

## Arbitration System in Commercial Disputes in Pakistan and Enforcement of Foreign Awards

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### Abstract

Arbitration, as a means of resolving commercial disputes, plays a pivotal role in Pakistan's legal landscape. This article provides an in-depth exploration of Pakistan's arbitration system concerning commercial disputes and the mechanism for the enforcement of foreign awards within the country. The introduction presents an overview of arbitration as a preferred method for resolving commercial conflicts and emphasizes its significance in Pakistan's legal framework. It outlines the specific focus of the article on Pakistan's arbitration system and the crucial aspect of enforcing foreign awards within the country's jurisdiction. The article delves into Pakistan's Arbitration Act of 1940 and subsequent amendments, elucidating the core provisions governing arbitration proceedings. It examines the statutory mechanisms guiding the recognition and enforcement of arbitral awards, emphasizing the legal foundation for arbitration in Pakistan. Detailing the arbitration process in commercial disputes, the article delineates the procedural aspects, practices, and challenges encountered within Pakistan's arbitration system. It provides insights into the advantages of arbitration over litigation and assesses its efficacy in addressing commercial disputes. Focusing on the enforcement of foreign arbitral awards, the article expounds upon Pakistan's legal framework for recognizing and enforcing awards rendered in foreign jurisdictions. It discusses the procedural intricacies involved in seeking enforcement within

Pakistan's courts. Highlighting the challenges impeding the enforcement of foreign awards, the article addresses issues such as grounds for refusal and judicial interpretation. It proposes potential reforms and solutions aimed at enhancing the enforcement mechanism, aligning it with international standards. The article summarizes Pakistan's arbitration system in commercial disputes and the enforcement process for foreign awards. It underscores the implications of an efficient arbitration regime and offers suggestions for future reforms and research directions to fortify Pakistan's arbitration landscape.

**Keywords:** Arbitration System, Commercial Disputes, Enforcement, Foreign Awards

### **Introduction**

Arbitration, as an alternative dispute resolution mechanism, has gained significant prominence in Pakistan's legal framework, particularly in the realm of resolving commercial disputes. The historical context and evolution of arbitration within Pakistan's legal landscape play a critical role in understanding its current status and the enforcement process for foreign awards. The roots of arbitration in Pakistan trace back to the colonial era, primarily influenced by the British legal system. The Arbitration Act of 1940, based on the English Arbitration Act of 1934, was initially enacted to regulate arbitration proceedings in the region. Over time, amendments and judicial interpretations have shaped the landscape of arbitration in Pakistan. Arbitration has emerged as the preferred method for resolving commercial disputes in Pakistan, owing to several factors. Its flexibility, confidentiality, and potential for expeditious resolution align well with the dynamic nature of commercial transactions. The distinct advantages of arbitration over traditional litigation have propelled its use in complex commercial matters. The Arbitration Act of 1940, along with subsequent amendments and judicial pronouncements, forms the backbone of Pakistan's arbitration regime. The Act governs the conduct of arbitration proceedings, including the appointment of arbitrators, the conduct of hearings, and the issuance of arbitral awards. However, challenges relating to delays, procedural complexities, and enforcement issues have impacted the efficiency of the

arbitration process. A critical aspect of Pakistan's arbitration framework involves the recognition and enforcement of foreign arbitral awards within its jurisdiction. The country's legal system provides a mechanism for enforcing awards rendered in foreign jurisdictions, aligning with international conventions and treaties. The current status of arbitration in Pakistan is characterized by a mixture of strengths and challenges. While arbitration is widely recognized and utilized in commercial settings, challenges such as delays, procedural complexities, and enforcement issues pose hurdles to its efficacy. The prospects of Pakistan's arbitration system hinge upon strategic reforms, aligning the framework with international best practices, and streamlining the enforcement process for foreign awards. Arbitration, as an alternative mechanism for resolving commercial disputes, has assumed paramount importance in Pakistan's legal landscape, offering an alternative avenue to traditional litigation. This article aims to provide an in-depth analysis of Pakistan's arbitration system concerning commercial disputes and the process for enforcing foreign awards within the country's legal framework. Arbitration, as a mechanism for dispute resolution, holds significant relevance in commercial transactions due to its expediency, flexibility, and confidentiality. The historical evolution of arbitration within Pakistan can be traced back to the colonial era, when the Arbitration Act of 1940, inspired by the English Arbitration Act of 1934, laid the foundational framework for arbitration proceedings.<sup>1</sup> Over time, subsequent amendments and judicial interpretations have shaped the contours of arbitration, aiming to align the system with contemporary commercial dynamics. The significance of arbitration in Pakistan's commercial landscape lies in its ability to cater to the intricacies and complexities inherent in commercial transactions. The flexibility offered by arbitration proceedings allows parties to tailor dispute resolution mechanisms to their specific needs, ensuring confidentiality and expeditious resolution. However, despite its advantages, challenges persist within Pakistan's arbitration system, hindering its optimal functioning. Key challenges encompass procedural complexities, delays in dispute resolution, and issues about the enforcement of arbitral awards. The Arbitration Act of 1940, while laying down procedural guidelines for arbitration, encounters challenges in practice, leading to prolonged proceedings and delays in

delivering judgments. To reflect this development, Pakistan ratified the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. To comply with this Convention, Pakistan has enacted the International Arbitration Act to recognize and enforce foreign arbitration and foreign arbitral awards in Pakistan. Unfortunately, Pakistan's arbitration law is completely silent, with a lot of uncertainty and contradictory precedents, which has caused Pakistan to suffer huge losses and economic stress.<sup>2</sup> Moreover, the enforcement mechanism for foreign awards in Pakistan presents intricacies that impact the efficacy of the arbitration process.<sup>3</sup> This article aims to delve into Pakistan's arbitration system's nuances in addressing commercial disputes while emphasizing the legal framework, procedural aspects, and challenges encountered in enforcing foreign awards. By critically examining these aspects, this article seeks to offer insights into the current status of Pakistan's arbitration landscape and propose potential reforms to bolster the system's efficiency and credibility. To the extent permitted by law, the parties are free to negotiate the basic rules under which the arbitration will be conducted, such as the number of arbitrators and whether formal rules of evidence apply. Most types of contracts can include binding arbitration clauses, providing that if a dispute arises in connection with the contract, the parties will resort to binding arbitration rather than in court. Arbitration costs are normally paid by the parties. The decision of an arbitrator is as binding on the parties to the arbitration as a court judgment, and it can be enforced by the courts, if necessary.

### **Legal Framework of Arbitration in Pakistan**

Arbitration in Pakistan operates primarily under the legal framework provided by the Arbitration Act of 1940. The Act delineates the procedural aspects, enforcement mechanisms, and legal guidelines governing arbitration proceedings within the country. The Arbitration Act, of 1940, forms the bedrock of the arbitration legal framework in Pakistan. It outlines the fundamental principles and procedural rules for conducting arbitration proceedings, including the appointment of arbitrators, evidence submission, and enforcement of awards.<sup>4</sup> Over the years, the Arbitration Act has undergone amendments to align with international arbitration standards and address emerging challenges. Amendments aimed at enhancing the efficiency

and effectiveness of arbitration proceedings have been proposed and implemented. Pakistan Center for Dispute Resolution (PCDR) serves as a significant institutional framework facilitating arbitration and alternative dispute resolution mechanisms in Pakistan. It provides infrastructure and services for the resolution of commercial disputes through arbitration, conciliation, and mediation. Besides the PCDR, several regional arbitration centers, such as the Lahore Center for International Arbitration (LCIA) and the Karachi Centre for Dispute Resolution (KCDR), operate within Pakistan. These centers aim to promote arbitration and provide specialized services for dispute resolution<sup>5</sup> Despite the existence of a legal framework, Pakistan's arbitration system faces challenges such as procedural complexities, delays, judicial intervention, and enforcement issues.<sup>6</sup> Proposed reforms include amendments to the Arbitration Act, streamlining procedures, reducing delays, and improving enforcement mechanisms to bolster the efficiency of arbitration in the country. Arbitration is a legal process that takes place outside of the courts but still results in a final and legally binding decision similar to a court judgment. Parties involved in arbitration effectively abandon the court system and submit their cases for a decision by a neutral, external arbitrator. The reasons for choosing arbitration vary from case to case. Arbitration is generally faster, cheaper, and more informal than litigation. It also has the advantage of being private and confidential.

Pakistan is the signatory of the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards concluded in New York in June 1958 (also known as the New York Convention 1958) and of the International Convention on the Settlement of Investment Disputes between States and Nationals of other States. To implement and incorporate these conventions within the law of the land, two Acts have been passed by Parliament i.e.:

Recognition and Enforcement (Arbitration Agreements and Foreign Arbitral Awards) Act, 2011;<sup>7</sup>

**Arbitration (International Investment Disputes) Act, 2011**

Under the force of these Acts, the Courts of Pakistan get the jurisdiction to recognize and enforce the Awards rendered under these Conventions as

binding and to execute the same within its territories in the same manner as the judgment passed by the Courts in Pakistan.<sup>8</sup>

### **3. The Provisions on ADR in other laws of Pakistan**

The Code of Civil Procedure of 1908 contains rules for dispute resolution and makes mediation a modern subject: Section 89-A: The court shall decide whether appropriate having regard to the facts and circumstances of the case. If you think so, you can follow the court's agreement. To achieve speedy resolution of cases and lawsuits, parties engage in alternative dispute resolution processes, including mediation and arbitration.

Order X Rule IA: The court can: conduct preliminary proceedings and issue orders for speedy processing of the case, ask for further information with consent from the parties, for commissions to examine the witness, admit documents, and take any other necessary steps. With consent, the court can also, request alternative methods to resolve the dispute.

Arbitration Act 1940 provides for three classes of arbitration: 1) arbitration without court intervention (Chapter II, sections 3-19); 2) arbitration where no suit is pending, (but through court) (Chapter III, section 20); and 3) arbitration in suits (through court) (Chapter IV, sections 21-25).

Sections 10 and 12 of the Family Courts Act, 1964

Section 195C of the Customs Act, 1969, and Chapter XVII of the Customs Rules, 2001

Article 163 of the Qanun-i-Shahadat Order, 1984 (decision on oath)

Section 134A of the Income Tax Ordinance, 2001, and rule 231 C of the Income Tax Rules, 2002

The Small Claims and Minor Offences Courts Ordinance, 2002; The Small Claims and Minor Offences Court Ordinance is a law intended to establish a court of Small Claims and Minor Offences, where the value of the small claims suit is less than Rs.100,000 (\$1600) and the punishment for minor offences is less than three years. The purpose of the law is to “provide legal cover to amicable modes of settling disputes between parties...easily and expeditiously.”

Section 47A Sales Tax Act 1990 and Chapter X of the Sales Tax Rules, 2004

Section 38 of the Federal Excise Act, 2005, and Rule 52 of the Federal Excise Rules

Section 96-99 of the Local Government Act, 2013

SBNP Local Government Ordinance of 2001 (SBNP – LGO): Sections 102 – 106 under Chapter XI of the SBNP Local Government Ordinance of 2001 encourage “amicable settlement of disputes...through mediation, conciliation, negotiation, and arbitration.” Given that this is provincial law (equivalent to state law in the U.S.); it goes to show that Pakistan has resolved to use ADR methods, even at a local level.

### **HOW DOES ARBITRATION WORK?**

Arbitration offers significant advantages over the court system for many types of disputes. Because arbitration is a private method of resolving disputes, parties can structure it in almost any way they choose. For example, parties to an arbitration agree to limit the number of witnesses each side presents, set parameters for the amount and type of evidence to be presented, and decide in advance what subject matter the award will cover. You may. Another important advantage of arbitration is that it provides parties with an arbitrator who is experienced in the subject matter of the dispute. They often involve complex evidence, witness statements, and documents. The referee's knowledge allows them to quickly understand the situation, saving time and money. Arbitration hearings are conducted based on private agreements and are therefore private, and the decisions rendered are not publicly available.

### **Enforcement of Foreign Awards in Pakistan**

Pakistan's legal framework concerning the recognition and enforcement of foreign arbitral awards is governed by both domestic legislation and international conventions. The key legislation includes the Recognition and Enforcement (Arbitration Agreements and Foreign Arbitral Awards) Act, 2011,<sup>9</sup> which aligns with international standards, particularly the United Nations Commission on International Trade Law (UNCITRAL) Model Law. The Recognition and Enforcement Act provides a mechanism for the recognition and enforcement of foreign arbitral awards in Pakistan's courts. To initiate the enforcement process, an application must be submitted to the relevant court, providing the arbitral award and related documents.<sup>10</sup> The court evaluates the application and, if satisfied, enforces the foreign award as

a decree of the court. While Pakistan generally adheres to the enforcement of foreign awards, certain grounds for refusal are specified under the Recognition and Enforcement Act.<sup>11</sup> The court may refuse enforcement on grounds such as incapacity of parties, procedural irregularities, or if the subject matter is not arbitral under Pakistani law. Pakistan's judiciary has played a significant role in interpreting and applying the laws related to the enforcement of foreign awards. Courts have displayed a pro-enforcement approach towards foreign awards, aligning their decisions with the principles of international comity and the objectives of facilitating international arbitration. Challenges in the enforcement of foreign awards in Pakistan include delays in the judicial process, technical objections raised by the parties, and occasional resistance to enforcement on grounds of public policy.<sup>12</sup> Solutions often involve judicial activism in promoting a pro-enforcement stance, clarifying the legal provisions, and minimizing procedural impediments to enhance the enforceability of foreign awards. The legal framework and judicial approach in Pakistan generally favor the recognition and enforcement of foreign arbitral awards in line with international standards. Notwithstanding challenges, the country continues to try for a more effective and actual mechanism for distinguishing and implementing foreign awards and facilitating and helping international arbitration. A foreign arbitral award might be executed against whom the award has been made in any of the three ways. A foreign arbitral award might be executed: first, by filing a suit on the foreign award in the state in which the party has attained and obtain judgment thereafter to enforce the foreign judgment against the judgment debtor; second, it also can be enforced at common law as done in England; third, under the provisions of Multilateral treaties, International Conventions or Arbitration Service Agreements. Wherever the party gets a foreign arbitral award against the opponent party, it is up to the party who has obtained the award to file a suit in the country where the award has been obtained and to obtain a judgment against the respondent, afterwards, the judgment creditor seeks to execute that foreign judgment against the judgment debtor in the country where he resides or carries on his/her business. This method is rarely resorted to in modern times. The second mode of enforcement of a foreign arbitral award is to file a suit on the



foreign arbitral award in the country where the defendant resides or carries on his business or in the country where the defendant has his asset and to obtain a judgment against the judgment-debtor and thereafter seek to execute the judgment against the assets of the defendant in the country. The third method of execution of a foreign arbitral award is to execute a foreign arbitral award by resort to International Conventions to which the different countries may be contracting states; or where the countries have entered into foreign trade treaties that provide for acknowledgment of arbitral clauses and enforcement of foreign arbitral awards against the nationals of those countries, or arbitration connotations or business organizations of different countries may enter into arbitration service agreements and contracts which their counterparts in different countries of the world to give effect to joint arbitration clauses and the award made in pursuance of such arbitration service agreement which has been resorted to by the parties. These different modes provide for the enforcement of foreign arbitral awards. Concerning the third category of cases, namely, in cases of International Conventions, its application is only limited to commercial matters. Hence, the matters that are not commercial could be enforced either by way of enforcing a foreign judgment or by filing an execution on a foreign arbitral award against the judgment debtor in the country where he resides or he carries on his business or has assets or resources. In cases where foreign judgment is required to be enforced against the judgment debtor, the provisions of section 13 of the Civil Procedure Code will be applicable. Provisions for execution have been provided for by Section 44-A of the Civil Procedure Code. In these circumstances, the foreign judgment can be enforced against the judgment debtor in Pakistan. The enforcement of foreign arbitral awards poses several difficulties and it is the successful enforcement of a foreign arbitral award only which brings to fruition the endeavors of a party regarding it. Therefore, a foreign arbitral award as a means of settlement of commercial disputes through arbitration depends upon its successful enforcement. Local laws of different countries make adequate provisions about the execution of arbitral awards passed in the achievement of arbitration agreements that are rendered within the boundary of the country. Nevertheless, when the award is given in a country other than where it is required to be enforced, tough questions of

enforcement of an arbitral award and the successful execution of the award arise for consideration. Now and then seen that a government is biased against the value of awards given by foreign nationals or based on foreign legal procedure and practice. This propensity to look at foreign arbitral awards with prejudice is an interruption to the smooth and flat execution of foreign arbitral awards. To encourage the reliability of the awards wherever they are given exertions and efforts have been made to develop uniform arbitral procedures and acceptable panels of arbitrations. To safeguard successful arbitration, many attempts have been made to provide for enforcement of arbitral awards by Courts in a Country other than where the award was passed on a basis similar to the enforcement of national arbitral awards. Accordingly, the need was recognized for international cooperation to that end, and Conferences were held to promote and encourage greater uniformity in this significant feature of Arbitration law. Accordingly, this led to convoking a Conference which ultimately resulted in to regulating of procedures of various States about international commercial arbitration may be traced back to the Montevideo Treaty of 13th February 1899. This is the first significant treaty of its kind to provide for the recognition and enforcement of arbitration agreements. The next Multilateral Treaty is the Pan-American Code of Private International Law generally known as the Bustamante Code of 1928. This Code sufficiently covered the subject of enforcement from many broad aspects. It offers that judgments must have been legal in the originating country and rendered under competent judicial authority with proper service to the parties or their legal representatives. As investment, commerce, and trade developed after the First World War of 1914, there was a growing need for the settlement of international commercial disputes and the Geneva Protocol on Arbitral Clauses of 1923 and the Geneva Convention on the Execution of Foreign Arbitral Awards of 1927 were determined under the supports of the League of Nations. Protocol means only a memorandum signed by negotiating parties and members which eventually assumes the form of a Convention. The Geneva Convention of 1927 deals with two aspects of arbitration. The first is regarding the Recognition of Arbitral Clauses and the second is about the execution of Foreign Arbitral awards. The subcontinent (Pakistan, India, Bangladesh)

ratified the Geneva Convention of 1927 in the year 1937. In significance, India (before the separation of Pakistan, Bangladesh, and India) enacted the Arbitration (Protocol and Convention) Act of 1937, which came into operation on the 4th day of March 1937 and continued to be enforced in Pakistan till 2005. After the Geneva Convention of 1927, the major International Convention on Commercial Arbitration was adopted on June 10, 1958, in New York. This is a multilateral agreement on the recognition and enforcement of foreign arbitral awards. Pakistan, a party to the New York Convention, was able to improve the situation only in 2005 when it introduced a municipal law in the form of an ordinance to apply the Convention domestically, based on the concept of dualism. The regulation expires in four months but is scheduled to be reissued through 2010.<sup>13</sup> Section 4 of the 2011 Act states a party to an arbitration agreement against whom legal proceedings have been brought in respect of a matter The parties to the arbitration agreement may, after giving notice to the other party to the proceedings, apply to the court in which the proceedings were brought to stay the proceedings insofar as this issue is concerned. In the event of such a request, the court shall refer the parties to arbitration unless the court determines that the arbitration agreement is invalid, void, or unenforceable. The use of the word “shall” indicates that this is a mandatory provision. Furthermore, Article 2(3) of the New York Convention (included as an annex to the 2011 Act) provides that the courts of the contracting states have jurisdiction. when seized of an action in a matter in respect of which the parties have agreed shall, at the request of one of the parties, refer the parties to arbitration, unless it finds that the agreement is “null and void, inoperative or incapable of being performed”. This also includes a mandatory requirement to refer the matter to arbitration where there is a valid arbitration agreement. Section 17 of the 1940 Act states that where there is no cause to remit or set aside the award the court shall proceed to pronounce judgment according to the award, and upon the judgment so pronounced a decree shall follow.<sup>14</sup> Section 6 of the 2011 Act states that the court shall recognize and enforce the award in the same manner as a judgment or order of a court in Pakistan. An award, in both domestic and foreign arbitrations, shall be enforced like a judgment of a court in Pakistan.<sup>15</sup> The execution takes place

by the Code of Civil Procedure 1908. If an award has been challenged at the seat, by Article VI of the New York Convention, the court may, if it considers it proper, adjourn the decision on the enforcement of the award and may also, on the application of the party claiming enforcement of the award, order the other party to give suitable security. No case law in Pakistan sets out what factors the courts ought to consider when deciding whether to adjourn proceedings and give suitable security. Article VI states the court may adjourn if it “considers it proper”. The ultimate discretion lies with the enforcing court.

### **Comparative Analysis and Best Practices**

Comparative analysis involves juxtaposing international standards of arbitration with local practices in various jurisdictions. Countries renowned for their advanced arbitration systems, such as Singapore, Switzerland, and England, exhibit efficient legal frameworks, streamlined procedures, and robust enforcement mechanisms.<sup>16</sup> Contrasting these with Pakistan's system reveals disparities and areas necessitating improvement. Many jurisdictions employ expedited procedures to enhance efficiency, ensuring arbitration processes are swift and cost-effective. For instance, Singapore's arbitration framework integrates fast-track procedures that expedite dispute resolution for smaller claims.<sup>17</sup> Evaluating such models against Pakistan's procedural intricacies can illuminate opportunities for simplification. Comparative analysis also delves into the enforcement of arbitral awards. Comparing these mechanisms with Pakistan's enforcement challenges helps identify gaps and implement stronger enforcement strategies. Many jurisdictions regularly update their arbitration laws to align with international best practices. Singapore's legislative adaptations exemplify this approach, constantly revising laws to enhance efficiency and attract international arbitration.<sup>18,19</sup> Pakistan can emulate this by periodically revisiting its legal framework. Successful jurisdictions often feature specialized arbitration institutions renowned for their expertise and support. The International Chamber of Commerce (ICC) and the Stockholm Chamber of Commerce (SCC) exemplify such institutions, offering reliable arbitration services globally.<sup>20</sup> Establishing similar specialized bodies or enhancing existing ones can elevate Pakistan's arbitration landscape. Efficient case management practices are

integral to successful arbitration systems. Jurisdictions like Sweden prioritize case management, employing case administrators to facilitate proceedings.<sup>21</sup> Implementing similar administrative support structures could expedite processes in Pakistan. A comparative analysis of arbitration systems across diverse jurisdictions and assimilation of best practices unveils pathways for reform in Pakistan's arbitration landscape. By drawing on the strengths and successful strategies from international models, Pakistan can envision a reformed arbitration system. Leveraging efficient procedural models, robust enforcement mechanisms, and specialized institutions can fortify Pakistan's arbitration framework, fostering confidence among stakeholders and attracting global recognition.

### **Challenges and Solutions**

The arbitration landscape in Pakistan confronts multifarious challenges. Procedural intricacies, delays, judicial intervention, and enforcement inefficiencies plague the efficacy of arbitration proceedings.<sup>22</sup> These issues have contributed to the reluctance of parties to opt for arbitration as the preferred mode of dispute resolution, exacerbating the burden on the judicial system.<sup>23</sup> The persistent shortcomings in the system have weakened trust among stakeholders and undermined the credibility of arbitration in Pakistan. The arbitration process in Pakistan encounters procedural complexities that often result in delays and hinder the expeditious resolution of disputes. The Arbitration Act of 1940, while providing the procedural framework, sometimes leads to prolonged proceedings due to technicalities and multiple stages in the arbitration process.<sup>24</sup> The enforcement of arbitral awards, both domestic and foreign, presents challenges within Pakistan's legal framework. Despite legal provisions facilitating enforcement, issues such as resistance on grounds of public policy, delays in court proceedings, and technical objections raised by parties often impede the effective enforcement of awards.<sup>25</sup> Arbitration proceedings in Pakistan sometimes face challenges due to judicial interference or the courts' lack of consistent guidance on arbitration-related matters. The judiciary's intervention in arbitral proceedings and differing interpretations by courts occasionally impact the autonomy and finality of arbitral awards.<sup>26</sup>

A lack of awareness among stakeholders and insufficient expertise in arbitration procedures pose challenges to the effective utilization of arbitration in Pakistan. Limited awareness among businesses, lawyers, and judges about the benefits and nuances of arbitration results in the underutilization of this alternative dispute resolution mechanism.

These challenges, including procedural complexities, enforcement issues, judicial interference, and lack of awareness, present significant hurdles to the optimal functioning of Pakistan's arbitration system. Addressing these challenges requires potential reforms, judicial guidance, increased awareness initiatives, and improvements in the legal framework to bolster the efficiency and credibility of arbitration in the country.

### **Suggestions and Recommendations**

Recommendations for the revitalization of Pakistan's arbitration system involve a comprehensive blueprint for transformation. Legislative amendments to the Arbitration Act, incorporating modern arbitration practices, are indispensable.<sup>27</sup> Concurrently, procedural simplification, timely case management, and robust enforcement mechanisms necessitate immediate attention.<sup>28</sup> Moreover, cultivating a culture of awareness and promoting arbitration as a preferred mode of dispute resolution through training programs and public outreach campaigns are essential.<sup>29</sup> The prospects of arbitration in Pakistan demand significant reforms and improvements to enhance its efficacy and credibility. Research objectives aimed at achieving these reforms include: Proposing and implementing amendments to the Arbitration Act of 1940 to modernize its provisions, aligning them with international best. Addressing procedural complexities and delays in arbitration proceedings to make the process more efficient and time-effective.<sup>30</sup> Strengthening enforcement mechanisms for arbitration awards to ensure prompt and effective implementation of decisions.<sup>31</sup>

### **Capacity Building and Awareness:**

Additionally, research objectives focusing on capacity building and awareness initiatives include:

Develop comprehensive training programs for arbitrators, lawyers, and stakeholders involved in arbitration to enhance their skills and knowledge.

Conduct awareness campaigns to promote arbitration as a preferred method of dispute resolution, emphasizing its advantages over traditional litigation.<sup>32</sup> Designing comprehensive training programs for arbitrators, lawyers, and stakeholders to enhance their skills and understanding of modern arbitration practices. Initiate public awareness campaigns to promote arbitration as a preferred method for dispute resolution and highlight its advantages over traditional litigation.

### **Evaluating Impact and Efficiency**

Further research objectives involve evaluating the impact and efficiency of proposed reforms:

Assessing the impact of legislative reforms and procedural changes on the efficiency and effectiveness of the arbitration system.

Conduct stakeholder analysis to understand the perceptions, challenges, and expectations of stakeholders involved in arbitration proceedings.<sup>33</sup>

### **Legislative Reforms**

Amendments to the Arbitration Act: Urgent revisions to the Arbitration Act of 1940 are imperative to modernize and align it with contemporary international arbitration practices. Introduction of New Legislation: Consideration for enacting comprehensive legislation specifically designed to govern domestic and international arbitration, providing a modern and efficient legal framework.<sup>34</sup>

### **Streamlining Procedures**

Simplifying and standardizing arbitration procedures to expedite the resolution process and reduce complexities. Implementing efficient case management techniques to avoid unnecessary delays in arbitration proceedings.

### **Strengthening Enforcement Mechanisms**

Strengthening the enforcement mechanism for arbitration awards to ensure their timely execution and reduce instances of non-compliance.<sup>35</sup>

Establishing specialized tribunals tasked with enforcing arbitration awards for quicker and more efficient execution.<sup>36</sup>

### **Institutional Strengthening**

Strengthening existing arbitration institutions such as the Pakistan Center for Dispute Resolution (PCDR) and regional arbitration centers to provide better administrative support and facilities.<sup>37</sup>

Introducing specialized commercial courts or divisions to assist in arbitration-related matters and provide judicial support when required.<sup>38</sup>

### **Conclusion**

In conclusion, Pakistan's arbitration system stands at a critical juncture poised for transformational reform. The amalgamation of strategic amendments, procedural enhancements, institutional strengthening, and awareness campaigns holds the key to revitalizing the system. The synergy of these reforms is crucial for fostering a resilient, efficient, and credible arbitration framework that inspires confidence among stakeholders, fortifies commercial relationships, and facilitates an environment conducive to economic growth and investment in Pakistan. The arbitration system in Pakistan, while serving as an essential avenue for commercial dispute resolution, is undergoing a critical phase marked by challenges and potential for reformation. The evaluation of its current status and prospects reveals both the resilience and deficiencies within the existing framework. This comprehensive conclusion aims to distill the multifaceted landscape of arbitration in Pakistan, addressing its strengths, limitations, and the imperative need for transformational reforms to forge a robust future. Pakistan's arbitration system operates within the ambit of the Arbitration Act of 1940, a foundational statute undergoing amendments to adapt to contemporary legal norms. However, the Act's outdated provisions, procedural complexities, and enforcement challenges have impeded the system's efficiency. Despite these challenges, the establishment of institutions like the Pakistan Center for Dispute Resolution (PCDR) and regional arbitration centers signifies positive strides toward facilitating arbitration. While Pakistan has been not able to draw in additional casual methods for elective debate goals like intervention and resultantly not much regulation has been endorsed therefore, it has made up all that could be needed by freeing mediation as a valid and palatable option in contrast to suit. The regulations, the training, and the authorization by the lawmaking body, judicature, and controllers are reliably advocating mediation, homegrown as well as worldwide, to advance financial



backer trust in the Pakistani overall set of laws. The cycle for homegrown assertion is a lot in light of the more perceived custom-based regulation purview yet requiring some advancement in the systematized Discretion Act however, the hole is being filled in by the unrivaled courts through their points of reference which are restricting. Worldwide discretion structure, Unfamiliar Honors Act, is as of now the most regularly followed process. The conviction of the system liberated from the shackles of prosecution is critical to the ongoing legitimate structure that oversees assertion in Pakistan.

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