ISSN-P : 3136-3946
ISSN-E : 3136-4438

THE IMAC

REVIEW

VOL. II ISSUE (2026)

Double-blind Peer-review Research Journal
www.imacreview.com
© IMAC Review

IMAC Review ISSN-P : 3136-3946 | DOI: https://doi.org/10.68145/w64ygr17 | ISSN-E : 3136-4438

www.imacreview.com

Pages: 49-62

Sectoral Modernization of Alternative Dispute Resolution in Pakistan: Comparative Models, Institutional Feasibility & Strategic Reforms

Abstract

Pakistan Faces severe commercial litigation delays and structural backlogs, necessitating a shift towards specialized alternative dispute resolution systems. This study examines the institutional feasibility of adopting China's specialized alternative dispute resolution models across key development sectors including labor, banking, engineering, maritime and foreign trade. China's professional commercial mediation framework, governed by its landmark 2025 Regulations features highly expert led panels, tripartite structures, and a robust three pathway judicial enforcement mechanism. Pakistan can adapt these functional features by empowering its newly operational Trade Dispute Resolution Commission under the 2026 rules, establishing specialized banking panels, and reforming labor tribunals to bypass slow adversarial litigation. Ultimately enacting a unified commercial mediation law and launching a robust online dispute resolution platform regulated by an integrated Artificial Intelligence system that will modernize Pakistan's regulatory landscape, resolve highly complex technical disputes and actively foster essential foreign direct investment.

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Keywords: Alternative Dispute Resolution, Commercial Mediation, Judicial Enforcement, Online Dispute Resolution, Sectoral Modernization, Trade Disputes, Tripartite governance

The Historical and Contemporary Landscape of Pakistans ADR Architecture

Alternative Dispute Resolution (ADR) within Pakistan is historically rooted in traditional community led forums such as panchayats and jirgas, which have historically resolved local disputes through community elders.[1] Over decades, this informal landscape was supplemented by a fragmented collection of statutory provisions. The formal statutory framework includes the Arbitration Act 1940, the Probation of Offenders ordinance of 1960, the family-focused conciliation mandated under Sections 10 and 12 of the Family Courts Act of 1964 and the administrative tax related ADR mechanisms governed by section 195-C of the Customs Act of 1969 and Chapter XVII of the Customs Rules of 2001. Additionally, evidentiary provisions such as Article 163 of the Qanun-e-Shahadat Order of 1984, which permits decisions on oath, and statutory plea-bargaining mechanisms under criminal law have historically provided localized avenues for dispute resolution.[2]

[1] Farah Khan, Global Lex, Alternative Dispute Resolution in Pakistan, NYU Law, URL: https://www.nyulawglobal.org/globalex/pakistan_adr1.html .
[2] Friyana Damania, Laws Related to ADR in Pakistan, VIA Mediation & Arbitration Centre, URL: https://viamediationcentre.org/readnews/MTExMQ==/Laws-related-to-ADR-in-Pakistan-An-analysis

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Despite these legislative provisions, Pakistans formal commercial and civil dispute resolution mechanism remains seerly constrained.[3] The domestic legal environment is characterized by a regulatory setup focused on granting permission rather than enabling and enforcing commercial activity, which has led to significant judicial backlogs.[4] While the superior judiciary has actively promoted ADR by demonstrating a pro-arbitration and pro-mediation bias in their recent judgements, systemic hurdles persist. Crucially while the parliament passed the Arbitration Bill of 2017, it has not rendered all forms of ADR fully operative across the country. This lack of legal development is further compounded by a shortage of trained ADR professionals, minimal public awareness and the absence of a comprehensive national framework for Online Dispute Resolution (ODR)[5]. To resolve these structural issues, Pakistan must look toward international models,[6] particularly China's specialized administrative and judicial ADR frameworks, to modernize its domestic dispute resolution system.[7]

Comparative Analysis of China's Commercial Mediation & Specialized ADR Framework

China has established a comprehensive commercial mediation and arbitration framework that aligns with international standards wile maintaining strong state oversight.[8] On December 19, 2025, the State Council of the Peoples Republic of China approved the Regulations on Commercial Mediation, which took effect on May 1, 2026 creating the country's first dedicated administrative framework for commercial mediation. This domestic development was paired with the May 2025 launch of the International organization for mediation, a permanent intergovernmental body headquarters in Hong Kong. The 2025 regulations resolved longstanding challenges in China's ADR landscape: the legal confusion between professional commercial mediation & pubic, fee-free "people's mediation". By establishing commercial mediation as a fee-based professional service operated by registered non-profit legal entities, the new regulations established commercial mediation as a distinct professional service. These commercial mediation organizations are supervised by judicial administrative departments and must maintain at least five qualified mediators on staff. Unregistered commercial mediation is strictly penalized with administrative fines ranging from $ 14,000 to $ 70,000 USD, along with the confiscation of illegal earnings.

To address low voluntary compliance with mediated settlements, the 2025 Regulations[9] established a three-pathway enforcement framework, allowing settlements to be enforced via a judicial confirmation process, integrated into a formal arbitral award or converted into notarized debt instruments. The table below provides a comparative overview of Chinas structured ADR institutions against Pakistan's existing equivalent mechanisms:

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[3] Talha Ilyas Sheikh, Reforming Pakistan's Justice System Through Strengthening ADR Ecosystem, SLA Legal, URL: https://www.sla-legal.com/publications-insights/reforming-pakistans-justice-system-through-strengthening-adr-ecosystem

[4] Ali Khizr, Solving Pakistan's Regulatory Gridlock: Unbundling the Key Factors Hindering Regulatory Reform, The Pakistan Business Council, URL: https://www.pbc.org.pk/wp-content/uploads/Solving-Pakistans-Regulatory-Gridlock-Unbundling-the-Key-Factors-Hindering-Regulatory-Reform.pdf

[5] Khurram Baig, Saifullah Hassan, Waheed Uz Zaman, Exploring the Efficacy of Online Dispute Resolution Mechanisms: A Case Study of Pakistan, Journal of Law & Social Studies, URL: https://www.advancelrf.org/wp-content/uploads/2024/06/Vol-6-No.-2-2.pdf

[6] Saeed, F., Ilyas, F., & Sagar, M. R. (2025). Alternative Dispute Resolution: Its Implementation, Impacts, and Enforcement of Arbitral Award in Pakistan. Law Research Journal, 3(2), 86–98. URL: https://www.researchgate.net/publication/394423538_Alternative_Dispute_Resolution_Its_Implementation_Impacts_and_Enforcement_of_Arbitral_Award_in_Pakistan

[7] White Paper, Pathways to Resolution-Advancing ADR For Pakistan China Partnership, LUMS Center for Chinese Legal Studies, URL: https://ccls.lums.edu.pk/sites/default/files/2025-05/ADR%20White%20Paper_Jan%202025.pdf

[8] Robert B. Davidson Esq FCIArb, China's New Commercial Mediation Framework: A Turning Point for Dispute Resolution, JAMS ADR Insights, URL: https://www.jamsadr.com/insight/2026/chinas-new-commercial-mediation-framework-a-turning-point-for-dispute-resolution

[9] Zou Hongli, Liu Xuanxuan, Highlights of China's new Commercial Mediation Regulation, China Business Law Journal, URL: https://law.asia/china-new-commercial-mediation-regulation/

Feature/Dimensions	China's Commercial Mediation Framework	Pakistan's ADR system
Primary Regulatory Instruments	Regulation on Commercial Mediation 2025; PRC Arbitration Law	Arbitration Act 1940; Provincial ADR Acts; SRO-552 of 2026
Supervisory Authorities	Ministry of Justice (MOJ); Judicial Administrative Departments.	Ministry of Law and Justice; High Courts; Ministry of Commerce
Roster Requirements	Minimum 5 qualified professional mediator per registered organization	Variable rosters; Trade Dispute Resolution Commission (TDRC) maintains specialized commercial panels[10]
Sanctions for Non-Compliance	Fines of $14,000 to $70,000 USD and confiscation of unregistered earnings.	Minimal administrative penalties for unauthorized practice.
Financial Volume and Caseload	400,711 cases in 2020; 986 Billion Yuan arbitrated in 2022 across 259 commissions.	High Court backlog; localized small scale mediation; TDRC operations since 2025
Primary Enforcement Pathways	Judicial confirmation, arbitral conversion, notarized debt instruments	Judicial decree via civil courts' statutory enforcement under specific acts.

The Commercial mediation sector in China has experienced rapid growth, with over 200 non-enterprise commercial mediation organizations registered by late 2023, and more than 300 additional bodies established between 2023 and 2024. Prominent bodies like the China Council for the Promotion of International Trade (CCPIT) Mediation Center, the international commercial mediation center for the Belt and Road, and the China-Arab Commercial Mediation Center now handle a high value international dispute.

Furthermore, pilot programs in Qianhai and Fujian report settlement rates of nearly 60 % showing effectiveness of this structured administrative approach. This mediation network is backed by a large arbitration network; in 2020, 259 arbitration commissions accepted 400,711 cases of which 261,047 were traditional commercial disputes.[11] By 2022, traditional commercial arbitration cases rose to 320,262 representing a year-on-year growth of 19.11% with the total dispute value of 986 billion Yuan.[12]

To sustain this growth, China is expanding its international commercial arbitration centers beyond initial pilot cities to major regional zones, including Beijing-Tianjin-Hebei region and the Yangtze River Delta. Organizations like the Shanghai International Commercial Mediation Center (SICMC) and the

[10] Global Law Experts, Pakistan's Trade Dispute Resolution Rules 2026, Practical Guide for Businesses, Counsel and Arbitrators, URL: https://globallawexperts.com/trade-dispute-resolution-pakistan/
[11] ANNUAL REPORT ON INTERNATIONAL COMMERCIAL ARBITRATION IN CHINA, CIETAC, 2020-2021, URL: http://www.cietacjs.org.cn/sfs/cms/202109/6154261524149.pdf
[12] ANNUAL REPORT ON INTERNATIONAL COMMERCIAL ARBITRATION IN CHINA, CIETAC, 2022-2023, URL: https://www.cietac.org/sfs/cms/202310/Annual%20Report%20On%20International%20Commercial%20Arbitration%20In%20China(2022-2023)-en.pdf

Sino-German International Mediation Center operate under the national standards, reducing regulatory uncertainty for foreign and domestic businesses.[13]

Sector-Specific Specialized ADR: Adaptability of the Chinese Model in Pakistan

Developing specialized, sector-specific ADR mechanisms is essential to resolve complex technical disputes and support infrastructure projects like the China-Pakistan Economic Corridor (CPEC). The following section analyzes the feasibility of adapting Chinas specialized ADR panels to Pakistan's legal and administrative structure.

Labor Disputes

Pakistan's labor dispute resolution system is governed by the Industrial Relations Act of 2012 and the provincial statutes, with the National Industrial Relations Commission (NIRC) and provincial Labor Courts serving as the primary statutory forums. The NIRC, established in 1972 to implement International Labour Organizations (ILO) conventions, holds exclusive jurisdiction over labor disputes in trans-provincial establishments.[14] Under the NIRC Procedure and Functions Regulations of 2016, the commission is empowered to resolve disputes, investigate unfair labor practices, and direct the reinstatement of dismissed workmen with consequential benefits.[15]

However, this system suffers from severe delays. Although statutory timeline requires quick resolution, the Supreme Court of Pakistan has noted the labour courts and the NIRC rarely resolve grievances petitions[16] within the statutory seven-day period. The system relies on a combination of administrative conciliation, voluntary arbitration, and formal court proceedings which often lead to prolonged litigation.

In contrast, China utilizes labour dispute Arbitration Committees (LDACs),[17] which function as government supported, tripartite bodies. These commissions are composed of representatives from government labor authorities, labor unions and enterprise management, ensuring balanced representation. LDACs perform key statutory duties, including appointment and dismissal of arbitrators, case intake and direct supervision of arbitration activities.[18]

An LDAC operates with a dedicated roster of fair minded, specialized arbitrators, who are often former judges or trained legal experts. To ensure professional competency, at least two-thirds of the commission members must be expert in law, economics and trade. The committee compile their panels according to professional specialties. Under this system simple disputes are resolved by a single arbitrator, while complex matters are referred to a three-member tripartite tribunal.[19]

To ensure fast-track resolution, employees must petition for arbitration in writing within six months of learning of the alleged infringement. While Chinses arbitration commissions are legally independent

[13] Legal Insight, Commercial Mediation in China: A New National Framework and What It Means for Businesses, Belgravia Law, URL: https://belgravia.law/news/commercial-mediation-in-china-a-new-national-framework-and-what-it-means-for-businesses

[14] The Industrial Relations Act 2012, The Pakistan Code, URL: https://pakistancode.gov.pk/english/UY2FqaJw1-apaUY2Fqa-apaUY2FqaZk%3D-sg-jjjjjjjjjjjj

[15] National Industrial Relations Commission(Procedure and Functions) Regulations, 2016, URL: https://clr.org.pk/Labour-Laws/Federal/NIRC%20%28Procedure%20and%20Functions%29%20Regulations%202016.pdf

[16] Terence J Sigamony, NIRC, labour courts must speed up case disposal: SC, Business Recorder, URL: https://www.brecorder.com/news/40334132/nirc-labour-courts-must-speed-up-case-disposal-sc

[17] Wang Zhenqi, Wang Changshuo, Zheng Shangyuan, Labour Dispute Settlement System in China: Past and Perspective, IDE Asian Law Series No.22, Institute of Developing Economies, URL: https://www.ide.go.jp/library/English/Publish/Reports/Als/pdf/22.pdf

[18] Jim H. Young, Lin Zhu, Overview of China's New Labor Dispute Mediation and Arbitration Law, Davis Wright Tremaine LLP, URL: https://www.dwt.com/insights/2008/01/overview-of-chinas-new-labor-dispute-mediation-and

[19] National Perople's Congree, Congressional-Executive Comission on China, Labor Dispute Mediation and Arbitration Law of the People's Republic of China, URL: https://www.cecc.gov/resources/legal-provisions/labor-dispute-mediation-and-arbitration-law-of-the-peoples-republic-of

from administrative organs, critics note that standard committees remain heavily influenced by local government labor authorities, which can sometimes impact their perceived neutrality.

Pakistan could adapt this model to improve its labor dispute resolution process. Rather than relying on formal, adversarial litigation in the NIRC and labour courts, Pakistan could establish provincial and federal Tripartite Labor Arbitration Panels. These panels would be co-administered by the Ministry of Overseas Pakistanis and Human Resource Development and provincial labor departments, utilizing a joint roster of certified labor experts, union representatives and chamber of commerce nominees.

By mandating that all collective and individual labor disputes go through a fast track, 30-day tripartite mediation and arbitration process before entering the court system, Pakistan could significantly reduce the burden on its labor courts and ensure faster resolution for workers and employers.

Banking and Financial Disputes

Banking dispute resolution in Pakistan is managed by the Banking Mohtasib Pakistan (BMP), an independent statutory office established under Part IVA of the Banking Companies Ordinance of 1962 and governed by the Federal Ombudsman Institutional Reforms Act of 2013. Headquarters at the Karachi Secretariat, the BMP offers a centralized, accessible forum to resolve customer grievance against scheduled banks operating in Pakistan.[20]

A major advantage of the BMP is that its services are free of charge for both banking customers and financial institutions, unlike private ADR institutions such as the Karachi Center for Dispute Resolution (KCDR), which charge administrative fees. Under BMP rules, an aggrieved customer must first approach their bank in writing, allowing the institution a 30-day window to resolve the issue. If the bank fails to resolve the grievance, the complainant can file a formal compliant with the BMP Secretariat, accompanied by an oath-commissioner-attested form.[21]

The BMP is empowered to investigate violations of banking regulations, systematic delays and service failures and can examine bank books and procedures. While the BM utilizes mediation to reach amicable settlements, it can also conduct formal hearings and issue legally binding rectification orders if mediation fails.

Although the BMP is highly effective at consumer protection providing over PKR 1879 million in customer relief by December 2025[22], it has significant jurisdictional limits. The BMP is legally barred from entertaining complaints that challenge core bank policies, such as published schedules of charges, interest rates, or loan approval criteria. As a result, high value commercial financial disputes are left to traditional banking courts and civil litigation.[23]

China's financial ADR model is designed to handle complex commercial finance, with cases heavily concentrated in the financial sector under the 2025 Regulations. The Chinese system utilizes specialized courts, such as the Shanghai Financial Court[24], which holds exclusive jurisdiction over high value disputes involving securities, futures, trusts, financial leasing, derivatives and letters of credit.

To handle these technical cases, China maintains an International pool of specialized financial arbitrators. Local courts, such as the Pudong New Area Peoples Court,[25] actively utilize specialized

[20] Complaints Procedure, Banking Mohtasib Pakistan, URL: https://www.bankingmohtasib.gov.pk/website/WebPages.aspx?enc_+=UmlvGedSIifJLYLfadRPM3nqr/6AUOZhSOrkz14CVeNbJUgOEqg+o6w3k4n2D3RX

[21] IBID.

[22] Annual Report 2025, Banking Mohtasib Pakistan, URL: https://www.bankingmohtasib.gov.pk/Documents/AR%202025_web.pdf

[23] Muhammad Kamran Shehzad, Commercial mediation in emerging markets – role of State Bank in promoting mediation for resolution of banking disputes, National Conference on Alternative Dispute Resolution (ADR), URL: https://www.bis.org/review/r100519e.pdf

[24] Shanghai Financial Court, Introduction, URL: http://www.shjrfy.gov.cn/jrfy/English/about.jsp

[25] Pudong New Area People's Court Innovates Financial Dispute Mediation Mechanism and Resolves First Lin-gang Case Efficiently, Shanghai High People's Court, URL:

financial mediation mechanisms to resolve complex cases in economic zones like Lin-gang. Furthermore, the Ministry of Justice (MOJ) focuses on resolving administrative and commercial financial disputes at the source, encouraging government agencies and financial institutions to comply with mediated settlements and avoid prolonged litigation.[26]

Pakistan could bridge the gap between consumer-focused ombudsman services and traditional banking courts by establishing a Specialized Commercial Financial ADR Panel. This panel, co administered by the State Bank of Pakistan (SBP) and the Securities & Exchange Commission of Pakistan (SECP), would maintain a roster of certified/accredited experts in corporate, finance, derivatives, investment banking, micro finance and Islamic banking & finance.

By requiring that all inter-bank, high value corporate finance and letter-of-credit disputes go through this SBP-sponsored mediation panel before entering the banking courts, Pakistan could ensure faster, more technically informed resolutions for its financial sector.

Engineering & Construction Disputes

In Pakistan's engineering and construction sector, technical dispute resolution is primarily administered under the Pakistan Engineering Council (PEC) Rules of Conciliation and Arbitration. These rules apply to construction disputes where the parties have contractually agreed to utilize the PEC framework.[27]

Furthermore, major infrastructure contracts in Pakistan are increasingly governed by the International Federation of Consulting Engineers (FIDIC) 2017 standards, which utilize Dispute Avoidance Adjudication Boards (DAABs)[28]. Under Sub-Clause 21.3 of the FIDIC Red Book, the DAAB is tasked with active dispute avoidance, allowing the parties to jointly request the board to informally discuss and resolve emerging disagreements during the project execution.[29]

The DAAB is contractually required to issue its written decisions within 84 days of receiving a formal dispute reference.[30] TO ensure fair proceedings, DAAB members must follow strict operational guidelines, which prohibit them from proceeding without proper jurisdiction, delaying decisions, demonstrating bias, or breaching the rules of natural justice. Under this contractual structure, the project Engineer has no authority to relieve either party of their duties, except when instructing contract variations.[31]

While the FIDIC and PEC frameworks are contractually sound, they face significant enforcement hurdles in Pakistan. Parties frequently challenge DAAB decisions in civil courts, delaying project timelines and increasing litigation costs.

China's 2025 Regulations resolve this issue by explicitly including construction and real estate disputes within the scope of its commercial mediation framework. Under this system, construction disputes mediated by specialized industry associations and chamber of commerce are eligible for fast track judicial confirmation, making them immediately enforceable as court judgements.

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https://www.hshfy.sh.cn/shfy/English/view.jsp?pa=aaWQ9MTAyMDQ3MjQ0OSZ4aD0xJmxtZG09RU5fMDEPdcssz

[26] Li Tingwei, Xu Zhihe, Developments in Financial Services Arbitrations in Shanghai, Kluwer Arbitration Blog, URL: https://legalblogs.wolterskluwer.com/arbitration-blog/developments-in-financial-services-arbitrations-in-shanghai

[27] RULES OF CONCILIATION AND ARBITRATION, 2009, PAKISTAN ENGINEERING COUNCIL ISLAMABAD, URL: https://www.pec.org.pk/wp-content/uploads/2022/04/Rules-of-Concilliation-and-Arbitration.pdf

[28] Contract Management under FIDIC 2017 Red Book Roles of Dispute Avoidance/Adjudication Board (DAAB), URL: https://events.development.asia/system/files/d1-s13-fidic-rb-2017-roles-of-daab_dinesh.pdf

[29] EAY Global International Construction Contract & Claim Management, Dispute Resolution Process From DAAB to Arbitration under 2017 FIDIC Contracts, URL: https://eayglobal.com/wp-content/uploads/2021/01/Dispute-Resolution-Process-from-DAAB-to-Arbitraiton-under-2017-FIDIC-Contracts.pdf

[30] How the FIDIC Red Book handles enforcing dispute adjudication board decisions, Pinsent Masons, URL: https://www.pinsentmasons.com/out-law/guides/fidic-red-book-enforcing-dispute-adjudication-board-decisions

[31] Dr. Franco Mastrandrea, Dispute Avoidance/Adjudication Board (DAABs): Dos and Don'ts, HKA Global Holdings Limited, URL: https://www.hka.com/article/daabs-dos-and-donts/

To support its infrastructure sector, Pakistan could establish a specialized PEC Construction Mediation and Adjudication Board. Under this model, the PEC would maintain a certified registry of construction arbitrators, senior engineers and quantity surveyors.

By amending public procurement rules to mandate that all public infrastructure projects of a certain value utilize certified DAABs and PEC mediation Panels, Pakistan could ensure that technical construction disputes are resolved by industry experts. Crucially, these decisions should be made eligible for fast-track judicial confirmation in the High Courts of Pakistan, preventing parties from using civil litigation to stall project progress.

Maritime Disputes

Maritime disputes in Pakistan are governed by the Admiralty Jurisdiction of High Courts Ordinance of 1980.[32] Under this stature, provincial High Courts (predominantly Sindh High Court due to the location of major ports) holds exclusive jurisdiction over admiralty suits. Filing an admiralty suit requires notarized and legalized powers of attorney, proof of ship ownership, port of call records and documentation supporting in rem claims.

The court administered system handles a variety of claims, including vessel arrests, cargo damage, and delivery delays.

However, the current system is slow and lacks specialized administrative ADR panels, and actions in rem against state owned vessels or cargo belonging to the Federation are legally prohibited.[33]

China's maritime ADR model is led by the China Maritime Arbitration Center (CMAC), a specialized body established in 1959 under the CCPIT.[34] CMAC utilizes a highly successful court-entrusted mediation mechanism, partnering with mainland maritime courts to resolve complex disputes.

Under this system, the Shanghai Maritime Court, for example has referred over 200 mediations involving parties from 42 countries to CMACs Shanghai Headquarters, with the total disputed value exceeding RMB 500 million. This collaborative model achieved a 62% success rate over the past five years, rising to over 85% for specialized disputes like marine pollution, ship collisions and personal injury at sea.[35]

The CMAC model uses several advanced procedural features to ensure efficiency:

- Dual staffing System
- Specialized Advisory Council
- Targeted Representation Rules
- Special Delivery Services
- Confidential Publication
- Ad Hoc Arbitral Framework
- Jurisdictional Flexibility

Pakistan could adapt this model by establishing the Karachi Maritime Arbitration and Mediation Center, co-sponsored by the KPT, Port Qasim Authority and the Pakistan National Shipping Corporation

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32 Faisal K. Daudpota , Admiralty Procedure in Pakistan, URL: https://shiparrested.com/admiralty-procedure-in-pakistan-by-faisal-k-daudpota/

33 Dr. QamarAbad, Dr. Ghulam Murtiza, Admiralty Jurisdiction of High Courts Ordinance 1980: A Critical Review, Pakistan Social Sciences Review, URL: https://pssr.org.pk/issues/v4/1/admiralty-jurisdiction-of-high-courts-ordinance-1980-a-critical-review.pdf

34 Zhao Xiuwen, Lisa A. Kloppenberg, REFORMING CHINESE ARBITRATION LAW AND PRACTICES IN THE GLOBAL ECONOMY, Santa Clara Law Digital Commons, URL: https://digitalcommons.law.scu.edu/cgi/viewcontent.cgi?params=/context/facpubs/article/1777/&path_info=31UDaytonLRev421.pdf

35 China Maritime Arbitration Commission: Recent Development of China Maritime Arbitration Commission, China International Commercial Court, URL: https://cicc.court.gov.cn/html/1/219/199/203/2300.html

(PNSC). The Sindh High Court could then implement a court entrusted mediation rule through notification, allowing judges to refer technical maritime cases directly to this specialized center.

By utilizing CMAC's advanced procedural features-such as delivery notices directly to vessel captains and employing specialized maritime law and shipping experts – Pakistan could ensure faster, more technically informed resolutions for its shipping and maritime sector.

Foreign Investment and Trade Disputes

With the development of the CPEC, managing high-value foreign direct investment (FDI) and cross-border trade disputes has become a key priority. Historically, foreign investors in Pakistan have relied in international arbitration hubs in Europe due to concerns about delays and lack of specialized expertise in local courts.

To address similar challenges, China established the China International Commercial Court (CICC) under the Supreme People's Court in June 2018 to support the Belt and Road Initiative (BRI)[36]. Operating permanent courts in Shenzhen and Xian, the CICC functions as a "one-stop-shop" that integrates litigation, mediation and arbitration.[37]

A key feature of the CICC is its international Commercial Expertise Committee, which is composed of legal, trade and investment experts from various jurisdictions.[38] These expert members are empowered to preside over mediations, advise on application of foreign laws and provide neutral evaluations, helping to resolve high-value international disputes within China's domestic judicial framework.[39]

In Pakistan, cross border and domestic trade disputes have recently been modernized through the Trade Dispute Resolution Rules 2026 (SRO-552), which gave procedural teeth to the Trade Dispute Resolution Act of 2022. Operationalized on April 2, 2026, these rules govern the Trade Dispute Resolution Commission (TDRC), which began its initial setup on September 14, 2025.[40]

The TDRC operates through specialized panels to handle commercial trade disputes involving exporters, importers and trade bodies under the Pakistani jurisdiction. Under the SRO-552, the TDRC has jurisdiction over claims with a minimum value of $5,000 USD. To ensure efficiency, the TDRC employs a systematic, value based operational workflow.

Operational Setup	Procedural Rules & Timeline under SRO-552
Initial Filing & Intake	Complaints must be filed in English with the TDRC Secretariat or designated International Support Desks, accompanied by commercial invoices, bill of lading and proof of payment.
Preliminary Screening	The Secretariat screens incoming complaints. Frivolous filings or claims below the $ 5,000 USD minimum threshold are subject to immediate rejection.

[36] THE CHINA INTERNATIONAL COMMERCIAL COURT: A SUPPORTIVE FORUM FOR INTERNATIONAL COMMERCIAL ARBITRATION, Clifford Chance, URL: https://www.cliffordchance.com/content/dam/cliffordchance/briefings/2021/04/CICC-supportive-forum-for-international-commercial-arbitration.pdf

[37] Two for the Road: China's International Commercial Courts, Singapore International Mediation Centre, URL: https://simc.com.sg/insights/two-road-chinas-international-commercial-courts

[38] Leyton Nelson, Dispute Settlement with Chinese Characteristics: Assessing China's International Commercial Court, US-China Economic and Security Review Commission, URL: https://www.govinfo.gov/content/pkg/GOVPUB-Y3_2_C44-PURL-gpo214380/pdf/GOVPUB-Y3_2_C44-PURL-gpo214380.pdf

[39] Working Rules of the International Commercial Expert Committee of the Supreme People's Court (For Trial Implementation), China International Commercial Court, URL: https://cicc.court.gov.cn/html/1/219/208/210/1146.html

[40] Global Law Experts, Pakistan's Trade Dispute Resolution Rules 2026, Practical Guide for Businesses, Counsel and Arbitrators, URL: https://globallawexperts.com/trade-dispute-resolution-pakistan/.

Operational Setup	Procedural Rules & Timeline under SRO-552
Notice of Admission	Upon admission, the TDRC immediately issues notices to the parties and notifies the embassy of the country whose importers or exporters are involved.
Respondent Reply Window	The respondent must file a formal reply statement electronically or physically within 20 days of receiving the notice.
Mandatory Negotiations	The commission assists parties in conducting amicable negotiations within 30 days of their first appearance.
Value-Based Referral	If the negotiations fails, claims equal to or exceeding $ 100,000,000 USD are referred to the commercial bench of the High Court. Claims below this threshold are referred to conciliation or arbitration.
Appellate Pathway	Any party aggrieved by the TDRCs final determination can appeal to the commercial Bench of the High Court within 15 days of receiving the order.

The TDRC represents a significant step forward for Pakistan's trade dispute resolution, offering a structured, fast track alternative to traditional civil litigation. However, the framework faces enforcement challenges, as there is currently no international treaty framework (such as the New York Convention for arbitral awards) that directly facilitates the cross-border enforcement of TDRCs determination, meaning contractual arbitration remains necessary for disputes requiring foreign enforcement.

To address these challenges, Pakistan could establish a joint CPEC Investment and Trade Mediation Panel, co-administered by the Board of Investment (BOI) and the CPEC Secretariat under the Ministry of Planning Development and Special Initiatives.[41] This panel would operate in partnership with the Chinese institutions like CIETAC and CMAC, utilizing a roster of international commercial experts modeled on the CICC.

By enabling joint-panel settlements to be registered and enforced directly through the High Courts, Pakistan could provide a secure, efficient dispute resolution mechanism for foreign investors, reducing reliance on foreign arbitration hubs.

CPEC and the ISDS Paradigm

As Pakistan gradually transitions towards achieving its new objectives of CPEC 2.0 under the BRI framework,[42] this shift also represents a unique category of inflowing investment that frequently faces commercial and regulatory disputes, something that TAHOTA Law Firm - Pakistan deals with on a regular basis for our corporate clients. As our firm has worked through this edifice of statutory laws and regulatory procedures, we have witnessed that traditional dispute resolution mechanisms are often perceived to be slow or biased by foreign investors entering the Pakistani market,[43] which ultimately threatens the "bankability" and stability of these multi-billion-dollar projects. This vulnerability often pushes investors towards Investor-State Dispute Settlement (ISDS), where Pakistan has historically faced significant liabilities.

[41] CPEC Secretariat, Ministry of Planning Development and Special Initiatives, URL: https://cpec.gov.pk/

[42] Abdullah, K., & Rasool, A. (2026). China–Pakistan Economic Corridor (CPEC) Disputes: Arbitration as a Strategic Tool for Investment Security. Journal of Development and Social Sciences, 7(1), 161–174, URL: https://ojs.jdss.org.pk/journal/article/view/1610/1518

[43] Donna Tang, Syed Abdullah Anwer, Pharma market access and compliance in Pakistan, China Business Law Journal, URL: https://law.asia/pakistan-pharma-market-access-requirements/

To mitigate ISDS risks, Pakistan must ensure that "Effective Arbitrations" occur domestically through recognized/notified institutes.[44] There are certain steps that must urgently be taken to ensure CPEC Investment Security within Pakistan's commercial and legal ecosystem:

Strategy	Implementation Mechanism	Impact on ISDS Risk
Multi-Tiered ADR	Amicable settlement -> Mediation -> Arbitration.	Reduces "hair trigger" international filings
Interim Relief Clauses	Explicit power of tribunals to grant urgent relief.	Prevents escalation to host-state court intervention.
Separability Doctrine	Legally decoupling the ADR clause from the main contract.	Prevents claims of contract invalidity from killing the ADR clause.
Public Policy Cap	Statutory limits on set-aside grounds.	Ensures finality and prevents "merit review" in ISDS.
Institutional Recourse	Mandating International Mediation & Arbitration Center (IMAC)[45] for domestic BRI disputes.	Keeps dispute within the sovereign legal framework.

Structural Barriers and Systemic Reform Challenges in Pakistan

While the comparative benefits of China's specialized ADR models are clear, implementing these reforms in Pakistan requires addressing several structural an legal barriers including:

i. Traditional Legal Professional Bias and Lack of Training

Many legal professionals in Pakistan are trained in traditional advocacy and lack formal training in modern ADR, mediation techniques and Online Dispute Resolution (ODR) platforms. To overcome cultural and systemic resistance to ADR in Pakistan, the state must implement a tangible incentive structure for both the judiciary and the legal profession. This system can be modeled on the "credit-based" professional development standards seen in Singapore and India. The High Courts and the Ministry of Law and Justice should develop "Key Performance Indicators" (KPI's) for judicial officers to prioritize ADR referrals and successful settlements. Furthermore, in order to counter the misconstrued perception held by traditional lawyers/law chambers in Pakistan that view ADR as a threat to billable litigation, ADR certification/accreditation should be integrated into the licensing requirements by the Pakistan Bar Council for senior practitioners applying for a license to practice before the Supreme Court of Pakistan.

ii. Fragmented and Outdated Statutory Frameworks

Pakistan's current ADR framework is highly fragmented, with dispute resolution provisions scattered across various Family, Tax, Corporate and Consumer Laws. The foundational Arbitration Act of 1940 contains outdated procedures that often allow parties to use civil court litigation to delay or many cases, obstruct the enforcement of arbitral awards.

iii. Absence of Comprehensive ODR Legislation

As digital trade and e-commerce continue to expand, Pakistan lacks comprehensive national legal frameworks to govern Online Dispute Resolution (ODR). The country lacks dedicated rules to regulate online media forums, digital signatures in dispute settlements and virtual arbitral hearings/procedures.

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[44] Qian Hongdao , Sonia Azam , Hamid Mukhtar, CHINA PAKISTAN ECONOMIC CORRIDOR: LEGAL INJUNCTIONS AND PROTECTION OF CHINESE INVESTMENT IN PAKISTAN UNDER OBOR INITIATIVE, European Journal of Research and Social Sciences, URL: https://www.idpublications.org/wp-content/uploads/2018/06/Full-Paper-CHINA-PAKISTAN-ECONOMIC-CORRIDOR.pdf

[45] International Mediation & Arbitration Center, Ministry of Law & Justice, URL: https://imac.molaw.gov.pk/

Pakistan's Roadmap for Sectoral ADR Modernization

To successfully modernize its dispute resolution system and adapt specialized ADR models, Pakistan should implement a structured, phased policy roadmap;

i. Fully Operationalize TDRC & SRO-552 Trade Panels
ii. Create Joint Roster of Technical Experts (PEC, SBP, PNSC).
iii. Launch Pilot court entrusted maritime mediation in Karachi.
iv. Enact a unified commercial mediation Act (3-pathway enforcement).
v. Amend Industrial Relations Act for Tripartite Labor Panels.
vi. Establish under the CPEC Secretariat a Joint Investment Dispute Panel with CICC linked experts.
vii. Launch a national Online Dispute Resolution (ODR) Platform. Preferably under IMAC.
viii. Amend Civil Procedure Code (CPC) to mandate Pre-Trial ADR Referral.
ix. Expand SBP-Regulated Corporate Financial Mediations Panels.

To support these reforms, Pakistan should launch a state-backed National ODR Platform. This secure digital platform would integrate effective Artificial Intelligence models for ensuring online filing, digital case management and virtual hearing rooms in order to help resolve low to mid-value commercial, consumer and banking disputes efficiently. Therefore, through these effective measure Pakistan can drastically improve its domestic commercial justice system and usher in a new era for its budding ADR ecosystem, thereby reducing court backlog and build an attractive jurisdiction for international trade and foreign direct investment in the South Asian & Arabian Sea region.

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