

The Evolution of Arbitration Law in Islamic Republic of Pakistan: Historical Context and Future Directions

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Citation :

Munir, Yasir " The Evolution of Arbitration Law in Islamic Republic of Pakistan: Historical Context and Future Directions." *Al-Idrāk Research Journal*, 4, no.1, Jan-June (2024): 59– 71.



ABSTRACT

The British Arbitration Act 1940 was extended to and implemented in Pakistan on the date of independence. August 14, 1947. Methods such as arbitration are preferred since they are efficient legal techniques that are not as costly, and the public has trust in arbitrators. The Arbitration Act of 1940 is practiced Mostly in urban territories when court execution of arbitral decisions is needed, however, Jirga as well as Panchayat are perhaps recognizable conventional techniques that persisted in rural zones. Among various organizations of urban arbitration. As the New York Convention of 1958, the structure of arbitration entails the Recognition and Enforcement Act 2011 conducted internationally. There are calls for the adoption of the UNCITRAL MODEL LAW 1985 apart from calling for the amendment of the Arbitration ACT 1940 to be by international standards and Islamic Sharia, yet this has not been operationalized. Terms of agreement can be used in the arbitration process although written agreement is often refrained in rural areas. Currently, arbitrators work under should act by the provisions of the Arbitration Act 1940 unless provided otherwise. In the same year April 2023, to enhance the domestic arbitration position in Pakistan and to align with the UNCITRAL Model Law, the Chief Justice of Pakistan created the Arbitration Law Review Committee (ALRC). Based on the Indian Arbitration Act of 1996 and other foreign forms, the proposed Arbitration Bill would help increase arbitrations and reduce the legal system's interference. It aims at enhancing the arbitration legal structure of Pakistan by creating a distinction between domestic and international

arbitral proceeding, specificity of the rules regarding the selection of arbitrators, interim measures and award execution.

Keywords: Arbitration, ADR, Islamic Republic of Pakistan, Dispute, Arbitration Bill 2024

Introduction

The Arbitration Act of Pakistan was inherited on the establishment of Pakistan on 14 August 1947, 27th Ramadan, 1366 AH when the country got the 1940 British-legislated Arbitration Act still in force in Pakistan. In Pakistan, arbitration serves as the substitute for litigation law that offers the parties to the contractual relations the right to turn to an independent third-party arbitrator to resolve the dispute. They are preferred to the conventional legal processes, as this method is easier, cheaper, and time-saving. Arbitration is a highly regarded procedure where unbiased arbitrators intend to work out disputes connecting to contracts or other issues with international aspects while at the same time implementing the parties' non-legal and legal requirements. Some of the conventional means of reaching the given solution include; the Jirga and Panchayat systems that are typical among families in Pakistan's rural areas and that were developed as a result of the local communities' customs and traditions inherited from their ancestors. In the urban areas though, the more structured procedures as provided under the Arbitration Act 1940 are mostly followed and are likely to lead to awards which are presented to the courts for enforcement. Arbitration in Pakistan is regaled by the Arbitration Act 1940 and the Recognition and Enforcement Act 2011 which themselves are under the influence of international instruments like the UNCITRAL Model Law of 1985 and New York Convention of 1958.

Despite these mechanisms, the current Arbitration Act of 1940 is seen to be very weak and outdated, and calls for a number of changes to fit regional and international trends. New measures for the update of the arbitration rules in Pakistan include the establishment of the Arbitration Law Review Committee in April 2023 enacting and enhancing the legislative framework adherent to UNCITRAL Model Law to foster Pakistan's national and international arbitration. This paper looks at the legislative environment of the present-day world and at the history of the

formation of arbitration law in Pakistan, and the necessary changes to guarantee the system's continued efficacy, equity, and competitiveness on a global scale. Through this analysis, the future direction of arbitration law in Pakistan will be examined, considering both the traditional dispute resolution practices and the need for alignment with global arbitration standards.

“Arbitration is a highly regarded system for the final and mandatory settlement of disagreements or arguments concerning a contract, agreement, or other matter involving an international factor. It is carried out by an unbiased or independent arbiter by the infrastructure, procedure, and substantive legal and non-legal standards, either directly or indirectly by the parties.¹”

Traditional Dispute Resolution Systems

In Pakistan, most conflicts are settled out of court, particularly in the rural parts of Baluchistan, Sind, Punjab, and the Federally Administered Tribal Areas. They adhere to the forefathers' customs and traditions rather than the current arbitration-related legislation of Pakistan. Although alternative dispute resolution is less common in Pakistan's urban areas than in its rural areas, arbitrators in urban areas follow contemporary legal guidelines and submit an award to a court for implementation. If the contracting parties do not object, the court of competent jurisdiction issues a decree based on the arbitrator's decision within the time frame outlined in the Limitation Act 1908². In the largest city in Pakistan – Karachi there is the Karachi Centre for Effective Dispute Resolution that functions effectively. It is the first institute of the dispute resolution industry to be operational in Pakistan. The two most commonly used forms of ADR that Pakistanis use are Jirga and Panchayat. The people of Khyber Pakhtunkhwa, especially the Pashtu speakers also residing in FATA follow the Jirga system of resolution of conflict. In this

¹ Mukhtar, Sohaib, *Settlement of Disputes by way of Arbitration in Pakistan*, *World Journal of Social Science Research* (United States: Marquette University, 2016):519

² Röder, Tilmann J., and Naveed A. Shinwari, *Pakistan: Jirgas dispensing justice without state control.* In *Non-state justice institutions and the law: Decision-making at the interface of tradition, religion and the state*, (London: Palgrave Macmillan UK, 2015): 29

case, the whole farming community assembles and brings a case before the local elders who in their own understanding set aside the issue and give a verdict on how the culprit should be punished or let off the hook. The Panchayat system, the people of Punjab use the system explained above with a head who is Chaudhry, Sardar or Malik who has a casting vote on the decision of the elders. While this system is not perfect, it is the most commonly used by a large part of the local population to resolve conflicts. The current Arbitration Act 1940 or new specialized legislation should be adopted by the Pakistan Government as it is said to be more suitable and covers their system under the legislation. This will assist to unjam the system and thus the implementation of the decision through the state executive arms. People in these traditional systems do not adhere to the provisions of the Arbitration Act of 1940 because they have their own rules and procedures.¹

Arbitration Practices in Pakistan

The Arbitration Act of 1940 only applies to domestic or national arbitration and discusses three different ways that arbitration can be started: that the court orders and the parties agree on equal or with the help of a person appointed without the court's intervention; and, finally, in cases where the parties continue legal proceedings and in the course of the arbitration process, they have agreed to resolve their disputes². The passed Arbitration Act of the year 1940 was not got into effect until or unless the British India was divided and the part of Pakistan was created. Domestic arbitration in the contemporary international affairs is still governed by the nineteenth century outdated 1940 Arbitration Act and still waiting for reform. In Pakistan's urban areas, there exist arbitrators who adhere to the Arbitration Act of 1940 and render decisions, subsequently submitting them to a court for implementation. Parties then approach the court to seek the

¹ Khan, Makhdoom Ali, *Pakistan: Legality of a Hisba Bill to introduce an Islamic Ombudsman in the North-Western-Frontier Province* (YB Islamic & Middle EL 11, 2004):413.

² Hussain, Syyad Arslan, Muhammad waqas Gujjar, and Muhammad Ali. "Commercial Arbitration: A Messiah for the Dying Economy of Pakistan." *Journal of Excellence in Social Sciences* 3, no. 2 (2024): 48-49.

enforcement of an award, typically at the location where the award was made or in the law that was selected by the parties. The UNCITRAL Model Law of 1985 and the New York Convention of 1958 are the two primary international conventions about arbitration. Notable Pakistani regulations addressing arbitration are the Arbitration Act 1940 and the Recognition and Enforcement Act 2011¹. The Recognition and Execution Act 2011 addresses the recognition and execution of international arbitral awards in Pakistan, whereas the Arbitration Act 1940 governs all other forms of arbitration proceedings in Pakistan. Pakistan's dualistic legal system makes it necessary to enact national laws to carry out international agreements and treaties. 2011 saw the passing of the Recognition and Enforcement Act, which permitted Pakistan to implement the 1958 New York Convention. Since the Pakistani Parliament has not yet passed a bill implementing the UNCITRAL Model Law 1985, it is not effective in Pakistan. It is highly recommended that the Pakistani Parliament enact the UNCITRAL Model Law 1985 as soon as possible, and amend the Arbitration Act 1940 to make it a comprehensive arbitration statute based on the principles of the Prophet Muhammad's Sunnah and the Holy Quran, as well as international conventions and related treaties, and Pakistani customs and usages. The 1940 Arbitration Act was, however, terminated in India in 1996 while in Pakistan it still holds force². Both arbitration agreements and arbitration clauses, which have different structures and meanings, can serve as the basis for arbitration. The court clarified that an arbitration agreement, which permits parties to refer disputes to an arbitrator for current or future conflicts, must be in written form. An arbitration clause, on the other hand, is only a clause within a larger contract. An arbitration agreement is a full contract dedicated to arbitration. However, in Pakistan's rural areas, people frequently choose to settle conflicts with local elders rather than using written arbitration agreements or clauses. To resolve this issue, Pakistan's government and judiciary must allow arbitration based on unwritten agreements, provided

¹ Park, William W., and Alexander A. Yanos, *Treaty obligations and national law: Emerging conflicts in international arbitration* (Hastings LJ 58, 2006), 251.

² Won, Sung-Kwon. "Overview of alternate dispute resolution with special reference to arbitration laws in Pakistan." J. Arb. Stud. 23 (2013): 152.

that both parties agree to customary arbitration procedures. Even the Contract Act of 1872 provides provision for exclusion of the right to appeal against arbitral award. Also, they can incorporate a clause in the agreement to arbitrate that they have expressly waive the right to attack an arbitral award. An exception to this fundamental rule that a contract limiting one's right to institute legal proceedings is void is¹. Arbitration proceedings are carried out in civil matters, and an arbitrator's award is final and cannot be appealed by the parties to the contract unless the provision to the contrary is provided for in the statute. An arbitration agreement is an inheritable claim, which means that legal representatives are required to carry on the arbitration even after a party passes away. The Arbitrator shall adhere to the rules of the Arbitration Act 1940 in the absence of an arbitration agreement that specifies procedural details. The provisions of the first schedule of the Arbitration Act 1940 will apply if the parties to an arbitration agreement do not create their own rules for arbitration procedures.

The Function of Traditions and Customs in Rural Arbitration

Because customary arbitration methods are efficient and in line with local customs, they are frequently chosen in rural areas. A third party, the court, or the parties themselves may appoint arbitrators. The contracting parties shall specify the name or designation of the arbitrator if it is appointed by a third party. Until misbehavior or excessive delay happens, the arbitrator's authority is final and the court may step in. Parties may choose more than one arbitrator as well as an umpire to settle disputes; normally, there is only one arbitrator. The court will choose an arbitrator if the parties are unable to agree on one. Arbitrators can call pertinent witnesses and evidence, administer oaths, and make legally binding conclusions known as awards. Umpires have two months, but arbitrators have four to announce an award. The parties shall bear the responsibility of paying the arbitrator's expenses in the event that the award is well-reasoned and legally binding. Moreover, interim awards may be granted throughout the arbitration procedure. An award must be filed in a civil court to be enforced once it is made public. The applicable High Court must receive filings from parties seeking international awards. According to the Supreme Court of Pakistan, the arbitration process and the result shall be deemed illegal if an

¹ Mukhtar, Sohaib, and Shafqat Mahmood Khan Mastoi. "The Challenge of Arbitral Awards in Pakistan." *J. Arb. Stud.* 27 (2017): 37.

arbitration agreement is null and void or poorly signed. Awards may be changed, remitted, or set aside by courts, and they may be enforced as decrees. It is necessary to revise the Arbitration Act of 1940 to bring it more in line with Pakistani cultural customs and to include the Sunnah and the Holy Quran as well as international standards. While the Act is applicable across the country, some ADR laws, such as the Jirga law, are exclusively applicable in particular areas, such as Khyber Pakhtunkhwa. The Recognition and Enforcement Act of 2011 deals with overseas awards, whereas the Arbitration Act of 1940 handles domestic arbitration processes. Although the Arbitration Bill 2009 suggested its implementation, Pakistan has not yet adopted the UNCITRAL Model Law 1985, an international arbitration treaty. This bill is an adaptation of the Arbitration Act 1996 of India, and before passing any new laws, Pakistan ought to rectify its inadequacies. Comprehensive standards for international arbitration are provided under the UNCITRAL Model Law of 1985.

These guidelines cover the appointment and challenge of arbitrators, the conduct of procedures, and the enforcement of verdicts. Pakistan is urged to adopt this model law and revise the Arbitration Act 1940 in order to improve its arbitration system and bring it into compliance with regional and global norms. An Arbitration Law Evaluation Committee ("ALRC") was established by the Chief Justice of Pakistan with the mandate to evaluate Pakistani arbitration rules and suggest changes. The Law and Justice Commission of Pakistan established the ALRC, which was tasked with creating laws to align Pakistan's domestic arbitration system with international norms, particularly the UNCITRAL Model Law. Mr. Justice Syed Mansoor Ali Shah The incumbent senior puisne judge of the Pakistani Supreme Court is the Chairman of the ALRC. Last year and earlier this year the Draft Arbitration Bill ("Bill") and its initial as well as amended versions were published for the public consideration including the domestic and foreign parties. Moreover, the members of ALRC themselves also got in touch directly with the specialists, domestic and foreign. Thus, the ALRC reached the final stage of its work on the new Bill and submitted the draft to the Federal Minister for Law and Justice on May 2, 2024, along with the recommendation for the Government to consider the Bill for adoption through the Parliament. In this post, primary concepts of this Bill are discussed.

Encouragement and The Opportunity of the Arbitration Bill

The Model Law served as the model for the Bill, which aims to supersede the 1940 Arbitration Act. Due to the 1940 Act's colonial heritage and its broad opening to judicial involvement, local litigants do not see arbitration as offering any significant advantages over domestic court action. Recently, Pakistani courts have rendered several rulings that support enforcement. Nonetheless, the 2011 Act—a measure that put the New York Convention into effect—was the reason behind these rulings when it came to the enforcement of foreign arbitral verdicts. The Bill aims to modernize domestically seated arbitration and instill in local arbitration a similar spirit of "pro-enforcement." Since both, India and Pakistan have a common legal origin, the Bill relies quite substantially upon the Indian Arbitration and Conciliation Act 1996 as well as the Model Law. The Bill has been envisaged to include some measures from the common law countries south of the Indian Ocean namely the UK, Singapore, and Malaysia not to mention the Indian Act. International arbitration in Pakistan is carried out under the laws made by the federal legislature as prescribed by the Constitution, whilst domestic arbitration is made by provincial legislatures. To avoid future issues of conflict with the federal and provincial laws on arbitration the ALRC included both domestic and international arbitration throughout Pakistan in the framed Bill. Hence, emerging from the Pakistan's Constitution itself, Articles 144 and 147 make it necessary for the province legislatures to pass resolutions in order to entrust the legislative and executive powers of the federation in relation to the domestic arbitration.

Section 10 and section 29 of the Bill are examples of sections that deal with overseas arbitrations even though the Bill mainly applies to arbitrations that take place in Pakistan. However as earlier stated, the Bill does not apply to arbitration agreements and foreign awards as the 2011 Act still continues to govern them.

International and Domestic Arbitration

The Bill makes a distinction between non-international commercial arbitration, or domestic arbitration, and international commercial arbitration. This method takes into account the disparities in the sophistication and negotiating strength of Pakistani commercial parties. While the Bill retains some level of judicial oversight and scrutiny in purely domestic arbitrations, it permits greater party autonomy and fewer chances for court intervention in international commercial arbitrations.

The Model Law and the Bill have differing definitions of international commercial arbitration. This is done to establish clear guidelines and reduce disagreements over whether a given arbitration would be regarded as international. This will be the case where one of the parties to the arbitration agreement is an individual or body that is permanently RESIDING or incorporated outside Pakistan or where the central management and control of that party is outside of Pakistan or where the Party, to the arbitration agreement is a FOREIGN GOVERNMENT articulate that the arbitration will be in the form of an international commercial arbitration. Section 67 of the Bill also provides that parties 'opt-in' to the present regime of international commercial arbitration by agreement. This agreement is also implied where the parties have:

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- * consented to have foreign law control the contract; or
- * selected to apply the arbitration rules of a foreign arbitral institution (such as the SIAC, LCIA, or ICC) to the arbitration. The Bill acknowledges that the parties in these circumstances probably intended for their arbitration to be conducted internationally and to adopt international standards. The Bill thereby allows Pakistani parties to choose, either explicitly or implicitly, to participate in international economic arbitration.

Pro-Arbitration Policy

By reducing the chances for parties to contest the arbitral procedure, the Bill encourages the arbitration of disputes. In cases where one of the parties has initiated the legal proceedings, the Bill mandates that courts must halt those processes if they determine that there appears to be an arbitration agreement (section 9). The legitimacy of an arbitration agreement is not expected to be thoroughly examined by the courts, who are encouraged to leave this decision to the arbitrator or to bring it up later when the court announces the resulting award. The express acknowledgment of the competence-competence concept completes this. Section 18 of the Bill stipulates that the arbitral tribunal has the authority to rule on matters about its jurisdiction, including disputes regarding the existence or legality of the arbitration agreement.

The Bill aims to depart from Pakistan's prevailing jurisprudence about arbitration. Case law under the 1940 Act states that where statutory law gives a special court or other judicial authority jurisdiction over a topic,

that matter cannot be decided by arbitration. The Bill clarifies that the subject remains arbitral despite the special jurisdiction being conferred. The suggested standard states that for a matter to be non-arbitral, arbitrating it must be against public policy. Hence, matters of Personam concerning any financial contractual issues between banks and their customers, specific business-related, civil, intellectual property rights, and other matters that are currently under the Court jurisdiction or those that are specifically catered by a statutory tribunal should be allowed and encouraged to be arbitrated. The Bill entitles, the arbitral tribunal's order for interim measures (section 19) and the court order for interim measures (section 10). Applying court-ordered interim measures can only be made if the arbitral tribunal has been constituted and is capable of providing adequate relief. Also, the Bill allows the arbitral tribunal to make orders beyond the order of the court and provides that parties who through an order of the court obtained other interim measures before the arbitration of the dispute commenced shall comply with the arbitral proceedings within ninety days from the date of the court order. It is provided to discourage the misuse of pendent lite relief orders acquired from a court of law.

Under Section 19 of the Bill, the arbitral tribunal may be approached for interim measures that have been issued where the seeking party is likely to be prejudiced by possible previous disclosure to the responding party. The court procedure also provides for the enforcement of the tribunal's orders about interim measures.

Procedure for Appointments of Arbitrators

For one to be an arbitrator it does not mean that he must be a lawyer although he should possess some expertise in the legal field; one requires expertise in more than one area¹. The arbitrator has to understand the procedures that have to do with arbitration processes and dealing with evidence and the fact as well as legal issues, manage the parties and the calendar of the case, point out cases that need researches, scrutinized possible cost overruns, and more importantly, make certain that cases are efficiently and equitably settled. They also have to know certain rules regarding unethical conduct of attorneys and understating in a bid to avoid query on the award. Substantial changes to the provisions concerning appointments of the arbitrators are provided under the Bill. It also removes

¹ Ullah, Ikram, and Aisha Tariq. "Pakistan needs trained arbitrators." AL-ASAR Islamic Research Journal 2, no. 3 (2022): 3

the 1940 Act provision of providing an even number of arbitrators that might not be very efficient. Instead, to start with, there will be only one arbitrator unless the parties agree to have a tribunal with members more than three in number (section 12). Part III of the Bill deals with the provisions to appoint arbitrators and section 13 of the Bill provides that those persons who are to be appointed by each of the High Courts of Pakistan may also be appointed as arbitrators by the Court. More notably, the Bill does not permit the examined appointment decisions to be revisited while they do not qualify as the exercise of judicial power either. Also, every High Court or Province and Federal Territory will have an Arbitration Council according to the Model Regulations specified in the Bill (Schedule 2), the purpose of which will be to provide the procedural rules for the conduct of the arbitration in cases when the parties have not chosen the arbitrator.

The Bill imposes requirements with regard to conflict of interest that are based on the IBA note on Conflict of Interest (Schedule 1) and requires arbitrators to disclose data concerning their impartiality. Unlike the Model Law, the Bill permits the appeal of arbitrators' decisions in connection to a challenge of the final award but excludes interlocutory appeals against such a challenge (section 15).

Termination and Enforcement of Arbitral Awards

The New York Convention on Recognition and Enforcement of Foreign Awards, 1958 (hereafter referred to as New York Convention) lists Pakistan as one of the original member states which signed the said convention in the same year. Pakistan was one of the leading countries of the world with regard to international arbitration back then¹. The Bill's provisions on the setting aside of awards are similar to those in the Model Law, with the exception that section 39 of the Bill aims to specifically restrict the definition of public policy in order to discourage pointless challenges to arbitral awards. This endeavor can be compared to the methodology observed in the Indian Act; however, several changes were made that decrease the scope of the public policy issue. The Bill requires policy challenges where the award was made in fraud or corruption, unfairness of natural justice was committed, or where it is in disagreement with basic moral and justice standards. In addition to this, the Bill is

¹Hassan, Tariq. "International Arbitration in Pakistan A Developing Country Perspective." *Journal of International Arbitration* 19, no. 6 (2002). 595

unequivocal regarding what is improper in the decision-making concerning public policy issues, that is, the decision-maker should not be judging the strength of the reasoning. In several other areas also, the Bill looks different from the Model Law.

Where the court finds that an award is Vitiated by patent illegality appearing on the face of the award ‘the Bill empowers the court to eject the verdict that arose from the domestic arbitration. The Bill rests on the presumption that the matter where the controversy is between the Parties who are all domestic parties operating in Pakistan, there should be an opportunity for further judicial scrutiny. It is worth mentioning, however, that the Bill amplifies that it cannot be illegal to patent were the tribunal mistaken in the application of the law or where the court reconsidered the evidence anew. As for the enforcement of the award, the Bill treats both domestic and international arbitral awards in that regard.

The Bill removes the above-mentioned condition of the 1940 Act that an award needs to be made a “rule of the court” or that the judgment shall state in accordance with the award. Instead, throughout the Bill, one gets automatic enforcement of an award except when the award is set aside or its enforcement is suspended while the setting aside process continues. The Bill also says that where the party seeking to challenge the award wishes to retain the money awarded or the subject of an award, the responsibility amount must be paid and deposited unless there are special circumstances.

Recommendations:

- * As it has been stated before, the current Arbitration Act of 1940 has to be either significantly overhauled or, better still, replaced altogether for it to meet standards that are current internationally and those practices that are currently in place. It would also be useful to include clauses that relate to current methods of arbitration such as video conferences and email communications.
- * However, in order to increase efficiency of arbitration procedure and make it more similar to international tendencies the Pakistani Parliament should quickly ratify the UNCITRAL Model Law 1985.
- * Ensure that the new laws meet international standards in domestic arbitration procedures.
- * Hire a legal framework that enables the formal government to recognize and formalize the traditional systems of arbitration namely Jirga and Panchayat so that they are under the vane of official laws. It

could be recommended that customary arbitrators should undergo through some learning to ensure that they have adequate understanding of modern day arbitrations and also regional usages.

- * Reduce the chances that the court imposes its decision hence improving the environment for arbitration.
- * Develop supplementary legal environment for arbitration that would encourage people to turn to this method first of all when solving their confrontations.
- * Begin awareness creation to consumers on the benefits of arbitration, especially in the rural, para-legal community where most stick to formal tradition. There should be legal assistance to parties who are located in different regions as a way of encouraging the use of arbitration.
- * Encourage the establishment of specialist arbitration centers in the major cities of Pakistan. Ensure that these centers follow certain procedures that have not been altered, but should fit the international standards formulated as well as the changes discussed.
- * Continually train judges and other legal persons in matters relating to arbitration law as well as its use.
- * It is very Important to Create a system for the ongoing assessment and analysis of arbitration procedures to make sure that they continue to be applicable and efficient. Input Must be received from interested parties regularly to find areas that need work and make sure the arbitration system adapts to changing requirements.
- * An integrated framework Must be created for resolving disputes that blend conventional and contemporary arbitration techniques to meet the various needs of Pakistani society. Make sure That the new laws are inclusive, respect international norms, and take into account Pakistan's sociocultural background.

Pakistan may greatly improve its arbitration framework and bring it into line with international standards by putting these ideas into reality.

Conclusion

Therefore, the Arbitration Act of 1940 has predominantly defined the Pakistani arbitration realm, which has significantly evolved since the country's formation in 1947. While arbitration also provides the parties with a faster, cheaper, and less complicated procedure compared to court trials, its usage varies significantly between the urban areas and the rural

ones of a particular country, in this case, the United States. When the arbitration is in the rural areas it primarily relies on traditional methods such as Jirga and Panchayat which are beyond the limits of the legal realms while when it comes to the urban areas then it widely prefers to follow Modern rules, the decision of which are furnished to the court for enforcement. The Arbitration Act of 1940 is gradually being seen as unfit for contemporary society, although it has venerable roots, which has caused discourses on far-reaching reforms. The new bill under discussion; the Arbitration Bill aims at the process reformation of arbitration in Pakistan that is designed from the UNCITRAL Model Law and from the modern international standards. The key features of the Bill include distinguishing between domestic and international arbitration, greater autonomy of the arbitrators, as well as the judiciary's reduced interference. To the same effect, it features the importance of the perishable remedies while at the same time setting high standards to avoid wasteful advertising on the arbitral awards. Thus, an essential measure to facilitate the institutionalization of the largely informal arbitration within cities is the establishment of the Karachi Centre for Effective Dispute Resolution. However, it is still not easy to accommodate the rural arbitration practices into the legal regime nonetheless. Major advancements are obtained in the areas of enforceable tribunal orders, selection and challenges of arbitrators, and court-sanctioned measures. Finally, it can be stated that the current legislative and executive collaboration between the federal and provincial levels defines whether the new arbitration structure will be effectively implemented. The situation in Pakistan may enhance the efficiency of arbitration and establish a stronger and more reliable mechanism for conflict resolution which will also be suitable for the major cities and rural areas by aligning the domestic arbitration laws and practices with the international standards and regional trends. A bright future for arbitration in Pakistan is indicated by the ongoing work of the Arbitration Law Review Committee and the planned adoption of the Arbitration Bill, which would increase trust in the country's legal system both domestically and abroad.