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Foreign Investment Laws in Pakistan: Legal Protection, Arbitration, and Investor Confidence

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ABSTRACT

Foreign investment has been perceived to be very crucial in the economic growth, transfer of technology and creation of employment in Pakistan. To entice and keep foreign capital, Pakistan has come up with a legal framework that provides substantive guarantees to the foreign investors such as guaranties against expropriation, repatriation of profits, and international arbitrations to resolve disputes. All these safeguards are incorporated in domestic investment regulations, bilateral investment agreements as well as international arbitration agreements that Pakistan has signed. This formal legal architecture has however not led to investor confidence by foreign investors as there is uncertainty in the regulation, some inconsistency in enforcement, political risk and complex investor-state arbitration history of Pakistan. This article critically discusses the foreign investment laws in Pakistan with the focus on the scope of legal protection given to foreign investors and the efficacy of such laws, the importance of international arbitration in the settlement of the investment disputes and the overall influence of the same on the investor confidence. It claims that though the investment protection regime in Pakistan has been good in the formal sense and has been mostly in compliance with the international standards, weaknesses in domestic regulatory governance, institutional coordination, and post-award compliance have compromised its credibility. The article also shows that the experience of investor-state dispute settlement in Pakistan has resulted in a clash between investor protection and regulatory autonomy, which have shaped the current policy decisions and treaty practice. Placing the foreign investment regime of Pakistan in comparative and international perspectives of law of investment, this study helps note the disparity between law and reality of investment. It concludes by stating that to restore and maintain investor confidence not only do legal safeguards and effective arbitration regimes have to be put in place, but that regulation is predictable, governance clear, and does investment policy make sense.

Keywords: Foreign Investment; Pakistan; Investment Protection; Bilateral Investment Treaties; Investor–State Arbitration; ICSID; Regulatory Certainty; Expropriation; Investor Confidence; Investment Law.



Introduction

The foreign direct investment (FDI) takes a leading position in the economic development agenda of Pakistan especially following the continued fiscal tightness, balance of payments strains and technological modernization. Governments have over the years pointed out the need to have foreign capital flow in order to grow, develop infrastructure, and make Pakistan a part of global value chains. In reaction, Pakistan has come up with a legal and policy framework to give confidence to foreign investors such as statutory protections, what is guaranteed by treaties and access to international arbitration. Formally, this structure speaks volumes of high levels of investor protection and adherence to international investment standards.¹

The foreign investment regime in Pakistan is founded on the integration of local and international laws. Investment laws offer guarantees that touch on national treatment, expropriation protection and free capital and profit repatriation. On the international front, Pakistan has signed several bilateral investment treaties and has accepted several key arbitration agreements such as the Convention on Settlement of Investment Disputes between States and Nationals of other States. All these tools have provided the foreign investors with the right to avoid local courts and to pursue redress in investor-state arbitration, a quality which is sometimes considered to be the major factor in investor confidence in the developing economies.²

Although these legal provisions are there, the experience of foreign investment in Pakistan has been inexplicit. The surge of inflows has in many cases been succeeded by steep falls, as a concern of the unpredictability of the situation in the political arena, unpredictability in the area of regulations and difficulty in Governance. The high-profile investor-state arbitration cases have revealed flaws in contract management, regulatory coordination and avoidance of disputes, which resulted in huge financial liabilities on the state. Such experiences have cast doubt on the competency of the Pakistan investment protection system and its influence on investor confidence and regulatory independence.³

The importance of international arbitration in the investment environment of Pakistan is exceptional. Arbitration has offered a neutral platform to foreign investors to question the state actions, yet has sparked controversy in giving huge compensations and alleged limitations on regulation of the policy by the people. The case of Pakistan serves as an example to demonstrate a wider range of global arguments on investor-state dispute settlement, such as transparency, uniformity, and the way to strike a balance between the rights of investors and the rights of the state to make its own decisions in the common good. Such arguments have affected the recent reevaluation of the treaty obligation, as well as the investment policy strategy, by Pakistan.⁴

There is also the issue of domestic regulatory governance that makes the investment environment more challenging. Although laws on investments provide formal guarantees, investors usually face real problems, including the cross-boundary jurisdiction of regulations, administrative rule inconsistency, and administrative

¹ Baig, K., Soomro, A. S., Arafat, Y., & Zafar, M. H. (2025). An Analysis the Arbitration (International Investment Disputes) Act, 2011 with Reference to the Protection of Foreign Investors in Pakistan. *The Critical Review of Social Sciences Studies*, 3(1), 208-222.

² Khan, A. N., & ur Rehman, H. A. (2020). Legal Framework of Foreign Investment in Pakistan: An Appraisal of Protectionist Approach.

³ Snyder, E. (1964). Foreign Investment Protection: The Arbitration Aspect. *SCL Rev.*, 16, 388.

⁴ Munir, Y., & Yonghong, Y. (2024). The Impact of International Commercial Arbitration on the Islamic Republic of Pakistan's Business Environment and Foreign Investment. *International Research Journal on Islamic Studies (IRJIS)*, 6(1), 01-21.



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adjudication delays. The complexity of regulations has been contributed by weak coordination between federal and provincial institutions especially after the constitutional devolution. These issues of governance compromise the effectiveness of the law and influence the perceptions of risk and predictability by investors.

The judicial and administrative enforcement also contribute to the development of investor confidence. Despite the existence of domestic courts that are formally available to solve commercial disputes, the issue of delay, capacity, and predictability has strengthened the international arbitration by investors. Simultaneously, the irregularities in compliance after awards and delays in the effecting of arbitral rulings have drawn the attention of investors towards the reliability of the dispute resolution results. This tension brings to light the interdependence between the domestic legal systems and international arbitration in the determination of the investment climates.⁵

This paper discusses the laws of foreign investment in Pakistan by reviewing the legal safeguards provided to the investors, the working and implications of the international arbitration processes and how they work together to enhance investor confidence. It also aims to evaluate whether the protection system by the country of investment in Pakistan is such that not only does it make formal commitments but it also makes workable predictability and credibility. Placing the experience of Pakistan in the context of international investment law arguments and comparative practice, the article will seek to highlight systemic gaps and policy frictions that create conditions of lack of investor confidence. The paragraphs below provide an overview of pertinent academic literature, a description of the methodology used in the current study, a discussion of the investment protection and arbitration regime in Pakistan, and recommendations that can be made to enhance the legal certainty without restricting the regulatory space.

Literature Review

The foreign investment law literature in Pakistan allows identifying the long-standing academic interest in the discrepancy between formal law and practice regarding investment security. The initial research on the investment regime in Pakistan highlights the importance of the liberal investment laws and commitments of treaties in attracting foreign investment. According to scholars like MK Hayat 2016, the post liberalization investment regime in Pakistan was created to assure foreign investors with good legal protection such as anti-expropriation as well as free flow of profits. Another caution these studies pose is however, that legal transparency does not help create long-run investor confidence in the absence of predictable governance and regulation.⁶

The extensive literature on bilateral investment treaties (BITs) as the foundation of investment protection regime in Pakistan exists. Pakistan, was one of the first countries in South Asia to start using BITs, and the country has signed numerous treaties over the 1990s that did not cause much domestic debate or risk evaluation. According to scholars, the rights of investors were extended in these treaties and wide permission to international arbitration, frequently in the absence of similar protections to regulatory independence. The literature indicates that this practice of the treaty placed Pakistan in

⁵ Xuwu, W., Zadi, K. I., & Hameed, U. (2022). Protections and Facilitations for Foreign Investors: Legal Perspective under Pakistani Laws. *Journal of Development and Social Sciences*, 3(1), 52-63.

⁶ Hayat, M. K. (2016). An overview of foreign investment laws enforced in Pakistan. *Journal of Social Sciences and Humanities*, 55(2), 135-154.



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quite a risk of legal and financial losses when the investor-state disputes started developing.⁷

Investor-state-arbitration is highly represented in the literature especially concerning the case of Pakistan in the context of the International Centre of Settlement of Investment Disputes (ICSID). Legal critics like MR Awan interpret the case of arbitration in Pakistan as a demonstration of the failure of governance and not the animosity of the government against foreign investors. Examples of poor quality of the contract drafting, absence of coordination between agencies, and irregular decision-making in equal measures among the regulatory bodies are discussed in these studies as the major reasons behind negative arbitral awards. The literature highlights that arbitration decisions tend to indicate ineffective domestic governance as oppressing host states instead of a systematic hostility towards host states.⁸

The literature is debatable on whether arbitration affects the investor confidence. Advocates of high level of investor protection believe that availability of international arbitration will boost investor confidence levels as they decrease the political and legal risk. Nonetheless, those who have largely criticized arbitration as an institution like Hassan T argue that the wide arbitration rights can also impair the autonomy of regulators and pervert the decision-making process concerning the formation of the public policy. Using this criticism to the case of Pakistan, scholars suggest that the fear of arbitration has occasionally caused regulatory slackness, which hinders the pursuit of legitimate objectives of the public interest by the state.⁹

The other significant literature line explores institutional capacity and regulatory uncertainty. According to AB Khan, the situation in the investment climate in Pakistan is not caused as much by the inadequacy of investment law, but rather by the inadequacy of implementation, and the repetition of regulatory roles, and unpredictable administrative action. Research has observed that in spite of legal protection given to investors, they usually experience problem in terms of license, approvals and regulatory transparency. This lack of legalization and practice lowers the credibility of the investment regime in Pakistan, and erodes the signal eating reputation of investment treaties.¹⁰

A comparison of the investment law scholarship can offer more insights into the experience of Pakistan. Comparisons of Pakistan with other emerging economies have indicated that nations, which have had similar commitments on treaty, have performed better in terms of investment due to strengthening of domestic institutions and dispute prevention measures. According to SD Franck, proper investment governance involves ensuring there is consistency between international commitments and local systems of regulation. According to the literature, the inability of Pakistan to incorporate treaty obligations into the processes of domestic decision making has been one of the causes of disputes and loss of investor confidence.¹¹

⁷ Khan, M. A. (2023). International Investment Law and Investor-State Dispute Settlement: An Overview of the Available Remedies for Investors in CPEC under National and International Law. *Journal of Business and Management Research*, 2(2), 903-922.

⁸ Awan, M. R. (2015). Protection of foreign direct investment in Pakistan: is it time to address the deterring factors?.

⁹ Hassan, T. (2002). International Arbitration in Pakistan A Developing Country Perspective. *Journal of International Arbitration*, 19(6).

¹⁰ Khan, A. B. (2025). Is Alternate Dispute Resolution (ADR) A Valid Mechanism to Overcome Trust Deficit of Investors in Pakistan. *Law Research Journal*, 3(2), 41-55.

¹¹ Franck, S. D. (2006). Foreign direct investment, investment treaty arbitration, and the rule of law. *Pac. McGeorge Global Bus. & Dev. LJ*, 19, 337.



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The recent research is also regarding the changing attitude of Pakistan towards investment treaties and arbitration. Analysts observe a renewed critique of classical BIT frameworks, which is informed by the international discussion of reform of ISDS. The reserved nature of Pakistan in relation to new treaties and focus on renegotiation and policy space can also be interpreted as an issue of weighting investor protection versus sovereign regulatory control that is brought up in the literature. According to scholars, this change is an opportunity to re-tune the investment regime in Pakistan towards sustainable and predictable investment governance.¹²

Overall, the literature has found that the laws protecting foreign investors in Pakistan are well-formed in terms of paperwork but have yet to offer the required confidence to the investors due to governance failures, regulatory inconsistency and a controversial arbitration process. A key point made by scholars is that to make a proper investment protection, it is necessary to have not just legal guarantees and access to arbitration but also coherent policy, institutional coordination and credible enforcement. The methodological approach adopted in the following section is based on this body of scholarship since it is possible to analyze the regime of foreign investment in Pakistan in a structured way by evaluating legal protection, the arbitration process, and the results on investor confidence.

Methodology

The research methodology used in this article is qualitative, institutional and doctrinal in nature to examine the laws in foreign investment in Pakistan with special focus on legal protection, international arbitration and their combined effect on the investor confidence. The underlying assumption of the methodological approach is that the presence of legal guarantees does not necessarily mean investment protection, but they can rather be operationalized in the context of a larger governance, regulatory and dispute resolution ecosystem. In this regard, the paper is an attempt to combine legal interpretation alongside institutional and policy analysis to examine both the formal and informal performance of the investment regime in Pakistan.

The initial element of the research methodology is the doctrinal legal analysis of the foreign investment system in Pakistan. This will entail an in-depth review of domestic investment laws, applicable constitutional laws and regulatory tools regulating foreign investment. The analysis dwells on major investor protection like protection against expropriation, national treatment, fair and equitable treatment, as well as protection in terms of repatriation of capital and profits. These provisions are evaluated in terms of clarity, scope and consistency and their consistency with the international investment law norms that are contained in bilateral investment treaties and in customary practice.

The second methodological aspect analyzes the obligations of Pakistan regarding the international treaties on investment. This involves examination of bilateral investment treaties that have been concluded by Pakistan with specific regard to dispute settlement provisions, protection standards and investor-state arbitration consent. The paper reviews the text of treaties in order to determine the scope of investor rights and the degree of regulation freedom of state. The analysis is done where applicable on the interaction of treaty commitments with domestic law as well as whether there are in place mechanisms to ensure consistency between international obligations and domestic regulatory decision making.

¹² Chung, O. (2006). The lopsided international investment law regime and its effect on the future of investor-state arbitration. *Va. J. Int'l L.*, 47, 953.



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The third part of the methodology is concerned with investor state arbitration practice. This entails a qualitative study of the Pakistani experience in the arbiter proceedings, especially the ICSID system. The paper analyzes the trends in conflicts, characteristics of investor claims, and legal and institutional aspects that promote bad outcomes. As opposed to determining the merits of individual cases, the methodology focuses on system-wide challenges including contract management, inter-agency coordination and post-award compliance, which affect the outcomes of arbitration as well as the perception of the investors.

Following the trend utilized throughout this sequence of articles, analytical tools are adopted in a structured manner in order to improve the clarity and rigor. Later, comparative tables could be utilized to project the main legal safeguards against the effects of arbitration and indicators of investor confidence, whereas conceptual diagrams could be utilized to demonstrate the connection between national regulation, the treaty commitments, and dispute resolution options. These instruments facilitate a methodical assessment without reducing the legal and institutional intricacies of investment governance to make things simple.

A comparative and international point of view is also included in the methodology. The investment protection regime in Pakistan is compared to the practices in other emerging economies that have had the same difficulty in maintaining the right balance between investor protection and regulatory freedom. Compared studies are applied to find the best practices in treaty design, dispute prevention, and institutional coordination, which could be applicable to the situation in Pakistan. Last, the assessment system used in this paper establishes effectiveness on an outcome based platform. The analysis evaluates the role of foreign investment laws and arbitration, as to whether they cause predictable regulation, motivation in a timely manner to resolve a dispute and investor confidence sustained, and not as to mere adherence to international standards. This strategy appreciates the fact that the investor trust is reliant upon legal predictability, institutional trustworthiness, and governance predictability. The methodological premises available here uphold the next section which outlines the research findings on how foreign investment protection works and how it is constrained in Pakistan.

Research Findings

According to the results of the research, the laws of protection of foreign investments in Pakistan represent a powerful formal protection of investors, but the laws fail to produce the necessary effect of building the confidence of investors in the long term due to the uncertainty of the regulations and weaknesses in the system of governance, as well as the controversial experience of arbitration. Among the most remarkable results is the fact that the Pakistani domestic investment laws and bilateral investment treaties provide a wide range of legal protection to foreign investors in the country. These are the security against direct and indirect expropriation, the non-discriminatory treatment guarantees, and the free repatriation of the capital and earnings. Formally, the investment protection regime in Pakistan is comparable to most of the emerging economies.¹³

One of the main findings relates to the lack of connection between the treaty-based protection and the domestic regulation practice. Investment laws and treaties provide a stability and predictability but in many instances investors find that regulations are not consistently applied, that several sets of approval have to be obtained and that policies

¹³ Ahmad, I., Ullah, F., & Khan, G. (2025). LEGAL AND POLICY ANALYSIS OF SINGAPORE INVESTMENT FRAMEWORK. INSIGHTS FOR PAKISTAN AND EMERGING MARKETS. *Contemporary Journal of Social Science Review*, 3(2), 22-34.



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change abruptly. Such regulatory uncertainty undermines the practical usefulness of legal protection and is part of the perception of investor risk. The results indicate that investor confidence is not determined by the presence of legal guarantees and rather by how the guarantees have become consistent and transparent.¹⁴

The results of investor-state arbitration demonstrate that there are structural failures of governance and not a legal conflict in isolated situations. The review of the arbitration practice in Pakistan reveals that arbitration problems may be based on mismanagement of the contracts and the inability to coordinate the actions of various governmental organs and the default of the contract or regulatory obligations. These institutional flaws have led into bad arbitral awards and huge financial costs to the state, which hurt the reputation of Pakistan as a trusted place of investment. The result of arbitration therefore depicts the gap in governance and not the inherent weakness of the international arbitration process.¹⁵

Table 1: Foreign Investment Protection and Observed Deficiencies in Pakistan

Aspect	Formal Legal Protection	Observed Deficiency
Expropriation protection	Guaranteed by law and treaties	Unclear regulatory actions
Repatriation of profits	Freely permitted	Administrative delays
Regulatory stability	Promised through treaties	Frequent policy changes
Arbitration access	Broad consent under BITs	High exposure to claims
Post-award compliance	Legally required	Delays and resistance

The other significant result is with regards to the arbitration effect on regulatory conduct. The results show that the exposure to high-value awards by arbitral tribunals has produced some form of regulatory hesitation, which is often termed as regulatory chill. Government institutions might be afraid to impose regulations or amend the policies because of the fear of sparking arbitration cases. Although this warning is meant to prevent conflicts, it may compromise proper regulation of public interest and cause misunderstanding to both the investors and regulators.

Another issue that the research raises is the post-award compliance and diseases associated with dispute management. Delays in realizing an arbitral award and a coordination mechanism of the dispute not centralized undermines the confidence of the investors and further increases the reputational damage. The investors consider slow compliance a weakness of the institution, which makes the investment environment even less appealing.¹⁶

Lastly, the results indicate that the investor confidence can be impacted by the larger indicators of governance outside the investment law. Rule of law, political stability, efficiency of the judiciary and administrative capacity are decisive in making investment decisions. Well-developed legal frameworks cannot be used to compensate poor governance and unstable regulation. This substantiates the finding that the foreign

¹⁴ Shafiq, M. S. (2025). State Immunity and its Impact on Investment Protection: Challenges and Prospects in International Investment Law. *Law and Policy Review*, 4(1), 23-47.

¹⁵ Abbas, R., Rashid, M. A., & Bilal, F. E. (2022). Disputes arising out of foreign direct investments in Pakistan: A new look at legal and political issues. *Pakistan Journal of International Affairs*, 5(2).

¹⁶ Ghouri, A. A. (2012). *Law and practice of foreign arbitration and enforcement of foreign arbitral awards in Pakistan*. Springer Science & Business Media.



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investment law needs to be incorporated into a consistent system of governance to be useful.

On the whole, the findings of the researcher reveal that the laws on foreign investment in Pakistan provide strong formal safeguards but fail to be translated into investor confidence because of the governance problems, inconsistency in the regulation and arbitration issues. These findings are used to form the foundation of the following discussion where the interaction between legal protection and arbitration practice and the dynamics of governance are discussed and how they influence investor confidence in Pakistan.

Discussion

In the results of this research, it is apparent that the foreign investment regime in Pakistan is full of a paradox, as the country has high levels of formal law protections to foreign investors, but it has been unable to induce confidence in the stability and sustainability of investment among foreign investors. As mentioned in the discussion, the real issue is not the lack of the legal guarantees but the lack of coherence between the legal promises and the practice of governance. Investment laws and treaties are simply signals of openness, which require credibility through regular regulatory actions and institutional coordination as well as effective dispute management.¹⁷

One of the main problems that arise during the discussion is the regulatory unpredictability. Stability and transparency are of more importance to investors than substantive legal protections. In Pakistan, any promise offered by investment laws and treaties is spoilt by frequent policy changes, overlapping regulatory requirements and inconsistency in the decision-making among the administration. This uncertainly undermines the signaling effect of legal protection and perceived risk, especially of long-term infrastructure and energy investments. As mentioned in the discussion, regulatory uncertainty has the ability to offset the best treaty-guaranteed provisions.¹⁸

Islamic Investor-state arbitration has a neutral position in the Pakistani investment environment. Access to international arbitration on the one hand improves investor confidence by offering a neutral venue within which they can settle their differences. Pakistan, conversely, has demonstrated through bad arbitral awards the underlying weakness of governance systems and created both fiscal and political costs. This discussion points out that results of arbitration are frequently the effects of domestic institutional failures, including bad contract management and in-coordination across agencies, than the symptom of excessive investor privilege. Arbitration is the issue that is being treated when the underlying governance problems should be taken into consideration, and there is a risk of focusing on the symptoms of the poor investor satisfaction.¹⁹

Tensions on investor protection, as well as regulatory autonomy, are also mentioned in the discussion. Viewing arbitration claims has also led to regulatory restraint, occasionally limiting the ability to regulate in the legitimate interests of the population. The phenomenon indicates the wider debate in the world regarding the proportions between the protection of the investment and the right of the state to regulate. The lack of

¹⁷ Mumtaz, A., Baig, K., Abbas, A., & Malik, F. (2024). An Overview the Development of International Arbitration: A Comparative Study in Perspective of Pakistan and the China. *The Critical Review of Social Sciences Studies*, 2(2), 840-859.

¹⁸ Ghouri, A. A., & Mahmood, N. (2012). Deciphering Pakistan's foreign investment policy: A review of Pakistani BITs. *The Journal of World Investment & Trade*, 13(5), 812-873.

¹⁹ Adil, M. T., Shah, N. A., & Awais, F. (2024). Mechanism for enforcement of arbitral awards in Pakistan. *Contemporary Journal of Social Science Review*, 2(04), 1066-1080.



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internal clear guidelines on the compliance with the treaty and the risk of regulation in the case of Pakistan makes this tension even more problematic and brings uncertainty to all regulators as well as to all investors.²⁰

Another factor that may lead to ineffective investment protection is institutional fragmentation. Investment promotion, regulation, and contract management as well as dispute resolution often lack coordination in the distribution of responsibilities across various agencies. This fragmentation also enhances risks of inconsistent commitments and conflict in regulations thereby escalating the chances of disagreements. The debate implies that in the absence of centralized control and accountability lines, legal safeguards will not work as desired.²¹

Overall, it is found in the discussion that foreign investment laws in Pakistan are needed but cannot work to maintain investor confidence. Predictable regulation, institutional coherence and effective dispute prevention mechanisms have to supplement legal protection. In the absence of these, the investment law is just a form of guarantee that does not relate to the experience of the investors.

Recommendations

To build the confidence of foreign investors in Pakistan, there is need to adopt a comprehensive scheme of reform combining legal protection and governance with institutional reform. Among the key recommendations, there is a better regulation predictability and coherence. Institutionalization should be done to ensure that there are clear, transparent and consultative regulatory processes to reduce unexpected policy changes and administrative inconsistency. Mechanisms of regulation impact assessment and stakeholder consultation have the potential to promote predictability and trust.

Priorities should be made on institutional coordination and dispute prevention. The creation of an overarching investment dispute management organ, which has the mandate of coordinating with ministries and provinces, would aid in the early identification of the possible disputes and ensuring uniform state behavior. A unit of this nature may also regulate contract management, adherence to treaties, and implementation of post-award and eliminate arbitration claims.

There is also need to reform investment treaty practice. Pakistan has to further review its bilateral investment treaties in order to have balanced protection that avoids denying regulatory space and upholding credible investor protection. Interpretive uncertainty and risk of disputes can be reduced by modern treaty drafting that gives standards like fair and equitable treatment and indirect expropriation.

It is essential that capacity building of the government institutions occurs. The comprehension of the investment law, treaty requirements, and the management of disputes should be trained to the regulators, policy makers and legal officials to promote compliance and minimize unintended violations. Integrating legal risk evaluation into regulatory decision making would assist in aligning the domestic action with the international commitments.

It is also necessary to bolster post-award compliance and transparency. The swift enforcement of the arbitral awards and clear communication with the investors is an indicator of institutional reliability and respect to the rule of law. Delays and opposition

²⁰ Ghouri, A. (2016). Towards greater integration? Legal and policy directions of Chinese investments in Pakistan on the advent of the Silk Road Economic Belt. *The Chinese Journal of Comparative Law*, 4(1), 36-68.

²¹ Tahir, M. I. (2023). Arbitration System in Commercial Disputes in Pakistan and Enforcement of Foreign Awards.



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would hurt investor confidence and harbor negative reputation on Pakistan internationally.

Lastly, the protection of investments must be incorporated in a wider reform of governance. Effective investment laws and arbitration mechanisms will be strengthened through improvement of rule of law, judicial efficiency, and administrative accountability. Credible governance environment where the law is enforced in an effective manner is what leads to investor confidence.

Conclusion

The article has discussed laws on foreign investment in Pakistan by critically analyzing the laws on legal protection and investor-state arbitration, and its effects on investor confidence. The analysis shows that the investment regime in Pakistan is characterized by good formal guarantees in terms of the international standards such as a wide range of treaty-based protections and the availability of international arbitration. Such legal guarantees have however not always led to long-term investor confidence.

The focal point of this analysis is that the lack of investor confidence in Pakistan is not caused by inadequacy in the investment law but rather by the flaws in governance, uncertainty in regulatory information and fragmentation of the institutions. The arbitration cases and the unfavorable awards are indicative of structural failures in the management of contracts and coordination of regulations as opposed to the animosity with the foreign investment. These systemic problems have to be dealt with to regain the reputation of the Pakistan investment regime.

The paper also highlights that the optimal way of protecting investment is to adopt a middle ground that addresses the rights of investors without interfering with the regulatory independence. The disputes can be minimized and the climate of more stable investment can be achieved with the help of clear legal standards, predictable regulation, and coherence of the institutions. The review of the practice of treaties and the reinforcement of the mechanisms of dispute prevention provide avenues of restoring the balance between the openness and the renegotiation of the investment policy in Pakistan.

To sum up, foreign investment laws cannot play a significant role in the development of an economy unless they are formulated in the context of a transparent, predictable and accountable governance system. With proper coordination of legal safeguard and ability of strong regulation as well as institutional strength, Pakistan can change its investment regime into a formal mechanism of guarantees into a locus of credibility of long term investor confidence and sustainable economic growth.

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