

Client Alert

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Shenzhen Seeks to Solidify Itself as an International Arbitration Hub with the Merger of Two South China Arbitral Institutions

By Daniel Steel

On December 25, 2017, the Shenzhen Arbitration Commission (SAC) and the South China International Economic and Trade Arbitration Commission (SCIETAC) merged to become the Shenzhen Court of International Arbitration (SCIA). SCIETAC was also known as the SCIA and will be lending its name and acronym to the newly formed SCIA. The merger was announced by the SCIETAC through its website on January 8, 2018.

As noted in its [official announcement](#), the merger of the two Shenzhen-based arbitral institutions was done “*In order to promote a world-class business environment and build an international arbitration hub.*”

SCIETAC was formerly a sub-commission of the China International Economic and Trade Arbitration Commission (CIETAC), which acts as China’s main and, by most metrics, largest arbitral institution. SCIETAC once acted as the CIETAC branch in Shenzhen but broke off from its parent in 2012 when the CIETAC introduced new rules that SCIETAC considered too centralizing.

Following the merger and formation of the SCIA, any agreements to submit disputes or issues for arbitration, mediation or negotiation facilitation by reference to SAC, SCIETAC or the former Shenzhen-based CIETAC sub-commission will be treated as agreements to submit disputes or issues to the newly formed SCIA. The newly formed SCIA has already assumed administrative duties of all new relevant matters submitted to it.

The SCIA Council is still in the process of formulating and implementing a new set of arbitral rules and a panel of arbitrators. Until that process is completed, the rules of the SAC and the SCIETAC will continue to apply to existing contractual arrangements, and each arbitral institution’s panel of arbitrators will remain intact.

The merger may signal an effort to internationalize the Shenzhen arbitration industry. Up until now, arbitrations conducted under Chinese arbitral rules and administered by Chinese arbitral institutions have been viewed as too Sinocentric and unattractive for non-Chinese parties. The now former Shenzhen arbitral institutions had negligible global outreach as compared to, for example, the neighboring Hong Kong International Arbitration Centre. But China is a rapidly developing and globalizing country, so an economic argument for more China-based arbitrations already exists. The question is whether SCIA’s new rules and panel of arbitrators, together with promising developments in the Chinese legal landscape regarding arbitration, will be enough to draw international parties away from established centers of international arbitration.

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Morrison & Foerster's international arbitration team will continue to monitor any developments at the SCIA with keen interest. For more information regarding the merger and the formation of the SCIA, please contact any of the following lawyers at Morrison & Foerster:

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