

Trade arbitrator gives strength to economy

Powerful trade arbitration organizations can indirectly aid the inflow of foreign investment into a nation.

"Trade arbitration indirectly represents the strength of a nation's economy. The stronger the trade arbitration team a nation has, the more confident overseas investors will be, and the more investment it will probably absorb," Yu Jianlong, secretary-general of China's trade arbitration organization told China Business Weekly.

Established in 1956, the China International Economic and Trade Arbitration Commission (CIETAC) dealt with over 1,230 cases last year, the highest number worldwide.

Typically, arbitration associations in the United States, France, Sweden and Singapore deal with 100 to 600 trade-related cases each year.

"We are as capable as our international counterparts," said Yu, who three years ago was transferred to CIETAC from the China Council for the Promotion of International Trade.

Cases increase

China's foreign direct investment and trade has grown rapidly since the nation started liberalizing its economy in 1978.

So too have trade conflicts; but arbitration has solved these problems in an efficient way.

Compared to a court appeal, "arbitration enjoys incomparable advantages and flexibility," Yu said.

Under the CIETAC trade arbitration framework, aggrieved parties can select judges, and specific rules and regulations on which resolutions will be based.

Yu said dispute resolution under CIETAC was significantly cheaper, costing about one-fifth the rate charged by its international counterparts.

During the past three decades, the arbitrator has seen a continuous rise in cases. Between 1978 and 1988 it dealt with 410 cases; but in the following decade the number of cases soared to 5,917.

Since CIETAC expanded in 2000 to arbitrate all types of trade conflicts, the number of cases has on average increased between 30 and 40 percent annually. Last year, despite the financial crisis, the number touched a record high of 1,230 cases.

"Conflicts concerning real estate, securities, franchise agreements and IPR have been on the rise in the past few years," said Yu.

In 2002, the huge increase in FDI saw China replace the United States as the most favorable destination for overseas investment.

"The trade arbitration mechanism was one of the key drivers behind this FDI growth", said Yu.

With 970 arbitration practitioners, CIETAC employs the largest and most professional judging team nationally.

Planned improvements

□

Related readings:

- ◆ [Chinese-European Arbitration Center inaugurated in Hamburg](#)
- ◆ [China retains foreign trade advantages: official](#)
- ◆ [China trade falls in June but decline less severe](#)
- ◆ [China exports lost \\$50.5B over](#)

CIETAC aims to become an international trade arbitration organization, but "it can never be realized until the payment system is in line with international standards," said Yu.

According to Yu, CIETAC is losing its professional arbitrators as a result of unattractive salaries.

"The budget is quite low, so is the salary. As a result, the judges have no motivation to work here," he said.

technical barriers

"This is my biggest concern; shortage of quality talent will cripple our aim of becoming the world's leading trade arbitration organization," Yu said.

Until now, the Chinese government had been designing the fee structure for CIETAC. Each year, the organization receives only one-third of its earnings, around 30 million yuan, to cover wages and other expenses. The rest is required to be repatriated to the government.

CIETAC has requested the government to loosen these restrictions. More leeway in financial decisions, income management and distribution of salaries will motivate its staff and assist in the arbitrator's future plans, Yu said.

"A new policy is expected this year," said Yu.

(For more biz stories, please visit [Industries](#))

Copyright By chinadaily.com.cn. All rights reserved