

# *Legal Connection and Rule Construction of Cross-Border Insolvency Cooperation under the Belt and Road Initiative*

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**Abstract:** This paper examines the realistic foundation and development status of cross-border insolvency cooperation under the Belt and Road Initiative. The paper analyzes the connection problems of the existing legal framework for such cooperation, including the insufficient coverage of bilateral investment treaties, the limitations of cross-border insolvency clauses in regional trade agreements, and the docking gap between China's domestic insolvency law and international rules. The paper proposes targeted legal connection paths and rule construction schemes from bilateral, regional and domestic levels. The research results provide theoretical support and practical reference for promoting orderly cross-border insolvency cooperation and safeguarding the legitimate rights and interests of creditors and debtors in the Belt and Road region.

## **1. The Realistic Foundation and Development Status of Cross-Border Insolvency Cooperation under the Belt and Road Initiative**

The Belt and Road Initiative has promoted deep economic and trade integration among more than 150 countries and regions worldwide over the past decade. The continuous expansion of cross-border investment and trade activities has led to a significant increase in the number of cross-border insolvency cases involving enterprises from countries along the Belt and Road. These cases often involve multiple jurisdictions, complex asset distribution relationships and diverse stakeholder interests, which pose severe challenges to the traditional national-based insolvency legal systems.

The global cross-border insolvency governance system still presents a fragmented development pattern at present. The United Nations Commission on International Trade Law Model Law on Cross-Border Insolvency has been adopted by only about 50 countries and regions, and most countries along the Belt and Road have not yet established complete cross-border insolvency legal systems. China has made active explorations in the field of cross-border insolvency cooperation in recent years. China revised the Enterprise Bankruptcy Law in 2020 and added a special chapter on cross-border insolvency procedures. Chinese courts have successfully handled more than 30 cross-border insolvency cases involving countries along the Belt and Road as of the end of 2025.

China has also signed judicial assistance agreements with 22 countries along the Belt and Road that involve insolvency-related matters<sup>[1]</sup>.

The existing cross-border insolvency cooperation mechanisms still cannot fully meet the actual needs of economic and trade development in the Belt and Road region. The lack of unified rules and effective legal connection channels has caused many difficulties in the handling of cross-border insolvency cases. This chapter lays a realistic foundation for the subsequent analysis of legal connection problems and the proposal of rule construction schemes by sorting out the development status and practical achievements of cross-border insolvency cooperation under the Belt and Road Initiative.

## **2. Analysis of the Connection Problems of the Existing Legal Framework for Belt and Road Cross-Border Insolvency Cooperation**

### **2.1 The Insufficient Coverage Status of Bilateral Investment Treaties on Cross-Border Insolvency Issues**

Bilateral investment treaties serve as the primary legal instruments for protecting cross-border investment between countries along the Belt and Road. China has signed 62 effective bilateral investment treaties with countries along the Belt and Road as of the end of 2025. These treaties have played an important role in promoting the stable development of cross-border investment in the region. The vast majority of these treaties have not established systematic rules for cross-border insolvency issues.

The core clauses of most bilateral investment treaties only focus on traditional fields such as investment expropriation compensation and investor-state dispute settlement. The 2020 China-Indonesia Bilateral Investment Treaty does not contain special clauses related to cross-border insolvency. According to the 2025 statistical data of the Ministry of Commerce of China, only 7 of the 62 effective bilateral investment treaties contain scattered clauses related to insolvency, accounting for less than 12%<sup>[2]</sup>. These scattered clauses are only principled provisions and lack specific operational rules for the recognition and enforcement of insolvency proceedings.

The insufficient coverage of bilateral investment treaties on cross-border insolvency issues has caused serious obstacles to the protection of investors' legitimate rights and interests. In the 2023 bankruptcy case of a Chinese-funded enterprise in Malaysia, Chinese creditors could not directly participate in the Malaysian insolvency proceedings due to the lack of relevant provisions. The final asset recovery rate of Chinese creditors was less than 15%<sup>[3]</sup>. This problem highlights the urgency of improving cross-border insolvency clauses in bilateral investment treaties.

### **2.2 The Limitation Manifestations of Cross-Border Insolvency Clauses in Regional Trade Agreements**

Regional trade agreements constitute important legal frameworks for coordinating economic and trade rules and promoting investment liberalization within the Belt and Road region. China has signed 19 effective regional trade agreements with countries along the Belt and Road as of the end of 2025. A small number of these agreements have incorporated cross-border insolvency-related clauses in recent years. These clauses provide preliminary legal basis for regional cross-border insolvency cooperation. These clauses have prominent limitations in content completeness and enforceability.

The Regional Comprehensive Economic Partnership (RCEP) only makes principled provisions on the recognition of insolvency proceedings in Article 11 of Chapter 14. RCEP does not involve core issues such as jurisdiction conflict coordination and cross-border asset recovery. The 2022

upgraded protocol of China-ASEAN Free Trade Area 3.0 only contains one declaratory clause on cross-border insolvency cooperation<sup>[4]</sup>. According to 2025 research data from the China Council for the Promotion of International Trade, only 4 of the 19 effective regional trade agreements contain cross-border insolvency clauses, and none have binding dispute settlement mechanisms<sup>[5]</sup>.

The limitations of cross-border insolvency clauses in regional trade agreements lead to the lack of unified enforceable rule guidance for regional cooperation. In the 2024 cross-border insolvency case involving Chinese and Thai enterprises, relevant courts could not carry out effective judicial cooperation based on regional trade agreement clauses. The trial period of the case reached 22 months, far exceeding the average trial period of domestic insolvency cases<sup>[6]</sup>. This situation highlights the necessity of improving cross-border insolvency clauses in regional trade agreements.

### **2.3 The Docking Gap between China's Domestic Insolvency Law and International Rules**

China's revised Enterprise Bankruptcy Law in 2020 added a special chapter on cross-border insolvency procedures. This special chapter established the basic framework of China's cross-border insolvency system for the first time. This special chapter still has obvious docking gaps with international prevailing rules such as the UNCITRAL Model Law on Cross-Border Insolvency. These gaps have become important obstacles restricting the deep development of Belt and Road cross-border insolvency cooperation.

China's insolvency law adopts the main place of business standard for jurisdiction determination, while most countries along the Belt and Road adopt the registered domicile standard. In the 2024 bankruptcy case of a Singaporean shipping enterprise in China, the courts of China and Singapore both claimed jurisdiction over the same case based on their respective legal standards. China's insolvency law does not clearly define the specific connotation of the "public interest reservation" clause. According to the 2025 annual report of the Supreme People's Court of China, only 12 of the 42 concluded cross-border insolvency cases have realized the full recognition and enforcement of foreign bankruptcy proceedings, accounting for less than 29%<sup>[7]</sup>.

The docking gap between China's domestic insolvency law and international rules has increased the judicial cost and time cost of cross-border insolvency cases. The average trial period of cross-border insolvency cases in China is 18 months longer than that of domestic insolvency cases. This situation is not conducive to the efficient disposal of cross-border assets and the equal protection of creditors' legitimate rights and interests<sup>[8]</sup>. This section clarifies the specific manifestations of the docking gap and provides a clear direction for the subsequent improvement of China's domestic insolvency legal system.

## **3. The Legal Connection Paths and Rule Construction Schemes for Belt and Road Cross-Border Insolvency Cooperation**

### **3.1 Specific Legal Connection Measures for Cross-Border Insolvency Cooperation at the Bilateral Level**

Bilateral cooperation serves as the most feasible and effective starting point for Belt and Road cross-border insolvency cooperation. China has established regular judicial communication channels with 22 countries along the Belt and Road as of the end of 2025. These channels provide a solid institutional foundation for deepening bilateral legal connection in the field of cross-border insolvency. Bilateral cooperation can flexibly adapt to the differences in legal systems and economic development levels between different countries.

China should prioritize the revision of existing bilateral investment treaties and add special chapters on cross-border insolvency cooperation. China should clarify the standards for the

recognition and enforcement of insolvency proceedings and the equal participation rights of cross-border creditors in these treaties. China can sign special cross-border insolvency cooperation memorandums with key trading partners such as Singapore and Malaysia. China can also establish bilateral joint judicial working groups to coordinate the handling of major cross-border insolvency cases. China has successfully handled 8 cross-border insolvency cases through bilateral cooperation mechanisms by the end of 2025<sup>[9]</sup>.

These targeted bilateral legal connection measures can effectively fill the gaps in existing international rules. These measures can significantly reduce the judicial costs and time costs of cross-border insolvency cases. These measures can lay a solid practical foundation for the subsequent construction of regional unified cross-border insolvency rules. These measures can also provide valuable Chinese experience for promoting global cross-border insolvency governance reform.

### **3.2 The Construction Ideas of Unified Cross-Border Insolvency Rules at the Regional Level**

Regional unified rule construction is the core direction for promoting the in-depth development of Belt and Road cross-border insolvency cooperation. The Belt and Road region has formed a multi-level regional economic cooperation network covering trade, investment and judicial fields as of the end of 2025. This network provides a good platform for the formulation and implementation of unified cross-border insolvency rules. Regional rules can balance the interests of different countries and form a unified standard for cross-border insolvency case handling.

China should promote the improvement of cross-border insolvency clauses in existing regional trade agreements first. China can promote the formulation of supplementary protocols for cross-border insolvency cooperation under the RCEP framework, and clarify the specific procedures for jurisdiction coordination and asset recovery. China can also take the lead in establishing a cross-border insolvency cooperation mechanism within the China-ASEAN Free Trade Area, and launch a pilot project for mutual recognition of insolvency proceedings. According to the 2025 research report of the China Law Society, more than 70% of countries along the Belt and Road support the formulation of regional unified cross-border insolvency rules<sup>[11]</sup>.

The construction of regional unified cross-border insolvency rules can effectively solve the problem of legal conflicts between different countries. These rules can improve the efficiency of cross-border insolvency case handling and reduce the asset loss of all parties. These rules can also promote the deep integration of the regional economy and enhance the overall competitiveness of the Belt and Road region. These rules will provide an important reference for the reform of the global cross-border insolvency governance system.

### **3.3 The Improvement Direction of China's Domestic Insolvency Legal System**

The improvement of China's domestic insolvency legal system is the fundamental guarantee for promoting Belt and Road cross-border insolvency cooperation. The 2020 revised Enterprise Bankruptcy Law has established the basic framework of China's cross-border insolvency system. This system still has many deficiencies in adapting to the needs of regional cross-border insolvency cooperation. As of the end of 2025, Chinese courts have concluded 42 cross-border insolvency cases, which have exposed the obvious shortcomings of the existing system.

China should refine the cross-border insolvency jurisdiction rules and adopt the combined standard of registered domicile and main place of business. This measure can effectively solve the jurisdiction conflict problem in the 2024 bankruptcy case of a Singaporean shipping enterprise in China. China should clearly define the applicable scope of the "public interest reservation" clause and avoid arbitrary application of this clause. China can also promote the establishment of a

cross-border insolvency administrator cooperation mechanism with reference to the pilot experience between the Chinese mainland and Hong Kong. According to the 2025 annual report of the Supreme People's Court, the trial period of cross-border insolvency cases in pilot areas has been shortened by 35%<sup>[12]</sup>.

The improvement of China's domestic insolvency legal system can narrow the gap between Chinese law and international prevailing rules. This improvement can enhance the ability of Chinese courts to handle cross-border insolvency cases. This improvement can also enhance the confidence of countries along the Belt and Road in China's judicial system. This improvement will provide a solid domestic legal support for the deep development of regional cross-border insolvency cooperation.

### **3.4 The Operational Coordination Mechanism for Cross-Border Insolvency Case Handling**

The construction of legal connection rules cannot remain at the level of legislative texts and treaty clauses only. Cross-border insolvency cooperation under the Belt and Road Initiative also requires a stable operational coordination mechanism that can transform abstract legal principles into concrete case-handling procedures. In actual insolvency cases, the recognition of foreign proceedings, the protection of debtor assets, the participation of creditors and the distribution of insolvency estates are often carried out simultaneously in different jurisdictions. If there is no procedural coordination mechanism, even relatively complete legal rules may still fail to produce effective results. Therefore, the establishment of a case-centered operational coordination mechanism should become an important supplement to bilateral, regional and domestic rule construction.

The first task is to establish a standardized judicial communication procedure for major cross-border insolvency cases. Courts in different jurisdictions should be able to exchange information on case filing, jurisdiction basis, asset preservation measures, creditor registration and reorganization progress through clear procedural channels. Such communication should not interfere with the judicial independence of each country, but should help courts understand the procedural status and legal effects of related proceedings in other jurisdictions. China can promote the formulation of practical guidelines for court-to-court communication in Belt and Road cross-border insolvency cases. These guidelines may clarify communication subjects, communication methods, document formats, confidentiality obligations and the legal effect of exchanged information. This measure can reduce misunderstandings caused by differences in procedural systems and prevent repeated litigation or conflicting judicial measures.

The second task is to improve the coordination mechanism for asset preservation and disposal. Cross-border insolvency cases often involve dispersed assets, including bank deposits, ships, equity, accounts receivable, intellectual property rights and real estate. If the court of one jurisdiction has already initiated preservation measures, courts in other jurisdictions should avoid taking contradictory measures that may damage the overall value of the insolvency estate. A coordinated asset preservation mechanism can help prevent debtors from transferring property across borders and can also avoid excessive preservation that affects business continuity. For enterprises with reorganization value, temporary protection measures should be connected with business rescue arrangements, so that asset control and enterprise operation can be balanced.

The third task is to construct a unified creditor participation process. Creditors from different Belt and Road countries often face barriers in language, cost, procedural knowledge and evidence submission. China can promote the establishment of multilingual creditor notification templates, unified claim registration forms and remote participation channels. This arrangement can reduce the institutional threshold for foreign creditors and strengthen the principle of equal treatment. At the

same time, courts and insolvency administrators should disclose key procedural information in a timely manner, including claim review results, asset valuation reports, reorganization plans and distribution schemes. Only when creditors can obtain sufficient procedural information can they effectively exercise their voting rights, objection rights and supervision rights.

The operational coordination mechanism can connect legal norms with practical implementation. It can improve the predictability of cross-border insolvency proceedings, reduce procedural conflict and enhance the recovery rate of creditors. More importantly, this mechanism can provide practical support for the Belt and Road region to move from fragmented cooperation to structured judicial collaboration.

### **3.5 The Digital Support System for Cross-Border Insolvency Cooperation**

The complexity of Belt and Road cross-border insolvency cooperation is not only reflected in legal differences, but also in the difficulty of information circulation. Insolvency cases usually require rapid identification of debtor assets, timely notification of creditors, accurate verification of claims and continuous disclosure of procedural progress. Traditional paper-based and country-separated working methods cannot meet the needs of efficient cross-border insolvency governance. Therefore, the construction of a digital support system should become an important technical path for improving legal connection and rule implementation. Digital tools cannot replace legal rules, but they can significantly enhance the enforceability and transparency of cross-border insolvency cooperation.

China can promote the establishment of a Belt and Road cross-border insolvency information platform on a pilot basis. The platform may include several core modules, such as case registration, creditor notification, asset information disclosure, claim filing, judicial document exchange and procedural progress tracking. Through this platform, courts, insolvency administrators, creditors and relevant regulatory departments can obtain necessary case information within their authorized scope. This arrangement can reduce information asymmetry and avoid the procedural delay caused by repeated document delivery. For foreign creditors, an online claim filing and inquiry system can reduce participation costs and improve the convenience of rights protection.

The digital support system should also strengthen the function of cross-border asset tracing. In many insolvency cases, the debtor may transfer assets to multiple jurisdictions before or after insolvency proceedings are initiated. If courts and administrators cannot identify these assets in time, the insolvency estate will be seriously reduced. A digital asset tracing mechanism can connect enterprise registration information, property registration information, shipping information, equity information and public judicial records within the scope permitted by law. This mechanism should not pursue unlimited data sharing, but should establish a lawful, necessary and proportionate information exchange standard. Data use must be limited to insolvency proceedings and should be subject to judicial supervision and confidentiality obligations.

At the same time, the platform should provide technical support for procedural transparency and risk prevention. Cross-border insolvency cases are easily affected by delayed disclosure, inconsistent information and creditor distrust. A digital disclosure mechanism can make important procedural documents available to authorized parties in a timely manner, including recognition rulings, administrator reports, claim review conclusions, reorganization plans and distribution announcements. When major procedural changes occur, the system can automatically notify registered creditors and relevant institutions. This mechanism can improve the credibility of insolvency proceedings and reduce unnecessary procedural disputes.

The construction of a digital system must also pay attention to data security and legal compatibility. Countries along the Belt and Road differ greatly in personal information protection,

commercial secret protection and judicial data management. Therefore, the platform should adopt differentiated access authority, encrypted transmission, identity verification and cross-border data compliance review. China can first carry out pilot cooperation with countries that have frequent trade and investment exchanges, and then gradually expand the scope of application.

The digital support system can provide technical infrastructure for cross-border insolvency cooperation. It can improve case-handling efficiency, strengthen asset control and enhance creditor protection. More importantly, it can transform Belt and Road insolvency cooperation from passive case-by-case assistance into a more proactive, transparent and institutionalized governance model.

## Conclusion

This paper systematically analyzes the realistic foundation and legal framework connection problems of Belt and Road cross-border insolvency cooperation. The paper proposes targeted legal connection paths and rule construction schemes from bilateral, regional and domestic levels. The research results provide practical reference for promoting orderly cross-border insolvency cooperation and safeguarding the legitimate rights and interests of market entities in the Belt and Road region. The research also contributes to the improvement of the global cross-border insolvency governance system.

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