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Issue Brief

Establishing Special Economic Zone in Gilgit-Baltistan under CPEC

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Special Economic Zones (SEZs) is an important strategy to enhance trade, investment and employment in a country. Among many nations adopting this as a fruitful strategy for industrial development and economic growth, China is one prime example. Until 2009, China had established 750 Special Economic Zones at provincial and state levels. It is estimated that at the national level in China, SEZs accounted for about 22% of national GDP, 46% of FDI, and 60% of exports.¹ Moreover, the zones generated in excess of 30 million jobs in China. In this context, Special Economic Zones (SEZs), proposed and approved under China-Pakistan Economic Corridor (CPEC) are important for boosting industrial cooperation, enhancing trade and creating a strong local economy in Pakistan. Initially, 27 SEZs were proposed by the Ministry of Planning, Development and Reforms, to be setup across Pakistan with the distribution in each province as follow: eight SEZs in Khyber Pakhtunkhwa, seven in Punjab and Baluchistan each, three in Sindh, while Gilgit-Baltistan and Islamabad will have one each.²

Later in December 2016, in the 6th JCC meeting in Beijing, China, represented by all the chief ministers of Pakistan, nine SEZs were approved for all four provinces, Gilgit-Baltistan (GB), Azad Jammu and Kashmir and two at federal level. Each province/federally administered area has allocated land for establishing the economic zone in their respective province.

In Gilgit-Baltistan, one special economic zone will be constructed over 250 acres' land in Maqpoondaas where Agro-based, minerals, livestock, handicrafts and wood-related trades have been marked as potential industries.³The zone will open new avenues for investors, local and foreign, and the local business communities to tap on the benefits attached to it in terms of tax holiday for a period of ten years, exemption in custom duties on imports of capital goods besides other infrastructure facilities to be guaranteed by the federal government under this scheme.

However, the region faces a number of challenges which includes poor regulatory framework, weak governance and implementation capacity, and poor infrastructure among others. In this regard, the recent establishment of a branch of Board of Investment (BOI) in Gilgit-Baltistan is a significant development. Board of Investment is an active member of the working group on



industrial park/special economic zones under CPEC.⁴ this makes it imperative for the branch in Gilgit to take necessary measures beforehand.

The foremost task is to lay down an industrial policy which must envisage enormous financial concessions for attracting investors, provide necessary physical infrastructures and above all, provide a strong legal framework to ensure conducive environment for investors. The core team which it has constituted represents both the private and public sector. so it is important to formulate a timely, comprehensive and investor-friendly industrial policy to tap on the prospective benefits coming out of projects under CPEC.

Besides, the region is also facing a huge challenge of high unemployment rate among men and women, both, educated and semi-literate. This makes it important for the board to take measures for equipping manpower with the required skills. The educated youth must be encouraged to venture into businesses as the region has many untapped sectors like minerals and mining to start with. The board must identify avenues, provide financial assistance and trainings to start a business and tools to minimize the risk of failure.

CPEC can serve as a catalyst for the much needed institutional developments in the region. The infrastructure development along with the institutional arrangements will bring the region in a better position to address the economic woes of the communities. Improved connectivity under CPEC will provide incentives to create a strong local economy leading to a resilient rural development in Gilgit Baltistan.

Notes and References

¹ Zeng, D. Z. (2015). *Global experiences with special economic zones: focus on China and Africa*, Policy Research Working Paper No 7240, World Bank.

² Special Economic Zones for Provinces <http://cpec.gov.pk/special-economic-zones-projects>

³ Maqpoondaas special economic zone among priority projects. Pamirtimes.net
<http://pamirtimes.net/2016/12/22/maqpondas-special-economic-zone-among-priority-cpec-projects/>

⁴ Board of Investment, <http://boi.gov.pk/InfoCenter/CPEC.aspx>