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CPEC 2.0 and Special Economic Zones: Analyzing the Existing Regulatory Framework for Chinese Investors in Pakistan

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Abstract
China-Pakistan Economic Corridor entered its second phase in the middle of 2024, where it suggestively aligned with establishing Special Economic Zones (SEZs) and bilateral memorandums of the union. Launching SEZs under the CPEC is an engine for Pakistan's economic growth, industrial development and provides opportunities to Chinese investors. Pakistan has set up nine zones across the country to materialize this aim and bolster equal and fair industrialization. However, to invest money fearlessly in these zones and work conveniently, investors need to find a comprehensive legal framework that gives at least the minimum international standard of protection by the host state. This paper has analyzed the standard of protection in the existing legal frameworks, particularly the Fair and Equitable Treatment (FET) standard under the 2007 China-Pakistan Free Trade Agreement (FTA). According to this research, Chinese investors enjoy the vast interpretation of FET under the FTA, its incentives and privileges provided domestically under the 2012 SEZ Act of the government of Pakistan. This study has further included the viewpoint of economic experts from Pakistan who have assisted in connecting the current concept of sustainable SEZs under CPEC relative to the present regulatory framework. Also, this suggestive paper has probed the existing flaws in the current investment system and has given policy recommendations paving the path for Chinese and other foreign investors. Finally, the analytical method has excavated the prospects and challenges in the existing domestic and international investment principles, highlighting the privileges and loopholes under the SEZ Act of 2012. Hence, the research has examined that for greater certainty, Pakistan's government must consider enlisting the FET standards in further international investment agreements for the smooth progress of CPEC SEZs.

Keywords: China-Pakistan Economic Corridor, Special Economic Zones, China-Pakistan Free Trade Agreement, Economic Zones Act, Fair and Equitable Treatment

1. Introduction

Taking forward the aim of shared prosperity, the China-Pakistan Economic Corridor entered phase II in 2024, signaling a broader vision of global economic growth. Coinciding with the decade anniversary, CPEC marks the successful completion of the first phase of energy and infrastructure development, guaranteeing immediate progression to Pakistan and strengthening the vision of lifting entire BRI regions out of the low levels of economic development (Umer, 2023). Sino-Pak friendship is extended to all aspects, including but not limited to trade, commerce, investment, energy, transport, and defence. Both countries have finalized memorandums of understanding, free trade agreements and investment treaties to further enhance and regulate the relationship. Now, CPEC 2.0 has supplemented the groundbreaking achievement of signing six crucial infrastructure and development agreements to expedite the corridor's success under the Belt and Road Initiative. Precisely, these six memorandums of understanding include a Joint Cooperation Committee on CPEC for bilateral projects; an Export Exchange Mechanism outlining trade and economic activity; Protocols of Phytosanitary Requirements; Enhancement of Agricultural Cooperation; Feasibility Check of Important Transportation Routes and Industrial Workers Exchange Program (Khalid, 2023). This contemporary hallmark is further believed to push Pakistan’s GDP to 10 percent by 2030 (Global Times, 2024).

Having an enchanting slogan of ‘There is more to this Corridor,’ the primary scope of CPEC 2.0 suggestively aligns with establishing Special Economic Zones (SEZs) and bilateral memorandums of the union. The launch of SEZ under the CPEC is an engine for Pakistan's economic growth and industrial development, providing opportunities to Chinese investors (Ghouri,2016). To materialize this aim and bolster equal and fair industrialization in Pakistan, it was decided to set up SEZs in each province of Pakistan, making four zones in total, with the initial plan of establishing nine SEZs first drafted in 2017 (Abbas & Ali,2018). However, to invest the money fearlessly and work conveniently, investors need a comprehensive legal framework that gives at least the minimum international standard of protection by the host state.

China and Pakistan have entered two international investment agreements to expedite the flow of investment. These are the 1989 China-Pakistan BIT and the 2007 China-Pakistan FTA. Hence, this paper aims to analyze the standard of protection in the two existing legal frameworks, particularly the Fair and Equitable Treatment (FET) standard under the 2007 FTA and its impact on phase II of CPEC. Furthermore, the study includes the viewpoint of economic experts from Pakistan that will assist in connecting the current concept of sustainable SEZs under CPEC relative to the regulatory framework in Pakistan. Also, this suggestive paper has probed the existing flaws in the present regulatory framework of investment and has given policy recommendations paving the path for Chinese and other foreign investors. It has further excavated the prospects and challenges in the existing domestic and international investment principles to protect foreign investors.

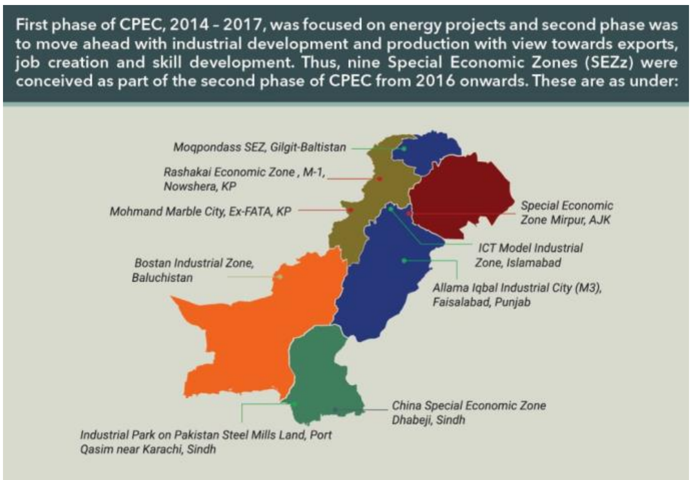

Figure 1: Map showcasing initial nine SEZs establishment plan

Source: Center of Excellence-CPEC, 2018-Ministry of Development, Planning and Initiative, Pakistan

2. Background and Literature Review

China-Pakistan Economic Corridor (CPEC) is a tear of China's grand OBOR (One Belt One Road Initiative), a multilateral framework of development proposed by the People's Republic of China in 2015. In his research, Muhammad Ali states that OBOR translates the strategy of building one road network along with one maritime route, also termed the Silk Road Economic Belt. This initiative highlights China's redefined role in global affairs, explicitly classified as China's Global Push. This project also hints at China's over-production scheme and a lead runner in the manufacturing sector (Ali,2020). According to the official website, OBOR will connect almost 65 countries with an investment structure of $8T of infrastructure, $2.5T of trade annually, 900 planned projects, and $4 trillion of investment (One Belt One Road Official,2015). Pakistan was made a principal partner by China in this new Silk Route initiative since China announced projects of 46 billion dollars, naming it the 'China Pakistan Economic Corridor.'

Moreover, accelerating regional development would reform Pakistan's role in regional security calculus and assert Pakistan's robust position in global affairs. As per the study conducted by Shakir, Nehal, and Qadri, CPEC is expected to reach the heights of $72 billion in the coming years and would prove to be a regional game changer as well as challenging the Indian hegemony while taking Pak-China friendship to another level (2017). Also, considering the regional dynamics, the China-Pakistan friendship has a long and deep standing in Asia. This relationship is strengthened by the treaties for regulating trade and investment that have been binding on the parties until the signing of the 1989 China-Pakistan BIT and the 2007 China-Pakistan FTA (Stone,2012). Further, in July 2013, the two countries signed a memorandum of understanding on the China-Pakistan Economic Corridor (CPEC). The main aim of CPEC is to work harder to connect China and Pakistan with all Asian and Central Asian countries. To implement this plan, the Chinese government will lend Chinese companies to work in all integrated transportation services in Pakistan. As such, the number of Chinese investors in Pakistan is expected to increase (Idrees et al.,2020).

2.1 Special Economic Zones and CPEC

The term Special Economic Zones marks a central place on every discussion table about international trade and economy. Although the concept has multiple connotations in academic, industrial, and layperson language, the modern era cannot escape from the far-reaching holistic welfare it provides to a country. According to the World Bank Report, 2008, Special Economic Zones or Industrial Parks are efficient instruments to drive industrialization, have distinct characteristics of geographically demarcated areas, single management, offer privileges to investors physically present in the zone, and provide a separate tax area or duty-free benefits (FIAS,2008). Conferred further by Farole and Akinci (2011), SEZs emerged with the four core purposes of economic development. These values include attracting foreign direct investment (FDI) to the country, eradicating unemployment, establishing large-scale job programs, making the country’s economic reform policy, and using experimental implementation platforms to test new economic strategies.

Moreover, the study and success of SEZs can be determined pragmatically by discussing the historical Chinese model of local economic development that pioneered the former concept. Breaking the shackles of neutrality and debuting as the modern international economy in 1981, China established the four economic zones near the coasts of Guangdong and Fujian, selecting four cities with strategic significance: Shenzhen, Zhuhai, Xiamen and Shantou. Further, these economic areas were deliberately and strategically selected to be away from the political centre of Beijing so that political influences could not hinder the country's economic activity. The progress of all four Chinese SEZs was later calculated to be $1.17bn in 1985, accounting for China’s 26% of FDI (Yeung et al., 2009). In addition, the Shenzhen Model is a famous global case study delivering the success of SEZs. Risen from a small fisherman village in 1980 to a mega centre in just three decades, Shenzhen became the best-performing high-tech industry by 2007, better than the Chinese metropolitan hubs. At the same time, Chinese economic experts were selecting Shenzhen as a safe experimental platform for SEZs based on its little fiscal contribution to the state. Thus, power decentralization for local governments was established as the principal focus for boosting investment projects. Furthermore, a pivotal step was the setting up of the Shenzhen Foreign Investor Center to engage smoothly with foreign investors, which resulted in the investment of 2.3 billion RMB in fixed assets in Shenzhen

(Liu & Cai, 2018). According to the estimates of UNCTAD, following this successful Shenzhen model, currently, 5000 SEZs are working across the world, with almost 90% installed in developing countries (World Investment Report UNCTAD, 2019).

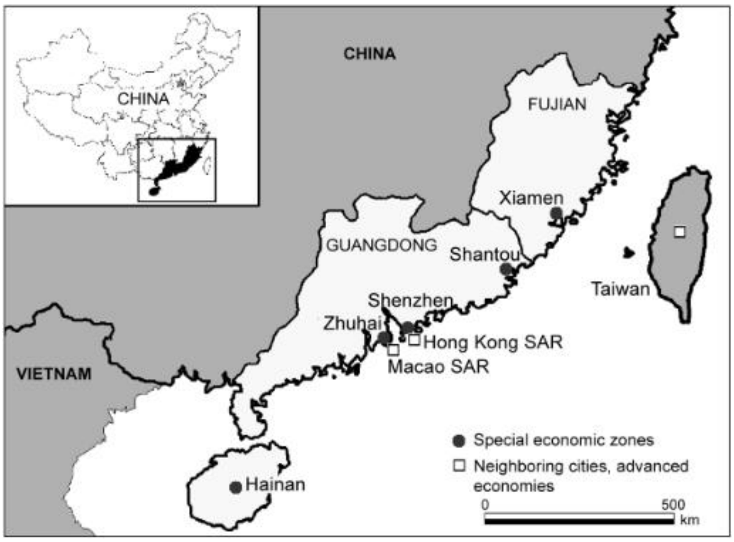

Figure 2: Map of China's first four special economic zones
Source: Chen,2019

Another essential concept of the present decade is designing sustainable special economic zones, a solemn focus of phase II of CPEC. Initially struggling with the preconceived notions of industrial development's precedence over sustainability, the green economy has risen to the surface with hearts on climate resilient growth (Hamzah et al.,2023). According to the research conducted by UNCTAD in 2021, new SEZs have started to adopt the 'role reversal strategy' by shifting from mere cost advantages to becoming flagbearers of sustainability. Assuming the research outcome as a pragmatic stage, UNCTAD further developed a framework for SEZs to swift the progress of the SDG 2030 agenda. The list of options in the program includes:

- Focus on inviting investments related to SDG activities
- Implementing and complying with the top-level corporate governance standards ensuring social and environmental protocols
- Contributing towards the promotion of Inclusive Green Economic Growth by building ties and alliances

Another significant research displayed the relevance of SEZs to sustainability growth is based on the indicators from the social, economic, and environmental sectors. Further, these are combined with core indicators of sustainable development marked by the United Nations Commission on Sustainable Development to develop, assess, and analyze the SEZ framework for promoting sustainable green investment. The sustainability performance of SEZs can be evaluated by measuring water use per person or project, leading to a cost analysis of the potential investment (Buaban et al., 2020).

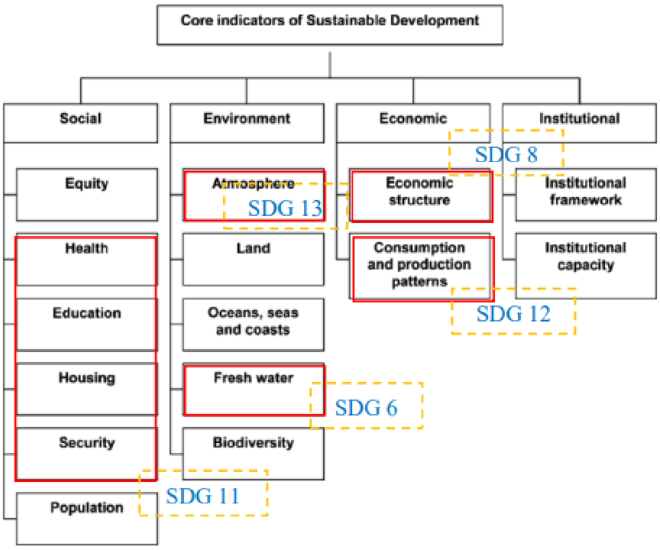

Figure 3: Core Indicators of Sustainable Development
Source: World Investment Forum, 2021

2.2 The Existing legal framework for the protection of Chinese Investors in Pakistan

Possessing the aim to connect Europe with Asia, the Belt and Road Initiative represents a multinational investment platform where regional governments, being equally responsible for the restructuring, would be accountable for the resident community challenges, repairing the environment from any damages, and upgrading the traditional forms of economic development (Jafferzadeh & Yang, 2023). CPEC, being one tier of it, is already in the phase of exercising investment through economic zones in Pakistan. For a developing country like Pakistan, the practical implementation of the hardcore concept of SEZs was challenging; however, since 1947, the country has established small industrial zones to accelerate modern economic growth. One such example is the making of the Pakistan Industrial Development Corporation in 1952, right after the independence, with the policy of reinvestments by a small group of the country's prominent businessmen (Khan et al., 2016). Another major step was the China-Pakistan Bilateral Investment Treaty (BIT), which came into force in September 1990 after its initial signing in 1989. Although Article 13 of the treaty has put the condition of termination after ten years, it is still in force as no notification has been served for its termination by the parties.

The China-Pakistan Free Trade Agreement (FTA), which came into force in July 2007, also has a substantial chapter on investment. As both the FTA and BIT exist simultaneously, it is evident that there will be an overlap in the protection standards for the investors of both countries. Chinese investors have been protected by both the International Investment Agreements (IIAs), which are subject to interpretation and analysis of their content about the subject matter at hand.

As CPEC was unveiled after the launch of the 2007 China-Pakistan FTA, all the investments in CPEC and the SEZs were governed by the latter. The primary purpose of using this agreement is its compliance with the latest standards and providing better protection to Chinese investors than the 1989 BIT. For example, a recent case study of the lawsuit initiated under the International Center for Settlement of Investment Disputes (ICSID) by Chinese investors is against the Government of Cambodia. The China-ASEAN FTA, which came into force in 2009, has better protection than the China-Cambodia BIT 1996. The investors' claims were based on the latest FTA rather than the former BIT (Qiong Ye and Jianping Yang v. Kingdom of Cambodia,2021). Implementing the same case for Chinese investors in Pakistan, the China-Pakistan FTA will be used for any claim against the Government of Pakistan. Furthermore, this concept stands credible from the investor's perspective, which demands clear and strong protection, especially from the Vienna Convention on Law of Treaties interpretation.

As an indispensable discussion at the latest, the regulatory concept of SEZs in Pakistan is more intricate now. As per the SEZ Act 2012, laws for the economic zones under CPEC would be set up by Federal or Provincial governments depending on the project's locality and will be in collaboration with public-private partnership regulations. Following this scheme, the government of Pakistan has established a total of five estates, including Multan Industrial Estate Phase-II, Bhawalpur Industrial Estate and Mianwali, RahimYar Khan Industrial State, DeraGhazi Khan and Rawalpindi Industrial Estate as Special Economic Zones under CPEC estimating the creation of 150000 jobs locally (Hussain & Rao, 2020).

3. Research Method

The research is a qualitative study that follows exploratory methods to find solutions and reach conclusions. The primary data is collected through personal interviews with the experts. Secondary data is collected from related publications, such as articles and books from known research analysts. These include the database and 2024 Sustainable Development Policy Institute catalogue, documents from official websites including CPEC, and archives of the Ministry of Planning and Development, Pakistan. The analytical framework is used for the regulation part to understand the current scenario better, find gaps, and provide suitable measures for future studies. To analyze the existing legal framework for Chinese investors in Pakistan, the researchers went through the international investment agreements of the two parties and related cases under the International Centre for Settlement of Investment Disputes (ICSID). The research also used the Special Economic Zone Act and existing jurisprudence on Fair and Equitable Treatment.

4. Present Developments

The recent meeting between the Federal Minister of Pakistan, Prof. Ahsan Iqbal, and the Chinese Ambassador to Pakistan, H.E. Jiang Zaidong, in July 2024 accentuated the need to operationalize the SEZs under CPEC to speed up Chinese investments in Pakistan (CPEC-Government of Pakistan, 2024). Retrieved from the official website of CPEC, the 2024 data for industrial cooperation between Pakistan and China displays the significance of SEZs with the current under-construction projects and with the ones in the pipeline.

Table 1: Present and Upcoming SEZs under CPEC

	Present and Under Construction SEZs		Future SEZs
1	Rashakai Special Economic Zone	**5**	ICT Model Industrial Zone
2	Allama Iqbal Industrial City	**6**	Industrial Park on Pakistan Steel Mill Land
3	Dhabeji Special Economic Zone	**7**	Mirpur Industrial Zone
4	Bostan Special Economic Zone	**8**	Mohmand Marble City
		9	Moqpondass Special Economic Zone

Another primary aim of developing SEZs is to make CPEC a successful model for green industrial development for future BRI projects. Also, amid the socio-economic and environmental challenges in Pakistan, mainly arising from the locals about the unfair exploitation of resources, making CPEC a sustainable project has become inevitable. For instance, a recent ethnic Baloch campaigning against the inauguration of the international airport in Gwadar (a CPEC project) glints upon the need to enhance cooperation on renewable resources for gaining the confidence of local and smooth progress of CPEC aims (Janjua, 2024). According to the Sustainable Development Policy Institute, CPEC phase II strongly emphasizes the diversification of energy resources, with almost 50% of upcoming projects concentrating on renewable and hydropower industrial development aligned with global sustainability goals. Linking it further with establishing SEZs in the light of Rostow's Model of Economic Development, CPEC 2.0 is expected to move to stage three. However, the primary areas of focus must be regional growth, investments, and industrialization, embedding it with renewable energy and environmental considerations.

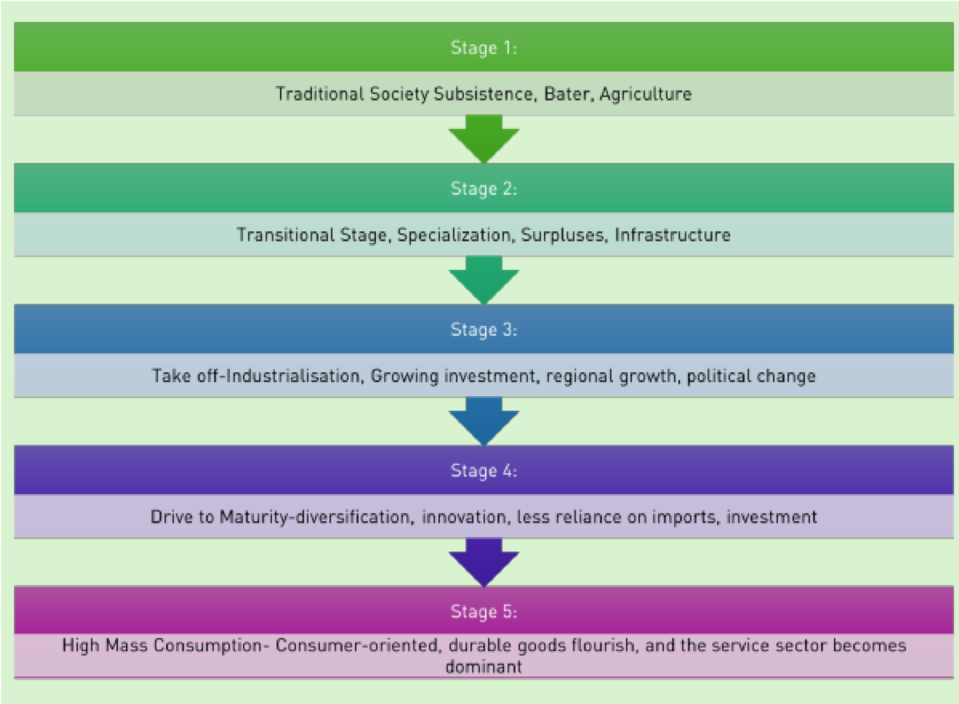

Figure 4. Rostow's Model of Economic Development
Source: Cited in SDPI-2024 Catalog

5. Discussion

5.1 Regulations at Policy Level

According to the 2024 policy framework by SDPI, several measures can gear up the SEZ development with the cooperation of the Board of Investment (BOI), the Ministry of Industries and Production (MoIP) from Pakistan, and the National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM) from China. Further, in a personal interview, Mr. Ubaid-ur-Rehman Zia, a Senior Research Associate from the Sustainable Development Policy Institute, shared the impact of the following measures to enrich the investors' interests in CPEC 2.0 amid SEZs establishment.

- Transferring Chinese industries to Pakistan can positively impact Pakistan's export industry
- Discovering possible financing schemes, including subsidies to investors, tax incentives, and land grants, which will attract considerable investment from Chinese companies to establish manufacturing facilities for renewable energy components (such as solar panels, wind turbines, and batteries) and EV production within the SEZs
- Provision of low-interest loans targeted explicitly at renewable energy and electric vehicles (EV)
- Speeding up the infrastructure development of SEZs by mobilizing the funds and upgrading transportation networks with consistent access to electricity and water
- Events and forums like recent Kunming Expo of July 2024 must be organized for the stakeholders from the government and private sector from Pakistan and China, which will provide direct opportunities to the Pakistani and Chinese investors to interact and explore business opportunities in SEZs (Zia, Personal Interview, 2024).

5.2 Regulations at Legal Level

On the legal front, the 1989 China-Pakistan BIT has the Fair and Equitable Treatment (FET) standard in a different form, unlike the contemporary articles which use the word FET, with only the word 'equitable treatment.' The FET is used as an umbrella clause to fill the gap left by other specific protection standards. It merely works for the rule of law and good faith between the investor and host state relationship (Mahmood，2021). Ahmad Ghouri, in his research, argued that the word ‘equitable’ without the prefix “fair” in the BIT shows the development of the standard it has passed through rather than implying lesser protection from the contemporary FET standard. The 1959 Germany-Pakistan BIT, the first BIT in the world, even had no provisions for Fair and Equitable Treatment (Germany - Pakistan BIT，1959). Later, in 2007, following the parameters of the Free Trade Agreement between the two countries, the protection standard found its full name, i.e., FET, which eventually shows the gradual development of FET and other standards under IIAs.

5.2.1 Fair and Equitable Treatment under the China Pakistan FTA

It is only possible to analyze some protection standards for Chinese investors in Pakistan under the China-Pakistan FTA within this article. Although every protection standard has its own significance, the Fair and Equitable Treatment standard is highly litigated and a catchall standard in International Investment Law. Additionally, this standard proves beneficial as tribunals broadly interpret it unless the investment agreements provide restrictions (Dolzer,2013). Also, from the provisions of the 1989 BIT and 2007 FTA between China and Pakistan, it can be seen that all the litigation standards for investors have gradually developed to enhance the investment environment in Pakistan.

According to the China-Pakistan BIT preamble, ‘treaty is designed to encourage, protect and create favorable conditions for investments by investors’ moving between party states”. While on the other hand, FTA states that “This Agreement should be implemented to raise the standard of living, creating new job opportunities, and promoting sustainable development complying with the environmental protection and conservation（Ghouri，2016). Hence, the FET standard provides a minimum absolute standard of protection to investors, and the host must treat investors according to international law (Bazrafkan & Herwig，2016). Ultimately, tribunals are responsible for finding FET violations and are required to assess the state's conduct and the damage threshold. The FET standard can be either the Minimum International Standard (MIS), given by civilized countries to foreigners and their proprieties, or an independent standard with life and interpretation of itself. Therefore, there are two ways of interpreting the FET standard, one about MIS and the other in FET as an autonomous standard. (UNCTAD，2012).

5.2.2 FET as an Autonomous Standard and the CPEC

According to Article 31 of the Vienna Convention on the Law of Treaties, the provision of a treaty should be interpreted literally in good faith, considering its purpose and objective. According to this interpretation, FET is an autonomous, independent standard that should be interpreted as opposed to another argument that calls for the interpretation of the FET standard similar to the customary international law of treatment of aliens like the Minimum International Standard (Stone,2012). In almost all International Investment Agreements (IIAs), a state must comply with no specific rule or requirement aside from the vague words ‘Fair and Equitable,’ which also holds for the China-Pakistan FTA.

Additionally, through the independent application and interpretation of FET, until now, tribunals have substantiated the following constituents of the standard: prohibition of manifest arbitrariness, prohibition of denial of justice, prohibition of discrimination, prohibition of abusive treatment, protection of legitimate expectation (Bazrafkan & Herwig,2016). In other words, violation of FET constitutes arbitrariness, bad faith, discrimination, denial of justice, frustration with legitimate expectations, lack of transparency, coercion, and harassment (Stone, 2012). Evidence of bad faith, lack of transparency, unjustified enrichment, and lack of respect for the obligation of vigilance and protection also constitutes a breach of FET. The administrative rules incorporated into FET are the absence of due process, administrative irregularity, lack of transparency, absence of good faith, and violation of the legitimate expectation of the investor in exercising administrative functions (de Vietri,2011).

The China-Pakistan FTA has no limitations in interpreting the FET standard provision. Therefore, the FET standard has independent meaning and application under the FTA, which is a good sign for Chinese investors in

Pakistan under the CPEC and SEZ as they are well protected by the FET standard under the FTA. The reason behind this is the broad shield that limits the legislative, judiciary, and administrative power of the government of Pakistan. Although it is difficult to generalize the constituents of the FET standard due to the absence of a unified or frozen agreement and continuous development of the standard (de Vietri， 2011), countries have already started to codify the different constituents generated by tribunals in interpreting and applying the standard. An exemplary case here is Article 8.10 of the Comprehensive Economic and Trade Agreement (CETA), the trade and investment agreement signed between the European Union and Canada, and the Trans Transatlantic Trade and Partnership Agreement (TTIP) (Grisel,2022). Although Pakistan has already committed to providing Fair and Equitable Treatment standards to Chinese investors beyond the principles of the International Minimum Standard (IMS), the government must keep codifying the elements of FET to curtail arbitrators' jurisdiction. Further, providing FET standards beyond the MIS benefits the investors, but Pakistan's sovereign right of regulation and administration might be abridged. To avoid this restriction, the government of Pakistan must consider enlisting the standards of FET rather than leaving them open-ended.

5.3 Regulation of SEZs Under CPEC

Presently, CPEC is considered the primary source of economic change in Pakistan, and SEZs are the tools for implementing the long-term integration project under the CPEC (Naeem, Waheed & Khan, 2020). SEZs' laws and regulations differ from those of the trade and manufacture conducted in other areas of the country. Investors and traders are given fiscal and regulatory incentives to invest in that area (Mahmood, 2021). Although the 2012 SEZ Act was enacted before the Belt and Road Initiative, the economic zones under the CPEC are governed by this act(Naeem, Waheed, and Khan,2020). However, despite all the incentives that the 2012 Act provides to investors in the SEZ, this legal measure is criticized for only dealing with domestic investors (Mahmood, 2021). A recent development is the conversion of CPEC-SEZs into sustainable platforms. The 2024 catalogue issued by the Sustainable Policy Development Institute and Pakistan China Institute presents several measures to convert the CPEC SEZs into green investment hubs under the proposed legal standards.

- Among green financing schemes, the reforms include the promotion of debt swaps and the development of a green bond market to expedite the progress of green investment in renewable energy. Moreover, establishing financing institutions with regulatory bodies and incentive schemes would further pave the way for greening SEZs, mitigating the financial risk. It is further advised that these schemes be incorporated into the Traffic Light System of the BRIGC green development guidance.
- Through a personal conversation with the research associate of SDPI, Mr. Ubaid-ur-Rehman Zia, to bring ease for the investor, designing a toolkit for the financing institutions can aid the enforcement of Environmental Social Management System (ESMS), alleviating the fears of foreign investors in the CPEC SEZs. These steps include a series of phases, such as prior project screening and evaluation. Moreover, developing a "grievance redress mechanism" in the area's local language must be accessible to people negatively impacted by any project under its multiple phases. Also, consultations with local stakeholders and communities will ensure institutional and governance transparency.
- For the environmental and social risk assessment and mitigation, financial institutions must be designed to work in close coordination with the investment clients to amend any breach of ESF and loan agreements.
- To ensure the transparency and accountability of the litigation process in the SEZs, proper guidelines for investing and lending, incentives including tax breaks and subsidies along with incentivizing banks by the regulators to sponsor sustainable projects
- Another significant step is the establishment of a carbon market following the Clean Development Mechanism with the aim of focusing and multiplying funds into ESG investing
- A proposed plan of applying ESG Metrics to Pakistan, such as measuring carbon emissions and water usage, will bring ease to global investors (Zia, Personal Interview,2024)

6. Conclusion

Having an enchanting slogan of 'There is more to this Corridor,' the primary scope of CPEC 2.0 suggestively aligns with establishing Special Economic Zones (SEZs) and bilateral memorandums of the union. The launch of SEZ under the CPEC is an engine for the economic growth and industrial development of Pakistan and provides opportunities to Chinese investors (Ghouri,2016). To materialize this aim and bolster equal and fair industrialization in Pakistan, it was decided to set up SEZs in each province of Pakistan, making four zones in total, with the initial plan of establishing nine SEZs first drafted in 2017. Furthermore, SEZ launched under the CPEC to attract domestic and Chinese investors. To have legal monitoring, the 2012 Act for regulating SEZ is considered outdated and more inclined to domestic investors as it was enacted before the CPEC came into the picture. Thus, the 2007 FTA was a remedy between China-Pakistan investment schemes and provided better protection for Chinese investors than the 1989 China-Pakistan BIT. Fair and Equitable Treatment is a catchall standard that is broadly interpretive as opposed to the FET connected with MIS. Further, this independent interpretation is also a privilege for Chinese investors in Pakistan as it is under a constant development process and has already conceptualized several general principles restricting the host state's regulatory, judicial, and administrative power. Therefore, it is assessed that Chinese investors in Pakistan are well protected under the FTA, particularly under the FET standard.

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Writing – Review & Editing: Wu Chongbo and Maham Zahoor
Supervision: Wu Chongbo
Funding Acquisition: Wu Chongbo, Maham Zahoor and Makda Gebru

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Note 1. Abbreviations
Fair and Equitable Treatment (FET),
Free Trade Area (FTA)
Minimum International Standard (MIS)