# The Evolution of International Arbitration Judicialization: Governance, Legitimacy, and More

In the globalized world we live in today, international arbitration has become an essential means of resolving disputes between parties from different countries. Over the years, the practice of international arbitration has evolved, transforming from a purely contractual mechanism into a system that resembles judicialization in many aspects. This evolution has raised questions about governance and legitimacy within the international arbitration community.

#### The Roots of International Arbitration

International arbitration dates back to ancient times when merchants and traders sought neutral third-party intervention to settle disputes. However, the modern practice of international arbitration as we know it today began to take shape in the late 19th century. The establishment of permanent arbitral institutions, such as the International Chamber of Commerce (ICC) in 1923, laid the foundation for the development of a structured system for resolving international disputes.

Initially, international arbitration was primarily based on party autonomy, with parties agreeing to resolve their disputes outside of national courts. The awards made by arbitrators were seen as binding contracts between the parties rather than legal judgments. While arbitration was regarded as an alternative to litigation, it was not considered a judicial process.

The Evolution of International Arbitration: Judicialization, Governance, Legitimacy

by Alec Stone Sweet(Illustrated Edition, Kindle Edition)





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#### The Shift Towards Judicialization

In recent decades, there has been a noticeable shift towards the judicialization of international arbitration. This has been driven by various factors, including the increasing complexity of international disputes, the desire for greater predictability and consistency in outcomes, and the need to ensure the enforceability of arbitral awards across multiple jurisdictions.

The judicialization of international arbitration is characterized by the adoption of practices and procedures that resemble those of traditional courts. For instance, there is a growing trend towards the appointment of professional arbitrators with legal backgrounds, who apply legal principles and reasoning to resolve disputes.

Moreover, arbitral institutions have established rules and guidelines that closely mirror procedural rules in national court systems. Parties often have the opportunity to present evidence, examine witnesses, and make legal arguments. This approach enhances procedural fairness and contributes to the legitimacy of the arbitral process.

#### **Challenges and Benefits**

The increasing judicialization of international arbitration has raised important questions about governance and legitimacy. Critics argue that the erosion of party autonomy and the adoption of legal principles may undermine the efficiency and flexibility that arbitration offers. They also question the legitimacy of arbitrators acting as quasi-judges without the same level of accountability as state-appointed judges.

On the other hand, proponents of judicialization argue that it enhances the credibility and enforceability of arbitral awards. By aligning arbitration more closely with judicial processes, there is greater assurance that awards are grounded in principles of fairness and justice. This, in turn, promotes the widespread acceptance and recognition of arbitral awards by national courts.

There are also practical benefits to the judicialization of international arbitration. The use of legal reasoning and adherence to procedural rules increase the transparency of the process, allowing parties to better understand and analyze the decision-making process of arbitrators. This transparency can give parties greater confidence in the reliability and integrity of the arbitral process.

#### The Need for Balanced Governance

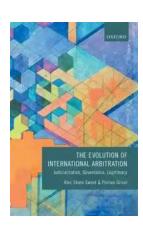
As the trend towards judicialization continues, maintaining a balance between party autonomy and the adoption of legal principles becomes crucial. It is essential to preserve the flexibility and efficiency that make arbitration attractive while also ensuring that the arbitral process remains fair, credible, and enforceable.

Drawing lessons from domestic and international court systems, it may be necessary to establish standardized ethical guidelines and disciplinary mechanisms for arbitrators. This can help address concerns about accountability

and legitimacy, ensuring that arbitrators uphold the highest professional standards and act in the best interests of the parties.

The evolution of international arbitration towards judicialization represents a significant development in the field of dispute resolution. While it raises important questions about governance and legitimacy, the judicialization of international arbitration also offers benefits in terms of credibility, enforceability, and procedural transparency.

As the practice continues to evolve, it is crucial to strike a balance between party autonomy and the adoption of legal principles. By doing so, the international arbitration community can ensure that the legitimacy and effectiveness of the arbitral process are preserved, allowing parties from different jurisdictions to resolve their disputes in a fair and efficient manner.



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The development of international arbitration as an autonomous legal order comprises one of the most remarkable stories of institution building at the global

level over the past century. Today, transnational firms and states settle their most important commercial and investment disputes not in courts, but in arbitral centres, a tightly networked set of organizations that compete with one another for docket, resources, and influence.

In this book, Alec Stone Sweet and Florian Grisel show that international arbitration has undergone a self-sustaining process of institutional evolution that has steadily enhanced arbitral authority. This judicialization process was sustained by the explosion of trade and investment, which generated a steady stream of high stakes disputes, and the efforts of elite arbitrators and the major centres to construct arbitration as a viable substitute for litigation in domestic courts. For their

part, state officials (as legislators and treaty makers), and national judges (as enforcers of arbitral awards), have not just adapted to the expansion of arbitration; they have heavily invested in it, extending the arbitral order's reach and effectiveness. Arbitration's very success has, nonetheless, raised serious questions about its legitimacy as a mode of transnational governance.

The book provides a clear causal theory of judicialization, original data collection and analysis, and a broad, relatively non-technical overview of the evolution of the arbitral order. Each chapter compares international commercial and investor-state arbitration, across clearly specified measures of judicialization and governance. Topics include: the evolution of procedures; the development of precedent and the demand for appeal; balancing in the public interest; legitimacy debates and

proposals for systemic reform. This book is a timely assessment of how arbitration has risen to become a key component of international economic law and why its future is far from settled.



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