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RESEARCH PAPER

China–Pakistan Economic Corridor (CPEC) Disputes: Arbitration as a Strategic Tool for Investment Security

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ABSTRACT

This study examines that how arbitration can be strategically utilized to enhance investment security in China-Pakistan Economic Corridor (CPEC) projects, focusing on disputes related to payments, tariffs, construction delays, and regulatory changes. CPEC projects face frequent commercial and regulatory disputes that threaten investment stability. Traditional dispute mechanisms may be slow or biased, reducing project predictability and investor confidence. Arbitration offers a potentially neutral and enforceable framework to manage these risks. A qualitative doctrinal analysis was conducted, supported by a case study of commercial arbitration, investment treaty arbitration, and multi-tier dispute resolution mechanisms. Arbitration provides neutrality, enforceability, and interim relief. Multi-tiered procedures and institutional arbitration reduce investment risks. Strategic arbitration design enhances project predictability, bankability, and investor confidence. CPEC stakeholders should adopt structured arbitration frameworks with clear interim measures and multi-tiered procedures to cultivate a secure investment environment.

KEYWORDS CPEC, Belt and Road Initiative, Arbitration, Investment Security, Infrastructure Disputes, Enforcement, PPP Contracts

Introduction

China-Pakistan Economic Corridor (CPEC) is generally regarded as a showcase project within the Belt and Road Initiative (BRI), a long-term infrastructure project paired with geopolitics and business goals. Practically, the portfolio of CPEC includes (i) energy projects of a large scale organized on a basis of long-term offtake and tariff contracts, (ii) transport connectivity (roads, rail, and logistics) developed on a basis of a multi-contract chain of deliveries, (iii) port development and associated services, and (iv) special economic zones (SEZs) which are based on a stratified combination of public regulation, as well as, private investment commitments (Muzaffar, et. al., 2018; McLaughlin, 2024; Wang, 2020; Rahim, et. al. 2018).). In these industries project value is not tied to completion of one off constructions but a performance over decades- fuel supply continuity, dispatch and capacity payments, indexation, availability standards, and revenue collection as well as regulatory stability. The corridor is a textbook example of disputes that are not only technical but also institutional: the contracts are driven by the dynamic domestic regulation, political politics, and the cross-border demands regarding the legal protection and enforceability (McLaughlin, 2024; Yang et al., 2025).

The fundamental issue, though, to investors and lenders is not whether there will be disputes (it is a normal occurrence in mega projects), but whether the dispute-resolution mechanism is plausible enough to avoid interference and maintain bankability. The nature of long-term public private partnership (PPP)-type contracts is incomplete, which provides motivation to renegotiate when economic circumstances, governmental budget planning, or political agenda alter, particularly when the continuity of the services makes walking away an expensive affair to the government (Sarmento & Renneboog, 2021). Investment security here is defined by (a) the speed with which disputes may be stabilized, (b) the enforceability

of decisions against assets or payment streams, and (c) whether the process is perceived as being neutral by both foreign and domestic stakeholders (Brekoulakis, 2023; Wang, 2020). The arbitration option applies in this case since it is typically selected to offer a specialized venue, procedural predictability and enforceable results between countries-qualities that can be critical to project finance risk pricing.

The dispute governance on BRI has become diversified: parties can use contractual arbitration (which is often commercial) or litigate in a domestic court, or use a hybrid court-mediation program, or (under certain circumstances) investment treaty arbitration (Wang, 2020). Other institutional alternatives that China has advanced to include include the China International Commercial Court (CICC) designed to be a one-stop shop combining litigation, mediation, and arbitration services but academic sources have observed that its potential may be limited due to jurisdictional boundaries and design decisions that may be less appealing to foreign party litigation in high-stakes cross-border disputes (Chaisse & Qian, 2021; Zhang, 2020; Shah, et. al., 2020). Meanwhile, investment-dispute practice is more sensitive to issues of legitimacy, namely, transparency, public interest, and the conflict between confidentiality and accountability, where important services to the population or tariffs or sovereign regulatory authority are at stake (Brekoulakis, 2023; de la Rasilla, 2023). These discussions are of concern to CPEC since the issues of the corridors are seldom purely private: even in the commercialized contract, the issues of disputes may include the impact of the governmental finances, energy accessibility, and regulative power.

It is the issue that under these conditions, multi-party long-term contracts of CPEC (particularly in the energy and transport field) are designed to be associated with conflicts in performance, payment/tariff, delay, land acquisition, force-majeure, and regulatory-change issues and that, in such a situation, when the stakeholders are not convinced of the impartiality, expediency, or enforceability of the dispute resolution, perceived risk increases and the conditions to investment deteriorate (McLaughlin, 2024; Sarmento and Renneboog, Its goal/purpose is to analyze the possibility of applying arbitration to CPEC-related arbitration as a strategic means, not as a last-resort forum, but as an ex ante governance design option to enhance investment security (Wang, 2020; Brekoulakis, 2023). To this end, the aims are to (i) map the most frequent patterns of disputes in corridor-style projects, (ii) compare the available arbitral options (contractual arbitration, international commercial arbitration models, and investment treaty arbitration/ISDS where relevant), and (iii) determine clause- and process-level design options (seat, governing law, institution/rules, consolidation/multi-contract coordination, interim relief, transparency/public-interest accommodations) that determine investor confidence and enforcement probability (Chaisse & Qian, 2021). The research questions guiding the paper are then the following: what are the most prevalent patterns of dispute in CPEC projects; what are the arbitration pathways that can be put into practice; and how the arbitration design considerations affect the confidence, bargaining, and probability of the delivery of enforceable results? The importance is tri-fold, to policymakers, it explains why dispute-resolution credibility facilitates the effectiveness of corridor bankability and the investment climate, to investors and lenders, it explains why risk pricing and structure are more accurate, and to sponsors and implementing agencies, it explains how contract governance can be established through aligning the dispute mechanisms with the political-economic reality of CPEC (McLaughlin, 2021; Zhang, 2020; Yang et al., 2025).

Literature Review

Security in the international infrastructure in terms of investment is typically characterized in terms of legal certainty (understanding of rules and promises), enforceability (option of credible redress measures) and predictability (constancy of anticipation regarding the regulatory and payment conditions). These factors in long-horizon PPP-type contracts become manifested in the assignment of risks (tariff, FX, demand, land, force majeure), in the form of renegotiation, and in the ability of lenders to

use step-in and cure rights without political interference. Legal certainty is often operationallyized using measures of fair and equal treatment and protection of legitimate expectations in the context of investment law, but the literature in the field has emphasized that the expectations are all that should be operationalized, and they should be balanced against the regulation of the policy space (Henckels, 2023; Hepburn, 2025). The currency convertibility and exchange-rate variables are also becoming considered as fundamental investment-security variables due to the impacts on the revenue repatriation and debt service in the project finance (Papanastasiou, 2025).

The arbitration helps to enhance the security of investment due to the fact that it provides a neutral platform, specialized adjudication, and an enforcement route that in most cases is robust compared to a normal litigation in transnational projects. The former is primarily contract-based and the latter is treaty-based international commercial arbitration (ICA) and investor state arbitration (ISA/ISDS), respectively, and includes the state conduct, which acts as expropriation or unfair treatment. The security role of arbitration is not, however, a matter of course: it requires process design (seat, rules, interim relief) and the management of the interests of the populace in cases of dispute of public functions and exposure to the taxes. Recent literature argues that instead of operating off of a pure operating a private-law model, public private arbitrations face the issue of transparency and accountability (Brekoulakis, 2023). The perceived enforcement risk can be reduced by the credibility of the New York Convention regime at the enforcement stage, but inconsistency in application and defence by public policy makes a practical constraint that is significant to risk pricing (Chauhan, 2024). Simultaneously, procedural reform (along with disclosure and third-party financing transparency) indicates an effect of transformation to so-called regulated arbitration that can affect investor confidence and settlement behaviour (Torterola & Sharipov, 2024).

Schedule slippage, design/variation claims, contract interpretation issues, and payment certification problems, as well as multi-tier coordination failures between multiple levels of contractors, are the typical factors motivating megaproject disputes, which are comparatively observed across jurisdictions (Wang et al., 2023). These construction/contract drivers overlap with sovereign-related risks: law change, tariff amendment, sovereign guarantees, political changes, and macro-financial stresses (including circular debt trends in energy offtake settings). The existing body of scholarship on BRI dispute settlement stresses that the size and geopolitical prominence of the corridor projects increases the price of unresolved disputes and compel parties to turn to forum design, settlement channels, and hybrid mechanisms (Wang, 2020). The CPEC-oriented interpretation also emphasizes that the credibility of the dispute-resolution will become a geoeconomic indicator: it will influence the perceived bankability of the corridor and may have an impact on the support of the projects by the coalition through political cycles (McLaughlin, 2023).

The investment-security issue in Pakistan is frequently characterized as a credibility gap between the promises and performance results in a contract, particularly in the case of a contract involving a public party and the risk of judicial intervention. The reform discussions at home are thus oriented at the modernization of the arbitration law, shortening of the timeframe, and defining the court-tribunal boundaries to minimize delay and uncertainty (Mahmood, 2024). Policy-related studies also tie the credibility of arbitration to larger investment regulation - how the state demonstrates trustworthiness in business pledges and how it relates to the treatment of foreign investors (Idrees et al., 2020). This context is relevant in CPEC-type disputes since the pricing of the project risk is not the only parameter and that of remedy risk: the likelihood of awards being acknowledged, enforced and paid without prolonged opposition (Chauhan, 2024).

Dispute resolution is increasingly being regarded as front-end governance in the literature. The multi-tier clauses (negotiation to mediation/DRB/expert determination to

arbitration) are capable of lowering the costs associated with escalation and continuing the project since they compel upfront information disclosures and sorting of technical problems. Suggestions of more robust structures on expert determination and dispute boards are seen as a reflection of the belief that infrastructure disputes are usually engineering-intensive and suited to preliminary expert determinations then subject to legal finality (Saidov, 2022). Other frequent design levers include, alongside tiered procedures, seat selection, governing law, language, and interim measures, as these measures are commonly used to reassure investors that remedies will be neutral, enforceable, and fast enough to matter in cashflow-based finance (Brekoulakis, 2023).

Although the literature on BRI disputes is swelling, two gaps are still relevant to CPEC: (i) insufficient mapping of which types of disputes (tariff/payment, land acquisition, delay, change in regulation) fit with which arbitration strategies (contract ICA vs treaty ISA vs mixed strategies), and (ii) under-developed strategicisation of arbitration as risk-management infrastructure, i.e. something built ex ante to stabilise investment expectations, and not employed after the event of a break-even (Wang, 2020; McLaughlin,

Material and Methods

Research design

It is a qualitative study, which assumes a hybrid design, doctrinal legal analysis and qualitative case-study. The legal architecture that influences the resolution of disputes associated with CPEC-linked investments, in particular, the provisions on the validity of arbitration agreement, the jurisdiction of the tribunal, interim measures, recognition/enforcement of awards, and the relationship between arbitration and the local courts, is interpreted through the lens of the doctrinal component. The case-study aspect is applied in analysing the practical working of these rules in recurrent dispute contexts that frequent the corridor infrastructure (e.g., energy offtake/payment disputes, EPC delay/variation claims, and port/SEZ contractual conflicts). The study also includes light mixed-method components (where the material at hand allows) in the form of qualitative coding of the drivers of disputes and the design decisions on dispute-resolution (e.g., seat, institution, governing law, multi-tier procedures, etc.). This enables the study to go beyond the descriptive legal commentary and instead scrutinize arbitration as a method to enhance predictability and enforceability (i.e. selected and planned ex ante).

Data Sources

The study relies on **primary** and **secondary** sources, complemented (optionally) by expert insights.

Primary sources include:

- **Statutes and regulations** relevant to arbitration, contract enforcement, sovereign immunity/asset execution (where applicable), and investment protection.
- **Case law/judgments** from Pakistani courts concerning arbitration (especially on enforcement, interim relief, stays, setting aside, and public policy objections), along with comparative judgments where they clarify cross-border enforcement patterns.
- **Arbitration rules and institutional texts**, including rules typically used in infrastructure disputes (for example, major international arbitration institutions, ad hoc frameworks, and rules addressing emergency relief and consolidation).
- **Treaties and investment instruments**, including applicable BIT/FTA texts and dispute-settlement clauses that could open pathways to investor–state arbitration

for qualified investors, as well as multilateral enforcement instruments relevant to award recognition.

Secondary sources include:

- Peer-reviewed legal scholarship on arbitration design, enforcement challenges, and public-interest dimensions in infrastructure disputes.
- Policy reports, multilateral guidance, and industry analyses on PPP contracting and dispute trends in megaprojects.
- Publicly reported dispute summaries and databases (where available), recognizing that many arbitration matters remain confidential.
- Standard **lender/PPP templates** and model clauses that indicate market practice, particularly for step-in rights, stabilization/change-in-law treatment, and tiered dispute resolution.

Optional expert interviews include semi-structured interviews with:

- Arbitration practitioners and counsel involved in infrastructure disputes.
- Project managers/contract administrators (claims management perspectives).
- Policymakers/regulators (tariff, payment security, and sovereign commitment issues).
- Arbitrators/mediators familiar with public-entity and cross-border disputes.

Case selection strategy

Cases are selected using **purposive sampling** to represent dispute environments typical of CPEC-style contracting. Instead of limiting the study to a single contract or project, the research uses **dispute categories** as the unit of comparison, enabling generalizable lessons for contract design and investment security.

Core case categories include:

1. **Energy payment/tariff disputes** (e.g., capacity payments, delayed receivables, tariff adjustment/true-up issues, sovereign guarantee performance).
2. **Construction/EPC disputes** (e.g., delays, variations/claims, performance defects, price escalation, force majeure impacts, interface disputes across contractors).
3. **Port/SEZ and concession disputes** (e.g., land and access, regulatory permissions, revenue-sharing, termination and compensation, change-in-law effects).

Inclusion criteria are:

- A clear linkage to **corridor megaproject dynamics** comparable to CPEC (long-term performance, public entities or regulated revenue streams, multi-contract structures).
- Direct relevance to **arbitration and/or enforcement issues**, such as the drafting of arbitration clauses, seat selection, interim measures, recognition/enforcement obstacles, or public policy challenges.

- Availability of sufficiently reliable information from primary materials or credible secondary reporting to support analysis.

Where the public record is limited, the study prioritizes cases with documented procedural histories (e.g., enforcement litigation, injunction/stay proceedings, or published decisions addressing arbitration-related issues).

Analytical framework

The analysis is structured through a **matrix-based framework** that connects dispute risk to dispute-resolution design:

Dispute Type → Legal Risk → Best-fit Arbitration/ADR Design → Enforcement/Recovery Path

1. **Dispute Type**: categorize disputes (payment, delay, change-in-law, land acquisition, termination, force majeure, etc.).

2. **Legal Risk**: identify the primary risk drivers (jurisdictional uncertainty, sovereign counterparty issues, public policy defences, interim relief needs, fragmentation across multiple contracts).

3. **Best-fit arbitration/ADR design**: evaluate procedural choices likely to reduce uncertainty, such as multi-tier clauses (negotiation/mediation/DRB → arbitration), expert determination for technical matters, consolidation/joinder provisions for multi-contract projects, emergency arbitrator clauses, and clear governing law/seat/institution selection.

4. **Enforcement/recovery path**: assess the practical route to relief—recognition and enforcement strategy, asset/payment-stream identification, execution feasibility, and risk of delay.

To operationalize "investment security," the study assesses each dispute pathway against five indicators:

- **Neutrality** (forum independence; avoidance of perceived home-court advantage).
- **Enforceability** (probability and speed of recognition/execution).
- **Time-to-resolution** (procedural efficiency; ability to stabilize cashflows).
- **Interim relief availability** (injunctions, emergency measures, payment-security preservation).
- **Cost predictability** (administration, counsel, tribunal costs; proportionality).

Reliability/validity

The rigor is facilitated by triangulation and clear documentation. The results are triangulated on primary legal resources, reputable secondary sources, and (where applicable) expert opinions. Assuming dispute coding, the study has a codified codebook (e.g., dispute triggers, type of counterparty, contract form, selected seat/rules, enforcement outcome), and has an audit trail that relates coded observations with evidence. The methodology takes into account several major limitations: confidentiality of arbitral awards, unequal reporting publicly, and probability of selection biasness to disputes that are brought to court of law or the common arena. Such restrictions are alleviated through

emphasizing on repeat categories of disputes and applying enforcement and procedural documents where feasible.

Ethical considerations

In case of the interviews they will make an informed consent, indicating that he or she may remain anonymous. The answers will be anonymized to avoid attribution and sensitive business information will be omitted or homogenized. The research will reveal any form of potential conflicts of interest and will not collect privileged or confidential client information. The storage (notes/transcripts) of the data will be in the form of the secure practice of handling data, and the data will be provided to the research team only.

Results and Discussion

Table 1
Snapshot of publicly reported CPEC-linked dispute instances (sample, n=7)

#	Sector / asset	Project / parties (as reported)	Core dispute driver	Reported monetary exposure (PKR)	Dispute stage / signal	Likely "best-fit" pathway (by matrix logic)
1	Energy (IPP payments)	"Chinese IPPs" / CPPA-G (system-wide)	Chronic payment arrears ("circular debt")	**≈ Rs500 bn receivables**; CPPA-G share **≈ Rs450 bn**; escrow disbursed **≈ Rs5 bn**	Payment stress + refinancing pressure	Contractual arbitration + security package (escrow/DSRA), staged ADR
2	Energy (IPP payments)	Five CPEC power projects (aggregate)	Non-payment / delayed payment surcharge	**Total ≈ Rs423 bn**: principal **≈ Rs258 bn**, LPS **≈ Rs165 bn**	Negotiation + pressure via claim posture	Contractual arbitration (commercial) + interim relief options
3	Energy (tariff/payment renegotiation)	CPEC IPPs (policy-level)	Attempted waiver/discount of interest on arrears	Principal cited **≈ Rs250 bn**; interest cited **≈ Rs220 bn**; proposed interest discount **≈ 21%** (reported)	Renegotiation window; credibility test for dispute clauses	Multi-tier ADR → arbitration as backstop to anchor renegotiation
4	Energy (project-specific)	Port Qasim Electric Power Co. (PQEPC)	Payment defaults; contractual remedies threatened	Coal plants receivables cited **≈ Rs300 bn**; PQEPC receivables **≈ Rs93.5 bn** (as of Feb 26, 2025)	Formal default posture / suspension threat	Fast-track arbitration + interim measures + enforcement planning
5	Transmission (availability payments)	Pak Matiari-Lahore Transmission Co. (PMLTC)	Overdue TSA payments	Payable **≈ Rs55.071 bn**; overdue **≈ Rs47.076 bn**	Payment enforcement via contract mechanisms	Contractual arbitration + step-in/assignment protections for lenders
6	Transmission (commissioning/technical)	PMLTC vs NTDC (commissioning deadlock)	Commissioning dispute; operational deadlock	Investment cited **≈ US$2.2 bn**; "**>300** engineers/technicians idle" (reported)	Explicit threat of "international arbitration"	Technical expert determination → arbitration (engineering-heavy record)
7	Transmission (tax pass-through)	NGC/NTDC vs PMLTC	Refusal to pay provincial sales tax as	Dispute reported **≈ Rs23 bn**; unpaid tax liability cited **≈ Rs22.8 bn**	Escalated to CPEC coordination	Contractual arbitration + tax expert determination

	"pass-through"	mechanism	+ allocation clarity

Payment/tariff-linked disputes are the most visible and financially material in public reporting, with exposures repeatedly reported determineable in the **hundreds of billions of PKR**, making "bankability-grade" dispute resolution design (speed + enforceability + interim relief) an investment-security variable rather than a pure legal formality.

Table 2
Frequency of dispute drivers in the public sample (n=7)

Dispute driver category	Count	Share
Payment arrears / tariff & LPS / receivables	4	57.1%
Transmission payment under TSA	1	14.3%
Commissioning / technical performance deadlock	1	14.3%
Tax pass-through / regulatory fiscal change	1	14.3%
Total	**7**	**100%**

The "median" CPEC dispute profile (as publicly visible) is **not** a one-off expropriation narrative; it is **repeatable cash-flow conflict** (payment timing, LPS, tariff adjustments, availability payments). That profile favors **commercial arbitration architectures** designed for (i) interim liquidity protection, and (ii) predictable enforcement, to prevent disputes from turning into refinancing crises.

Table 3
Arbitration pathways relevant to CPEC disputes (availability + practical reach)

Pathway	Who can use it	What it typically covers	Practical reach for CPEC disputes	Key constraint evidenced in sources
Contractual arbitration (commercial)	Project company / EPC / offtaker / govt entity under the contract	Payment, delay, performance, tariff mechanics (if contract so provides)	**High** (dominant for payment/performance disputes)	Depends on clause quality + interim relief + enforcement planning
State–state arbitration under China–Pakistan BIT (Art. 9)	Pakistan vs China (states)	Interpretation/application of BIT	**Medium** (political escalation route)	State-controlled trigger; not investor-driven
Investor access under China–Pakistan BIT (Art. 10)	Investor (limited)	**Review of compensation amount** for expropriation-like measures	**Low-to-medium** (narrow corridor)	Text limits investor route mainly to compensation review, not broad FET/payment claims
Third-treaty ISDS (structuring via other BITs)	Investor via eligible nationality	Wider treaty standards (varies)	**Variable**	Pakistan has faced multiple treaty claims; stakes can be large

The **China–Pakistan BIT's text** is comparatively **narrow for direct investor arbitration** (notably routing many disputes to state–state arbitration and limiting investor access around compensation review). This makes **contractual arbitration** the primary "investment security engine" for most CPEC project disputes (especially payment/tariff/delay categories).

Scoring rubric used in this Results section: **1 = weak**, **3 = moderate**, **5 = strong**, based on the study indicators (neutrality, enforceability, predictability, interim relief practicality, and cost/time controllability).

Table 4
Investment security scores by dispute-resolution design option (coded assessment)

Design option	Neutral forum	Enforceability (cross-border)	Predictability (process)	Interim relief practicality	Cost/time controllability	Composite (avg.)
A. Courts / regulator-only (no arbitration)	2	2	2	2	2	**2.0**
B. Domestic ad hoc arbitration w/ high court involvement risk	3	3	2	2	2	**2.4**
C. Institutional arbitration + foreign seat + NY Convention enforcement plan	5	4	4	4	3	**4.0**
D. Multi-tier clause (DRB/expert → mediation window → institutional arbitration) + emergency/fast-track features	5	4	5	5	4	**4.6**
E. Treaty track (state–state or limited investor compensation review under China–Pakistan BIT)	3	4	2	2	1	**2.4**

The highest investment-security configuration is **not "arbitration alone,"** but **arbitration embedded in a multi-tier risk-management stack** (technical expert determination/DRB + short negotiation/mediation window + institutional arbitration with workable interim relief). This aligns with the practical dispute types observed (payments, commissioning, pass-through tax).

Table 5
Enforcement architecture: what the Pakistan-side pathway looks like (doctrinally grounded)

Step	What happens	Where friction commonly occurs	Investment-security lever
1	Award rendered (institutional / ad hoc)	Parallel proceedings risk (challenge vs enforcement)	Tight seat clause + anti-suit planning + waiver language
2	Recognition/enforcement application in Pakistan's High Court	Delay risk from procedural objections	Draft clauses: narrowed objections, documentary completeness
3	Court applies NY Convention-aligned framework (foreign awards)	"Public policy" / scope arguments	Seat selection + governing law + arbitral reasoning quality
4	Execution against assets / receivables	Sovereign/payment system constraints	Escrow, assignment of receivables, step-in rights
5	Post-award litigation management (if any)	Tactical filings to slow enforcement	Exclusive supervisory jurisdiction via chosen seat

Pakistan's foreign award enforcement track is anchored in the **2011 Act giving effect to the New York Convention**, with exclusive High Court jurisdiction and a stated pro-enforcement orientation discussed in Pakistani case-law commentary. Separately, recent London-seated arbitration litigation shows how **seat choice** can limit where substantive challenges may be heard (e.g., anti-suit relief in England restraining tactics framed as "recognition" actions elsewhere).

Table 6
Best-fit arbitration/ADR design by dispute type

Dispute type (CPEC pattern)	Legal risk profile	Best-fit clause stack	Seat/rules preference (principle-based)	Primary recovery logic
Payment arrears, LPS, tariff reset	Liquidity shock + refinancing risk	Short negotiation window → expedited arbitration; emergency relief for payment security	Institutional rules with emergency/fast-track tools; seat with strong supervisory courts	Protect cash flow (escrow/DSRA/receivables assignment) then enforce award
Commissioning/technical performance	Fact-intensive; expert disagreement	Expert determination/DRB → arbitration (only if unresolved)	Technical tribunal constitution provisions; bilingual record management	Resolve root cause quickly; avoid COD slippage costs
Fiscal pass-through taxes / regulatory charges	Change-in-law allocation	Expert determination on pass-through → arbitration for liability	Clear governing law + change-in-law clause tied to tariff mechanism	Preserve economic equilibrium via formula-based adjustments
Transmission availability payments (TSA)	Sovereign payment + political salience	Payment cure periods → arbitration + interim measures	Institutional arbitration; multi-party joinder readiness (lenders)	Enforce availability revenue stream; lender step-in if needed

Across the observed disputes, arbitration functions best as **risk infrastructure**—a credible enforcement backstop that disciplines renegotiation and keeps payment disputes from becoming system-wide investment shocks—rather than as a last-resort litigation substitute. This is especially visible where disputes involve very large arrears and repeated restructuring attempts.

Discussion

The findings show that cash-flow conflicts, including payment arrears and tariff mechanics, late payment surcharge, availability payments and pass-through fiscal charges, are the most financially material and recurrent conflict situations associated with CPEC, as opposed to headline-grabbing expropriation situations. The reason this trend is important is that the bankability of project finance is, eventually, a factor of foreseeable income and remedies which are enforceable. Once the payment and tariff issues remain unresolved, they rapidly turn to refinancing issues, cause covenant stress and increase the perceived likelihood of sovereign or quasi-sovereign non-performance. The strategic value of arbitration in this sense, however, involves securing a final award rather than building a plausible enforcement horizon that punishes renegotiation and facilitates continuity (Sarmento and Renneboog, 2021; Brekoulakis, 2023).

The second implication is that corridor megaprojects can hardly be optimally designed with arbitration alone. The highest investment-security ratings were found in places where arbitration is incorporated into a multi-tier dispute regime, such as technical expert determination or engineering matters, a brief structured negotiation/mediation phase on commercial settlement, and, only then, institutional arbitration and emergency relief. Such sequencing is appropriate to the reality that most disputes are technically hasty and time-isolated; the early technical resolution can prevent the engagement into legal positional argument. It also aligns with modern thinking that the infrastructure controversy

entails specialized preliminary arrangements and that arbitration should serve as an enforceable final resort rather than the initial one (Saidov, 2022).

Third, pathway analysis indicates that many CPEC disputes are structurally constrained by investment treaty arbitration, due to the possibility of narrow or inappropriate access to contract-based mechanisms, thereby narrowing the scope of dispute resolution. Contract drafting, as such, represents investment protection: seat selection, governing law, institutional rules, consolidation/joinder readiness, interim measures, and carefully designed confidentiality/transparency clauses are the elements that should be viewed as the essence of risk allocation, not boilerplate. This result aligns with the broader BRI dispute literature on the role of institutional design and the credibility of a forum within the context of corridor governance (Wang, 2020; Chaisse & Qian, 2021).

Trade-offs are, however, also discussed. Arbitration may be expensive and raise legitimacy concerns when cases involve public budgets, energy affordability, or regulatory authorities; this reinforces the argument in favour of transparency-sensitive practices and mediation windows that may maintain the public's interest without undermining enforceability (Brekoulakis, 2023; McLaughlin, 2021). Lastly, the perceived risks of court intervention and the enforcement environment in Pakistan make post-award execution planning necessary: escrow and receivables assignment, step-in rights, and interim relief measures must be combined with the realities of enforcement. All in all, arbitration is best suited because its risk-management infrastructure is a well-organized, enforceable commitment device that safeguards cash flow predictability and limits uncertainty in long-term CPEC investments.

Conclusion

The paper aimed at evaluating how arbitration may serve as an investment security instrument in the CPEC projects. The results indicate that not only are the most consequential CPEC-related disagreements not single “headline-style events, but that recurrent and cash-heavy cash-flow disputes of payment arrears, tariff modifications, late payment surcharge, availability payments, and regulatory pass-through disputes tend to be exacerbated during political cycles and macro-fiscal limitations. Debt service capacity and refinancing since they are directly threatened by these disputes, dispute-resolution credibility is a fundamental determinant of corridor bankability and not a legal set side-note.

The findings also prove that arbitration gives its best investment-security value when it is developed as a constituent of a front-end governance system, rather than as a last-resort solution. The multi-tier structures such as technical expert determination or dispute boards when it comes to engineering questions, short structured negotiation/mediation windows when it comes to commercial settlement, and institutional arbitration as backstop, are most appropriate to the profile of disputes that corridor megaprojects face. These designs would be in a position to decrease escalation, quicken stabilization of payment and performance commitments and enhance predictability to investors and lenders.

Moreover, the paper highlights the lack of feasibility of CPEC arbitration by treaty in practice to address regular court cases of payment and performance, which further benefits the focus of the centrality of contractual arbitration architecture. In this connection, the concept of investment security in CPEC must be pursued by means of active clause design: the selection of seats and governing law, institutional regulations favoring emergency relief and consolidation, the clear choice of the change-in-law and payment-security mechanisms, and enforcement planning in accordance with the domestic recognition practice.

On the whole, arbitration can be conceived as risk-management infrastructure CPEC, a commitment mechanism that is enforceable and helps maintain continuity and

discipline renegotiation, as well as mitigate uncertainty in long-horizon investment, but which is also responsive to the issues of public-interest and legitimacy.

Recommendations

In order to increase the level of investment security and reduce the risks in the CPEC projects, it is suggested that the stakeholders utilize a strategically designed arbitration system, which is specific to the challenges of the cross-border infrastructure development. This structure must be more specific in the terms of a contract such as the extent of arbitration, the laws to be followed, and clauses on enforceability, to prevent confusion which could lead to conflict. They should also be included with multi-tiered dispute resolution systems, which will combine negotiation, mediation, and arbitration to offer flexibility and early settlement solutions without compromising the enforceability of final awards. Preference must also be made to institutional arbitration under established international or regional arbitration centers in order to promote neutrality, procedural efficiencies, and credibility. Also, the interim relief measures should be well spelled out and available so that the parties can secure vital project assets, cash flows and avoid delays in the course of construction. The project stakeholders should also be introduced to capacity-building programs concerning the arbitration procedures and risk management to enhance preparedness to disputes and mitigate the use of litigation. Through combination of these measures, CPEC projects will be able to enhance predictability, financial health and investor confidence to foster a culture of safety in the inter-country investments and make sure that strategic arbitration can be a potent tool of maintaining the project success in the long term.

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