

Social impacts assessment for China-Pakistan Economic Corridor investment activities

Ruilian Zhang, Guoqing Shi

Ruilian Zhang, Ph.D. Hohai University, School of Public Administration, No. 1 Xikang Road, 21100, Nanjing, China, email: zhangruilian321@163.com. Guoqing Shi, Hohai University, the dean of School of Public Administration, No. 1 Xikang Road, 21100, Nanjing, China.

Abstract: China-Pakistan Economic Corridor(CPEC) is playing the bridgehead role in the development of China's "One Belt, One Road" (B&R) initiative. As we know, impact assessment is the tool, while environmental quality and social equity are the results. Therefore, in order to analyze, monitor and manage the intended and unintended social consequences, both positive and negative, of planned interventions and any social change processes invoked by those interventions, we try to distinguish the social impacts and risks during the development process of CPEC. Through the field research of Kashi region and Pakistan Gwadar region, data collecting and comparative analyzing, various risks have been found, mainly including macro and micro risks. According to the detailed analysis of the social impacts and risks in the CPEC region, the paper has pointed out that preventing is the key measure for reducing the negative impacts and risks, keeping and developing positive effects for the development of CPEC region.

Key words: SIA; China-Pakistan Economic Corridor; Investment and construction; Preventing

1.Introduction

In July 2013, China and Pakistan signed a Memorandum of Understanding (MoU) in Beijing in the presence of the Chinese Premier, Mr. Li Keqiang and Pakistani Prime Minister Nawaz Sharif. The MoU aims at enhancing economic regional integration in investment, energy, trade and communication. The aim is to create linkages between the Western Region of China and Pakistan by establishing communication links and developing Economic and Trade Corridors that would facilitate economic activity along the corridors.

The CPEC is an ongoing development mega project which aims to connect Gwadar Port of Pakistan to China's northwestern region of Xinjiang, via a network of highways, railways and pipelines. The economic corridor is considered central to China-Pakistan relations and will run about 2,700 km from Gwadar to Kashghar.

China-Pakistan Economic Corridor and its connectivity with Central Asia, Middle East and Africa will help to shape entire region. Overall construction costs are estimated around \$46 billion, with the entire project expected to be completed in several years.

The Corridor is an extension of China's proposed 21st century Silk Road initiative. This is the biggest overseas investment by China announced so far and the corridor is expected to

be operational within three years. The corridor will be a strategic game changer in the region and would go a long way in making Pakistan a richer and stronger entity.

The investment on the corridor will transform Pakistan into a regional economic hub. The corridor will be a confidence booster for investors and attract investment not only from China but other parts of the world as well. Other than transportation infrastructure, the economic corridor will provide Pakistan with telecommunications and energy infrastructure¹. China-Pakistan Economic Corridor energy projects will serve as a backbone of the energy strategy to overcome power crisis in Pakistan. Planning Commission of Pakistan is the lead agency for CPEC in Pakistan.

Table 1. Projects approved under CPEC in energy, transport and infrastructure

CPEC Projects Portfolio	Cost in US \$ Million	%
Energy	33,793	76%
Transport and Infrastructure		
Roads	6,100	
Rail Network	3,690	24%
Gwadar Port	786	
Others	44	
Total	44,413	100%

*Source: Planning Commission of Pakistan,2014

While with the investment and construction of energy and infrastructure projects, various social risks will appear induced by social impacts. Social impacts assessment aims to eliminate or reduce negative social risks induced by investment to CPEC and to meet the social development requirements, national and local goals during the process of investment opportunity study, preparation, implementation and operation stage. The unity of financial benefits, economic benefits, environmental benefits and social benefits as well as to protect and improve environment, reduce or eliminate poverty, realize gender equality and maintain social stability are the ultimate goals for social risks assessment of investment and construction activities in CPEC region.

2.Literature review

Impact assessment is the tool, while environmental quality and social equity are the results. One of the purposes of Environmental Impact Assessment (EIA) is in advance to identify and evaluate the important environmental consequences of proposed projects(Markku Kuitunen, 2008). While SIA is a research and analytical process which intends to influence decision making and the management of the social issues. It involves different aspects affecting people's daily life. We assert that the SIA community needs to revisit core concepts, such as culture, community, power, human rights, gender, justice, place, resilience and sustainable livelihoods(Ana Maria Esteves, 2012). Some scholars have mentioned SP(Social

¹ Please see: <http://www.boi.gov.pk/InfoCenter/CPEC.aspx>

Protection) concept to explain the social risks management and its goals. Social Protection (SP), generally defined as public measures to provide income security for individuals, is back on the international agenda². The experience of East Asia has demonstrated that high economic growth rates over many decades can impressively reduce poverty. And the author points out that social risks management aims to reduce vulnerability, enhance consumption smoothing and improve equity (Robert Holzmann, 2001). This chapter considers how the potential social and economic impacts, both positive and negative, can be predicted from the perspective of regional sustainable development. A broad set of indicators and measures are also proposed. The chapter demonstrates how the integration of social and economic impact assessment (SEIA) into sourcing strategy can be an effective tool to optimise the benefits associated with development projects to local communities (Ana Maria Esteves, Galina Ivanova, 2016). Also, some scholars have pointed out the concept of “vulnerability” to assess the social environment. The paper emphasizes the interactions between vulnerability and human-environment (Hallie Eakin, Amy Lynd Luers, 2006).

Furthermore, more and more institutions and scholars began to pay much more attention to SIA in different countries and different industries. The report “Social Impact Assessment in The Mining Industry: Current Situation and Future Directions” of International Institution for Environment and Development (IIED) has made a clear introduction of SIA in the Mining Industry and also mentioned the challenges and opportunities (IIED, 2001). The social impact of oil production on small holder farmers in oil-producing communities of the agriculture zone of Delta State, Nigeria was assessed by data analysis and comparison. The paper points out that the problems caused by oil pollution greatly affected their socioeconomic activities and Oil exploration and exploitation caused a lot of ecological damage to soil resources, human health, the environment and social problems in the oil producing communities (Ofuoku, 2014). Some studies have extended to some special industries, such as e-waste recycling. The social impacts of informal e-waste recycling in Pakistan was conducted using data obtained in a detailed on-site inventory of the processes directly involved in informal e-waste recycling (Shakila Umair, Anna Björklund, et al, 2015).

Although a large number of SIA studies have been conducted, the comprehensive and systematic analysis is still not enough in the investment and construction activities under CPEC region. In addition, the assessment indexes have not been adopted or employed in the SIA. Therefore, through massive data search and field research activities, the paper chooses and adopts new assessment indexes to better master the potential risks during investment and construction activities under CPEC region.

3. Index and methods

According to the principles and regulation of international institutions such as Safeguard

² Please see: <http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/SP-Discussion-papers/Social-Risk-Management-DP/0006.pdf>

Policy of World Bank, Safeguard Policy Statement of ADB, Hydropower Sustainability Assessment Protocol of IHA, Assessment and Management of Environmental and Social Risks and Impacts of International Finance Corporation, practice in Pakistan and China and field research, the paper has divided the risks into macro and micro risks. The macro risks include political risks, safety risks and law risks and the micro risks include ethnic benefits, religious belief, economic demands, language and culture and community benefits.

Because it is difficult to collect the real data from the website and field research, therefore, in accordance with the reality, the paper uses the delphi technique method, through delphi technique method, the high, middle and low grade have been used to identify the risks degree, See the results in table 2.

Table 2. Potential social risks category under CPEC

Category	First level index	Second level index	High	Middle	Low
Macro risks	Political risks	National Secession Forces	√		
		Kashmir dispute	√		
		Great power intervention			√
		Complicated neighborhoods		√	
	Safety risks	Natural risks		√	
		Extremism risks	√		
		Terrorism		√	
		Threats from NGOs	√		
	Law risks	National perspective		√	
		Local regulations		√	
		Ethnic minority benefits			√
	Ethnic benefits	Aboriginal benefits			√
		Regionalism	√		
		Religious customs	√		
Religious belief	Social taboo			√	
	Dispute between politics and religious	√			
	Income damage induced by land acquisition	√			
Micro risks	Economic demands	Unemployment and poverty of affected persons		√	
		High consumption burden/ low livelihoods level			√
		Assets depreciation of stakeholders			√
		Damage of natural and historic heritage		√	
	Language and culture	Obstacle of language, culture and customs		√	

	Obstacle of affected persons integration		√	
	Vulnerable groups benefits damage	√		
	Gender issue	√		
	Bad working conditions		√	
Community benefits	Public health issue			√
	Social network reconstruction problem	√		
	Community safety	√		
	Reasonable compensation issue		√	

4. Results and discussion

4.1 Results

According to the results with the delphi technique method, we know that in the macro risks, there are three first level indexes and ten second level indexes. The risk degree of Complicated neighborhoods, Natural risks, Terrorism, National perspective and Local regulations belongs to middle degree, accounting for 50 percent. The risk degree of National Secession Forces, Kashmir dispute, Extremism risks and Threats from NGOs belongs to high degree. Therefore, we need to pay much attention to those aspects. In the micro risks, there are five first level indexes and twenty second level indexes. The risk degree of Regionalism, Religious customs, Dispute between politics and religious, Income damage induced by land acquisition, Vulnerable groups benefits damage, Gender issue, Social network reconstruction problem and Community safety belongs to high degree. The risk degree of Unemployment and poverty of affected persons, Damage of natural and historic heritage, Obstacle of language, culture and customs, Obstacle of affected persons integration and Reasonable compensation issue is middle degree. The investment and construction activities involve many aspects with affecting the social development, community and persons.

4.2 Discussion

China-Pakistan Economic Corridor is expected to be a win-win initiative. The investment and construction of energy and infrastructure projects under CPEC will both affect Pakistan and China in social, economic, culture, resources and others. This is a long term project and the impacts will stay for a long period. Therefore, through SIA, we try to identify and master the risks degree from macro and micro perspectives using the experiences of experts. At last we believe that preventing is the main measure for reducing the negative impacts and risks, keeping and developing positive effects for the development of CPEC region.

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