



E-mail: info@amicusservices.in
Website: www.amicusservices.in

Budget 2022- Government announces setting up International Arbitration Centre

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The Finance Minister in her speech presenting the Union Budget for the 2022-2023 fiscal year, announced an international arbitration centre to be set up in GIFT City, (Gujarat International Finance Tec-City).

The Budget aims at laying the foundation for economic growth for the country emerging from a covid induced economic slump. In keeping with this vision of infrastructural growth, the Finance Minister announced that an international arbitration centre will be set up in Gift City for timely settlement of disputes under international jurisprudence.

Gift-International Financial Services Centre (“**GIFT-IFSC**”), India’s first international financial services centre, has an entirely separate financial jurisdiction with the International Financial Services Centre Authority (“**IFSCA**”) as the unified regulator. The Government is looking at GIFT-IFSC as a potential vehicle for making India a global attraction in the alternative disputes resolution space. Both, domestic and overseas corporate entities are being wooed to consider IFSC and integrate it with their plans to expand their global footprint.

Last year, the IFSCA had announced that an international arbitration centre was to be set up in GIFT City along the lines of the Singapore International Arbitration Centre (SIAC) or the London Court of International Arbitration (LCIA). It was also shared that the IFSCA has already prepared a proposal, which was being discussed with the Union Law Ministry.

An international arbitration centre will be a major boost to the initiative by the Government to create a concentration of financial institutions. Though the initiative of setting up international arbitration centre at GIFT City is certainly aligned with the Government’s vision of showcasing India as a world centre for arbitration and accelerate India’s

ascent in the list of “ease of doing business” countries. This will however remain a distant dream if the judicial machinery is not overhauled effectively. India is yet to earn a brand for itself as a global arbitration hub. Almost every award rendered is challenged under the provisions of the Arbitration & Conciliation Act, 1996. This not only dilutes the sanctity of any arbitral tribunal and the award, but also militates against the speediness of an arbitral process. The initiative by the Government though laudable, may prove abortive if the judiciary does not discourage rampant filing of post arbitral award proceedings on frivolous grounds and the proceedings are not disposed of expeditiously. The Government may consider borrowing lessons from SIAC or LCIA’s wisdom, learn from their experience and expertise and follow their footsteps to turn India into a global arbitration hub.

- ***Kinshuk Chatterjee (Partner); Shubham Saxena (Senior Associate)***