

Delhi set to become global hub for commercial arbitration

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NEW DELHI, JULY 10:
The National Capital is poised to become a global hub for commercial arbitration.

On August 27 Minister of Finance Arun Jaitley is expected to make the announcement on making Delhi the global hub for international arbitration on the lines of centres in London and Singapore.

Presently, the five most preferred seats for international commercial arbitration are London, Paris, Hong Kong, Singapore and Geneva.

The new international arbitration centre in Delhi will act as an overarching body in addition to a similar body that is running under the Delhi High Court. There is also an international arbitration centre running in Mumbai that started last year and handles some preliminary cases. This was set up at the behest of the Maharashtra government.

“With the rapid growth of Indian economy, it has become imperative for investors to have an efficient and cost-effective dispute resolution mechanism.

Besides, India is now the third-largest foreign investment recipient in the world, so it should have easy access to arbitration. As a result, the Centre is soon going to setup an arbitration body under the aegis of the Supreme Court,” a top official, involved in the process, told *BusinessLine*.

Lack of expertise

Although more and more Indian companies are opting for the arbitration route to settle their disputes, the number of such cases being resolved in India as the preferred seat has not increased substantially, the official said.

Some of the high-profile cases such as Vodafone, Deutsche Telekom and NTT Docomo against Tata Teleservices have also moved out of India to other centres of international arbitration due to lack of expertise in handling such disputes.

Although arbitration is the most preferred choice of multinational firms today to settle cross-border commercial disputes because it is quicker than a regular legal proceeding, it is an extremely costly affair.

As a result, the Centre, along with the Supreme Court, has decided to establish an international arbitration hub in Delhi that will have efficient management at a reasonable cost, sources said.

The need for an effective international arbitration centre was also facilitated by amending the Arbitration and Conciliation Act, 1996 and introduction of the Arbitration and Conciliation (Amendment) Bill, 2015 in October last year.

The amendment sought to address a long-standing criticism that commercial arbitration in India is a long-drawn and tedious process by providing tenets for time-bound adjudications.

“The new act also seeks to make arbitration a preferred mode of settlement of commercial disputes making India a hub of international commercial arbitration,” said Vikas Goel, Partner, Singhania and Partners.

According to a report by Nishith Desai Associates on International Commercial Arbitration, “With an influx of foreign investments, overseas commercial transactions, and open-ended economic policies acting as a catalyst, international commercial disputes involving India are steadily rising. This has drawn tremendous focus from the international community on India’s international arbitration regime.”

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