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The International Comparative Legal Guide to:

International Arbitration 2016

13th Edition

A practical cross-border insight into international arbitration work

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Fax: +44 20 7407 5255
Email: info@glgroup.co.uk
URL: www.glgroup.co.uk

GLG Cover Design
F&F Studio Design

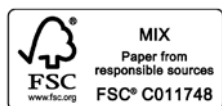
GLG Cover Image Source
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Printed by
Ashford Colour Press Ltd
August 2016

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ISBN 978-1-911367-06-2
ISSN 1741-4970

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Preface:

- **Preface** by Gary Born, Chair, International Arbitration Practice Group,
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General Chapters:

1	Class, Collective and Mass Claims in Arbitration – Charlie Caher & Jonathan Lim, Wilmer Cutler Pickering Hale and Dorr LLP	1
2	Complex DCF Models and Financial Awards: The Components and Where They Go Wrong – Gervase MacGregor & David Mitchell, BDO LLP	8
3	The Toolbox of International Arbitration Institutions: How to Make the Best of It? – Professor Dr. Eckart Brödermann & Dr. York Zieren, Brödermann Jahn RA GmbH	14

Asia Pacific:

4	Overview	Dr. Colin Ong Legal Services: Dr. Colin Ong	19
5	Brunei	Dr. Colin Ong Legal Services: Dr. Colin Ong	33
6	China	Boss & Young, Attorneys-at-Law: Dr. Xu Guojian	42
7	India	Kachwaha & Partners: Sumeet Kachwaha & Dharmendra Rautray	54
8	Indonesia	Ali Budiardjo, Nugroho, Reksodiputro: Sahat A.M. Siahaan & Ulyarta Naibaho	65
9	Japan	Anderson Mori & Tomotsune: Yoshimasa Furuta & Aoi Inoue	76

Central and Eastern Europe and CIS:

10	Overview	Wilmer Cutler Pickering Hale and Dorr LLP: Franz T. Schwarz & Krystyna Khripkova	84
11	Austria	Weber & Co.: Stefan Weber & Katharina Kitzberger	91
12	Belarus	Sysouev, Bondar, Khrapoutski Law Office: Timour Sysouev & Alexandre Khrapoutski	100
13	Croatia	Divjak, Topić & Bahtijarević Law Firm: Linda Križić & Sara Al Hamad	112
14	Hungary	Lendvai Partners: András Lendvai & Gergely Horváth	119
15	Romania	Popovici Nițu Stoica & Asociații: Florian Nițu & Raluca Petrescu	127
16	Russia	Freshfields Bruckhaus Deringer LLP: Noah Rubins & Alexey Yadykin	137
17	Turkey	Moroglu Arseven: Orçun Çetinkaya	153
18	Ukraine	CMS Cameron McKenna: Olexander Martinenko & Olga Shenk	162

Western Europe:

19	Overview	DLA Piper UK LLP: Ben Sanderson	171
20	Andorra	Cases & Lacambra: Sheila Muñoz Muñoz	175
21	Belgium	Linklaters LLP: Joost Verlinden	185
22	Cyprus	Patrikios Pavlou & Associates LLC: Stavros Pavlou & Eleana Christofi	195
23	England & Wales	Wilmer Cutler Pickering Hale and Dorr LLP: Charlie Caher & John McMillan	204
24	Finland	Attorneys at law Ratiolex Ltd: Timo Ylikantola & Tiina Ruohonen	220
25	France	Lazareff Le Bars: Benoit Le Bars & Joseph Dalmasso	228
26	Germany	DLA Piper UK LLP: Dr. Frank Roth & Dr. Daniel H. Sharma	238
27	Ireland	Matheson: Nicola Dunleavy & Gearóid Carey	248
28	Italy	Chiomenti Studio Legale: Andrea Bernava & Silvio Martuccelli	258
29	Liechtenstein	König Rebholz Zechberger: MMag. Benedikt König & Dr. Helene Rebholz	268
30	Luxembourg	Loyens & Loeff Luxembourg S.à r.l.: Véronique Hoffeld	277
31	Portugal	Cuatrecasas, Gonçalves Pereira: Rita Gouveia & Frederico Bettencourt Ferreira	286

Continued Overleaf →

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Western Europe, cont.:

32	Spain	Olleros Abogados, S.L.P.: Iñigo Rodríguez-Sastre & Elena Sevilla Sánchez	295
33	Sweden	Advokatfirman Vinge: Krister Azelius & Lina Bergqvist	303
34	Switzerland	Homburger: Felix Dasser & Balz Gross	311

Latin America:

35	Overview	Baker & McKenzie LLP: Luis M. O’Naghten	322
36	Bolivia	Salazar & Asociados: Ronald Martin-Alarcon & Sergio Salazar-Machicado	334
37	Brazil	Costa e Tavares Paes Advogados: Vamilson José Costa & Antonio Tavares Paes Jr.	341
38	Colombia	Holland & Knight Colombia: Enrique Gómez-Pinzón & Daniel Fajardo Villada	349
39	Dominican Republic	Medina Garrigó Abogados: Fabiola Medina Garnes & Jesús Francos Rodríguez	356
40	Mexico	Von Wobeser y Sierra, S.C.: Diego Sierra & Adrián Magallanes	365
41	Venezuela	D’Empaire Reyna Abogados: Pedro Perera & Jose Humberto Frías	376

Middle East / Africa:

42	Overview – MENA	Freshfields Bruckhaus Deringer LLP: Sami Tannous & Seema Bono	383
43	Overview – Sub-Saharan Africa	Baker & McKenzie: Gerhard Rudolph & Michelle Wright	389
44	Israel	Ronen Setty & Co. Law Firm: Ronen Setty	392
45	Kenya	Njeri Kariuki Advocate: Njeri Kariuki	401
46	Libya	Sefrioui Law Firm: Kamal Sefrioui	408
47	Nigeria	PUNUKA Attorneys and Solicitors: Anthony Idigbe & Emuobonuvie Majemite	417
48	Qatar	Sefrioui Law Firm: Kamal Sefrioui	433
49	Sierra Leone	BMT LAW: Glenna Thompson & Selvina Bell	445
50	South Africa	Baker & McKenzie: Gerhard Rudolph & Darryl Bernstein	453
51	UAE	Freshfields Bruckhaus Deringer LLP: Sami Tannous & Seema Bono	464
52	Zambia	Eric Silwamba, Jalasi and Linyama Legal Practitioners: Eric Suwilanji Silwamba, SC & Joseph Alexander Jalasi	476

North America:

53	Overview	Paul, Weiss, Rifkind, Wharton & Garrison LLP: H. Christopher Boehning & Julie S. Romm	485
54	Bermuda	Sedgwick Chudleigh Ltd.: Mark Chudleigh & Alex Potts	493
55	Canada	Burnet, Duckworth & Palmer LLP: Louise Novinger Grant & Romeo A. Rojas	503
56	Cayman Islands	Travers Thorp Alberga: Anna Peccarino & Ian Huskisson	511
57	USA	Hughes Hubbard & Reed LLP: John Fellas & Hagit Muriel Elul	525

Sub-Saharan Africa Overview

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1. Introduction

As ongoing international investment interest and economic growth across Africa continues unabated, arbitration is increasingly becoming the preferred mode of commercial dispute resolution and the chosen path of recourse for the protection of investor rights across the continent, both domestically and internationally. Throughout the continent there is an increasing appreciation and acceptance at government level, as well as through the courts, that arbitration is a useful and necessary means of commercial dispute resolution. This is coupled with an increasing appreciation of the need for greater certainty on the part of international investors as to the willingness of the courts and state authorities to recognise submission to arbitral proceedings and their outcome, along with the enforcement of arbitral awards within their particular jurisdictions.

Importantly, it should be noted that the degree to which arbitration is accepted as a means of dispute resolution, coupled with the willingness of the local courts to recognise and enforce arbitration awards, differs from country to country across the continent.

2. Trends on Submission to Arbitration

There is no uniformly adopted, centralised law relating to arbitration across Africa. Most typically, though, the practice on international commercial transactions involving African parties, ranging from project finance, mining and construction to logistics and commodity-related transactions, is for submission of disputes to one of the leading international arbitration bodies for administered arbitration. Most favoured in this regard are the International Chamber of Commerce (ICC) Court of Arbitration and the London Court of International Arbitration (LCIA). In regard to choice of law as well as the seat of the arbitration, where the parties move away from domestic law and jurisdictional application, the most commonly followed jurisdictions are the United Kingdom and France, with London and Paris most commonly chosen as the seat.

While the preference for neutrality, along with the expertise in UK and French law, often lead to the nomination of eminent UK and European jurists as arbitrators, parties from African countries are increasingly nominating domestic jurists with expertise in arbitration to serve on these tribunals. Engaging an arbitrator with a sense of domestic perspective and appreciation of local laws and their enforcement often has the advantage of countering concerns by local courts at the enforcement stage that an enquiry into the merits and conduct of the arbitral process should not be undertaken when challenged. Notably, international arbitration bodies such as the Chartered Institute of Arbitrators, are active across the

continent with branches in Kenya, Mauritius, Nigeria, South Africa and Zambia (Egypt forms part of the Middle East and Indian Subcontinent region).

Currently, there are many African states which have wholly or partially adopted arbitration legislation in line with the United Nations Commission on International Trade Law (UNCITRAL) Model Law, being suited for uniform recognition and enforcement of both domestic and international arbitration proceedings. In addition, there are currently 33 African states that are signatories to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, obliging them to recognise and give effect to arbitral processes undertaken through other signatory states, the most recent of these being the Democratic Republic of the Congo.

South Africa, in particular, has been slow in following the latest best practice in international arbitration and is not considered user-friendly. However, as African economies grow and more infrastructure development and economic activity occurs, South Africa is being seen as an emerging arbitration jurisdiction. To its credit, it has well developed arbitral institutions and many experienced arbitrators in various industries, coupled with a judiciary inherently supportive of arbitration as an autonomous form of dispute resolution. In July 1998, the South African Law Reform Commission (SALRC) considered international commercial arbitration and recommended the application of the UNCITRAL Model Law to international commercial arbitration and the promulgation of a new international arbitration act in South Africa. Two decades later, we are pleased to report that the Justice Department has approved the International Arbitration Bill, based almost exclusively on the Model Law, which was introduced to parliament in April 2016. We remain hopeful that the legislation will be promulgated this year.

From a domestic perspective, however, there is less progress to report. In 2001, the SALRC submitted a comprehensive report on the status of South African domestic arbitration in which it was recommended, amongst other matters, that a new domestic arbitration statute be adopted, combining the best features of the UNCITRAL Model Law and the English Arbitration Act of 1996, while retaining otherwise effective provisions of the existing Arbitration Act. To date, however, the legislature has taken no steps to implement the SALRC's recommendations.

3. Regional Initiatives

The establishment of the Organisation for the Harmonization of Business Law in Africa (OHADA) in 1993 by 13 Central and West African states, now grown to 17, has been a strong driver for

the adoption of international arbitration, as well as key elements of the UNCITRAL Model Law by member states. OHADA has developed the Uniform Arbitration Act. Its purpose is to, amongst other things, regulate the recognition and enforcement of arbitration agreements and awards, its provisions superseding national law on arbitration (to the extent that any conflict arises). OHADA was established expressly to facilitate and encourage both domestic and foreign investment in the member states, and is principally based on a modernised French legal model in regard to process and effect, along with the establishment of a supra-national court seated in Abijan, Ivory Coast, to ensure uniformity in judgments and recognition of process.

Pursuant to a legislative initiative in 2009, the Lagos Court of Arbitration (LCA) was launched in 2012 and has since become a Nigerian and West African regional hub for both arbitration and mediation proceedings.

Although it recognises UNCITRAL and OHADA, Ghana is a good example of a country that is following its own arbitration path through the adoption of the Alternative Dispute Resolution Act, 2010. This Act has comprehensively revised Ghana's existing laws on arbitration and enforcement of both domestic and international arbitral awards.

Following the establishment of a permanent Court of Arbitration, the Mauritius International Arbitration Centre Limited (MIAC) was established in 2011 pursuant to an agreement between the LCIA and the Government of Mauritius. Following its establishment, MIAC is actively promoting itself across Africa as a preferred alternative to the traditional international arbitration bodies for African international arbitration.

The Association of Arbitrators (ASA) and the Arbitration Foundation of Southern Africa (AFSA) are the two pre-eminent South African arbitration bodies, administering both domestic and international arbitrations in the SADEC region, albeit largely from a domestic support base. Africa ADR is an initiative driven by the AFSA, as well as a number of other regional arbitration bodies including MIAC, the Centre du Arbitrage, based in the Democratic Republic of the Congo (CDA), and the Centro de Arbitragem Conciliação e Mediação, based in Mozambique.

Arguably the most important development in recent years is the creation of the China Africa Joint Arbitration Centre Johannesburg (CAJAC) in co-operation with AFSA, Africa ADR (AFSA's external

arm), the ASA and the Shanghai International Trade Arbitration Centre in late 2015. It will serve as an international arbitration venue for disputes involving parties from China and Africa. It is envisaged that CAJAC will operate from both South Africa and China and will hear disputes relating to business in Africa in Johannesburg and disputes relating to business in China in Shanghai, respectively.

4. Investment Treaty Arbitration

Bilateral investment treaties (BITs) have, since the 1990s, been a core element of African foreign policy to encourage investor confidence and certainty as to the business environment, typically including submission by the affected state to international arbitration tribunals. In addition, 43 African states (South Africa being a notable exception) are party to the 1965 Washington Convention on the Settlement of Investment Disputes (ICSID) as administered by the World Bank. African states have historically featured prominently and regularly as respondents in ICSID proceedings. Within a more favourable international investment climate, many African states are questioning their participation in ICSID and ongoing willingness to conclude BITs including the South African Government, which recently recorded its intent to reverse its historic willingness to conclude such agreements with more than 30 investor states. Coupled with this policy change is a renewed resolve by the South African Government to revisit its domestic legislation on international arbitration and bring it in line with international best practice with the intention to allow foreign investors suitable recourse through localised arbitration.

To this end, The Protection of Investment Act 22 of 2015 (the "Protection of Investment Act"), was passed in late 2015 with the principle aim of strengthening South Africa's ability to attract foreign investment, increase exports and maintain a balance between the rights and obligations of all investors in South Africa. Though it has yet to come into force (at the time of writing), the Protection of Investment Act will, by and large, replace the BITs between South Africa and other countries, which typically provide for arbitration as the preferred method of dispute resolution. The Protection of Investment Act provides for the settlement of investment disputes by arbitration, but only after all domestic remedies have been exhausted. This will certainly impact on the resolution of disputes.

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