



THE CHINA TRADE MODEL IN THE AMBIT OF BELT AND ROAD INITIATIVE: PAKISTAN AND INTERNATIONAL LAW PERSPECTIVE

Dr. Rao Qasim Idrees

Assistant Professor

School of Law, University of Gujrat, Pakistan

qasim.rao@uog.edu.pk

Dr. Rehna Gul

School of Law

Zhongnan University of Economics and Law

China

ORCID: <https://orcid.org/0000-0002-1416-3228>

rehnagul786@yahoo.com

Dr. Shazia Kiyani

Senior Lecturer

School of Law

University of Gujrat

shazia.kiyani@uog.edu.pk

Abstract:

This paper focuses on Chinese Belt and Road Initiative (BRI) arrangements between China and member countries particularly the Pakistan ambitions in a domestic as well as international scenario. It takes into consideration the Chinese trade policies under which the BRI is placed. The paper brings to light the relevancy and efficiency of the application of domestic vis a vis international laws. More specifically, this paper focuses on some imperative issues and the possible solutions for Pakistan including tripole politics of USA, INIDIA and AFGHANISTAN, counter state terrorism, high tariffs and restricted access to the Pakistani products in Chinese markets and low competency of Pakistani domestic manufacturing industry. The discussion on imperative issues is followed by a number of sources of legal channels in connection with BRI including trade and investment laws, constitutional laws and the counter terrorism laws. The main purpose of this paper is to highlight the main legal and



social concerns of Pakistan in the ambit of BRI and not to pose the BRI investment in Pakistan as a threat to local industry nor a risk to the security concerns of Pakistan. The current research is going further to unveil the legal and policy challenges for Pakistan which have not discussed previously. The qualitative research approach is applied during the data analysis and findings. This study further adopts descriptive and analytical research processes in order to find out the success ratio of BRI arrangements in Pakistan.

Keywords: Belt and Road Initiative, China Trade Regime, International Trade Laws, Legal Issues

1. Introduction

The decade's long relationship between Pakistan and China are spanned over economic, military, strategic and political. Pakistan is a largest supporter of one china policy over different geopolitical conflicts of china. The strength and durability of ties lies with Pakistan's ability to cope with legal aspects of challenges and problems where china is wholeheartedly supporting Pakistan apart from challenges to make CPEC a success. China Pakistan Economic Corridor has been discussed a lot at all forums of the world in recent years. Pakistan occupies an ideological position due to its creation in the name of Islam. While China's veto power in Security Council provides biggest support for Pakistan over Kashmir dispute and other regional challenges with India. History proves no obstacle reduces the rampant development instead of hurdles at different levels (both regional and international) for both the countries. However, real issues of Pakistan lie with its own future projection. Pakistan lies at the verge of continuing to emerge as established democratic country with moderate Islamic republican practices or chance to sink in extremist approaches with challenge like legal issues to deal with trade, arbitration, accession to international treaties. However, the scenario shows a silver line of bright future of both cooperating states where Pakistan is proving himself in regional challenges of and promoting agriculture and industry to become a regional trade hub while China is supporting the cause by developing the CPEC infrastructure to help Pakistan become a regional hub of Trade. Pakistan secured in balancing his position in the region against Indian hegemony with the help of China.

The CPEC deal between Pakistan and China is proving to be a gateway for China to regional and international trade through Gawadar port. The ease of access between Xinjiang and Indian Ocean is receiving political backing and confrontation from



international players as well. Instability of Pakistani economy, legal challenges and security issues are constant threat to Chinese infrastructure development activities in Pakistan. However, these obstacles have not yet proven a hump for Chinese expedite to export in Pakistan and throughout the world through CPEC. The strength and durability of ties lies with Pakistan ability to cope with legal aspects of challenges and problems.

The CPEC is an icon of electricity, irrigation and agricultural/industrial ventures, along with a number of other construction projects aimed at improving the economy of Pakistan and ensuring political and economic stability. The CPEC is a significant part of the OBOR, as it provides a much shorter path from West China to the Arab Sea. And this alternate path will allow China to solve its 'Malacca Problem' in the event of friction or confrontation in the South China Sea. Gawadar lies east of the Hormuz Strait, and from here, most of the oil products of the Middle East passes.

Though Pakistan is not among the 15 top trading partners of China, there is cautious hope on both sides that Chinese investment would increase bilateral trade in Pakistan through CPEC ventures. However, internal controversies in Pakistan have in early stage contributed to doubts about the feasibility of the scheme. Pakistan is world's sixth largest population as far as the population is concerned.

Khan (2020) stated that the bottleneck deep sea port of Gawadar is in Baluchistan having four of the five poorest districts of the country there. Following the launch of the CPEC, the exports of Pakistan to China rose over the years, but development was quite sluggish. The overall amount of commerce in 2018-19 hit a record of \$13.77 billion all-time, and exports from Pakistan soared from \$575 million in 2006-07 to \$1.69 billion in 2018-19. For comparison purposes, bilateral trade between India and China amounted to US\$70.8 trillion in 2019, with a trade deficit of US\$46 billion, although overall trade between Pakistan and China amounted to US\$10 billion, with a trade shortfalls of US\$6.2 trillion as recorded in 2019.

After 2013, Pew's population survey in both countries showed positive perceptions of each other with Chinese people moving to Pakistan more frequently. With 78% of those in Pakistan, China is regarded as an ally and 57% are challenged by the US. In all major cities throughout Pakistan, Chinese goods and citizens could be seen. Mandarin classes in schools as well as private institutions have been increasing. Local TV commercials and even Chinese actors' films spread messages on the need to improve communication.

China and Pakistan have solid, bilateral relationships between culture, economy and military. Both countries work together in Asia to promote unity, security and economic



growth. The relations between China and Pakistan were formerly military and political. However, China-Pakistan economic ties are now being strengthened particularly after the Free Trade Agreement (FTA) was concluded in 2007. In this study, we will concentrate on China and Pakistan's economic ties. In addition, we have outlined the legal obstacles to Chinese Inward FDI and Economic Growth ties. The annual trade statistics and legal agreements available by 2020 were used in this study for analysis and results.

2. CPEC In context of Regional Politics

Babar et al (2018) stated that China is not only Pakistan's second largest trade partner, but also a big player in telecommunications, energy, ports and facilities. China is a huge investor. In addition to promoting trade between China and the private sector, US\$20 billion in investment in the energy sector has been recorded in other core sectors, such as FDI in Pakistan. The CPEC has made Pakistan the world's first transit hub for all countries in South Asia (Memoona et al. 2014). It also has many advantages for the world as a whole, despite all the military and political challenges to this task. Pakistan today has wide power deficits, which has constrained trade with its neighbours. However, Pakistan now has improved trade relations, and has become energy-satisfied. CPEC could facilitate transport of goods and services in main trade regions and transform rivals into allies in the Central and South Asian regions for the sake of stability and peace. CPEC will also boost Pakistan's economy against India's competition. Khan (2018) stated that CPEC will also bind Pakistan to Tajikistan. Tajikistan has a population of 7.5 million and a territory of 143,100 square kilometres. It borders on China, Afghanistan, Uzbek and Kyrgyzstan. It is separated from Pakistan by the Wakhan Corridor in the province of Afghanistan. As the CPEC grows, Pakistan will also have ties to Tajikistan via Gilgit-Baltistan. Gilgit-Baltistan will then connect Central Asia to China, leading to Pakistan's stable geo-economic future (Khan 2018).

Bukhari (2020) stated that India is Pakistan's old political competitor and therefore a keen observer of the CPEC development and success ratio. These views are further based on the fact that India and China compete for regional supremacy and stability, especially with respect to their maritime interests in the Indian Ocean, even though they have experienced strong economic growth over the last 20 years. As a consequence, the Gawadar port of Pakistan, which is a core factor in the progress of the CPEC, has been promoted to the forefront of emerging South Asian security dynamics. The situation has been worsened by Indian financing of Chabahar in the southwest of Iran as a direct competitor of Gawadar. Access to Chabahar is important in India, bypassing Pakistan, to form a direct maritime link with landlocked Afghanistan and Central Asia. Chabahar can effectively serve as a



transit port or a source of energy and imports from the Gulf to Afghanistan and Central Asia by providing alternatives to the Gawadar-related CPEC route.

The diplomatic front also faces problems. It challenges CPEC to the start of the port of Chabahar and to India's claim that Gilgit Baltistan is part of the disputed area. The US has also voiced concern about China's growing presence in the region. Pakistan has been suggested by the US to withdraw from Chinese involvement in the port of Gawadar. The Port Authority of Singapore was funded by Washington as a functioning Port Management body. The US is a vital protection and economic assistance source and cannot ignore Pakistan's second-largest export destination. In view of the above mentioned facts, it is necessary to engage the United States and other countries diplomatically in Islamabad to explore their fear of the CPEC and to separate the project from negative consequences.

3. The Impacts of Terrorist Activities on CPEC Development

Farooq & Khawaja (2020) stated that there are various challenges to Pakistan's security and peace, such as the Taliban KP and tribal militants, the Balochistan militant insurgency, the Karachi has old ethno-political instability, religious violence and radicalism, and the deterioration of law and order regularly in all parts of the region as a result of terrorist and violent events. This current climate of uncertainty, militancy and hostility would pose significant challenges to the development of the economic corridor between China and Pakistan. China and Pakistan originally decided to build the CPEC along the eastern lines after the assessment of the security, law and militant geography of the Gawadar-Kashgar Highway and the railroads, including areas to be crossed by the Karachi-Lahore Motorway. The Makran Coastal Highway, is 653 kilometres long which links east to Gawadar and Karachi. Threats regarding CPEC project security and workers appear from the neighbouring northern districts of Gawadar and Makran Coastal Belt, e.g. Kech, Lasbela, Awaran. Reviews of the terrorist attacks reported in Kech and Khuzdar are the most violent districts in the region between 2007 and July 2014 (PIPS). The worrying fact is that in recent years threats entered in Gawadar from Kech, a district where the Baloch insurgents' activities and presence have increased. In total, there were 1,040 terrorist attacks in these six districts between 2007 and July 2014, comprising 23 percent of all terrorist attacks in Balochistan reported over the period. In other words, 23 per cent of all terrorist attacks in the six districts of Gawadar, Kech, Awaran, Panjgur, Lasbela and Khuzdar⁴⁰ were reported from Balochistan between 2007 and July 2014. Most of the goals were security forces, residents, government officials, settlers and non-Baloch employees, gas pipelines and electricity pylons, roads, state facilities and property, etc.



Javaid (2016) described the parts of the KPK to be crossed by CPEC (Haripur, Abbottabad, Mansehra and other regions of the province) have traditionally been less violent. In these regions, the presence of militant groups other than Mansehra is limited. Local Taliban organisations are working, but are unable to carry out large-scale attacks without the support of jihadist groups from overseas. Between 2007 and July 2014, there were 4,732 terrorist attacks in the three districts of Haripur, Abbottabad and Mansehra⁴², and just 52 or 1% were conducted in the KP. Most of the 52 assaults were also carried out in Mansehra alone, 4 in Abbottabad and 2 in Haripur⁴³, respectively. Local Taliban activists in Mansehra, some of them linked to the TTP, may pose a degree of danger to CPEC personnel and engineers, but the probability and magnitude of this hazard has been restricted. Much of the Taliban rebels in the province is split from Abbottabad and Haripur (PIPS).

Lizzie Dearden (2015) stated that CPEC passes through sections of KPK and Azad Kashmir. In Gilgit-Baltistan it passes through the Diamer and Gilgit region. In recent years, occasional attacks in the area targeting high-value goals have drawn foreign attention, but have also prompted concerns regarding Pakistani activists, in particular the TTP, attempting to grow in the region in partnership with the EITM and Chinese Uighur activists. Besides the majority of cases of violence reported in this region, they are sectarians (The News, 2014).

4. CPEC Trade and Investment Challenges

China, besides the implementation phase in Pakistan for its energy ventures in the China Pakistan Economic Corridor (CPEC), posed serious questions about Pakistan's levy, power tariff and electricity prices. Reports state that China has voiced strong objections to obstacles and blocking techniques allegedly used by the Federal Revenue Board (FBR) (Abid & Ashfaq, 2016). The deal will exclude the sales and withholding tax on manufactured equipment in accordance with the CPEC. But FBR's clearance process is time consuming, which has a detrimental effect on the building schedules of the project in Pakistan. The Chinese authorities also stated that the drop in renewable energy tariffs will have a negative impact on project execution cost-effectiveness, dampen investment momentum and harm projects under the Chinese-Pakistan Intergovernmental Agreeing. The Pakistani side answered that the green energy tariff will not continue to be the same in future and that the rate drop is directly linked to the project expense as tariffs are sought. Renewable energy costs are decreasing in the world market, with a tariff which independent of the Pakistani government being established by the National Electric Power Regulatory Authority (NEPRA). In a period considering foreign criteria and electricity rate for commons, NEPRA reviews tariffs for all fuels.



Pakistan's exports and transactions have not risen enough because it faces the issue of balance of payments every few years. COVID-19 also hindered global economic development and had a significant effect even on the world's major markets, finding it harder to draw international investment over the following years. While Pakistan has stepped up by 28 places from 136 to 108 in 190 countries, there are still some hurdles, according to the World Bank's Doing Business Rankings 2020. Pakistan must provide substantial incentives for foreign investors, enhance economic diplomacy, effectively promote its enhanced status, and ensure coherence in tax and other policies, and general easing of its strict investment conditions such that foreign investment may be drawn into the region. For more investment, Pakistan would need to provide substantial incentives for international investors. Only once domestic obstacles to FDI are overcome, can Pakistan's current geo-economic priority be accomplished (Khan et al, 2016).

China greatly expanded its share in the Pakistan FDI in replacing the USA and the UK after initiating China Pakistan Economic Corridor (CPEC). But China has decreased its total FDI from USD \$395.8 million to USD \$358.9 million in the first six months of the FY of 2021. The FATF (Financial Task Force) gray list for positioning Pakistan amidst strict tax and interest rate policies has worsened its ecosystem of foreign investment. Pakistan would experience long-term financial crises without altering domestic economic policies to keep the FDI from decreasing further.

5. CPEC Dispute Settlement Issues

The "dispute resolution" clauses are a welcome complement to the Trade Policy Instruments since it will reinforce non-discrimination among trading partners, make world trade more open and consistent, and reduce the opportunity for DCs to take unilateral action. However, certain significant restrictions, such as deferred relief, mark the conflict resolution procedure and the mechanism is often quite expensive; in some circumstances, even the delayed relief may prove completely illusory. This is partly because there is no process to implement a WTO judgment. As restructuring takes place around the world, Pakistan is experiencing increasing rivalry on the foreign market. Ironically, the entry to DC's markets, and the compromises offered by DCs, have so far been marginal in all areas that give Pakistan further space for expansion of trade. The economic development expectations for Pakistan are not really promising until the deal is fully implemented (Idrees et al, 2018).

Policy implications of WTO require Pakistan to remove TRIMs. This would have an immediate impact on the local economy. For example, the elimination of requirements for



local material, especially for the vendors, would damage local business. In future, Pakistan would have to make sure that its policies do not damage domestic industry unduly compared with external investors when drawing up domestic investment policies. But Pakistan has already agreed to fulfill all the WTO commitments, and it has not signed the major international deal on intellectual property rights (Idrees et al, 2018). The country's greatest immediate task is to amend its current intellectual property security legislation and establish an efficient regulatory system to ensure fair protection of intellectual property.

With the TRIPs agreement, covered companies are expected to pursue their stronger privileges in anti-competitive ways, raise costs and licensing fees and reduce our access to technology, especially for pharmaceutical (medicine) and chemicals goods. Therefore, the government would have to pay the extra risk of increased prices for these goods to the point of subsidization of agricultural chemicals. Pakistan would need to allow further royalty and technological fee transfers with balanced payment consequences. No longer shall be necessary to export fraudulent goods. In order to apply intellectual property legislation, the government would have to make a massive investment.

The agreement could limit Pakistan's access to science and technical expertise, which will adverse effects on the country's productivity growth and, in turn, on real wage growth. It would not be open in the current system to uncontrolled diffusion of intellectual property. A full deployment, including on limited or basic processes, goods and innovations that can be quickly replicated with indigenous capital, of the WTO regime would surely prevent the transition of technology.

In future, US Special 301 can tackle Pakistan's violations of intellectual property rights by confiscating fake products and by closing manufacturing facilities involved in the development of fake products. In the long term, the strategic task for Pakistan is to encourage indigenous technologies by investing further in R&D and restructuring its afflicted technology equipment to reduce their reliance on foreign technology to a minimum.

6. The Incompetency of Bilateral Trade Agreements between China and Pakistan

Rai (2019) described that Pakistan and China have near and friendly ties with each other. Pakistan acknowledged China for the first time. In the years it has been a "Strategic Cooperative All-Weather Partnership." Pakistan and china are called "Iron Brothers" and co-workers. The bilateral relations between the two counties are characterized by a sense of mutual trust, respect and goodwill. Visits are also exchanged at the top level between



the two nations. Strategic cooperation has grown between Pakistan and China in recent decades.

China is Pakistan's largest trading partner, political supporter and a major investor, especially in the fields of energy and infrastructure. Bilateral exchange between two countries crossed USD 18 billion in 2018. With the official opening of the Chinese Pakistan Economic Corridor, the bilateral relations were improved (CPEC). China considered CPEC is a flagship of the ' Belt & Road' initiative. Its goal is to improve connectivity and infrastructure growth between Pakistan and China. Several CPEC projects are being launched for road improvement and energy development. Contacts between people are a significant aspect of bilateral relations. A year of friendly interactions was celebrated between Pakistan and China, and many remarkable things, including conferences, visits and cultural gatherings, were conducted to highlight citizen's relations.

China, bordered by Pakistan, is the biggest trade nation of the world. The trading links between Pakistan and China increased after the signing of the FTA, but Pakistan could not unfortunately take full advantage of the chance. In Pakistan, the negotiated tariff lines with China are just 253 out of 7550 and represent just 3.3% of the negotiated lines. Pakistan was primarily exporting commodities to China and was unable to introduce value and value added products for exports. The country must not only concentrate on adding value, including expenditure in packaging that meets international requirements, promotion and branding of products, but must also strengthen its export base.

Exports often decline as a result of taxing imports, currency and exchange rates. Other considerations such as technology availability, human skills and funding may play a major role. Given that trade agreements with various countries in the area with common kinds of donations will soon be an important obstacle for China, a challenging tomorrow is awaiting.

Abdul-Haq (2015) stated that bilateral treaties endorsed stronger trading ties between China and Pakistan. Such kind of relationships are described by Gravity model which is commonly seen in south Asia where small states tend to maintain their ties with strong states. Apart from gravity model influenced relations, there has been trade liberalization, and strong FDI inflows from China. As a consequence, the two countries have both worked together over the last few years to change their economic and trading systems, according to their mutual economic and political objectives. Trade volumes in China and Pakistan hit 22 billion dollars in 2018, up from 17% in 2014. Trade between the two countries was one of the least developed markets half a decade ago. The key causes for this low economic cohesion were informal trading and non-tariff barriers. But, particularly following (a)



Chinese membership of the WTO and (b) start of CPEC ventures, bilateral and preferential market access policies had been introduced and enforced.

7. WTO Rules and Disciplines on Regional Trade Agreements for the Member Countries

RTAs known as mutual trade arrangements among two or more partners at the World Trade Organization (WTO), have enabled countries to negotiate rules and undertakings that go beyond the multilateral possible. Any of these laws, on the other hand, also opened the way for a WTO deal. Any mutual trading arrangement between two or more partners, not necessarily members of the same region, is described as RTAs in the WTO. All WTO participants are already in operation with an RTA from June 2016.

Regional trade arrangements (RTAs) seem to be competing with the WTO, however also the multidisciplinary exchange structure of the WTO can also be supported. RTAs known as mutual trade arrangements among two or more partners at the World Trade Organization (WTO), have enabled countries to negotiate rules and undertakings that go beyond the multilateral possible. Any of these laws, on the other hand, also opened the way for a WTO deal. All the questions posed during the regional discussions and later formed into agreements and discussion subjects within the WTO are services, intellectual property, environmental standards, and expenditure and competition policy.

Part V of the SCM Agreement stipulates some substantial conditions, which must be met in order to require the compensatory action, as well as detailed procedural requirements concerning the behavior and preservation, in lieu of the countervailing steps, of an inquiry which shall be undertaken. In order to resolve disputes, failure to comply with either the functional or procedural provisions of Part V can be the ground for invalidation of the measure. If a Member concludes that subsidized imports exist, a domestic business injury and a causal relation between subsidized imports and an injury, it does not enforce a countervailing action. As mentioned previously, a particular subsidy must be established in compliance with the Agreement requirements in Part I. The accident and cause criteria are, however, defined in Part V. The specific authorization to cumulate the results of subsidized importations from more than one Member where defined requirements are met is a significant improvement of the current SCM Agreement in this sector. Part V also includes guidelines on life determination and the amount of a gain.

Laws of Procedure Part V of the SCM Agreement includes specific provisions on the initiation and conduct of countervailing research, implementation of provisional and final actions, usage and length of action of undertakings. One of the main objectives of these



guidelines is to promote transparency in inquiries, that all stakeholders have a complete opportunity to protect their rights and that the investigative bodies properly clarify the basis of their decisions. The SCM agreement is permitted three years after the date on which the SCM Agreement comes into effect to phase out banned subsidies by members not otherwise qualifying for preferential and unequal care. Such grants shall be informed for the notifying Member within 90 days of the entry into force of the WTO Agreement.

SCM acknowledges the three groups of developing countries: LDC, GNP member per capita below \$1000 per year lists under Annex VII of the SCM Agreement, among others developing countries. Three categories of developing countries have been recognized in the SCM Agreement. The lower the standard of growth of a Member, the more favorable the care it gets for grants. For instance, the export exemption from export subsidy prohibition is for the LDCs and GNP-per-capita members of less than \$1000 a year mentioned in Annex VII. The eight-year timeframe for other developed countries to phase out export grants (they cannot increase the level of their export subsidies during this period). As far as import subsidy subsidies are concerned, eight years are available to the LDCs and five years to the other developed countries, to phase out these subsidies. In terms of actionable subsidies, there is often better healthcare. Certain subsidies in connection with the privatization programs of the developed countries, for example, cannot be implemented multilaterally. Regarding countervailing policies, the exporters of development countries Member States have the right to better handle the termination of inquiries where the subsidy or import volume levels are limited.

Members that are undergoing a transition into a commercial economy have duration of seven years to phase out banned grants. In order to profit from preferential treatment, though, these subsidies would have been informed in the space of two years from the date the WTO Agreement enters into effect. Processing members are now being treated preferentially for actionable subsidies.

World Trade Organization agreements acknowledge that countries will profit from RTAs if they choose to promote trade with their parties. They also understand that these deals will in some conditions damage other countries' trade interests. In general, establishing a customs union or free trade region will breach the non-discrimination provision of the WTO for all WTO ("most favorite nation") members. The WTO Member States, however, will infer RTAs, as a specific exception, on condition that such strict conditions are fulfilled by Article 24 of the General Tariff & Trade Agreement (GATT), Article 5 of the GATS (the General Trade in Services Agreement) and the enabling Clause (paragraph 2(c)). In particular, the agreements could contribute to a more open flow of commerce between the RTA countries, without any obstacles to trade with the outside



world. Regional convergence could, in other terms, supplement and not threaten the multilateral trading mechanism.

8. Findings and Recommendations

This study identifies the challenges with respect to CPEC and growing bilateral ties of Pakistan and China. In this way, shortcomings are identified regarding investment, arbitration, WTO challenges, regional trade, terrorism and dispute settlement. These legal issues include inefficiency of local laws specifically on Pakistani side and difficulty of operating of foreign companies due to out dated and overlapping laws existing in Pakistan. Moreover, it is also identified that CPEC agreement are not explicitly defined with any legal dispute resolution clauses, and are basically MoUs kept secret at state levels which are not publically available for the analysis and evaluation purpose. There is no procedural framework and no contractual conditions in this system of laws and rules.

In Pakistan, the confidence of investors in the country remains unresolved. The CPEC combines state-to-state and state-to-private programs and contracts. For this reason, Free trade agreement between China and Pakistan, which protects all ties, is the most important legal instrument applicable. In the event where a party refused to settle conflicts amicably and local Court authority was not successful in arbitration, Article 54 of CPFTA provisions for a conflict settlement process and specifies competence for ICSID. Pakistan has faced investment charges on several occasions. Therefore, it is required to implement the International Investment Disputes Act of Pakistan in its true letter and spirit to avoid such penalties.

In light of the above mentioned facts, for Pakistan, following recommendations are made for the smooth functioning of CPEC ventures and ease of doing trading.

- a) Because FTA and BIT are umbrellas for CPEC therefore Revision of BIT and FTA for exclusion of explicit clauses regarding conflict settlement, arbitration court choice, protection of companies rights and state to company relations.
- b) Initiation of legislation for amendment of laws in accordance with international law and WTO principles.
- c) Accession to Hague choice of court convention, 2005 and explicitly mentioning in CPEC ventures.
- d) Arrangements for Creation of an explicit court of arbitration for CPEC ventures and its effective functioning measures.
- e) To improve Joint consultation mechanism and improving it as a legal forum by involving parliamentary legislation instead of mere political forum.



- f) Efficient administration of bilateral agreements between both countries according to internationally accepted WTO principles.
- g) Special training of staff and officials in BOI, SECP and FBR for end of red-tapism and efficient administration of CPEC ventures.
- h) Combine counter terrorism force and the information sharing mechanism

9. Conclusion

The study analyzes the significance of the BITs and FTA in Pakistan's trade with China, trade settlement process, challenges with respect to international commitments and Pakistan's continued tendency to sign and implement BITs. To this end, relevant and broad provisions of Pakistan's China BIT and FTA and their results are studied in the case of foreign investment conflicts specifically with respect to CPEC, whereas the recent method of international conflict resolution tribunals are also considered. Furthermore, the existing bilateral agreement between China and Pakistan as mentioned above has not been amended for several years. Accordingly, future legal questions resulting from CPEC investment ventures could not be addressed properly. To prevent any controversy between the states and states over investor ties between the two States, existing shortcomings and gaps in the dispute resolution provisions under the CPEC are needed to be closely examined. A detailed study of the Chinese FDI's legal dimension is necessary for the CPEC port and rail networks in Asia. As part of the FDI initiative, China is continuing to liberalise and deregulate by creating free trade zones, strengthening changes in the control of outbound direct investments, strengthening regional free trade by creating a free trade area centered in the BRI and continuing the port governance reforms in China. The two main Chinese FDI vehicles that invest in port and rail networks are the Sovereign Wealth Funds and State-owned enterprises. However, these FDIs are adopted in BRI nations, which are covered by the WTO Statute, the Santiago Principles of the IMF and the OECD Guidance. They also said that Arbitration between the investor and the state is seen as an effective method for resolving disputes with the host countries, including Pakistan, concerning the dispute between foreign investment and host countries where there are major disputes including investors' definition of, law choices, enforcement and annulments, expropriation, non-discrimination (national treatment, MFN implementation, and fair and equitable treatment).

As far as the terrorism within CPEC routes and development areas, the 1997 Anti-Terrorism Act accounts for Pakistan's foundational legal structure for counter terrorism trials. While the statute progresses, there have been low prosecution and delayed prosecutions within the criminal justice system, and this is a rather limited dissuasion against terrorism. A variety of reasons blame for long periods and significant amounts of



acquittals in terrorist prosecutions. The terrorist term is too broad in this Act. Procedural problems also lead to the law's ineffectiveness between law enforcement officials and between police and intelligence services (ATA Law). Popular trust in the constitution, opening up the potential for further military mobilization instead of civil institutions in order to control extremism, is likely to begin eroding unless immediate steps are taken. To enhance the ATA in four equally essential ways, a comprehensive approach is needed: to reform the provision of the law with clarity, to clarify its enforcement, to make courts conscious of the requirements of the law, and to reinforce the infrastructure for enforcing the law. Different loopholes are identified in the anti-terrorism law of Pakistan.



References

Abdur R. S. (2018) "How Does China–Pakistan Economic Corridor Show the Limitations of China's One Belt One Road Model," *Asia & the Pacific Policy Studies*, Volume, 5 Issue, 2, 378-385.

According to PEW Research Center Report.

Anca P., (2001) "Trade flows and spatial effects: the gravity model revisited." *Open Economies Review*, Volume. 12, No.3, 265-280.

Annual Special 301 Report on the adequacy and effectiveness of U.S. trading partners' protection and enforcement of intellectual property rights.

China & Pakistan trade statistics. SBP report, 2019, www.sbp.org.pk/publications/export/2019/Jun/3.pdf

China Pakistan Economic Corridor, route of BRI project crossing from Pakistan. Foreign direct investment in Pakistan.

Jamil A. and Lucy H. (2014) "China overtakes US as world's largest goods trader." *Financial Times* 10,

Lim, A. C. (2019): "The moving border of the China-Pakistan economic corridor." *Geopolitics*, vol. 24 no .2, 487-502.

Mumtaz H. S. (2017) "The Significance of WTO's Trade Related Investment Measures (TRIMs) Agreement for Inward FDI in Sub-Saharan Africa." 17-29.

Pakistan and China signed FTA in 2006. CPFTA.

Paul C. (1999) "The TRIMS Agreement: a failed attempt at investment liberalization." *Minn. J. Global Trade* 8, 97-97.

Sadaf M. and Ammad Z. (2017). "China Pakistan economic corridor: importance and challenges for Pakistan and China." *International Journal of Social Science and Economic Research*, vol. 2. No. 11.



SBP, Report on China & Pakistan trade statistics, (2019). Available online at https://www.sbp.org.pk/reports/stat_reviews/Bulletin/2019/Aug/ExternalSector.pdf.

SBP, Report on FDI, (2021). https://www.sbp.org.pk/ecodata/NIFP_Arch/index.asp

Shebonti R. D., and Chithra P. (2017) "CPEC in Pakistan's quest for energy security." *Strategic Analysis*, vol. 41, no.5 515-524.

Syed H. S., Muhammad A. Kamal, and Da L. Yu. (2020). "Did China-Pakistan free trade agreement promote trade and development in Pakistan?" *International Journal of Finance & Economics*.

Tao L. and Wing T. W. (2018) "Understanding the US-China trade war." *China Economic Journal*, vol. 11, no.3 319-340.

World Bank, Ease of Doing Business Rankings, 2020. Available online at <Http://www.doingbusiness.org/en/rankings>.