

The Role of CPEC in Pakistan's progression. Pakistan's mechanism to resolve the disputes under the ADR system

Rashida Abbas
Vice Principal, Institute of Law
Email: rashda289@gmail.com.

Professor Dr. Matloob Ahmad
(Corresponding Author) Dean Faculty of Arts & Social Sciences, The University of Faisalabad.
Email: dr.matloobahmad906@gmail.com

Muhammad Qasim
P.S.T Govt P/s 239 G.B Jaranwala
Email: m.qasim2937@gmail.com

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Abstract

The fundamental goal of this study is to evaluate the CPEC's role in Pakistan's economic, cultural, and regional development, as well as its significance for China. Also, in the event that a dispute emerges between the two countries, to analyze the dispute resolution systems, as well as the other numerous options available to resolve the problem. The first section of the study highlights the significance and future breadth of China's investment through the CPEC Initiative, as well as the predicted advantages for both countries, i.e., Pakistan and China. The second part explains how Pakistan can endeavor to cope with all challenges, particularly choosing best in interest mechanisms to resolve investment and commercial disputes under its horizon or scope for a better and well-defined mechanism of resolving any future disputes. Moreover, the last part analyses how Pakistan can develop strategies if the conflict goes in an international forum to avoid the situation Pakistan is facing in the Rekodiq case.

Keywords: CPEC, ADR Mechanism, Dispute Resolution, Institutional Arbitration, ICSID, Rekodiq case

INTRODUCTION:

The CPEC (China Pakistan Economic Corridor) aspires to a better future and economic prosperity through regional connectivity. This project consists of a collection of infrastructure projects that have been in the works since 2013, including highway expansion and energy generation. The cost of the CPEC projects was initially anticipated to be \$47 billion, but by 2020, they are expected to be worth \$62 billion. CPEC garnered notice at first because of its advanced investment projects in a range of different regions and states, but it is projected to face a number of challenges over time.¹

There are many optimistic hopes and expectations attached to the CPEC that this mega project will play a significant role in infrastructure development. This will result in economic

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growth and development and will be able to connect economic players along geographical regions that can also play an essential role in regional integration. Pakistan faces many operational challenges of the China Pakistan Economic Corridor (CPEC) project. These challenges can be seen as external and internal including CPEC and Balochistan Factor, CPEC and Khyber Pakhtunkhwa factor, security and economic concerns, Indian concerns etc.²

CPEC is considered a game-changer project for Pakistan for regional integration and growth. Many concerns and future challenges are not addressed yet, especially concerning its investment and commercial dispute resolution mechanisms. What is the probability of the dispute resolution to be resolved through an international forum like ICSID if both states fail to resolve it through joint arbitration or mediation courts? What are the challenges and consequences in case of ICSID involvement for Pakistan considering the scenario of the Rekodiq case?³

THEORETICAL FRAMEWORK

The China-Pakistan Economic Corridor (CPEC) is vital to the economy of both Pakistan and China. Theoretical perspectives on economic corridors can help us learn more about how transportation routes emerge. Evidence-based policy, development theory, growth theory, and economic theory will all be examined in the current study.

This essay relies on the extensive Pak-China literature, which still lacks a theoretical framework for understanding the growth trends of Pakistan and China. This article develops a basic theoretical model to explain the differences in growth trends between Pakistan and China. The contrasts in growth trends between Pakistan and China are explained in this article using a basic theoretical model. This research uses development theory to describe the regional development of this super project.

Furthermore, in the social domain and the global economy, the concepts of modernization and globalization are the two most essential concepts. The term "globalization" refers to the globalization of connectivity, manufacturing, modern technology, exchange of culture, and communication. In this regard, the CPEC megaprojects in Pakistan, which are also part of the OBOR agenda, will alter Pakistanis' economic, social, and cultural standing as well as their living conditions. Growth theories can also be utilized to explain how OBOR would affect Pakistan's various social institutions.

Growth Theories

The models of Growth theories were developed in 1950–1960.⁴The three components of growth theories are as follows:

I. Growth and development of Human Capital

In order to create human capital, it is necessary to have access to information and to use technology. Which is critical for socio-economic growth. Robertson (2003; Robertson, 2003; Robertson, 2003; Robertson, 2003; Robertson, 2003; Robertson, Under OBOR, new technology and expertise are being transferred to Pakistan from China, which will be critical in the makeover and

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growth of human capital.

II. Growth of Physical Capital

The industries, infrastructure, and cities that serve as the industrial sector's economic center are referred to as physical capital. The China-Pakistan Economic Corridor, as part of the OBOR concept, is based on a number of Pakistani economic projects. SEZs, units of energy making, and free trade agreements (FTAs) between both the countries, for example, will all contribute to the growth and stability of the Pakistani economy.⁵

III. Institution formation and Evolution

The creation of institutions is critical for long-term growth. The CPEC would revolutionize Pakistan's socio-cultural landscape, particularly the economic sector. Due to a severe energy shortage, Pakistan's economy is in shambles. In order to attract investments and boost the economy, a variety of economic changes have been implemented.⁶

The Globalization theory

The globalization model is similar to world-system theory in this regard. Furthermore, globalization theory emphasizes global culture and cross-cultural communication. According to globalization experts, the social link is the most crucial aspect of country development. Furthermore, cultural communication is enhancing technology's ability to connect individuals all over the world.⁷ Globalization theory has the following main characteristics:

I. Global communication systems are increasing day by day around the world among different nations, according to the theory, at the state and people-to-people levels. All countries can interact with one another thanks to the global communication system.

II. Global communication networks exist in affluent countries and are gaining traction in developing nations. In this context, new global technology allows developed and developing countries to interact and communicate.

III. The cultural exchange element plays a critical part in every country's socio-economic structure due to globalization. Because the CPEC is a trade and economic project, it has a more negligible cultural impact on Pakistani culture than British culture. Cultural dissemination may occur when Pakistani and Chinese employees mix and share cultural values on building sites.⁸

Infrastructure-Led Development Theory

The theory of guided development and infrastructure is based on the central economic factors that existed in France during the Gaullist and Neo-Colbert era, as well as the Neo-Keynesian economies of the US, Singaporean and Chinese capitalism, and the Scandinavian democracy.⁹The hypothesis works like this:

I. Longstanding assets such as public or societal structure (schools and hospitals), power, and transport systems are wisely allocated.

II. In countries where socioeconomic development is lagging, technological innovation is used to encourage growth.

III. Equal access to health care, education, and employment opportunities improves

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social justice.

IV. Infrastructure development contributes to local and global economic development. According to the plan and the CPEC, the Chinese government is investing in a number of infrastructure projects in Pakistan, including trains, roads, ports, communications, industry, education and health. These projects will contribute to the development of economic well-being in Pakistan over time.¹⁰

RESEARCH METHODOLOGY

1. Research Design

This study will be based on interpretivism. The goal of interpretive research is to understand and interpret the meanings of human actions. The study will be based on deductive logic, and the study starts with a hypothesis with two premises of the argument. The type of research will be of qualitative method in which Indo-Pak case will be an understudy and will do in-depth analysis on it. Further, the historical (past study events) and descriptive (study the current study) types will be used for empirical research.

2. Data Method Instruments and Procedures

The qualitative data collection instruments will be archival, document analysis, and semi-structured interviews. The data procedures to develop the qualitative research instrument will be based on primary and secondary data sources such as research articles and books on deterrence stability in South Asia.

3. Unit of population

The qualitative population for this research study will be academics, research fellows from think tanks, security studies experts, and retired ambassadors.

4. Sampling Technique

The qualitative sampling for this research study would utilize purposive selection to conduct an archival method composed of official documents of China and Pakistan governments like doctrines and agreements. The written material analysis of 15 research articles, five books, and well-reputed Newspaper articles and new. A semi-structured interview with five academics, five security experts, five research fellows from different Think-tanks who have expertise on investment and dispute resolution mechanisms.

DATA COLLECTION AND SOURCES

Because all agreements between China and Pakistan have yet to be made public, information is obtained from a variety of sources. These sources include all BRI agreements signed by China and other nations, assuming that the dispute resolution procedure is same in all of them. Other sources, such as public reports, media reports, and publications, are also employed for data collection. Data is also gathered from famous specialists' comments and papers. Information is also gathered through speeches, columns, and the news. Various audio

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and video files from YouTube and other sources are viewed. Primary sources for this study include conference papers, summaries, books, library papers, monographs, and encyclopedias.

RESEARCH QUESTIONS

- RQ 1. What is the Impact and role of CPEC on Pakistan's economic growth?
- RQ 2. What are the Different Challenges Pakistan may face in completing CPEC.
- RQ 3. What dispute resolution mechanism Pakistan and China must choose?
- RQ 4. Pakistan endeavors to cope up challenges, including ADR mechanism?
- RQ 5. What are the alternate options within the resolution mechanism?

LITERATURE REVIEW

In this article, we have used a qualitative research method to explore different journals and write up of scholars to find how CPEC can play a vital part in economic and regional integration in the region. I have also tried to find tangible solutions to the conflicts in case of disputes between Pakistan and China. I have used many theoretical explanations in the article to raise all the main concerning points in the write-up relating to the mega project.

Much literature was consulted to obtain a deeper understanding that what is the strategy of China for this mega project. Also, what the benefits are for both countries, and what challenges both countries may face in the future. Analysts and writers have differing perspectives on the issue's literature assessment. Several books and research articles on the subject have been published in various periodicals, and there is also information on the internet.

In his article, Rana Sajjad Ahmed suggests that, given its independence, Pakistan should present a system that the Chinese will accept. Before proposing and agreeing on a mechanism with China, Pakistan must conduct a thorough assessment of all available mechanisms in order to thoroughly understand the ramifications of each. Only a trustworthy and effective method can assure long-term sustainability and mutual benefit.¹¹

In their research article, Bushra Aziz and Mehwish Batool write about The Search for a Dispute Resolution Mechanism They go on to say that traditionally, economic corridors have focused on development projects in diverse locations and countries. They also look at the function of economic corridors in regional and economic integration, as well as their usefulness in creating and connecting economic agents across geographic regions.¹²

Their study intends to determine the influence of the "China Pakistan Economic Corridor" (CPEC) as well as the viability of its methods and mechanisms in resolving any type of conflict. As a result, they've written about China's investment through the "Belt-and-Road Initiative" (BRI), the potential benefits of CPEC for both countries, and the need for CPEC to have a well-defined dispute resolution process to address commercial or investment difficulties.¹³

Shayan Rauf writes about the details of what CPEC (China Pakistan Economic Corridor) is all about, how it started, how CPEC can affect the economy of both countries. This article has assessed all significant factors impacting both countries' economic and regional integration and interests. It also explains megaprojects associated with CPEC. Moreover, future challenges are also well explained.¹⁴

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Boni, Filippo. "Protecting the Belt and Road Initiative: China's Cooperation with Pakistan to Secure CPEC." *Asia Policy* 14, no. 2 (2019): 5–12.¹⁵

SIGNIFICANCE OF THE STUDY

This paper critically analyses the future of CPEC in Pakistan and the significance of the project for Pakistan and China to grow trade and investment. In this research, various options are also discussed for resolving the dispute in case a dispute occurs.

Also, what challenges can Pakistan face if the matters go to international institutions for dispute resolution, i.e., arbitration and mediation in the light of already decided case *Rekodiq*, which was decided against Pakistan through international arbitration arbitrated by ICSID? Where almost 5.9 billion dollars penalty was imposed on Pakistan. This study recommends avoiding situations to repeat the history of the *Rekodiq* case.

In view of national security, most of the CPEC documents have not been disclosed. Therefore, the exact facts are not disclosed. However, if we look at other similar investment projects in China in other parts of the world, as well as the various investment programs of other provinces in Pakistan, we have carefully reviewed the available data. We have studied the types and nature of conflicts between China and other governments in which China has embarked on similar projects.

Based on our observations, we have made specific recommendations that Pakistan can follow to reduce risk and minimize damage in the event of any conflict in the COEC project. Our study provides a detailed overview of all other possible solutions to the potential conflict between the two governments in the CPEC project.

IMPORTANCE AND SCOPE OF CPEC

The issue we raised earlier in Study Question # 1, is now fully discussed here in the next paragraph. China-Pakistan Economic Corridor (CPEC) is a long-term plan between the two contracting countries to consolidate their economies and make project funding regional. It opened in 2013.¹⁶ The economic benefits of both countries; ii) to improve the quality of Pakistan in the region; and iii) promoting global peace and prosperity in Pakistan by helping its Chinese investors make it a global reality is a possible outcome of China's political mobility strategy in the South Asian region. Since the signing of the \$ 4 billion MOU, the project has been hailed as a turning point in trade, market access, and regional connectivity. The first seven areas in which China and Pakistan can operate are identified by the China-Pakistan Economic Corridor (CPEC).¹⁷

- "Communication," which focuses on the development of an integrated transport system and information network infrastructure;
- "Energy-related fields,"
- "Trade and Industrial Parks,"
- "Agricultural development and poverty alleviation,"
- "Tourism,"
- "Cooperation in areas affecting people's livelihood and non-governmental exchanges,"

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- "Financial Cooperation." Butt et al., 2015.

In this aspect, the Chinese government's "market-based strategy" is commendable, since it places a greater emphasis on marketplace functioning, directions, and international standards, allowing the market to play a larger role in resource allocation. Longstanding investment, trade, and industry activities are now reliant on commercial companies rather than aid and loans as a result of this policy.¹⁸

China will employ this technique to lend financing to its enterprises in order to assist them in meeting their CPEC duties and agreed-upon terms on infrastructure development plans. The Chinese government's policy of encouraging commerce rather than directly supporting developing countries differs significantly from that of the United States. The United States has provided billions of dollars to Pakistan but has made no meaningful economic efforts.¹⁹

By enhancing the state's infrastructure and energy sector, the CPEC is expected to increase the state's macroeconomic indices significantly. The Pakistani government is motivated to invest in the energy sector. However, the productive consequences of these energy projects about our energy demands remain to be understood. The initiative, CPEC aims to modernize our economy by providing a raw material transit route and promoting manufacturing capacity by creating Special Economic Zones (SEZs). It will provide opportunities for small-scale entrepreneurs, thereby boosting Pakistan's current economy.²⁰

It will promote FDI and technological breakthroughs, leading to the development of a national economy in urban and rural areas, as well as the elimination of regional conflicts and structural or system inequalities. In addition, as a result of this project, the country is expected to be ranked among the top 25 economies in the world by 2025, making it transformative or game changer.

China's investment in Pakistan is a game-changer for the country, as it is motivated by geostrategic, geopolitical, and security concerns. The advantages of Chinese investment in CPEC show how important this initiative is for both countries. Completing this project on time would have been difficult without a sophisticated conflict resolution system. (Butt, 2015)

The BRI was created to promote trade and infrastructure development between China and Europe. Also known as the "Silk Road Economic Zone." It was founded with the goal of developing the Eurasian continent, but has now grown to include Southeast Asia, North Africa, and Latin America.

The Silk Road Economic Belt, established by Chinese President Xi Jinping, fosters infrastructural development and connectivity, as well as economic integration across the Eurasian continent. The Belt and Road Endeavor is primarily a corporate initiative, but it also has significant geopolitical ramifications. In many nations with which China has strong ties, it is likely to interact with local security dynamics.²¹

The program is divided into two parts: "Silk Road Economic Belt" and "Maritime Silk Road." The "Silk Road Fund" has provided \$ 40 billion to upgrade Central Asia infrastructure. China

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has set up an "Asian Infrastructure Investment Bank" (AIIB) or "Asian Development Project," which has pledged \$ 100 billion to develop Asian economic activities, and the New Development Bank, which will provide \$ 100 billion for projects developed.²²

Low economic growth contributes to regional and local conflicts, instability, and terrorism, as well as infrastructure investment projects that can assist relieve these problems. As a result of its economic development, which delivers precise and long-term answers, China's power and influence in the international system develops.²³

POTENTIAL BENEFITS CHALLENGES OF CPEC

The China-Pakistan Economic Corridor (CPEC) (2013) is a long-running program, for economic integration and regionalization in project funding between the two countries. Some of the potential benefits of China's strategic geopolitical move in South Asia include the following:

1. Both countries benefit economically
2. Pakistan's strategic position in the area is strengthened.
3. Assist Pakistan's strategic partner China in making it a worldwide phenomenon, allowing for peace and prosperity around the world. Following the signing of \$4 billion MOUs, this project has been hailed as a game-changer in trade, market access, and global connectivity.²⁴

"Connectivity, which emphasizes the construction of an integrated transport system and information network infrastructure; Energy-related fields, Trade and Industrial Parks, Agricultural development and poverty alleviation, Tourism, Cooperation in areas concerning People's livelihood and Non-governmental exchanges, and Financial Cooperation," according to the CPEC.²⁵

In this aspect, the Chinese government's "market-based policy" is commendable, since it makes the country more reliant on market functioning, laws, and international conventions, and gives the market a large role in resource distribution. As a result of this strategy, long-term investment and economic activity are based on commercial enterprises instead of assistance and loans. Under this strategy, China will provide loans to its companies to finance the infrastructure development programs outlined in the CPEC Cooperation Agreement.

The Chinese government's strategy of promoting trade rather than providing direct assistance to developing countries is different from that of the United States. The United States gave Pakistan billions of dollars but did not take any significant economic efforts.²⁶

By enhancing the state's infrastructure and energy sector, the CPEC is expected to increase the state's macroeconomic indices significantly. The Pakistani government is motivated to invest in the energy sector, but the productive consequences of these energy projects concerning our energy demands remain to be seen.

The CPEC projects aims to modernize our economy by providing a raw material transit route and promoting manufacturing capacity by creating Special Economic Zones. Its primary

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purpose is to provide opportunities for small-scale entrepreneurs, thereby boosting the underdeveloped economy of Pakistan.²⁷

However, will significantly improve foreign direct investment and technological advances, resulting in an economic boost in both urban and rural areas, as well as the elimination of interregional conflicts and structural or systemic inequity inside the country.²⁸

WHAT IS THE REKODIQ CASE?

The Rekodiq case is considered the most time consuming in the history of mediation. For the first time, ICSID imposed the highest fine in Pakistan. Which is considered cruel on the part of ICSID because a developing country like Pakistan finds it difficult to tolerate such losses. Rekodiq's case began when the Supreme Court of Pakistan overturned an agreement between the Balochistan Government of Pakistan and the Tethyan Copper Company (TCC). On the basis of an invalid Supreme Court approval, the TCC filed these complaints with the International Center for the Settlement of Investment Disputes (ICSID). Following the agreement of both parties, TCC Company filed a lawsuit against ICSID for \$ 11 billion in damages. Rekodiq's story is an example. The Rekodiq case should be used as a CPEC model.²⁹

DISPUTE RESOLUTION MECHANISM FOR CEPEC PROJECT

There is no doubt that CPEC is considered a game-changer for Pakistan and its economy in the future. However, on the other hand, there are many challenges that Pakistan may face if some disputes arise between Pakistan and China relating to commercial and investment matters in the future. In this study we have tried to identify those challenges and through research we have tried to offer suggestions for addressing those challenges. Keeping in view the national security, most of the CPEC documents have not been made public. Therefore, the exact facts are not unraveled. However, looking at the other similar investments projects by China in other parts of the world, and various investment initiatives by other states in Pakistan, we have thoroughly reviewed the available data. Based on our findings, here are some of our insights related to the research question #2 of our study.

The biggest question or concern for any Dispute Resolution Mechanism is which method for the settlement is agreed between either countries or which technique and mechanism will be used for investment or commercial disputes settlement. Mostly, the mechanism used for investment disputes is mediation or arbitration. Our biggest concern is what both countries have settled? Is it mediation, binding arbitration, or Chinese or Pakistani domestic courts, or is there any new mechanism developed for the settlement of investment disputes under the CPEC framework? To address the research question #3 and #4 in our study, we studied the types and nature of the disputes between China and other governments where China initiated similar projects. On the basis of our observations, we have made certain recommendations that Pakistan can follow to minimize the risk and reduce the damage in case of any conflict on the COEC project.³⁰

Can Pakistan face any challenging situation if all these mechanisms fail to settle the disputes and the matter is referred to the International Arbitration Center? It can be ICSID, where

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already many investment disputes have been decided against Pakistan, and the rekodiq case is one of them. Based on the above concerns, I have worked on analyzing what dispute settlement mechanism must be established for commercial and investment disputes between China and Pakistan, and the pros and cons in light of recent experience in the rekodiq case decided ICSID.

1. Establishment of 3 courts in china

China has been adopting International Commercial Courts as a preferred option in other BRI-related countries. (Boni, 2019)

So far, China for the investment dispute resolution has established three commercial courts. The details of the three courts are as follows:

- The first court is in the province of Xi'an, which is "Belt and Road courts," specifically for the "land-based Silk Road Economic Belt."
- The Second Court is entirely dedicated to the "Maritime Silk Road" and is located in Shenzhen.
- Beijing is home to the third court, which will act as the headquarters.

All three law courts will settle the potential disputes arising under the BRI through the mode of nonbinding arbitration and mediation, considering the benefits of using these techniques such as avoiding traditional litigation mechanisms and skipping unnecessary litigation procedures and saving time & cost for the disputant countries.³¹

2. Establishment of such courts in Pakistan

China has signed the MOU'S with more than 70 countries of BRI. These countries will bring their cases in these courts to resolve disputes where negotiation technique is also stipulated. The real question here is If China prefers the exact mechanism for CPEC, then how Pakistan will handle the situation. Will Pakistan rely on the decisions of these courts, or will Pakistan challenge the objectivity and authenticity of the above-mentioned courts. Will Pakistan be able to introduce these courts in Pakistan under its jurisdiction, considering what china has imposed terms and conditions for such mechanisms?³²

Moreover, how such mechanisms will benefit both countries for the settlement of any kind of dispute in their best interests without affecting their social, cultural or economic relationship. No matter where these International commercial courts operate, whether it is China or Pakistan, the important thing is that each country's integrity or independence must suffer at no cost.

Furthermore, one of the most important factors for both parties to consider is a country's ability to provide mediation or arbitration services.³³

3. Joint Arbitration centers.

Another option can be the establishment of joint arbitration centers. Another example of joint arbitration centers can be traced back to 2015. It was a time when South Africa established with china for resolution of disputes relating to investments and trades between

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both the countries and this joint venture was named 'China Africa Joint Arbitration Centre.' The primary purpose of these centers is to avoid traditional litigation procedures of domestic courts, awards of local institutional arbitration centers of disputant countries, and procedures of international institutional binding or nonbinding arbitration. A similar kind of joint arbitration Center for investment or trade-related disputes relating to CPEC issues can be created for both countries.³⁴

4. Mediation Centers for Dispute Resolution

Research question #5 is offering a detailed overview all the possible alternative solutions to a potential dispute between the two governments on CPEC project. Mediation is a relatively cheaper mechanism to resolve disputes than formal institutional or ad-hoc arbitration. Mediation provides a speedy remedy, but the decision of the mediator is no-binding which means parties are required to give consent for the mediation to get the decision, but the decision is enforceable only if parties commit to enforcing otherwise decisions are not enforced by force.³⁵

Therefore looking at its decision's non-binding nature, it can be said that International Mediation decisions may not be in favor of developing states where a state who has made investment is considered more potent. It is pertinent to mention that International Mediation is considered one of the favorite mechanisms to resolve investment disputes.

The above discussion leads to a new debate on which mechanisms will support Pakistan if any investment dispute arises between Pakistan and China, whether it can be binding arbitration, Joint venture, or International Mediation. It is pertinent to mention that Pakistan has already suffered a fine of 5.8 billion dollars awarded by ICSID of the World Bank in the Reko Diq case due to a lack of precise expert consultancy or legal mechanisms. Also, an institution like ICSID may be biased towards developing states because where one party is in a strong bargaining position over the weak state, such a mechanism cannot be considered justified.

Pakistan needs to work on its agreed terms with China on CPEC to avoid any situation like the Rekodiq case through robust legal mechanisms for any investment or commercial disputes that may arise in the future, whether it be a collaborative method that includes both mediation and arbitration or hybrid mechanisms that include a non-binding Mediation followed by binding arbitration. Moreover, the institution should be preferred over ad hoc mediation because institutions provide established rules and procedures for dispute resolution.

Hence, looking into all agreements agreed by China with other states on the Silk route or BRI, we can find that China's preference has been mediation because it is cheap and provides a speedy remedy. As discussed earlier, mediation is not a binding procedure. It is the only downside of this mechanism because it can nullify the process done to resolve any dispute, unlike arbitration. After all, arbitration is not only binding but also considered formal compared to mediation. This means parties may be bound to follow the procedures of

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mediation to resolve investment disputes.³⁶

However, they are not entirely bound to take steps to enforce the Mediation decision. The one potential downside to mediation is that it is not binding on the parties, unlike arbitration. Anyhow, International Mediation is evolving as one of the favorite disputes resolution mechanisms for investment or commercial matters.³⁷ Thus, considering all challenges and difficulties, Pakistan has already faced in already decided cases against Pakistan. Pakistan may face in future; there must be a firm policy for dispute resolution through ideas given by different think Tanks or experienced consultancy. Pakistan needs to examine and learn from other developing states how they will respond in case of investment disputes arise to avoid any complications in the future.³⁸

RECOMMENDATIONS

CPEC is an investment project of one investing state in any other state, but it is equally important for China and Pakistan about economic growth and trade enhanced infrastructure. That is why it is considered a game-changer for both countries. Considering this mega project is mutually beneficial for Pakistan and China, both countries need to formulate firm legal policies to cope with all challenges, especially for the dispute resolution mechanisms. Pakistan needs to formulate its Alternative Dispute resolution mechanisms for commercial and investment disputes considering Pakistan had already suffered in a few cases when decisions were given against Pakistan.

Though all the options discussed here have their advantages and many disadvantages simultaneously, Pakistan needs to formulate an effective regulatory system for investment matters with the involvement of legal alternative dispute experts to avoid any loss or damage to the project or economy of the state. Here are a few recommendations to cope up with upcoming challenges:

1. Pakistan needs to show self-empowerment and constitutional independence while contracting or agreeing with China rather than positioning itself as a weak state, and Pakistan must need to re-evaluate by some experts its documentation of contracts agreed with china related to CPEC.
2. Pakistan must introduce an investment dispute resolution mechanism under its jurisdiction mutually agreed with China to avoid any extra delay or costs.
3. Pakistan must introduce a solid regulatory system to resolve investment or commercial disputes for future challenges.
4. All the precautions must be carefully taken to avoid situations Pakistan has already faced in the rekodiq case where ICSID imposed heavy penalties on Pakistan.
5. Pakistan can introduce its own arbitration system subject to the acceptance of China as an investor-state.
6. An important role can be played to work out Joint venture mechanisms, as discussed above.

An effective and transparent investment dispute resolution system can be beneficial in

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bringing more investment or foreign direct investments to Pakistan. An investor is constantly conscious about the investment and wants an amicable resolution to disputes without any delay. Little efforts made by Pakistan can make CPEC an excellent example for other investor states to invest in Pakistan confidently in the future, which can result in the economic development of Pakistan.

At the same time, Pakistan needs to gain confidence as a state that provides practical and transparent dispute resolution mechanisms.

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- ²⁶ (acemoglu 2012)
- ²⁷ (M FIRZLI 2017)
- ²⁸ (M FIRZLI 2017)
- ²⁹ (AHMED MARCH 15,2018)
- ³⁰ (AHMED MARCH 15,2018)
- ³¹ (RAUF 2019)
- ³² (Moorey 1993)
- ³³ (Moorey 1993)
- ³⁴ (AHMED MARCH 15,2018)
- ³⁵ (Robertson 2003)
- ³⁶ (kaplan 1993)
- ³⁷ (acemoglu 2012)
- ³⁸ (acemoglu 2012)