

Legal Framework for Resolving Commercial Disputes in CPEC: A Comparative Analysis

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Abstract

This study examines the mechanisms for resolving commercial disputes arising under the China-Pakistan Economic Corridor (CPEC), emphasizing that Pakistan's legal system is the primary framework for addressing such disputes. It aims to identify the key deficiencies in Pakistan's dispute resolution mechanisms by comparing them with China's system. The research adopts a comparative legal analysis approach, reviewing statutory frameworks, institutional mechanisms, and judicial practices in both countries. It assesses primary legal documents, bilateral agreements, and case law to evaluate the efficiency and adaptability of each system in handling CPEC-related commercial conflicts. The study finds that Pakistan's legal system remains constrained by outdated procedures, weak enforcement, and limited institutional specialization, while China's International Commercial Court (CICC) offers a modern, integrated mechanism for meeting litigation, mediation, and arbitration needs. These differences impact investor confidence, transparency, and long-term project sustainability under CPEC. The study is limited to Pakistan and China, focusing primarily on legal and institutional mechanisms rather than economic or political dimensions. Further research could expand to other Belt and Road Initiative (BRI) economies for comparative assessment. The findings emphasize the need for Pakistan to harmonize its commercial dispute resolution laws, establish specialized courts, and strengthen judicial cooperation with China to ensure a predictable, transparent, and investor-friendly environment. This paper contributes to the limited literature on comparative legal frameworks within CPEC by providing an integrated assessment of dispute resolution mechanisms in both China and Pakistan. It proposes a multifaceted model combining litigation, arbitration, and mediation to enhance investor trust in the long-term viability of CPEC.

Keywords

Legal Framework, China-Pakistan Economic Corridor, Commercial Disputes,

Conflict Resolution

1. Introduction

Since 1951, Pakistan and China have enjoyed an enduring strategic alliance. Over time, their cooperation has spanned various fields such as defense, trade, and energy. The year 2013 marked a significant milestone in their bilateral relations as the two nations signed the China-Pakistan Economic Corridor (CPEC) agreement (Rahman & Shurong, 2017). CPEC is a major project of the China Belt and Road Initiative (BRI) whose aim is to connect Xinjiang, a province in western China, with Gwadar, a port city in Pakistan (Abid, 2021). It is a comprehensive package of infrastructure, energy, and industrial projects, and it spans over three thousand kilometers. As of 2024, it has had a total investment of around 65 billion USD (Zahoor et al., 2024). Its massive scale can potentially transform Pakistan's and the entire region's economic landscape (Rehman et al., 2018). According to some estimates, CPEC will create roughly 700,000 jobs, whereas the Pakistani government has projected a more optimistic 2.32 million jobs. CPEC had brought 25.4 billion USD in direct investments to Pakistan at the end of its first phase, with 46 projects being completed or under construction (Kataria & Riaz, 2020).

To address Pakistan's chronic energy shortages and ensure a stable supply, CPEC includes various energy projects, such as power plants, dams, and transmission lines (Khurshid et al., 2018). It involves improving Pakistan's transportation network and facilitating trade by upgrading existing infrastructure and building new roads, railways, airports, and seaports. Gwadar Port, a critical component of CPEC, offers a strategic location for trade with the Middle East, Africa, and Europe, reducing transportation costs and time (Baloch & Ellis-Petersen, 2025). CPEC aims to establish special economic zones (SEZs) and industrial parks, promoting joint ventures, technology transfer, and innovation (Jahangir et al., 2020). Millions of jobs are anticipated to be created by CPEC, both directly and indirectly, lowering poverty and raising living standards (Hussain & Rao, 2020). CPEC has the potential to promote regional peace and stability by improving economic interdependence and cooperation among neighboring countries (Chen, 2022; Boni, 2019).

Research Questions

This article revolves around the following questions:

- 1) What is the background of commercial disputes under CPEC?
- 2) What is the concept of commercial disputes and the general method of resolving these disputes related to CPEC?
- 3) What are the laws, courts, and procedures in the Pakistani judiciary to resolve commercial disputes under CPEC?

2. Legal Framework for Commercial Dispute Resolution in CPEC

CPEC's legal framework involves various agreements, protocols, and understandings between Pakistan and China, which provide the basis for the implementation and governance of its projects. An overview of its key components is discussed as follows:

2.1. Framework Agreement

The Framework Agreement on CPEC was signed in 2015, setting out the broad contours and principles of cooperation between China and Pakistan (Rahman & Shurong, 2017). It delineates the areas of collaboration, investment mechanisms, and the overall vision of CPEC.

2.2. MoUs and Agreements

Numerous Memoranda of Understanding (MoUs) and agreements have been signed between the governments, state-owned enterprises, and private companies of China and Pakistan (Hassan, 2020). These agreements cover various sectors such as infrastructure, telecommunications, transportation, energy, and industrial cooperation.

2.3. Special Economic Zones (SEZs) Act

Pakistan has created Special Economic Zones (SEZs) under the umbrella of CPEC to attract foreign investment, promote industrialization, and create job opportunities (Jahangir et al., 2020). The SEZs Act provides the legal basis for the creation, management, and regulation of these zones (Hussain & Rao, 2020).

2.4. Bilateral Treaties and Protocols

Within the framework of CPEC, bilateral treaties and protocols between China and Pakistan serve as the legal basis for commerce, investment protection, and dispute resolution (Mukhtar et al., 2021). These agreements guarantee the protection of investors' interests and provide mechanisms for settling disagreements that may arise during the implementation of the project.

2.5. Regulatory Framework

To ensure the smooth execution of CPEC projects, both countries have created regulatory frameworks and policies (Zahoor et al., 2024). This includes legislation on land acquisition, labor rights, taxation, customs procedures, and environmental protection (Land Acquisition Act, 1894; Environmental Protection Act, 1997).

These areas of regulation have specific national and provincial institutions for handling them in Pakistan, namely, land acquisition under the Ministry of Planning, Development & Special Initiatives, provincial Land Revenue Departments; labor rights under the Federal Ministry of Overseas Pakistanis and Human Resource Development (FMOP & HRD); taxation and customs under the Federal

Board of Revenue (FBR) of the government of Pakistan, where Pakistan Customs, a subsidiary of the FBR, is responsible for handling customs related to international trade under CPEC; and environmental protection under the Pakistan Environmental Protection Agency (Pak-EPA) at the federal level, along with provincial agencies such as Punjab EPA and Sindh EPA for specific projects (Agency, 2016).

3. Dispute Resolution Mechanisms in CPEC

3.1. Litigation

Litigation is the process of taking a case to court for a judgment. It is used to resolve various conflicts, including commercial disputes (Friedman, 1989). It is publicly funded and comprises a series of steps like pleadings, discovery, and hearings. Although these processes are internationally accepted, national court systems vary greatly in their effectiveness; some are quick and fair, while others are weak and inefficient (Law and Justice Commission of Pakistan, 2022). This affects not only the parties involved but also the countries themselves. Litigation can be a drawn-out process, causing stress and possibly leading to unsatisfactory compromises. Court backlogs further exacerbate these issues and can undermine justice. Moreover, national courts may not be ideal for resolving international trade disputes (Friedman, 1989).

3.2. Arbitration (Domestic)

Arbitration is a preferred method for settling international commercial disputes due to party autonomy (Dursun, 2012). The Supreme People's Court (SPC) of China recognizes this, incorporating arbitration into its diverse system for resolving disputes and allowing parties to choose their preferred method, applicable law, and procedural rules (Supreme People's Court of the People's Republic of China, 2018). The China International Chamber of Commerce (CICC) maintains a list of affiliated arbitration institutions. SPC laws support arbitration and the enforcement of arbitral awards (China International Commercial Court, 2018). Under CICC provisions and procedural rules, parties choosing international commercial arbitration can request CICC rulings on property preservation, evidence, or conduct during the process (Zadi et al., 2021). For cases exceeding 300 million yuan or of significant impact, the arbitration institution must apply to the CICC for review and adjudication (China International Commercial Court, 2019).

Pakistan's Domestic Arbitration Framework

The domestic arbitration framework in Pakistan is largely governed by the Arbitration Act 1940, a colonial-era legislation that lays down the broad framework of rules for party autonomy, arbitral tribunal constitution, and enforcement of domestic arbitral awards (Arbitration Act, 1940). The institutional arbitral centers that will likely deal with arbitral proceedings in CPEC-related disputes are the Pakistan Arbitration Council (PAC) and provincial Chambers of Commerce & In-

dustry (such as the Lahore Chamber of Commerce & Industry (LCCI), Karachi Chamber of Commerce & Industry (KCCI), and Islamabad Chamber of Commerce & Industry (ICCI)). Pakistan's domestic arbitration framework has several serious flaws, including outdated rules of procedure under the Arbitration Act 1940, limited enforcement of domestic arbitral awards in civil courts in Pakistan (due to an overall judicial backlog and inconsistent judicial approach) (Law and Justice Commission of Pakistan, 2022), and a lack of specialized rules and provisions for international and CPEC arbitration (such as no provisions for property preservation or interim measures during arbitral proceedings) (Mukhtar et al., 2021). The civil courts in Pakistan will likely treat international arbitration claims in CPEC-related disputes as domestic civil cases, without specialized rules and provisions for international arbitration and its specific requirements in BRI/CPEC-related international disputes (Zadi et al., 2021).

3.3. Mediation and Conciliation

The International Exchange and Cooperation Center (ICEC) facilitates mediation, and the CICC provides a list of mediation and arbitration institutions. Parties choosing arbitration under the CICC's one-stop process can request judicial assistance (e.g., freezing orders) from the CICC before or during proceedings and can also apply for setting aside or enforcement of awards. The CICC can delegate enforcement. The CICC's online system streamlines case submission. After notification, a case management conference determines if the parties agree to pretrial mediation (conducted by the ICEC or another institution within 20 days). If not, litigation proceeds before a collegial panel of senior SPC judges selected for the CICC. With party consent, the ICEC, whose objectives include defining transaction rules and advising on international law and CICC strategy, can conduct mediation, the results of which can be converted into a CICC judgment. Chinese authorities highly value the ICEC mechanism.

3.3.1. Mediation

Mediation is an extension of negotiation, where a neutral third party (mediator) helps parties find a mutually acceptable solution (Bercovitch & Jackson, 2001). Mediators do not impose decisions; their presence alone changes the negotiation dynamic. A key benefit is party control over the process and outcome, increasing transparency and acceptance (Bercovitch & Jackson, 2001). A mediator's effectiveness hinges on building trust and credibility. Mediation operates on the principle of self-determination of parties, which means parties resolve disputes freely.

3.3.2. Conciliation

According to their agreements, the parties to a case filed with the ICCC can choose any institution listed on the list of mediation institutes (Bright, 2019).

Mediation between parties shall be preceded by such an institution and, in the event that the parties consent to mediation, the CICC is legally empowered to issue a conciliation statement (Bright, 2019). At the parties' desire, the CICC may

also render a decision based on such a mediation agreement. If the parties seek a judgment, the CICC may issue one (*Supreme People's Court of the People's Republic of China, 2018*). On the basis of a legally signed agreement, the CICC may also render a conciliation statement or verdict and submit a copy thereof to the Coordination and Guidance Office (*China International Commercial Court, 2019*).

3.4. Other Alternative Dispute Resolution (ADR) Methods

Businesses increasingly prefer Alternative Dispute Resolution (ADR) over litigation for international commercial disputes (*Warner, 2024*). This trend, beginning in the 20th century, continues. ADR encompasses all non-litigation dispute resolution methods, offering a more amicable, flexible, and confidential process (*Warner, 2024*). It prioritizes party autonomy, simplified procedures, and tailored solutions (*Dursun, 2012*). ADR protects sensitive information and seeks substantive justice. Numerous ADR techniques exist, applicable to various civil and commercial disputes, including negotiation, conciliation, mediation, arbitration, mini-trials, and summary trials. The most prominent and effective methods are discussed below.

4. Comparative Analysis of China (CICC) and Pakistan's Dispute Resolution Procedural Mechanisms

This section will offer a direct comparative assessment of the procedural time, cost, and enforcement of the dispute resolution mechanisms of China's CICC and Pakistan's domestic dispute resolution approach for CPEC-related international commercial conflicts. The above-discussed operational dimensions are the core areas of the dispute resolution mechanisms for international commercial conflicts (*Zadi et al., 2021*).

4.1. Procedural Time

China's dispute resolution approach under the CICC follows the first-instance final trial approach (*Supreme People's Court of the People's Republic of China, 2018*), which eliminates the delay of appellate courts and settles most of the international commercial conflicts related to the CPEC within 3 to 6 months of filing cases with the CICC (*Sun, 2024*). On the contrary, Pakistan's dispute resolution approach for international commercial conflicts related to the CPEC via litigation and arbitration procedures has faced extreme delays (*Law and Justice Commission of Pakistan, 2022*). The civil litigation process under the Code of Civil Procedure 1908 takes 3 to 5 years to conclude with a final judgment due to backlogs and archaic procedures followed by the courts of Pakistan (*Academy, 1908; Supreme Court of Pakistan, n.d.*). Similarly, the domestic arbitration process under the Arbitration Act 1940 often extends beyond one year in practice, particularly where court intervention or enforcement proceedings are required (*Arbitration Act, 1940*). In addition, no fast-track procedures are available for international com-

mercial conflicts related to the CPEC in Pakistan (Mukhtar et al., 2021). The generalist judicial courts are not equipped to deal with international commercial conflicts related to the CPEC (Law and Justice Commission of Pakistan, 2022).

4.2. Cost

The CICC's mechanism for dispute resolution is also helpful in reducing the administrative and procedural costs that may arise in the course of international commercial disputes (Sun, 2024). This is because the CICC has an online case management system that allows for electronic filing and service, thereby reducing administrative costs (China International Commercial Court, 2018). In addition, the CICC's "one-stop" platform for litigation, mediation, and arbitration reduces the costs of dispute resolution through the avoidance of duplication in the process (Zadi et al., 2021). In the case of high-stake CPEC disputes, the CICC provides procedural mechanisms that consolidate the review process, which can reduce duplicate procedural costs (China International Commercial Court, 2019). On the other hand, the Pakistan model incurs significant costs, both in the form of direct and indirect expenses (Transparency International, 2023). Civil court litigation in Pakistan incurs significant fees in the courts, lawyers' fees, and the costs involved in the adjournment of hearings, which is often the case in civil courts (Law and Justice Commission of Pakistan, 2022). The risks of corruption in the judicial and administrative bodies in Pakistan make the indirect costs unregulated (Transparency International, 2023), and the lack of a one-stop shop for the dispute resolution process makes the costs incurred in mediation, arbitration, and litigation (in the event the arbitral award is challenged in court) a major impediment for Chinese investors in the CPEC project (Mukhtar et al., 2021).

4.3. Enforcement Mechanisms

The enforcement mechanism of China's CICC is robust and has a clear framework for ensuring that its awards and judgments are enforced, as its rulings are upheld by the SPC and have direct enforcement in China's local courts, without the need for further appeal (Supreme People's Court of the People's Republic of China, 2018). The SPC has established judicial cooperation mechanisms that will ensure the enforcement of CICC awards in BRI partner states (Sun, 2024). The one-stop-shop mechanism of CICC allows for the request of interim measures that include asset freezes and property preservation, ensuring that the award is not rendered unenforceable due to asset dissipation or other actions of the respondent (China International Commercial Court, 2019). The enforcement mechanism of Pakistan is fundamentally flawed, as its domestic arbitral and civil court awards are subject to inconsistent enforcement in its provincial courts, where judges impose additional procedural hurdles for foreign arbitral awards, such as those involving China in CPEC-related cases involving Chinese parties (Law and Justice Commission of Pakistan, 2022; Mukhtar et al., 2021). There is no judicial cooperation agreement between Pakistan and China regarding the enforcement of foreign ar-

bitral awards and CICC rulings (Zadi et al., 2021). The institutional framework of Pakistan's courts is not equipped to prioritize the enforcement of CPEC-related dispute resolution awards (Supreme Court of Pakistan, n.d.). Foreign investors, such as Chinese IPP and infrastructure companies, have experienced difficulties in enforcing favorable arbitral awards in Pakistan, as seen in the 2022 power plant payment dispute (Karkey Karadeniz Elektrik Uretim A.S. v. Pakistan, 2015).

4.4. Specialization

A further significant difference in the procedural approach is the specialization and expertise of the adjudicating authorities. The CICC is presided over by senior judges of the SPC with expertise in international commercial law and BRI/CPEC project law, and its rules are specifically designed for international commercial disputes (Sun, 2024; Zadi et al., 2021). In the case of Pakistan, there is no specialized adjudicatory authority or arbitral tribunal for CPEC-related disputes, and all such disputes are adjudicated by civil court judges without any formal training in international commercial law, BIT law, or project finance (Law and Justice Commission of Pakistan, 2022; Mukhtar et al., 2021).

5. A Comparative Evaluation of China and Pakistan's CPEC Dispute Resolution Mechanisms: Significance, Challenges, and Deficiencies

The world today is witnessing a shift in the dynamics of dispute settlement due to increased international commercial transactions and disputes (Friedman, 1989). With the growth of economic cooperation under CPEC, business transactions have increased among corporate enterprises, and this trend will continue to gain momentum over time (Hassan, 2020). Given the scale of such commercial activities, disputes are inevitable, and their efficient resolution is essential for the success of CPEC (Mukhtar et al., 2021). The existing Chinese forum for resolving commercial cases related to CPEC is the CICC, which was established by the SPC to settle international commercial disputes relating to the BRI (Supreme People's Court of the People's Republic of China, 2018). The CICC was constituted to provide a legal safeguard for resolving commercial conflicts between commercial entities in China and relevant parties from BRI countries (Zadi et al., 2021). In line with the aspirations of the Chinese government, the CICC was established as a one-stop forum for resolving cross-border commercial cases through litigation, mediation, and arbitration, and it has gained global attention in the context of China's rapid rise as a superpower (Sun, 2024). A detailed discussion of the CICC is provided in Section 4. The existing Pakistani mechanism available for the adjudication of commercial cases under CPEC is the judicial system of Pakistan (Law and Justice Commission of Pakistan, 2022). The complete process is explained in detail in Section 3. Given the importance of this study, a comparative analysis can be drawn from the following points, in light of the material explained in the previous sections regarding the systems of both countries. Following the comparative

analysis, the significance, challenges, and deficiencies of both countries' systems will also be elaborated in this part of the dissertation.

6. Challenges and Legal Issues in Dispute Resolution in CPEC

The China-Pakistan Economic Corridor (CPEC), a transformative project, has encountered several legal challenges related to dispute resolution (Boni, 2019). These challenges primarily stem from breaches of contract, land acquisition issues, security concerns, and concerns over compliance with both national and international laws (Zahoor et al., 2024). Below is an analysis of key legal issues, referencing relevant cases and legal principles.

6.1. Dispute over Power Plant Payments (2022)

In 2022, Chinese Independent Power Producers (IPPs) involved in CPEC projects claimed that Pakistan had violated its contractual obligations by delaying payments worth \$2.3 billion. This sparked fears of a breach of investment protection provisions in the China-Pakistan Bilateral Investment Treaty (BIT) (United Nations Commission on Trade and Development [UNCTAD], 1989), especially fair and equitable treatment (FET) provisions and protection against expropriation of investments. The payment delays imposed an unyielding burden on project financing and investor confidence in Pakistan's adherence to meeting international investment agreements (Hassan, 2020).

6.1.1. Relevant Laws

1) China-Pakistan Bilateral Investment Treaty (1989): Article 3 (Fair and Equitable Treatment (FET)) and Article 4 (Protection Against Expropriation and Nationalization)—the core treaty clauses governing investor protection and breach of contractual obligations for CPEC projects (Mukhtar et al., 2021).

2) Pakistan's Contract Act 1872 (Academy, 1872): Section 73 (Compensation for Loss or Damage Caused by Breach of Contract) and Section 74 (Penalty for Breach of Contract Where Penalty Stipulated)—the statutory provisions governing monetary compensation for delayed power plant payments by Pakistan to Chinese IPPs.

3) China's Civil Code (2021): Book III (Contracts), Section 5 (Breach of Contract)—the statutory framework protects the contractual rights of Chinese IPPs under CPEC power plant agreements (Zadi et al., 2021).

4) International Centre for Settlement of Investment Disputes (ICSID) Convention: Article 25 (Jurisdiction of ICSID) and Article 41 (Enforcement of Arbitral Awards)—the ICSID regime governs cross-border investment arbitration for CPEC-related breach of contract disputes between Chinese investors and the Pakistani state (Karkey Karadeniz Elektrik Uretim A.S. v. Pakistan, 2015).

6.1.2. Case Study

A similar problem was seen in *Tethyan Copper Company v. Islamic Republic of Pakistan* (2022), where a mining lease agreement was set aside by the Pakistan

Supreme Court, leading to a multi-billion-dollar award in an arbitration against Pakistan and highlighting the importance of upholding international treaties on investment protection (*Karkey Karadeniz Elektrik Uretim A.S. v. Pakistan*, 2015).

6.2. Khyber Pass Economic Corridor Dispute (2024)

The Khyber Pass Economic Corridor has faced legal challenges related to land acquisition and resettlement rights (*Zahoor et al.*, 2024). These include issues with compensation for land acquisition and noncompliance with Pakistan's Land Acquisition Act, 1894 (Government of Pakistan, 1894), as noted in World Bank accountability reports (World Bank Accountability Mechanism, 2024). The scandal encapsulates the difficulty in aligning legal procedures for land acquisition for major infrastructure development projects and providing equitable resettlement facilities to affected people (*Rehman et al.*, 2018).

6.2.1. Relevant Laws

1) Land Acquisition Act, 1894 (Government of Pakistan, 1894): This act governs land acquisition procedures in Pakistan and ensures compensation for those whose land is acquired for public projects.

2) Human rights law, particularly regarding forced displacement and resettlement, with reference to international human rights treaties to which Pakistan is a party, such as the International Covenant on Economic, Social and Cultural Rights (ICESCR) (United Nations, 1966).

6.2.2. Case Study

In *Benazir Bhutto v. Federation of Pakistan* (1997), the Supreme Court of Pakistan addressed the question relating to the acquisition of land in the public interest, its legality, and provided guidelines for resettlement and compensation under the Land Acquisition Act (Government of Pakistan, 1894; *Supreme Court of Pakistan*, n.d.).

6.3. Security Challenges in Balochistan (2023-2024)

The prevailing security environment in Balochistan has led to legal issues regarding investor protection and the invocation of force majeure clauses in contracts because of political instability and terrorism (*Butt*, 2023). Chinese enterprises working on CPEC ventures in the country have invoked force majeure clauses, explaining that the security environment makes it impossible to continue with contractual requirements, and this can lead to legal controversies over whether force majeure invocation is justified under such circumstances (*Boni*, 2019).

6.3.1. Relevant Laws

1) International investment law, with emphasis on security provisions in bilateral agreements, specifically highlights host state obligations under the China-Pakistan BIT to secure the investors and assets (*Mukhtar et al.*, 2021; Georgetown Law Library, 2024).

2) Business contract force majeure clauses, especially where there is political unrest or security threats, are addressed ([Academy, 1872](#)).

6.3.2. Case Study

In the *Gulf v. Balochistan Security Incident* (2023), international companies attempted to rely on force majeure clauses due to attacks on the projects, and the issue was whether the state of Pakistan had fulfilled its obligation to provide security under international agreements ([Butt, 2023](#); [Boni, 2019](#)).

6.4. Gwadar Port Development (2025)

The development of Gwadar Port has raised concerns over Pakistan's sovereignty and the legal framework governing foreign investment in strategic infrastructure ([Baloch & Ellis-Petersen, 2025](#)). Chinese companies were granted exclusive control over the port's management, which some argue violates Public Procurement Regulatory Authority (PPRA) rules and national sovereignty laws ([Besson, 2011](#)). The issue also involves concerns about transparency regarding contract awarding and the potential for corruption ([Transparency International, 2023](#)).

6.4.1. Relevant Laws

- 1) PPRA laws (Public Procurement Regulatory Authority [PAPRA] Pakistan, 2025): Regulate public procurement in Pakistan and promote transparency and equity in contract awards.
- 2) Sovereignty principles honor foreign control of national infrastructure ([Besson, 2011](#)). For example, issues of national defense and strategic facilities.
- 3) Anti-corruption laws: Under the National Accountability Bureau (NAB) Ordinance ([Transparency International, 2023](#)).

6.4.2. Case Study

In the China-Pakistan Economic Cooperation Project (2017), the Supreme Court of Pakistan decided cases regarding transparency in foreign investment and its compliance with national laws ([Hussain & Rao, 2020](#); [Supreme Court of Pakistan, n.d.](#)).

6.5. Karot Hydropower Project Case (2023)

The Karot Hydropower Project faced land acquisition and environmental compliance legal issues ([Zahoor et al., 2024](#)). Local affected communities complained that the compensation for the land was substandard and that the project was not following Pakistan's Environmental Protection Act ([Environmental Protection Act, 1997](#)). The dispute highlights that it is crucial to ensure large infrastructure projects are in accordance with environmental laws and respect the rights of local people ([Agency, 2016](#)).

6.5.1. Relevant Laws

- 1) Pakistan Environmental Protection Act, 1997, which ensures that develop-

ment projects meet environmental standards (*Environmental Protection Act, 1997*).

2) Land Acquisition Act, 1894, regulates compensation and resettlement for those displaced by major infrastructure projects (*Land Acquisition Act, 1894*).

6.5.2. Case Study

In *Pakistan Environmental Protection Agency v. Green Valley Developers* (2016), the Supreme Court of Pakistan held that the developers had to fulfill the environmental requirements prior to being granted the development permits (*Agency, 2016; Environmental Protection Act, 1997*).

6.6. Diامر-Bhasha Dam Dispute (2023)

The Diامر-Bhasha Dam project was also hindered by funding issues due to geopolitical tensions and its location in a disputed area (*Sabir et al., 2017*). The World Bank, the Asian Development Bank, and other international financial institutions were reluctant to offer financing because of the political risk involved in funding projects in disputed areas. This raised concerns about territorial sovereignty and the legal issues for international financial institutions of denying financing on political risk grounds (*Besson, 2011*).

6.6.1. Relevant Laws

1) International financial rules, for example, the World Bank Group's politically sensitive lending practices for politically troubled areas (*Sabir et al., 2017; World Bank Group, 2025*).

2) International law governs territorial disputes and their implications for cross-border finance contracts (*Besson, 2011*).

6.6.2. Case Study

In *Indian Firm v. Pakistan* (2022), international courts decided the legitimacy of funding projects in contested regions, setting a precedent for geopolitical cases (*Besson, 2011; International Court of Justice, 2022*).

6.7. Challenges in Dispute Resolution and Jurisdictional Issues

As highlighted in the above-mentioned cases, jurisdictional conflicts, lack of enforceability of international judgments, and inconsistent application of laws often hinder the resolution of commercial disputes within CPEC (*Zadi et al., 2021; Law and Justice Commission of Pakistan, 2022*).

1) Enforcement of foreign awards remains a significant issue, with China and Pakistan needing to enhance their judicial cooperation to ensure that foreign arbitration decisions are recognized and enforced (*Sun, 2024; Mukhtar et al., 2021*).

2) Jurisdictional issues arise from the complex nature of international commercial agreements, especially when a dispute involves parties from multiple jurisdictions with conflicting laws and interests (*Dursun, 2012; Zadi et al., 2021*).

3) Political and economic factors also play a crucial role, with judicial activism

in Pakistan influencing the outcome of commercial disputes (*Law and Justice Commission of Pakistan, 2022*). Cases like the Rental Power Case and the Reko Diq Case have had significant impacts on investor confidence and the future of foreign investment in Pakistan (*Supreme Court of Pakistan, n.d.; Transparency International, 2023*).

By addressing these legal issues, Pakistan and China can create a more stable and predictable environment for future commercial ventures within CPEC (*Law and Justice Commission of Pakistan, 2022*).

7. Best Practices and Recommendations

7.1. Harmonization of Laws and Regulations

The law dealing with commercial activities can be divided into two areas: regulations for the affairs of commercial entities and regulations for the commercial transactions of commercial entities (*Zahoor et al., 2024*). Two laws, namely the *Companies Act, 2017*, and the *Partnership Act, 1932*, deal with the affairs of enterprises from registration to the implementation of a company or firm. These two laws are of significant value to commercial entities that invest in Pakistan under CPEC because Chinese companies invest through direct licensing, joint ventures, or partnerships with local companies (*Jahangir et al., 2020*). The regulation of commercial transactions means the law dealing with the commercial activities of enterprises. These laws explain the contractual relationships and substantive rules relating to business and trade (*Academy, 1872*). The *Contract Act, 1872*, is the substantive law relating to commercial transactions (*Academy, 1872*). All companies investing in Pakistan through CPEC projects have to follow this law for their commercial activities and contracts with other companies in Pakistan (*Mukhtar et al., 2021*). Where there is a contract, its violation is also expected, and as a result of such a breach of a commercial transaction, a commercial dispute arises. Commercial disputes are included in civil cases/suits according to the nature of the matter at issue (*Academy, 1908*). The laws and regulations have legislated a detailed procedure to settle these commercial disputes. Keeping in view the scope of this chapter and the research at hand, the laws dealing with the settlement of commercial disputes which may be applied to commercial disputes relating to CPEC through courts are: the *Contract Act 1872* (*Academy, 1872*), the *Code of Civil Procedure 1908* (*Academy, 1908*), and the *Specific Relief Act 1877* (*Academy, 1877*).

7.2. Establishment of Specialized Dispute Resolution Institutions

A significant innovation in its establishment is a one-stop system for resolving disputes for the settlement of commercial conflicts with foreign elements through litigation, mediation, and arbitration (*Supreme People's Court of the People's Republic of China, 2018*). The CICC is provided for the defense of Chinese and foreign parties' lawful safety and welfare (*Zadi et al., 2021*). Its goals are to create an equitable and just business climate that provides more regulatory framework re-

sources and safeguards for the implementation of the BRI (Sun, 2024). The CICC will promote the policy of advanced and convenient trade and investment to create an open global economy. This is applauded as a revolutionary step towards developing an ambitious, effective, and reliable conflict resolution process (Bright, 2019). In the Pakistani legal system, the nature of the institutions available for resolving commercial disputes under CPEC is different from that of China (Law and Justice Commission of Pakistan, 2022; Mukhtar et al., 2021). Commercial disputes with foreign elements are treated as domestic cases. No special institution is available for settling commercial disputes under CPEC. The establishment of the CICC has been made under an umbrella of updated and specialized rules and regulations (Supreme People's Court of the People's Republic of China, 2018). Before the creation of the CICC, the government of China issued The Opinion as guiding principles to establish an international dispute resolution forum. The official stance supporting the creation of the CICC is outlined in the Opinion. As a follow-up, the Supreme People's Court on Several Issues Regarding the Establishment of the International Commercial Court (CICC Provisions) was released by the SPC on June 29, 2018, effectively formalizing the fundamental guidelines and policies of The Opinion (Supreme People's Court of the People's Republic of China, 2018). Since the CICC provisions were issued as a "judicial interpretation" of the SPC, they have legal force in China (Sun, 2024). The SPC has constituted the CICC Provisions for establishing the CICC in light of the Opinion (Zadi et al., 2021).

7.3. Capacity Building and Training for Legal Professionals

Numerous concerns have been raised by legal experts from around the globe regarding the jurisdictional structure, procedural rules, and the selection of hearing judges (Zadi et al., 2021). Some of the difficulties this multifaceted conflict resolution system faces are brought to light by the thorough examination and analysis of the CICC's organisation, jurisdiction, process, and legal rules (Sun, 2024). Addressing the social and structural factors below makes these difficulties particularly evident. The CICC will not fulfil its intended functions and planned objectives if these issues are not resolved (Bright, 2019). These cases highlight the efficiency of the CICC. The first-instance final trial system, as determined by the CICC Provisions, provides a basis for the efficient trial of cases (Supreme People's Court of the People's Republic of China, 2018; Sun, 2024). The above-mentioned cases were closed within a few months. The CICC has not been operational for a long time, but it can be seen from its operation so far that its handling of cases is very cautious. The ruling documents in the first batch of cases make it clear that the CICC's decisions and rulings, as a precedent and an authoritative guide, can be relevant to judges and legal professionals (Zadi et al., 2021).

8. Conclusion

A detailed comparative analysis reveals significant disparities between the dispute settlement systems of Pakistan and China (Zadi et al., 2021; Law and Justice

Commission of Pakistan, 2022). Pakistan's current system, plagued by outdated laws, inefficiency, and corruption, falls short of international standards and fails to inspire confidence in foreign investors (Transparency International, 2023; Mukhtar et al., 2021). This deficiency is particularly concerning for CPEC, a project reliant on international investment (Hassan, 2020). In contrast, the China International Commercial Court (CICC) emerges as a promising initiative that offers a modern, efficient, and internationally recognized platform for commercial dispute resolution (Sun, 2024; Bright, 2019). The commitment of the CICC to innovation, professionalism, and party autonomy positions it as a key player in facilitating international trade and investment under the BRI (Dursun, 2012; Zadi et al., 2021). The CICC should consider several strategic steps to enhance its global influence. First, making English an official language would make it more accessible and attract foreign parties. Second, ratifying the Hague Convention on the Choice of Court Agreements would make it easier for CICC rulings to be enforced globally. Meanwhile, Pakistan's top priority should be establishing a comprehensive system for dispute resolution, which includes arbitration, mediation, and litigation (Law and Justice Commission of Pakistan, 2022; Mukhtar et al., 2021). By addressing these recommendations, both countries can ensure the long-term viability of CPEC and foster a more conducive environment for international business (Boni, 2019; Zahoor et al., 2024).

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Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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Appendix

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