The Evolution and Future of International Arbitration
Professor Julian D.M. Lew QC has been involved with international arbitration for more than 40 years as counsel, as arbitrator and as an academic. He has held the position of Professor and Head of the School on International Arbitration, Centre for Commercial Law studies, Queen Mary University of London since its creation in 1985. He is now an independent arbitrator at 20 Essex Street, London.

Introduction
Since its first volume published in 1993, this authoritative practitioner-oriented series has published in-depth and analytical works on niche aspects of international arbitration, authored by specialists in the field.

Objective
This authoritative and established series covering in-depth analyses of niche areas appeals to both practitioners and academics.

Frequency
A volume is published whenever an interesting topic presents itself.

The titles in this series are listed at the back of this volume.
The Evolution and Future of International Arbitration

Edited by
Stavros Brekoulakis
Julian D.M. Lew
Loukas Mistelis
Chapter 19

EMERGENCE OF NEW ARBITRAL CENTRES IN ASIA AND AFRICA: COMPETITION, COOPERATION AND CONTRIBUTION TO THE RULE OF LAW

Mohamed Abdel Raouf*

I. INTRODUCTION

19.1 The use of international arbitration has grown significantly over the past decade. It has conquered new territories, in particular, in Asia¹ and Africa.² At the same time, competition has increased and the players are being offered a variety of options in addition to facing new challenges.

19.2 One of the salient features of this growth is the emergence of new arbitration centers that have contributed to the development of institutional arbitration. According to a recent study, before 1940, only 10 % of the institutions around today existed. 70 % of the institutions have been created in the last thirty years; 50 % in the last twenty years and 20 % in the last ten years. Although the rate of growth is now slowing, at least two new institutions have been created in each of the years 2008, 2009 and 2010.³

19.3 Whilst it is almost impossible to compile a list of all existing arbitral institutions, one could, at least, rely on the current fifty eight members of the International Federation of Commercial Arbitration Institutions (IFCAI), whose membership, as per its constitution, is open to not for profit commercial and investment arbitration bodies that have a record of achievement in their activities, and that have contributed to the field of international arbitration and ADR for at least three years prior to applying for membership.⁴

19.4 The existing arbitral institutions are generally classified, based on their respective dates of creation, as old -or traditional- and new. They are also some times classified, based on their geographical outreach, into global, regional and local institutions.

19.5 Statistics published by major arbitral institutions show that there has been a constant annual increase in their caseload. The total number of cases filed under their auspices is therefore on the rise. Statistics also confirm that arbitration is increasingly becoming the normal means of settlement of commercial and investment disputes from

* Director of the Cairo Regional Centre for International Commercial Arbitration (CRCICA), Vice-President of the International Council for Commercial Arbitration (ICCA) and of the International Federation of Commercial Arbitration Institutions (IFCAI). The author can be reached at m.abdelraouf@crcica.org. The views expressed in this paper reflect only those of the author.

1. J. Kim, International Arbitration in East Asia: From Emulation to Innovation, 4 The Arbitration Brief 1 (2014).
simple lease agreements to complex oil and gas concessions, construction contracts and transfer of technology.

19.6 Despite some centers’ relative increase being higher, the fact that most if not all show an increasing caseload demonstrates that recourse to institutional arbitration is still growing and that one center’s gain is not necessarily another’s loss.

19.7 This paper seeks to analyse the impact of the emergence of new arbitral centers and to what extent has the competition and cooperation among such centers contributed to the development of international arbitration and to fostering the rule of law. It first examines whether the creation of new arbitration centers in Asia and Africa has diversified the available arbitral fora. The paper then discusses whether such centers have promoted best arbitral practices. Subsequently, some concluding remarks shall be provided.

II. DIVERSIFICATION OF THE AVAILABLE ARBITRAL FORA

19.8 The first question that comes in mind when analysing the emergence of new arbitration centers is whether this was a reaction to any shortcomings in the functioning of traditional arbitration centers. The constant annual increase in the number of cases referred to the traditional centers shows that the reason underpinning the creation of new centers lies elsewhere. Indeed, it comes as a response to a real demand rather than a reaction to any deficiencies.

19.9 The parties to commercial contracts performed in Asia and Africa were actually in dire need of having easy access to institutional arbitration that would be more affordable and to which they are familiar.

A. Accessibility

19.10 Before the creation of new arbitral institutions in Asia and Africa, the users from such regions had very few available arbitral fora to which the disputes arising out of their business transactions could be referred. Such fora are located in main European cities in which at least one of the parties to the said transactions is located, but not necessarily, where they are to be performed.

19.11 In other words, while some of the parties to business transactions involving parties from Asia and Africa were located in jurisdictions where reputable arbitral institutions already existed, Asian and African parties had no option but to offer litigation before their national courts, which, of course, is not appropriate, especially within the context of an international contract.

19.12 This situation resulted in a sort of imbalance especially during the negotiation phase of business transactions. Not all parties to such transactions had easy access to the arbitral justice, which was not therefore a natural choice as a means of dispute settlement. As Asian and African economies continued their dynamic growth, their importance as a key engine in the global economy continued to expand. With their economic development largely driven by cross-border trade and investment, the prospects of an increasing number of disputes became inevitable and hence the need to make institutional arbitration available and easily accessible.
19.13 This need was addressed by the Asian African Legal Consultative Organization (AALCO),\textsuperscript{5} which launched in 1978 its Integrated Scheme for Settlement of Disputes in Economic and Commercial Transactions. Pursuant to that Scheme, AALCO decided to establish regional arbitration centers under its auspices, which would function as international institutions with the objectives of promoting international commercial arbitration in the Asian-African regions and providing for the conduct of international arbitrations under the auspices of such centers. This was the time when the Kuala Lumpur Regional Centre for Arbitration (KLRCA) and the Cairo Regional Centre for International Commercial Arbitration (CRCICA) were established in 1978 and 1979, respectively.

19.14 The creation of arbitration centers in Asia and Africa made institutional arbitration accessible to Asian and African users. Over the past decade, the reluctance of such users to resort to arbitration has dramatically changed. The number and size of international commercial arbitration cases involving Asian and African parties has rapidly therefore increased. This is the case not only before the centers located in Asia and Africa, but also under the auspices of those existing in Europe. This confirms the positive impact of the emergence of reliable arbitration centers on increasing confidence in arbitration in general and institutional arbitration in particular.

B. Affordability

19.15 Subject to the specifics of each institution, the arbitration costs of an institutional arbitration are generally comprised of:

a. The registration fees, which are sometimes payable by both claimant and counter-claimant, if there is one;

b. The administrative fees, which are the fees charged by the institution to run and manage the case, and which are often, but not always, capped. Most, but not all, institutions calculate administrative costs by reference to a formula or scale based on the sum in dispute; and

c. The arbitrators’ fees, which are the remuneration of the sole arbitrator or the arbitral tribunal. Most, but not all, institutions calculate arbitrators’ fees by reference to a formula or scale based on the sum in dispute.

19.16 All arbitration institutions are mindful to offer their users an affordable system of dispute resolution that would maintain their current users while attracting more users and arbitrators to accept appointments.

19.17 As demonstrated in the 2013 empirical study of the School of International Arbitration on “Corporate Choices in International Arbitration: Industry Perspectives”, one of the most important factors affecting the selection of any dispute settlement mechanism, especially arbitration, is costs.\textsuperscript{6}

19.18 The study shows that, across all sectors, costs were a very important issue, as arbitration is often considered to be more costly than other available alternatives. While, overall, arbitration remains the preferred dispute resolution mechanism for transnational disputes, concerns were expressed over the related issue of costs in international

\textsuperscript{5} For more details about AALCO, its member states and statutes, http://www.aalco.int (accessed 1 August 2015).

\textsuperscript{6} Queen Mary University of London School of International Arbitration, Corporate Choices in International Arbitration: Industry Perspectives, (2013), available at: http://www.arbitration.qmul.ac.uk/docs/123282.pdf (accessed 1 August 2015).
The Evolution and Future of International Arbitration

arbitration proceedings, which, however, is not usually a deterrent to initiating such proceedings.7

19.19 The emergence of new arbitration centers in Asia and Africa was a logical reaction to the users’ concerns regarding rising costs. Whilst the costs of legal representations and experts constitute the highest percentage of total arbitral costs, the emergence of new competitors in different jurisdictions has definitely contributed to the reduction of such costs.

19.20 For instance, resorting to a reliable arbitral institution in North Africa for the settlement of a dispute involving a North African party and arising out of a contract governed by the law of a North African State would be less expensive and thus more affordable than referring such dispute to an arbitral institution in the USA, Europe or Asia. Most probably, the counsel and arbitrators will be from North Africa and the costs of legal representation and other relevant expenses would therefore be reduced.

C. Familiarity

19.21 The arbitration rules of an arbitral institution are undoubtedly its main product based on which the decision to select arbitration under its auspices is taken. The more familiar the users are with such rules, the easier the selection is made.

19.22 Whilst the available arbitration rules adopted by most of the existing arbitration institutions have several features in common, they are opportunely different, thus offering to the users a variety of options to be selected subject to testing, previous experiences and familiarity.

19.23 Of course, no institution is all things to all people. There may be linguistic differences or regional subtleties that make one institution more appropriate to a dispute than others. These variations in the needs of users and the roles of particular institutions leave ample room for regional centers to fill the gaps.

19.24 A 2010 survey conducted by the Queen Mary School of International Arbitration confirmed the existence of a trend towards regionalism.8 In particular, the survey found that formal legal infrastructure of the place of arbitration is an important factor in decisions on whether to arbitrate there, and also links the success of regional institutions to convenience factors, including location, established contacts with lawyers in the jurisdiction, language and culture.

19.25 Such findings clearly demonstrate that the familiarity of the users with the applicable procedural rules as well as the local language and culture is crucial.

19.26 The emergence of new arbitral institutions in jurisdictions where English is not the official language has made it possible to have institutional arbitrations conducted in other languages including Arabic, Portuguese, Chinese, Japanese and Korean. This has contributed to the development of arbitration in such jurisdictions by allowing local young practitioners to become sophisticated specialists as counsel and arbitrators.

19.27 As rightly noted by Professor Gaillard in his 2014 Freshfields lecture on Sociology of Arbitration, arbitral institutions are doing their best to appoint newcomers and

7. Ibid. 21.
promote diversity, but it is the parties who resist change. Indeed, the nominating parties and their counsel prefer to minimize risks and to select tested arbitrators with whom they are familiar. In similar vein, Judge Edward Torgbor refers to old prejudices against the appointment of qualified Africans as arbitrators in international dispute resolution.

Arbitral institutions acknowledge that the parties’ conservative nature in choosing arbitrators is understandable and appropriate in light of their interest in eliminating unpredictability from arbitral decisions. However, given that there are currently no plans within arbitral institutions to move from the predominant system of party appointments, which is viewed as one of the most attractive features of international arbitration, if parties are not willing to take risks in this respect, institutions, whether global, regional or local, do have opportunities to introduce new arbitrators in appropriate cases, especially when there are small quantified claims.

When arbitral institutions have sufficient experience and are sincerely keen to conduct the necessary reforms, the risk run in trying to expand the pool of their appointments is, at least, a calculated one, if any, and does not, therefore, warrant abandoning efforts of diversification.

III. PROMOTION OF BEST ARBITRAL PRACTICES

The emergence of arbitral institutions has led to more competition not only among new institutions, but also between them and the existing ones. Such competition is a healthy means toward assuring that these institutions provide a high level of service and stay abreast of the international community’s developing dispute resolution needs.

Based on reported numbers, it looks unlikely that the major players will lose significant ground any time soon, but the growth of new institutions should keep them all on their toes, striving to deliver a first class service to users.

While efficient case administration remains the core activity of arbitral institutions, institutions increasingly assume related roles. They actively participate in developing arbitration laws and best practices through issuing guidelines and practice notes, publishing decisions, hosting conferences and training events, and participating in public fora.

Along with these new roles come new responsibilities. Indeed, global, regional and local arbitral institutions should cooperate in order to develop best conditions for international institutional arbitration to thrive as a legitimate means of dispute settlement.

Emerging arbitral institutions in Asia and Africa have gradually gained the trust of their users and are increasingly acknowledged for their efficiency. In spite of the strong competition, they continue to learn from more experienced institutions and to cooperate among administrative bodies. In certain cases, they have even managed to adopt innovative measures and to propose creative solutions.


A. Efficiency

19.35 The following criteria are generally identified for the purposes of assessing the efficiency of institutional arbitration under the auspices of a given institution located in Asia and Africa:

a. whether the institution has a modern set of arbitration rules comparable or similar to the standard guaranteed in European arbitration centers;
b. whether the courts at the seat of the institution adopt a pro-arbitration approach;
c. whether the parties resorting to such institution are free to choose the place of arbitration and to select the arbitrators;
d. whether the institution has an open list of highly professional arbitrators;
e. whether the staff of the institution are capable of administering arbitral proceedings in different languages;
f. whether there are impediments to enforcement of arbitral awards;
g. whether state courts’ intervention is limited; and
h. whether in cases of commonality of origin between one of the parties to the arbitration (notably if it is the State party) and the State in which the institution is located, the venue is still regarded as neutral.

19.36 Such criteria were referred to in a recent report (Report) that was mandated by the African Development Bank (AFDB) in order to assess the various arbitration centers across the African continent, with special emphasis on the following three centers: La Cour Commune de la Justice et d’Arbitrage (CCJA) in Côte d’Ivoire, the CRCICA in Egypt, and the Mauritius International Arbitration Centre (LCIA-MIAC) in Mauritius.11

19.37 It is worth noting that the purpose of the Report was to assess these arbitration centers against the requirement and standards for “international commercial arbitration” according to Paragraph 2.43 of the AFDB’s Rules and Procedures for the Procurement of Goods and Works. More precisely, the Report was supposed to examine inter alia the following criteria in order to assess the efficiency of such centers:

a. whether the Centre provides a fully independent and neutral arbitration based on the applicable procedures, and if the Centre is reasonably free from impact of domestic procedural law when the contract involves a public body of the country the Centre is located.
b. whether there is a general public perception (of practitioners/lawyers/judges/interested bidders etc.) of the neutrality of the Centre which fulfils the AFDB’s requirements.
c. the capacity of the Centre to discharge its responsibility by examining the competency of the arbitrators that the Centre uses, the cost of procedure, and by reviewing recent performance of the Centre.

19.38 After analysing the suitability of the assessed arbitration institutions in light of the aforementioned standards, the Report concluded that they include one of the best arbitration centers across the African continent and can readily be recommended for use by parties from both the African continent and elsewhere.12 The Report also confirmed, with

12. Ibid. 47.
respect to another assessed institution, that the system as a whole seems to provide the necessary safeguards to guarantee all parties to the arbitration a suitable framework.\textsuperscript{13}

19.39 Such recognition confirms that the emergence of reliable and credible arbitration institutions in Asia and Africa has contributed to the creation of an enduring culture for the effective administration of arbitration by such institutions that meet the requirements of its users as part of the process towards the greater participation of Asian and African arbitrators, institutions and venues in the global arbitration space.

19.40 More particularly, arbitration institutions within both continents currently play a pivotal role in modernizing their rules and improving the scope and quality of their services based on the assessment of their users’ perceptions. This has led to improving the effectiveness of such institutions towards placing them at the forefront of dispute resolution in their respective regions.

B. Cooperation

19.41 Among the misperceptions about institutional arbitration is that the interaction between arbitral institutions is only a competitive one aimed at gaining the widest share of relevant markets, rather than a cooperative one aimed at developing the best conditions for international arbitration and its legitimacy.

19.42 When surveyed about the nature of their interaction during the ICCA 2014 Congress in Miami, representatives of eight arbitral institutions, from Europe, Asia, Africa and Latin America,\textsuperscript{14} confirmed that if there is to be competition among arbitration institutions, it should have the single goal of improving each institution’s services with a view to better catering to its users:

Since there is no need to fight over the same pool of users, arbitration institutions can lend each other resources and expertise without harming themselves. In this spirit of harmony, there are various cooperation agreements among arbitration institutions, and it is not uncommon for the hearings in a particular arbitration proceeding to take place in the facilities of a sister institution. More broadly, arbitral institutions can and should cooperate in fostering academic study of the field, and in evaluating and cultivating arbitrators, particularly rising stars from emerging and frontier economies.\textsuperscript{15}

19.43 It was also indicated that:

[F]ostering cooperation between institutions allows for development of initiatives that one centre could not undertake on its own. One example of this is the

---

\textsuperscript{13. Ibid. 69.}

\textsuperscript{14. \textit{Arbitral Institutions Can Do More to Foster Legitimacy. True or False?} 18 ICCA Congress Series 667, (2015). The survey respondents are: John Beechey, President, International Chamber of Commerce (ICC); Brooks Daly, Deputy Secretary-General, Permanent Court of Arbitration (PCA); Meg Kinnea, Secretary-General, International Centre for Settlement of Investment Disputes; Richard W. Naimark, Vice President, American Arbitration Association (AAA), in charge of the International Centre for Dispute Resolution (ICDR); Sandra Rajoo, Director, Kuala Lumpur Regional Centre for Arbitration (KLRCA); Mohamed Abdel Raouf, Director, Cairo Regional Centre for International Commercial Arbitration (CRCICA); Frederico José Straube, President, Centre for Arbitration and Mediation of the Chamber of Commerce of Brazil-Canada (CAM-CCBC); Adrian Winstanley, Director General, London Court of International Arbitration (LCIA) (1997-2014); Nassib G. Ziadé, Chief Executive Officer, Bahrain Centre for Dispute Resolution (BCDR-AAA).

\textsuperscript{15. Ibid. Nassib G. Ziadé, 690.}
development of Asian Domain Name Dispute Resolution that is a joint effort between the KLRCA, CIETAC, HKIAC and KCAB. On a smaller scale, cooperation facilitates the promotion of arbitration generally through the organization of conferences and other events.  

19.44 In addition:

Arbitral institutions must conduct themselves with dignity if they are to be viewed with credibility as purveyors of justice. Competition should be measured, thoughtful, collegial and even friendly. In a sense, institutions should model responsible behaviour while still spurring each other to improve and adapt appropriately. Joint conferences and cooperative projects greatly benefit our field and mutual credibility.  

19.45 Through their joint events, activities and publications, the arbitration centers have introduced in their respective jurisdictions important guidelines and soft laws like the IBA Rules on the Taking of Evidence in International Arbitration, the IBA Guidelines on Party Representation in International Arbitration and the IBA Guidelines on Conflict of Interest in International Arbitration. Such texts were even made available in languages other than the English languages thanks in particular to the efforts of local experts and arbitral institutions. This cooperation also included guidelines addressed to national judges, like the ICCA’s Guide to the interpretation of the 1958 New York Convention, which has been translated into Arabic thanks to the joint efforts exerted by both the BCDR-AAA and the CRCICA.  

19.46 Among the other examples of a successful cooperation between arbitral institutions is the Institute for the Promotion of Arbitration and Mediation in the Mediterranean (ISPRAMED), which was set up in 2009 in Milan as a non-profit organization focusing on the creation of a network (Network) among the most representative arbitral institutions of both sides of the Mediterranean basin.  

19.47 The Network aims at fostering the exchange of best practices and elaborating common principles in the management of arbitral procedures. For this purpose, ISPRAMED concluded in 2012 a memorandum of understanding with six ADR centers from six States in Europe, Asia and Africa. The ADR centers involved in the Network are the enforcers of international standards of management, the performers of shared practices and principles, which they are developing jointly, as well as the promoters of ADR culture in the frame of the business and legal local community.  

19.48 So far, seven ADR centers members of the Network have jointly issued a Report on the independence and impartiality of arbitrators. The basic purpose of the report is to condense in a few principles and practices the data and information collected by ISPRAMED among the members of its Network on the issue of impartiality and independence of arbitrators. In fact, the centers have been prompted to liaise with ISPRAMED on their own arbitration rules as well as on their experience on practical circumstances which call into question the arbitrators’ independence and impartiality. The principles,
as listed in the report, have been acknowledged by the centers as general standards that may provide guidance and help in the decision-making process of institutions dealing with similar cases. Additionally, they offer guidance to international arbitration users, who are able to know beforehand the positions of the centers on critical issues of arbitration. The Network is currently preparing another report on the criteria for selection of arbitrators.

C. Innovation

19.49 Asian and African economies have embraced international arbitration as an accessible and often preferred means to resolve disputes. They have made concerted efforts to create the infrastructure necessary for arbitration to take hold. From a structural standpoint, this has included not only establishing the necessary legislative framework but also building well-governed arbitral institutions with effective and modern arbitral rules.

19.50 Jurisdictions in Asia and Africa have been particularly adept at attuning themselves to the needs of Asian and African users. Based on the experience they have acquired over the years, some of the emerging arbitral centers have in certain areas managed to initiate various creative processes and innovative solutions.

19.51 Among these initiatives are the expedited procedures, which have been introduced by the leading jurisdictions in Asia in order to meet the demands of Asian parties that desire prompt resolution. In 2008, JCAA became the first arbitral institution in the region to take the lead in adopting expedited procedures. SIAC followed with its own rules in 2010, and HKIAC, CIETAC and KCAB now all have similar procedures albeit with their own variations.

19.52 Another interesting example of a creative solution adopted by an emerging arbitral center is the BCDR-AAA Section One of Legislative Decree No. (30) of 2009, according to which any dispute where the claim exceeds Bahraini Dinar 500,000 (approximately USD 1.3 million) and involves either an international commercial dispute or a party licensed by the Central Bank of Bahrain, is referred to BCDR-AAA. Previously, these cases would come within the jurisdiction of the courts of Bahrain.

19.53 CRCICA’s introduction in its 2011 Arbitration Rules of a special schedule, governing arbitrators’ fees in cases where the sums in dispute do not exceed three million US Dollars, was also regarded as a “smart move”. In such special schedule, CRCICA fixes ascending flat rate for arbitrators’ fees, while having more discretion to determine fees for disputes of greater value, within certain boundaries. This has thus far helped CRCICA in attracting more cases of all sizes, while not depriving the parties of their right to select the best international arbitrators.

19.54 Finally, KLRCA introduced in 2013 its “i-Arbitration Rules”, which are suitable for arbitration of disputes arising from commercial transactions premised on Islamic principles. The rules incorporate a reference procedure to a Sharia Advisory Council or Sharia expert whenever the arbitral tribunal has to form an opinion on a point related to Sharia principles. This is in addition to covering all aspects of the arbitral process, providing a model arbitration clause, setting out procedural rules regarding the appointment of arbitrators.

arbitrators and the conduct of arbitral proceedings, and establishing rules in relation to the form, effect and interpretation of the award.

IV. CONCLUSION

19.55 International arbitration has gradually become a field of intense competition: competition between arbitral seats, between counsels; between arbitrators; between relevant events; and of course between arbitral institutions.

19.56 All arbitral institutions seek to promote their services and their rules in the same global market, and the business and legal communities to whom these services are promoted will inevitably be making a choice between one institution and another. Such choice would depend not only on the efficiency and competency of the institution, but also on its accessibility, affordability as well as the level of familiarity with arbitration under its auspices.

19.57 The competition among reliable and credible service providers has contributed to the development of international arbitration and hence the rule of law. Leading arbitral institutions also cooperate in many areas aiming at developing the best conditions for international arbitration as a genuine form of dispute resolution.

19.58 That said, the future of institutional arbitration is not without challenges. The growth of institutions that are well managed, adequately resourced and largely transparent in their operations is a positive development for international arbitration generally. However, the reputation and legitimacy of institutional arbitration may be tarnished by institutions that have neither the expertise nor resources to administer arbitrations properly. This probably justifies some self-policing in addition to probing issues relating to arbitral institutions’ governance and accountability in contributing to the development of arbitration law and practice.