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“COMPARATIVE ANALYSIS OF ARBITRATION LAWS : SUBSTANTIVE & PROCEDURAL PERSPECTIVES”

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CHAPTER 3 : COMPARATIVE ANALYSIS OF ARBITRATION LAWS

Arbitration is a widely used mechanism for resolving disputes, particularly in international trade and commerce. As businesses and individuals engage in cross-border transactions, the need for a neutral and efficient system for resolving conflicts becomes paramount. Arbitration offers several advantages over traditional litigation, including flexibility, confidentiality, and a speedier resolution process. However, the success of arbitration is often influenced by the legal framework within which it operates. Different countries have varying arbitration laws that can significantly impact the arbitration process, affecting everything from the appointment of arbitrators to the enforcement of awards. This comparative analysis aims to examine the differences in arbitration laws across various jurisdictions, highlighting both substantive and procedural variations and their implications for international dispute resolution.

Evolution of Arbitration Laws

Arbitration is a widely accepted alternative dispute resolution (ADR) mechanism that allows parties to settle their disputes outside the formal judicial system. Its appeal lies in its flexibility, privacy, and efficiency, particularly in cross-border commercial disputes. As globalization continues to expand the scope of international transactions, the relevance of arbitration laws has significantly increased. However, the legal framework governing arbitration differs across jurisdictions, creating a complex landscape for parties involved in international arbitration. A comparative analysis of arbitration laws, from both substantive and procedural perspectives, becomes essential to understand how different legal systems approach arbitration and to identify the best practices for resolving disputes effectively.

Substantively, arbitration laws govern the validity and scope of arbitration agreements, the types of disputes that can be arbitrated, and the grounds upon which arbitral awards can be challenged. For example, in jurisdictions

like the United Kingdom and the United States, there is strong judicial support for enforcing arbitration agreements under the principle of party autonomy. Courts in these jurisdictions typically defer to the arbitration process, allowing parties to resolve disputes as per their agreement. On the other hand, in some civil law countries such as France and Brazil, there are specific statutory limits regarding which matters can be subjected to arbitration, especially when public interest is involved. This divergence can lead to significant implications when drafting arbitration clauses in international contracts.

Procedurally, arbitration laws address the conduct of proceedings, including the appointment of arbitrators, timelines, rules of evidence, and the availability of interim measures. In some countries, the arbitration process is highly formalized, closely resembling court proceedings, while in others, it is more flexible and party-driven. For instance, countries following the UNCITRAL Model Law, such as Singapore and India, provide a relatively standardized procedural framework that

balances party autonomy with judicial oversight. However, procedural inconsistencies still exist. In Germany, for example, national courts play a more proactive role in supervising arbitration proceedings, while in Switzerland, minimal judicial interference is emphasized to ensure the independence of arbitral tribunals.³

The enforcement of arbitral awards is another critical area of comparison. The 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards has facilitated greater uniformity in this area by obligating signatory countries to recognize and enforce valid foreign arbitral awards, subject to limited exceptions. Nonetheless, disparities in how domestic courts interpret the Convention provisions still persist. Some jurisdictions are more inclined to refuse enforcement on the grounds of public policy or procedural irregularities, while others adopt a liberal approach, enforcing awards unless there is clear evidence of injustice or breach of due process.

While international efforts such as the UNCITRAL Model Law and the New York Convention have enhanced harmonization, significant variations remain in how arbitration is practiced across legal systems. Understanding these differences is crucial for legal practitioners, businesses, and arbitrators dealing with international disputes. A comprehensive comparative analysis of arbitration laws helps in choosing the appropriate legal forum, drafting robust arbitration clauses, and effectively navigating the arbitration process in diverse legal settings.

Substantive Differences in Arbitration Laws

Substantive differences in arbitration laws refer to the foundational legal principles and rules that determine how arbitration is conducted and regulated in various jurisdictions. These core differences are not merely academic; they significantly shape the arbitration experience, particularly in terms of the enforceability of arbitration agreements, the extent of arbitral jurisdiction, and the grounds upon which arbitral awards can be challenged or set aside.

Understanding these substantive variations is crucial for legal practitioners and contracting parties, especially in the context of international arbitration, where legal traditions and approaches can differ widely between common law and civil law systems.

One of the most prominent substantive distinctions in arbitration laws lies in how jurisdictions approach the enforceability of arbitration agreements. In several common law jurisdictions, such as the United States and the United Kingdom, there is a strong presumption in favor of enforcing arbitration agreements. This stems from the principle of party autonomy and freedom of contract, which holds that parties have the right to decide how and where their disputes will be resolved. Courts in these jurisdictions tend to uphold arbitration agreements unless there is a clear and compelling reason not to, such as fraud, duress, or unconscionability. Conversely, in many civil law countries, the enforceability of arbitration agreements is subject to more rigorous judicial scrutiny. Countries like France and Germany impose specific conditions for enforcement, especially in the context of disputes involving consumers, employees, or issues of public interest. In such cases, courts may be more inclined to refuse enforcement or declare the arbitration agreement void if it appears to compromise weaker parties' rights or conflicts with mandatory legal provisions.

Another substantive area where arbitration laws diverge is the scope of arbitral jurisdiction— i.e., what types of disputes can be validly resolved through arbitration. In jurisdictions like the United States, arbitration is viewed as a flexible tool that can be used to resolve not only contractual disputes but also a wide range of statutory claims, including securities, employment, and antitrust matters. This expansive view allows parties to channel nearly all forms of legal conflict into the arbitration forum, provided they have a valid agreement in place. In contrast, many European civil law countries maintain a narrower definition of what is arbitrable. In these jurisdictions, only commercial or

contractual disputes are typically allowed in arbitration, while issues involving criminal law, family law, public administration, or fundamental human rights are considered non-arbitrable due to public policy concerns.

Finally, substantive differences also emerge when comparing the grounds on which arbitral awards can be challenged or set aside. In common law jurisdictions such as the U.S., courts may entertain a broader range of challenges. One such ground is the controversial doctrine of “manifest disregard of the law,” where an award may be vacated if the arbitrators clearly ignored applicable legal principles. Although not universally accepted even within the U.S., this ground shows how some jurisdictions allow for limited review of the merits of an award. By contrast, civil law countries such as France and Switzerland adopt a much more restrictive approach. Here, judicial review of arbitral awards is largely limited to procedural irregularities, lack of jurisdiction, or violation of public policy. These jurisdictions firmly uphold the finality of arbitration and discourage any attempts to revisit the merits of the decision.⁴

The substantive differences in arbitration laws reflect deeper philosophical and legal traditions across jurisdictions. These variations influence not only how arbitration agreements are drafted and interpreted but also how disputes are framed and resolved. As international arbitration continues to grow, understanding these differences is essential for ensuring effective dispute resolution strategies across borders.

Procedural Differences in Arbitration Laws

Procedural differences in arbitration laws refer to the varied approaches that different legal systems adopt regarding the administration and conduct of arbitration proceedings. These include how arbitrators are selected, how hearings are conducted, and the rules governing the presentation of evidence and issuance of interim measures. While substantive laws determine what disputes can be arbitrated

and under what legal framework, procedural rules influence how efficiently and fairly the arbitration process unfolds. These differences, though sometimes subtle, can significantly affect the time, cost, and overall effectiveness of arbitration proceedings—particularly in international contexts involving parties from different legal traditions.

One of the most significant procedural differences lies in the method of selecting arbitrators. In many common law jurisdictions such as the United States and the United Kingdom, the parties typically enjoy broad autonomy in appointing arbitrators. This freedom allows the disputing parties to mutually agree on individuals with the expertise or background they deem appropriate. If the parties cannot agree, courts or designated institutions may step in to make appointments, often respecting the initial intentions of the parties. In contrast, civil law countries tend to have more formalized or institutionally regulated procedures. In France, for example, arbitrators are often appointed through institutional mechanisms, such as by the International Chamber of Commerce (ICC) or national courts. This institutionalized process may limit party autonomy to some extent, but it also ensures neutrality, standardization, and protection against bias or imbalance.

The manner in which arbitration hearings are conducted also illustrates significant procedural divergence. Common law countries, particularly the United States, are known for their flexible and informal approach to hearings. Arbitrators in these jurisdictions often have wide discretion to adapt procedural rules according to the needs of the case, including relaxed rules of evidence and informality in witness examination. In contrast, civil law jurisdictions such as Germany and France usually follow more rigid procedures, often influenced by their national codes of civil procedure. Hearings in these countries tend to be more structured, with specific rules concerning the order of proceedings, the submission of written evidence, and the process of questioning witnesses. This structured

approach may increase predictability but can also prolong the process and reduce flexibility.

Interim measures and emergency relief represent another area where procedural rules vary substantially. Interim relief is crucial in arbitration because it helps preserve the status quo or protect a party's rights before the final award is issued. Under the UNCITRAL Model Law, arbitral tribunals have the authority to grant interim measures, but enforcement of these measures often requires support from national courts. In the United States, parties can simultaneously seek interim relief from courts, even if arbitration is ongoing, providing them with immediate recourse in urgent situations. This dual-track system enhances the effectiveness of arbitration but may also increase litigation-related costs. On the other hand, some jurisdictions restrict the arbitral tribunal's authority to issue enforceable interim measures, directing parties to depend solely on the national judiciary for such relief. This reliance may introduce delays and lessen the effectiveness of the arbitral process in time-sensitive matters.

The Role of International Conventions in Harmonizing Arbitration Laws

While national arbitration laws differ widely across jurisdictions in both substantive and procedural respects, the international community has made significant strides toward harmonizing arbitration practices through multilateral treaties and legal instruments. These efforts aim to create a more predictable and consistent framework for resolving cross-border commercial disputes, thereby reducing the risks and uncertainties traditionally associated with international arbitration. Two of the most influential instruments in this domain are the New York Convention of 1958 and the UNCITRAL Model Law on International Commercial Arbitration.⁵

The New York Convention, formally known as the "Convention on the Recognition and Enforcement of Foreign Arbitral Awards," was adopted in 1958 under the auspices of the

United Nations. It represents a landmark development in international arbitration law, primarily because it obliges contracting states to recognize and enforce arbitral awards made in other member states, subject to limited and narrowly interpreted exceptions. These exceptions include violations of public policy, lack of due process, incapacity of parties, or invalidity of the arbitration agreement under the applicable law. The widespread ratification of the New York Convention—currently by over 160 countries—has significantly enhanced the credibility and enforceability of international arbitral awards. This has made arbitration a preferred method of dispute resolution in international commerce, as businesses are assured that an award rendered in one country can, in principle, be enforced in another.

Despite the Convention's success, its implementation and interpretation still vary from one jurisdiction to another. While many countries have adopted a pro-enforcement approach in line with the Convention's spirit, others continue to apply domestic standards that may create hurdles for the enforcement of foreign awards. This divergence can undermine the Convention's purpose and make international arbitration less predictable, especially in countries where judicial intervention is frequent or where public policy exceptions are broadly interpreted.

Complementing the New York Convention is the UNCITRAL Model Law on International Commercial Arbitration, first introduced in 1985 and subsequently revised in 2006 to address new developments and practical challenges. The Model Law provides a comprehensive legislative template that countries can adopt into their national legal systems to regulate the entire arbitration process—from the arbitration agreement and tribunal formation to the conduct of proceedings and enforcement of awards. The aim is to ensure uniformity and fairness while respecting the diverse legal traditions of different nations. Over 80 countries, including major economies such as India, Canada, Singapore, and Germany, have

incorporated the Model Law into their domestic arbitration legislation, either wholly or with modifications.

However, despite the Model Law's broad influence, complete harmonization remains a challenge. Some countries have adopted the Model Law with specific reservations, omissions, or additions that diverge from the original text. This leads to differences in interpretation and application, particularly when national courts become involved. Moreover, judicial attitudes toward arbitration can vary, with some courts taking a more interventionist stance that contradicts the autonomy and finality typically associated with arbitral proceedings.

While international instruments like the New York Convention and the UNCITRAL Model Law have made remarkable progress in harmonizing arbitration laws, their effectiveness depends heavily on how states implement and interpret them. Continued efforts are necessary to ensure consistent application, reduce judicial overreach, and build a truly unified global arbitration regime that fosters trust, neutrality, and efficiency in cross-border dispute resolution. The comparative analysis of arbitration laws reveals a complex landscape in which substantive and procedural differences can significantly impact the arbitration process. While international conventions like the New York Convention and the UNCITRAL Model Law have contributed to harmonizing arbitration practices, significant differences remain in how arbitration is conducted across jurisdictions. These differences can affect the efficiency, cost, and fairness of arbitration, particularly in cross-border disputes. Understanding these variations is crucial for businesses and legal practitioners involved in international arbitration, as they navigate the complexities of different legal systems. As the global economy continues to grow and cross-border disputes increase, efforts to further harmonize arbitration laws will be essential to improving the effectiveness and predictability of international dispute resolution mechanisms.

Arbitration Law in the United States

The primary legislation governing arbitration in the United States is the **Federal Arbitration Act (FAA), 1925**, codified under **Title 9 of the U.S. Code**. The FAA is structured into three chapters: domestic arbitration (Chapter 1), international arbitration (Chapter 2, incorporating the **New York Convention**), and inter-American arbitration (Chapter 3).

Under the FAA:

Section 2 declares that arbitration agreements in contracts involving commerce are "valid, irrevocable, and enforceable," except on legal grounds applicable to general contracts (e.g., fraud, duress).

Section 4 allows a party to petition federal courts to compel arbitration when another party refuses.

Section 10 outlines the limited grounds for vacating an arbitral award, including corruption, fraud, evident partiality, or arbitrators exceeding their powers.

The U.S. adopts a **pro-arbitration stance**, reinforced by decades of Supreme Court rulings that prioritize arbitration over litigation. In cases like *AT&T Mobility LLC v. Concepcion* (2011) and *Epic Systems Corp. v. Lewis* (2018), the court upheld mandatory arbitration clauses even in consumer and employment contracts, often limiting the scope for class-action litigation. The United States is also a party to the **New York Convention (1958)**, ensuring the recognition and enforcement of foreign arbitral awards. The judiciary generally respects arbitral autonomy but permits minimal judicial review under narrowly defined conditions.

Arbitration Law in the United Kingdom

The **Arbitration Act 1996** is the principal legislation governing both domestic and international arbitration in the UK. It applies to arbitrations seated in England, Wales, and Northern Ireland and is guided by three fundamental principles outlined in **Section 1**:

The object of arbitration is fair resolution of

disputes.

Parties should have freedom to agree how their disputes are resolved. Courts should not intervene except as provided by the Act.

Key provisions of the UK Arbitration Act include:

Section 6 defines arbitration agreements as written agreements to submit disputes to arbitration.

Section 24 allows the court to remove arbitrators in cases of partiality or incapacity.

Section 68 permits challenging an award on the basis of serious irregularity affecting the proceedings.

Section 69 provides for appeals on points of law, though this is subject to strict limitations and may be excluded by party agreement.

Unlike the U.S., where judicial review is extremely narrow, the UK law allows slightly broader scope under **Sections 68 and 69**, though courts are still cautious in overturning arbitral awards.

The UK is a signatory to the **New York Convention**, and its courts have consistently enforced foreign awards, reaffirming its status as a global arbitration hub. London is home to leading arbitration institutions like the **LCIA (London Court of International Arbitration)** and often ranks as one of the most preferred seats for international arbitration.

Arbitration Law in India

India's arbitration framework is governed by the **Arbitration and Conciliation Act, 1996**, modeled largely on the **UNCITRAL Model Law** and divided into four parts. Major amendments in 2015, 2019, and 2021 were introduced to modernize the law and align it with global standards.

Key provisions include:

Section 7 defines an arbitration agreement.

Section 8 mandates judicial authorities to refer parties to arbitration if a valid agreement exists.

Section 9 empowers courts to grant interim measures before or during arbitration.

Section 34 provides the grounds for setting aside an arbitral award (e.g., incapacity, improper notice, public policy violation).

Section 36 allows enforcement of domestic awards as if they were court decrees, once the time for challenging under Section 34 has expired.

India is also a signatory to the **New York Convention**, incorporated under **Part II of the Act**, which governs the recognition and enforcement of foreign awards. However, Indian courts have historically had a mixed track record in enforcement. The interpretation of the "public policy" exception under **Section 48** (for foreign awards) and **Section 34** (for domestic awards) has been a contentious area, leading to judicial interference in arbitration outcomes.

In **ONGC v. Saw Pipes Ltd. (2003)**, the Supreme Court broadened the scope of public policy to include "patent illegality," which led to frequent setting aside of arbitral awards. However, the **2015 Amendment** restricted "patent illegality" to domestic arbitrations, and courts have since shown more restraint.⁶

Comparative Analysis

Legal Framework: All three countries have dedicated legislation for arbitration—FAA (US), Arbitration Act 1996 (UK), and Arbitration and Conciliation Act 1996 (India). While the U.S. FAA is less detailed, the UK and Indian Acts are more comprehensive and modeled after the UNCITRAL Model Law.

Judicial Intervention: The U.S. maintains a strict hands-off policy with very limited grounds for judicial interference. The UK provides for slightly broader review, especially under "serious irregularity." India historically allowed more interference, especially on "public policy" grounds, though this has been narrowed in recent years.

Autonomy of Parties: All three jurisdictions uphold party autonomy. However, the U.S. goes further by permitting waiver of class actions and mandatory arbitration in standard form contracts, even in sensitive sectors like

employment and consumer rights. The UK and India are more cautious in such areas.

Appointment and Removal of Arbitrators: While the U.S. allows contractual flexibility and limited court involvement, the UK Act (Section 24) and Indian Act (Section 11 and Section 14) offer detailed procedures for appointment and removal, often through court or institutional assistance.

Appeals and Review: The U.S. permits only extremely narrow review (e.g., fraud, misconduct), whereas the UK allows review for legal errors under Section 69 (unless excluded). India allows setting aside under broader grounds but is attempting to align closer with international standards.

Recognition of Foreign Awards: All three are signatories to the New York Convention. The U.S. and UK enforce foreign awards efficiently, while India has improved its enforcement mechanisms post-2015 amendments but still faces practical hurdles in lower courts. The United States, United Kingdom, and India represent three distinct yet interconnected approaches to arbitration law. While the U.S. favors strict enforcement and minimal court involvement, the UK provides a more balanced model with some judicial oversight. India, although once criticized for excessive court interference, is gradually reforming its arbitration regime to become a globally competitive venue for dispute resolution. Continued harmonization with international norms and consistency in judicial interpretation are key for India's advancement. Each jurisdiction offers lessons in balancing party autonomy, judicial oversight, and enforceability—core pillars essential to a robust arbitration framework.

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