Key developments

We have singled out for special mention, among recent developments in international commercial arbitration, the promulgation of the first new UNCITRAL arbitration rules since 1976, and the publication of the revised IBA rules on the taking of evidence.

For the LCIA, specifically, the big event of the past 12 months has been the retirement of Jan Paulsson after six years as President, and the succession to that role of Rusty Park.

The Dubai International Financial Centre has seen many changes in recent months, as Dubai, in common with so many other important economies, has struggled with an unprecedented recession, from which all the signs are that it is now rapidly emerging.

The LCIA is pleased, therefore, to have continued to work with DIFC through these difficult times and to see the Centre beginning to establish itself.

LCIA India, the launch of which was the leading item in the newsletter of a year ago, is also working hard and effectively at establishing itself as an important, independent, arbitral institution for India and the wider region.

In April this year, LCIA India published their arbitration and mediation rules, and in August were delighted to co-host a conference in Mumbai, with the Indian Ministry of Law and Justice and the International Centre for Alternative Dispute Resolution (ICADR), on the Indian Government’s consultation on proposed amendments to the Indian Arbitration Act of 1996.

Casework

The turmoil in the world economy, which began with the economic meltdown of 2008, continued on its turbulent way throughout 2009. Indeed, whilst some bucked the trend, real stability is only now returning to many leading economies, as we near the end of 2010.

All the leading providers of dispute resolution services have, therefore, experienced sustained and unprecedented demand, as commercial relationships in almost every sector have come under great strain.

At the LCIA, a total of 272 disputes were referred for arbitration in 2009 (plus a further 13 for mediation or some other form of non-binding ADR); an increase of around 26% in the number of arbitrations as between 2008 and 2009.

By way of a summary, the 506 cases filed during our most recent biennial monitoring period (2008/2009) represent an increase of 87% as compared to the previous 24 month period, with the annual trend line again in a steep upward curve.
Nature of contracts

In 2009 the LCIA was the forum for disputes arising out of the usual extensive range of contracts, including, for example, aircraft leasing, charterparties, energy, insurance, medical goods and services and ship repairs. However, as in 2008, but to a lesser degree, commodity transactions (in steel and carbon products in particular), loan or other financial agreements, including guarantees, and the broad category of joint ventures and shareholders’ disputes dominated, at around 20%, 17.5% and 13% respectively.

Sums in issue

The number of referrals in which Claimants did not quantify their claim in the Request for Arbitration, and/or sought declaratory relief fell from 38% in 2008 to just 24% in 2009.

The percentage of claims valued at US$1 million or less fell slightly in 2009, at 18%, but there were increases in all other brackets; with claims in the range US$1 million-to-US$5 million up from 17% to 20%; US$5 million-to-US$10 million up from 7% to 12%; US$10 million-to-US$20 million up from 6% to 10%; and US$20 million-plus up from 12% to 16%.

The parties

As ever, the range of nationalities of the parties bringing their disputes to the LCIA is one of the key defining factors in the truly international status of the institution, as the following charts demonstrate.
We are once again calculating these percentages on substantially-increased absolute numbers, but there was a slight upwards shift in the percentage of UK parties, at 13% of the total in 2009. The percentage increase in West European parties in 2009 is matched by a decrease in East European parties, whilst the number of Russian parties rose significantly, from 6.5% to 11.5%. There was a very significant increase in parties from the Middle East, from just 1.5% of the total in 2008 to 8.25% of the total in 2009, restoring the balance that obtained pre-2008.

The Tribunals

During the course of 2009, the LCIA Court made a total of 502 individual appointments of arbitrators, to a total of 220 tribunals, of which 79 comprised of a sole arbitrator and 141 of three arbitrators. 44 of these tribunals were appointed in cases that had been referred to arbitration in 2008, and 1 in a case commenced in 2007. The remaining 175 tribunals were appointed to cases commenced in 2009.

Of these 502 individual appointments, 323 were UK nationals, of whom 142 (44%) were selected by the parties, 146 (45%) by the LCIA Court and 35 (11%) by the co-arbitrators. Of the remaining 179 individuals who were not UK nationals, 57 (32%) were selected by the parties; 103 (58%) by the LCIA Court; and 19 (10%) by the co-arbitrators.

It is striking that the ratio of three member tribunals to single member tribunals is two thirds to one third for 2009 (as against a precise half and half split in 2008).

The nationalities of arbitrators appointed in 2009 other than UK were Argentinean; Australian; Austrian; Belgian; Canadian; Chinese; Dutch; Egyptian; Estonian; Finnish; French; German; Greek; Indian; Iranian; Irish; Korean; Mauritian; New Zealand; Nigerian; Pakistani; Russian; Singaporean; Slovenian; South African; Spanish; Swedish; Swiss; Tanzanian; and US.
Contract dates

The dates of the contracts in dispute in cases filed in 2009 (where known), and the parallel dates for 2008, are shown in the following two charts.

2009

In my report of a year ago (LCIA News November 2009), I wrote that we should not be surprised if the economic recovery, which was at that time beginning to show signs of momentum, were to lead to a levelling off, and quite possibly a decline in case numbers in the coming years. And just as anticipated, there has been a slight slowdown in referrals, as an apparently sustainable economic recovery has begun.

As at 1 November this year, then, a total of 198 disputes had been referred for arbitration so far, as compared to 232 disputes referred for arbitration in the same period in 2009, a decline of a little less than 15% over the 12 month period.

The LCIA hopes and expects to continue to provide relevant, efficient, and cost-effective dispute resolution options, as economies continue to strengthen, and as new, innovative, businesses, and business relationships, emerge from the recent seismic shift in the global economic order.

Adrian Winstanley