clean source of energy (in addition to enhancing water storage capacity), that can be produced domestically, relieve shortages and load shedding that are harming economic activity, and help propel further growth and development of the country. At present, Pakistan's energy deficit amounts to 4,000 MW during times of peak demand. The government is eager to proceed, and proposed megaprojects would deliver 19,170 MW, almost doubling existing installed capacity. Indeed, the signing of a memorandum of understanding in August 2009 with the Chinese government to proceed with the development of the 7,300 MW Bunji Hydropower Project shows the national government's commitment to move forward with mega-projects, as part of a national strategy to strengthen the energy sector⁶⁸.

Information and Communications Technology (ICT)

From an agro-pastoral society to age of information, Gilgit-Baltistan has witnessed drastic changes in past few decades. British Imperialist installed first telegraph line from Sinagar to Gilgit in 1894 to secure its' northern borders against Russian expansion. Almost a century later, Radio Pakistan established its' first broadcasting stations in Gilgit and Skardu. Special Communication Organization (SCO) started its' telephone services in Gilgit and Skardu regions in late seventies followed by first television broadcast in 1987. In 1999, first internet service provider (ISP) initiated its' services connecting this remote region through ICT to the rest of the

⁶⁷ Government of Gilgit-Baltistan, (2013) 'Hydro Power Potential and Investment Prospects in Gilgit-Baltistan'

⁶⁸ ADB & Government of Gilgit-Baltistan, (2011) 'Economic Report Broadening the Transformation'



world. Special Communication Organization launched its' first cellular services in Gilgit-Baltistan during 2004 revolutionizing means of communication.

Today, 5 cellular companies are providing services in remote and far-flung regions of Gilgit-Baltistan. 46 digital exchanges with installed capacity of 36,896 are working in the region. Gilgit-Baltistan is connected to worldwide web through 450 KM long optical fibre. The first ever private radio network 'FM- 99 Gilgit-Baltistan' was established in 2011. 68 cable operators are broadcasting national and international channels in 9 districts of Gilgit-Baltistan. 13 local newspaper along with numerous internet based news portals and social media platforms are providing regular information and news to the masses⁶⁹.

Work is underway on \$ 44 million Pakistan-China Optical Fibre Project which would lay 820 KM long cable from Rawalpindi to Khunjarab. The project will provide an alternative telecommunication route between Pakistan and China⁷⁰. It is believed that it will help in bringing new technologies (3G & 4G) to the region. In absence of income earning opportunities due to a limited market, Pakistan-China Optical Fibre Project can connect youth of Gilgit-Baltistan to global markets for online earning and e-commerce.

Mine and Minerals

Amidst among three longest mountain ranges of the world, Gilgit-Baltistan has one of the richest natural resource reserves in world. Apart from the largest glaciers outside polar region and water resources, the region has abundant mineral deposits including metallic, non-metallic, energy minerals, precious stones and different rocks of industrial use. Some 18 types of commercially valuable minerals and 16 different forms of precious stones have been identified. Gold, copper, antimony, lead, iron, pyrite, sulphur, tungsten, aluminium, palladium, thorium and graphite are a few examples of metallic, non-metallic and energy minerals found in the area. Gilgit-Baltistan possess estimated 70% gemstone reserves of Pakistan which is considered to be having 5th largest gemstones deposits in the world. These include emerald, ruby, sapphire, aquamarine, moonstone, and amethyst, tourmaline, peridot, topaz, garnet, red spinel, Pargasite, diopside, sphene, apatite, azurite, rose quartz, and agate⁷¹.

Since the discovery of first gemstone mine in Gilgit-Baltistan in early 1950s, the locals have been engaged with the industry for exploration, mining and trading. However, the mining sector remains informal, under-developed and yields less profits. The key constraints to the industry are unavailability of local mining policy and legislature coupled with insufficient human, technical

⁶⁹ Shah, S. (2016) 'Sector Profiles of Gilgit-Baltistan' online http://www.academia.edu/30781429/Draft_Sector_Profiles_GilgitBaltistan

⁷⁰ Ramay, S. A. (2016) 'CPEC: A Chinese Dream Being Materialized Through Pakistan' SDPI

⁷¹ AKRSP (2012) 'Gilgit-Baltistan, The Jewel of Pakistan: Developing a Sustainable Value Chain for Gems and Jewellery Sector in Northern Pakistan'



and financial resources, high risks and large investment costs. The draft “Mining Concession Rules 2014” does not consider the rights of indigenous communities upon indigenous lands⁷². It also gives the Gilgit-Baltistan Council, not an elected body, control over the legislation of Natural Resources contrary to the constitution of Pakistan as well as National Mineral Policy 1995 and 2014 which states that legislation pertaining to minerals is purely a provincial subject. Equally important are the facts that large scale mining requires skilled labor force, adequate technology and huge investments, which are missing in context of Gilgit-Baltistan.

Economic development could be a key to unlock more freedoms for the people of Gilgit-Baltistan long living in a political limbo nonetheless; it requires political initiatives and policy reforms pertaining to resources that could yield better economic opportunities for the locals. Pak-China Economic Corridor along with anticipated prospects would bring into the region many challenges. The corridor would certainly open Gilgit-Baltistan to multi-national companies and investment. Unless the economic rights of locals are safeguarded by strong policies and legislature, they would be exploited. Also, important is development of a skilled workforce from mine to market to develop a regional industry. Technological up-gradation both for exploration and mining is imperative to compete in global industry.

Tourism in Gilgit-Baltistan

Gilgit-Baltistan, 14,672 sq. miles, is a land of murmuring streams and rivers, calm lakes, sky touching mountains and mystical glaciers. 101 seven-thousanders, 5 out of 14 eight-thousanders including mighty Godwin Austin (K-2), Naga Parbat and Gashburm makes it a dream land for adventure lovers. Among its 5100 glaciers are Biafo Glacier, Baltaro Glacier and Batura Glacier, which are the longest outside polar region. The region rich history and cultural diversity adds further flavor to attract both domestic and foreign tourists. More than 65 documented archeological sites and 70,000 rock carvings and inscriptions dating back from pre-history to modern times⁷³ are incredible attractions to researcher and culture lovers alike⁷⁴. Besides holding myriad potential, tourism industry in Gilgit-Baltistan could not thrive enough due to law and order situation, poor public and private infrastructure, absence of regional tourism and investment policies.

In past three years, the inflow of domestic tourists has significantly increased and sources claim that around 0.3 million have visited Gilgit-Baltistan in 2016⁷⁵. Industry experts associate this

⁷² Gilgit-Baltistan Policy Institute, (2014) ‘Review of GB Mining Concessions Rules 2014’

⁷³ Gauhar, Feryal Ali. Dialogue between Civilizations: The Ancient Heritage of Diامر in *China and Pakistan: Friends in Deed*. Nust Global Think Tank Network. 2016. pp 93-118.

⁷⁴ Yusuf, S. (2011) ‘Threatened rock carvings of Pakistan’ Dawn News, online <https://www.dawn.com/news/629659>

⁷⁵ The Nation, (2017) ‘Million tourists visited northern Pakistan in 2016’ online <http://nation.com.pk/national/25-Jan-2017/million-tourists-visited-northern-pakistan-in-2016>



boom with improved road and traveling conditions along the KKH with relatively peaceful regional situation during past few years.

On one hand this recent influx was as an indication towards a prosperous future tourism industry but on the other it was a question mark on available resources and infrastructure. The total bearing capacity of hotels in Gilgit-Baltistan is roughly round 7000-8000 individuals. Majority of people associated with the industry are unskilled and lack basic training⁷⁶. Except KKH, the roads across Gilgit-Baltistan needs repairs and widening; means of transportation are limited both by-road and by-air. Almost all of the tourist attractions lack basic facilities like proper food and accommodation. There are no tourist information or guidance centers even in district headquarters. An elaborate plan to mitigate environmental risks induced by tourism was missing, causing pollution in jurisdictions of conservation areas and National Parks.

There is a dire need to develop a sustainable regional tourism policy to boost the industry at a minimum cost. It is also imperative to attract new investments for improved infrastructure along with the capacity building of people directly associated with tourism. In order to ensure safe and fast mobility, government needs to build new airports and connecting routes. Linking regional industry with China which is 4th major tourist destination could substantially yield long-lasting results. Sensitizing tourists on eco-friendly tourism will help in minimizing environmental threats and risks.

⁷⁶ ADB & Government of Gilgit-Baltistan, (2011) 'Economic Report Broadening the Transformation'



Community Perception in Gilgit-Baltistan

This section provides findings based on the responses received during the primary data collection exercises (Stakeholder consultations and Focus group discussions). The findings of the study have been divided according to the main themes of the study namely social/environmental and economic.

Social/Environmental Aspiration and Concerns

Inclusion of the local community: During the FGDs and consultations majority of the stakeholders expressed high hopes and concerns with regards to economic opportunities in power-generation, tourism, minerals and small industries. The participants argued that these activities will certainly provide economic benefits to the local population, but the government is not well prepared to address the concerns of local community. There are no specific legislations or plans in place to tackle issues of rights and inclusion. This is a big question which has not been addressed so far. The participants pointed that since CPEC's entry point is GB, its unclear constitutional status is still a question which has been ignored so far. Moreover, in the planning process of CPEC, GB is not given any specific place as opposed to other parts of Pakistan.

Giving voice to population of Gilgit-Baltistan: GB is a true symbol of fragility in all its entirety. It has a fragile ecology where little variation in the climate or eco-system makes things challenging for the local populace. In other words there are peculiarities in terms of life, livelihood, and food security. From the standpoint of politics and governance, it is fragile because the entire state of affairs depend on the center i.e. the capital. Mainstream political parties have their offshoots in GB who are almost powerless and even if there are any powers, those are titular whereas the actual decisions are made in the center. The politics of power and governance are quite complex in the sense that this area is not only disputed but also 'sensitive' from security point of view hence in all the decisions related to the people, there is a vehement involvement of armed forces and security agencies. Because of no representation in the central government, the local people have a sense of deprivation and exclusion which comes to fore in many discussions and discourses. In such a situation, the voice of locals remains unheard and the mainstream government remains oblivious of the ground issues or challenges.

Awareness and advocacy: The social fabric of GB is intertwined with numerous cultures and sub-cultures inspired by traditions, customs, religion and the like. There are ambiguities and at times violations of basic rights as far as role and position of different groups such as women, minorities, differently abled people is concerned. The level of education is not equal in all districts and also the cultural values and customs drastically differ from region to region. This results in varied perceptions and practices about the role of women in society. In majority of the cases, people are not aware of their basic rights and even if they are aware, the systems are not friendly to get legal cover. In this scenario, when CPEC is making inroads, the local people do



not feel capable of enough to participate in the economic activities while making the best of it. Lack of required skills and capacities is one issue whereby gender disparity is yet another issue which hampers half of the population to make contribution. Women are normally considered suitable for household chores which is not valued assuming that it has no economic value. In this scenario, if people are given opportunities to get relevant skills; the participation of women may not be substantial which means that there is still need of awareness raising and proper advocacy.

Peace and security: Almost every participant stressed that peace is the most important element which cannot be ignored in the context of CPEC. In order to ensure peace and harmony, the most important thing is to understand the dynamics. The government is expected to make serious deliberation and proper legislation about important issues such as minerals, customary laws, rights of local people, women rights, rules of business for trade and commerce, so that business activity can peacefully work with local customs.

Safeguarding the local interests: The participants stressed that as far as reaping the benefits from the CPEC is concerned, there is dire need of skills which is lacking in the population of Gilgit-Baltistan. If the population is not prepared, they will not be able to capitalize on the great opportunities provided by this landmark project. Another important aspect will be the issues of migration which has not been properly planned or there is lack of legislation about it. For example, for outsiders migrating to GB, what will be the specific rules because landholding is already very limited in GB and the local population is increasing. Moreover, if the local people need to migrate because of economic expansions, then what will be their fate. With the growing trend of migration and urbanization, there is a serious lack of planning and legislation. The royalty of local resources and customary laws must also be considered because of the economic expansions.

Skill enhancement: Training, capacity building and skill enhancement initiatives under various interventions of CPEC will contribute to sustainable societies by increasing human capital and resilience of local people to environmental stresses. Such skill enhancement activities will enhance adaptive capacities of local people to other environmental stresses in the rugged landscape of Gilgit-Baltistan.

Culture and heritage: Study participants expressed their hopes and fears with reference to developmental initiatives under CPEC, as observed during the discussion, they viewed the developmental change as a threat to local cultures and unsure about the steps taken beforehand to tackle the challenges that would be faced in its preservation. Firstly, the urgency of this issue was one of the foremost concerns of the people as the communities are deep-rooted in their culture and heritage and any slight change in any aspects of these phenomena is seen as a threat to the local norms. Secondly, cultural tourism was seen as a consequence of this development. It is also important to understand the mindset of the Chinese in order to establish a cordial relationship



with them, so that a sort of a symbiosis should be established in order to reap the benefits of this agreement. The processes of migration, urbanization and the changes in infrastructure at massive scale is linked with CPEC projects, which are going to result due to changing patterns in development. Their impact on the cultural patterns of the communities can be assessed through proper planning of developmental projects.

Cultural exchange: The stakeholders also pointed that the benefits of CPEC can only be gleaned, if there is proper preparation of the local people to understand Chinese culture on different levels, mainly, the socio-linguistic dimensions. One of the foremost aspects in making the most of this agreement is not only the prevalence of peace in the area, but also the mutual understanding of the peoples, not only from a business point of view but also on more cultural and humane grounds. GB is already a fragile place with so many diverse communities living together, as a result of which the situation remains volatile and tense. In order for the peace and coexistence to prevail, it is important that the planning phase should be well thought out before the implementation. Finally, since CPEC is not just a gateway to business but also for cultural immersion and diffusion. It is highly important that steps should be taken for cultural conservation and preservation of both tangible and intangible heritage, so that this corridor is a manifestation of the Chinese concept of Peaceful Rise.

Health and education: The stakeholders also expressed their hopes for improved health and education services in Gilgit-Baltistan due to CPEC. There are no projects directly related to health and education under CPEC, but the participants argued that improved infrastructure, roads and economy will result in easy access to health and education. The participants also stressed the role of the government to provide better education and skills to the local population, so that they can capitalize on this opportunity.

Climate change mitigation: More investment opportunities in clean energy such as hydropower and solar energy will contribute to climate change mitigation efforts. Provision of clean energy would have multi-faceted socio-ecological benefits such as improving vegetative cover by reducing use of plant biomass for fuel wood; reducing the risk of health ailments due to burning of fuel wood; decreasing expenses on health issues caused due to inappropriate heating of houses and poor hygienic conditions in absence of proper heating facilities.

Protection of natural resources: The participants express their hopes that CPEC initiatives will create diversified livelihoods and income-generating opportunities such as agro-based businesses, cottage industry, minerals, tourism and online business or e-commerce options. This will help to address poverty-environment linkage by reducing people's dependence on scarce natural resources such as forests, medicinal herbs, pastures and wildlife. By alleviating anthropogenic pressures, the natural resource base of the region can be improved.



Plantation and social forestry: The participants expressed their hopes that the project will result in raised vegetative cover by carrying out avenue plantation and social forestry activities as part of environmental management plan of CPEC initiatives such as construction of railways, road and economic zones. Plantation of multi-purpose fast growing trees in villages along KKH will help improve forest cover, reduce pressure on natural forests and provide timber and fuel wood for local people. Plantation of soil binding trees and shrubs on valley catchments along the roads may contribute to watershed management and soil conservation, in addition to increasing vegetative cover in the area.

Environmental concerns: The participants express their concerns regarding the environmental impact of the CPEC projects if not properly mitigated. The stakeholders pointed to the following environment concerns;

- **Air pollution:** Vehicular emissions caused by huge flow of traffic on KKH may increase air pollution leading to greenhouse effect and climatic changes. There is greater chance of persistent stay of pollutants in the air as the valleys are narrow and out of the wind corridors. This may alter the climatic patterns and resultant accelerated melting of glaciers and associated effects such as floods, debris flow, GLOF events and permafrost thawing are considered to have serious implications for natural ecosystem and livelihoods in GB and in the long run for maintaining sufficient flow of freshwater in the rivers of Pakistan.
- **Disturbance to high altitude mountain ecosystems:** The Khunerab National Park situated along the trade corridor is one of the oldest National Parks in the country, harboring the country's total populations of blue sheep (*Pseudois nayaur*) and Marco Polo Sheep (*Avis ammon polii*). The excessive noise caused by construction work and vehicular flow may affect wildlife of the National Park. The road or railway tracks may restrict movement of wildlife from one part of the park to another. Road construction may also threaten the adjacent vegetative cover, especially along the riverbank, which provides lifesaving diet for overwintering population of herbivores in the National Park. The chances of wildlife accidents due to speedy traffic cannot be ruled out.
- **Water Pollution:** Oil spills and other lubricant from such as large number of traffic may pollute and degrade the adjacent water bodies such as rivers, streams and springs. The macro and micro fauna found in such wetlands are critical part of mountain ecosystems and sensitive to minor addition of toxic effluents. Rivers and streams provide useful staging and breeding grounds for migratory waterfowl. These water bodies also provide irrigation and drinking water to the local human populations.



- Land erosion: Construction works such as roads, railway line, economic zones and other commercial areas may cause erosion of land. Such land degradation on one hand will increase soil erosion and on the other it will enhance chances of rock falling or debris flow. Blasting and drilling for construction and repair of the roads and intended railway line may weaken the geology of the area leading to increased incidence of rock falls and landslides.
- Land pollution: Generation of solid waste is considered another significant impact of CPEC activities. The chances of solid waste generation may increase in hotels, campsites, motor workshops, fuel stations along the road. Oil spills along the road, near commercial areas may also pollute the land in certain areas.
- Noise Pollution: Huge number of transit traffic may cause serious noise pollution effects. The geographic and topographic condition exacerbate the effect of such noise pollution as the intensity gets high in narrow valleys and uphill drives. The Karakoram Highway is surrounded by human habitation. People living in close proximity to the road may have serious effect of such noise.
- Excessive and ill-planned tourism: The huge influx of tourists may pose a great challenge owing to the limited carrying capacity of the area. Environmental issues associated with flow of tourist may emerge such as increased chance of pollution, solid waste generation, degradation of fragile ecosystems etc.
- Overexploitation of selected flora and fauna: Overexploitation of medicinal herbs is another apprehensions shown by local people due to the perception that certain plants such as sea buck thorn and Saussurea spp. have great medicinal value in Chinese markets. In addition there could be chances of illegal hunting and poaching of wildlife, especially along KKH in winters.

Economic Aspiration and Concerns

Lack of awareness: Majority of the participants pointed to the fact that there is very little or no awareness at all about CPEC or its direct and indirect benefits to the public. Overall the general nature of CPEC and related projects seem very ambiguous to common folks. The people are not clear about projects that are part of CPEC, what would be total investments in various sectors within the region, etc.

Opportunities for Businesses and Investments: The study participants pointed to the fact that there is huge potential for investment in different sectors. And therefore building synergies with investors can help promote trade in the region. Although, the CPEC project has the potential to change the fate of the area but it is conditional on tapping investments and once investments start coming into the area, trade will ultimately flourish. With the burgeoning tourism in Gilgit-Baltistan, there is a great opportunity for investments in the hotel industry. The high demand for rooms and food during the season provide a room for hotel and restaurant expansion. Besides



investments in hostelling and food, the mineral, the cottage industry, and hydroelectric power sectors have much potential for foreign investment. Further afield, the state-of-the-art infrastructure in GB under the CPEC would result in attracting huge investments in addition to providing a shorter route for traders in China to access the sea for shipping their goods. In a similar vein, giving the region the status of free trade zone would attract local and foreign investment in the area.

Partnerships: Encouraging private investments is imperative if the locals are to get benefit under the CPEC as private sector plays an important role in forging partnership and linkages such like the Gilgit-Baltistan Chamber of Commerce and Industry. Local investors in partnership with the private must come forward to invest in the construction of star hotels otherwise investors from China would invest in the industry and channel the profit out the region.

Certifications for Trade: The stakeholders expressed the hopes for high potential to export goods from Gilgit-Baltistan to China especially to Xianjing such as fruits, dry fruits and vegetables. However, ensuring quality and international standards of these products is a key challenge that is hampering exports. This can only be ensured if government or other organizations introduce a mechanism for local businesses to have quarantine and standard certifications. Other international certifications like ISO; FTA as well as internal certifications would be required to compete with the Chinese market.

Legal process for business and international trade: Currently, there is very limited or no access to international markets for local products and businesses. With CPEC, access to international markets for these local products would increase. However, taking advantage of the opening avenues needs understanding and awareness of the legalities associated with export and customs mechanisms. For the local people interested in kicking off start-ups, awareness and understanding of rules and regulations about incorporating businesses and getting them registered as companies or partnerships is imperative. Contemporary businesses in the region have little understanding of these legalities and regulations.

Skills Development: To compete with the ever-developing markets and businesses from China in general and the Xianging province in particular, there is a dire need to develop the skills of the educated yet unskilled youth. Skills and expertise may be sufficient for fulfilling current needs but would not be enough for foreseeable future. Lack of technical capacities needed for trading and investment is a challenged need to be tackled by the provincial government. In particular, lack of skills for food processing, packaging, marketing, and custom clearing are hampering the business and investment growth in the region. Similarly, providing training to underrepresented communities especially women specially for making local products such as embroidery and local souvenirs has potential increase the household income of these communities.



Cross-cutting themes: Shortage of financial resources has always been an excuse for the provincial government for not spending enough on the development of Gilgit-Baltistan. The government takes advantage of the policy window that is opening under aegis of CPEC. One idea could be taxing each container that passes through the region. Further afield, cities are expanding without planning creating hiccups for businesses and new ventures to be established. With all the developments in perspective there is great need of urban planning, without it region would be a mess and nobody would ever want to come to this region for vacations and investments. In order to boost the inflow of tourists and investors, proper urban planning seems imperative.

Strategies for the Government: Attracting investments in the region is subject to making access to finance and credit easy and quick. The government should direct banks to start a loaning product specifically for CPEC-related businesses. Furthermore, establishing industrial zones in the region will help reduce skyrocketing unemployment. Additionally, the government should craft policies that should encourage Chinese investment companies to have their offices in the area that could create opportunities for local businesses to build investment partnerships and that in return would create job opportunities for the local people. The government should encourage including several relevant stakeholders in border trade such as Ministry of Commerce and Chamber of Commerce and Industry in the policymaking related to CPEC. Yet another important area that merits attention by the government is the need to focus on branding, and packing and packages of local products to increase their marketability in Chinese markets.

Legislative framework: Implementation of the CPEC without required political and legal guarantees makes the region vulnerable to exploitation by big businesses and apathetic decision-making bodies. As the region remains in constitutional limbo, fear is that outsiders will capture resources and opportunities, only to create frustration among locals. Along with the constitutional limbo, a weak private sector is yet another hiccup to take advantage of the opportunities that would emerge as a result of CPEC. Additionally, lack of a milieu conducive for investments and complicated policies and procedures by the government would not let the investors and businesses to optimally benefit from the CPEC-related opportunities.

E-commerce and information technology: E-commerce has great potential to enable the local market to access international markets. With e-commerce people of GB can order and sell products or services online across the border. The ease that CPEC would bring to trade products or services would facilitate e-commerce to a great extent. This all will be only possible due to availability of high speed internet facility under the umbrella of CPEC's fiber optic project and associated 3G/4G technologies. To reap the benefits of CPEC using technology we need to train locals and build their skills in technology so that they would exploit the opportunities that CPEC would bring. Moreover, technology can be used to facilitate and boost other sectors of development in the region, for example, it can be used to advertise GB at international level and



facilitate tourists in the region. With technology tourists would be able to do bookings online well ahead of time. So, information technology is important to take maximum benefit out of CPEC due to its applications in almost every sector of this huge project. For example, IT has applications in trade and commerce to make it more efficient. The optical fiber project is one of the few projects in CPEC which will generate employment and will give maximum benefit to people of GB without degrading environment.

Transportation infrastructure: Upgrading Pakistan's existing transportation infrastructure through investments is a salient feature of CPEC. Transportation of goods and services to different provinces and financial centers both opens up Pakistan to the Chinese market and allows China to export its products to Pakistan's domestic consumers. With up-gradation of KKH, the people also expressed their hopes for improvement of other major roads in Gilgit-Baltistan, like Gilgit-Skardu Road and Gilgit-Chitral Road. The participants pointed that these improved road networks will increase trade and commerce in the area.

Mining and power generation: Currently there are no power-generation or mining project in Gilgit-Baltistan under CPEC, but the participants were of the view that in future the area will attract numerous projects in these sectors. Currently Gilgit-Baltistan lacks any proper legislative or regulatory framework for such projects, which is pointed out as the main cause for lack investment in these sectors. It was stresses that local government should attract investment in these sectors, but at the same time come up with proper laws and rules to safeguard Gilgit-Baltistan's interests, provide local employment, protect region's ecology and ensure sustainability.



Recommendations

- The policy makers must formulate trade and economic sectors through introduction of policies addressing entrepreneurs initiatives, arranging access to credit facilities, creating opportunities for local investments and attracting foreign investments, encouraging public-private partnerships, facilitating collaborations with Chinese investors and businessmen, promoting joint ventures and trade alliances, establishing forums to facilitate investors, trainings for natural resource management and planning, and mergers for local industry to sustain and compete with Chinese market culture.
- Capitalizing human skills based on need and market assessment, the government must initiate skill and training development programs for the educated youth of the region to get engaged and avail CPEC related employment opportunities and organize these capacities to manage change in a way that benefits the society at large. Additionally, the policymakers need to craft policies to initiate Chinese language programs especially for entrepreneurs. The government should also encourage and build capacity of private institutions that are willing to start Chinese language courses. Besides, short-term courses, introducing Chinese language courses in primary and high schools as a part of their curriculum, as a long-term strategy, will great benefit the future generation of entrepreneurs. It will also help deepening the already friendly relations between the two neighbors.
- There are a range of public, private, and civil society training providers in Gilgit-Baltistan, which are increasingly collaborating through innovative public-private-partnerships (PPPs). These national platforms could be leveraged for a digital jobs initiative, and there is also the opportunity to reach greater scale through collaboration with the public education college system, including through PPPs with civil society and the private sector to strengthen the system. Related, there is a need for further corporate involvement and buy-in to a digital jobs initiative, particularly in less traditionally ICT-specific sectors, such as retail.
- Communicate governmental policies, programs, and projects regularly among stakeholders at all levels, to ensure high-quality programs, services, and to get maximum benefit from the CPEC project.
- Build the capacity of grassroots actors that include under-graduate level students to ensure community ownership and sustainability. Keeping in view the international level competition in future, there is a need to strengthen the grassroots institutions (school and colleges) in their teaching, skills development and through introduction of new courses that must meet the challenges of contemporary world.
- Implementing business supportive legislations including tax regimes facilitating the local business community, prioritizing local labor over non-locals and mandatory local procurement for available items. Additionally, making the proposed Board of Investment



functional at its earliest will facilitate the businesses and the investors in getting prepared for the opportunities under the CPEC.

- Promotion of peace is vital for the project to succeed therefore; security measures are important but at the same time there is dire need of advocacy and lobbying within the GB fraternity given the prevailing divisions on religious and lingual flavor. Furthermore, cross border business exchange and cultural ties may also result in creating an environment of peace, harmony and mutual trust.
- The Federal Government must ensure clarity about the issue of identity and basic rights for the people of GB. Proper representation of GB in the National Assembly and Senate through legislation at national level must be ensured. Complementing the identity issue, local people must be made aware of their basic rights including women rights. There should be proper orientation services for the people in far flung area who have never heard about basic rights.
- Government of Gilgit-Baltistan needs to formulate adequate legislation and regulations for the potential sectors of power-generation, mining and trade. These laws must ensure local interests and at the same time attract international and national investment.
- After 18th Amendment, all provinces of Pakistan have passed their provincial antiquities Act(s) and legislations to protect, preserve, document and present tangible and intangible cultural heritage through their respective provincial assemblies. Unfortunately, in the context of GB, the GB Legislative Assembly (GBLA) remained oblivious about the importance of this legislation. A draft on Antiquities Act is ready and submitted to the assembly, but awaits its approval and implementation. There is urgency to approve and enforce this Act without any further delay.
- There is a need to develop a comprehensive policy and collective strategies on cultural heritage (subjective and objective) and cultural tourism, not only to highlight the rich cultural diversity of GB, but also to link region's cultural heritage with economic development. This process anticipates the involvement of all stakeholders i.e. academia, development practitioners, government officials, legislators and representation of civil society to draft a comprehensive policy for viable ownership and strong enforcement.
- The processes of globalization are pervasive and rapidly changing dynamics including developmental projects to meet the growing demands for energy, water, hydroelectricity and urbanization will have an impact on artefacts / archeological sites. To protect these valuable sites, a cultural management plan is important, so the sustainability of development is ensured and simultaneously the cultural heritage is protected as well.
- Under Modernization/ developmental projects like CPEC provides avenues of trans-border mobility and socio-economic transactions, these conditions should utilize positively to cultivate a culture of intercultural dialogue and significance of mutual ties for the protection of diversity and pluralism.



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- The local (GB based) stakeholder and local communities should be fully taken on-board for any environmental assessment tools like SEA, EIA, IEE. Their concerns should be systematically and comprehensively addressed and they should be made part of Environmental Management Plan.
 - The government should introduce a mechanism of payment for environmental services. This can be done by charging every vehicle entering into GB a meagre amount as environmental fee, which can be spent to improve environmental conditions such as plantation, signage of awareness raising, placement of waste bins, etc. Also, by introducing a standardization and certification program for tourism industry in GB various types of pollutions could be minimized.



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