

# The Economic Impact of International Commercial Arbitration

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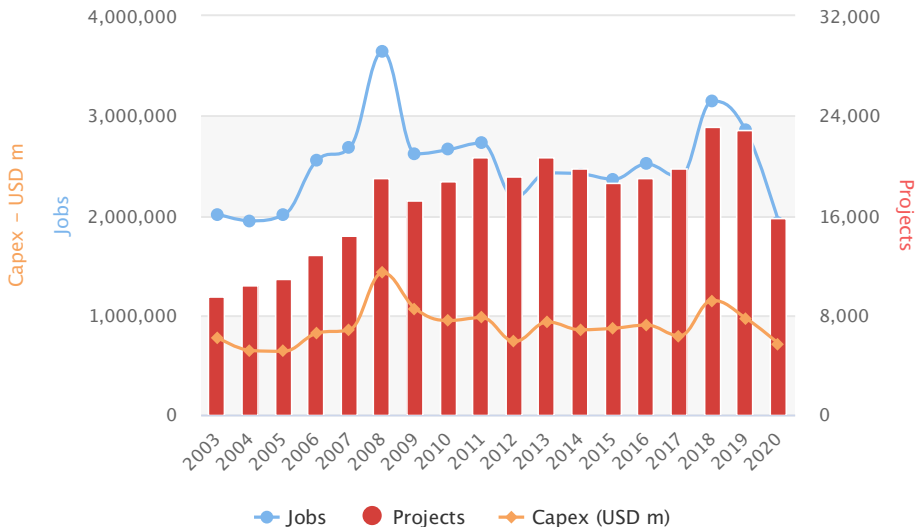
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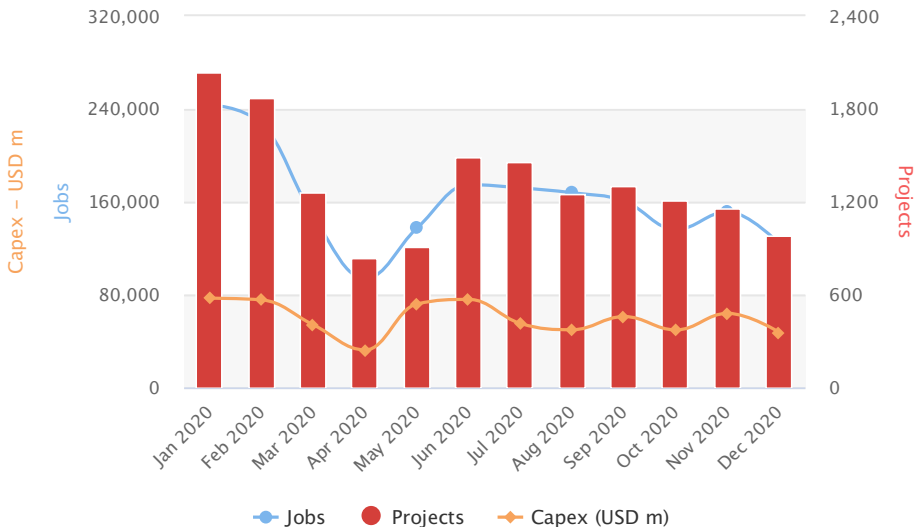
## Summary of projects, jobs and capex (yearly)

Source: [www.fdimarkets.com](http://www.fdimarkets.com) (2021)



## Summary of projects, jobs and capex (monthly)

Source: [www.fdimarkets.com](http://www.fdimarkets.com) (2021)



# Economic impact of International Arbitration

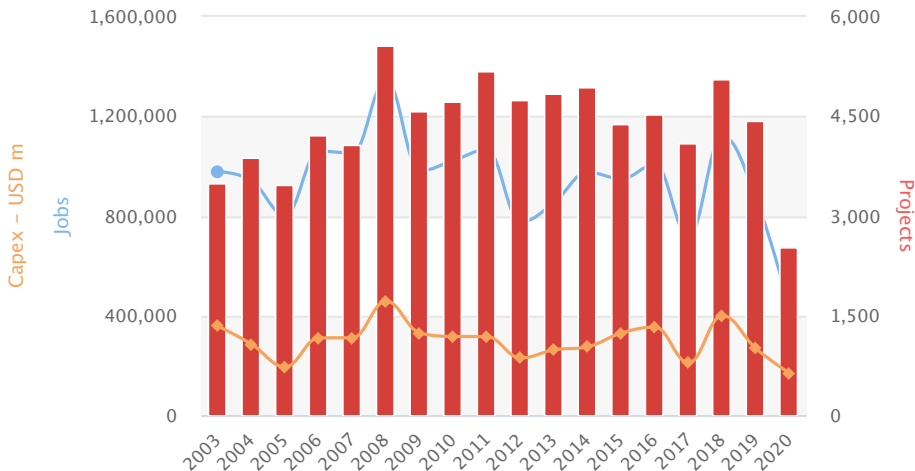
Myburgh & Paniagua (2021): "Welfare effects of International Arbitration"

- 1 Partial effects literature
  - Ratifying the NY convention on arbitration increases trade with members (30%) and creates trades with non-members
  - NY convention on arbitration has increased FDI bilateral flows by 77%
  - UNCITRAL Model Laws (arbitration) has increased FDI flows by 67% and trade flows by 7% (on average)
- 2 Effect on consumers & producers
  - Consumer prices have sunk by 7%
  - Producers prices have increased by 6%
- 3 Effect on welfare (GDP increase):
  - World: 13%
  - NYC members: 15%
  - OECD: 8%
  - South Pacific: 11%

## FDI in the South Pacific: trends

## Summary of projects, jobs and capex (yearly)

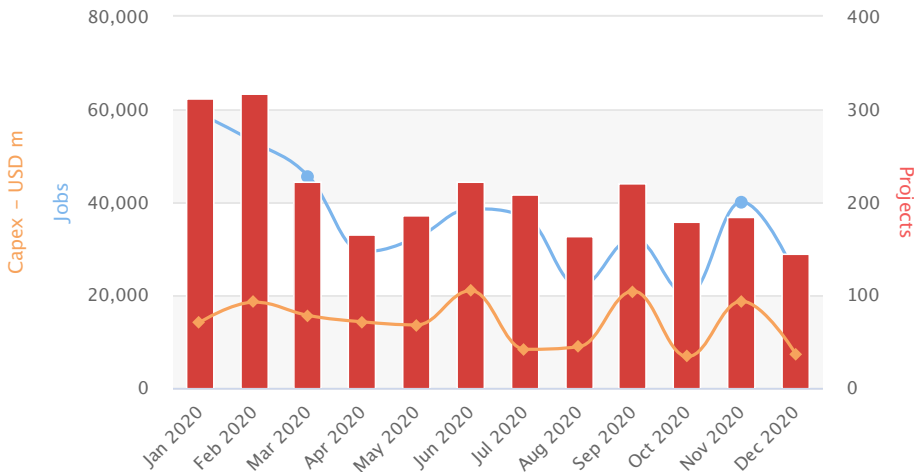
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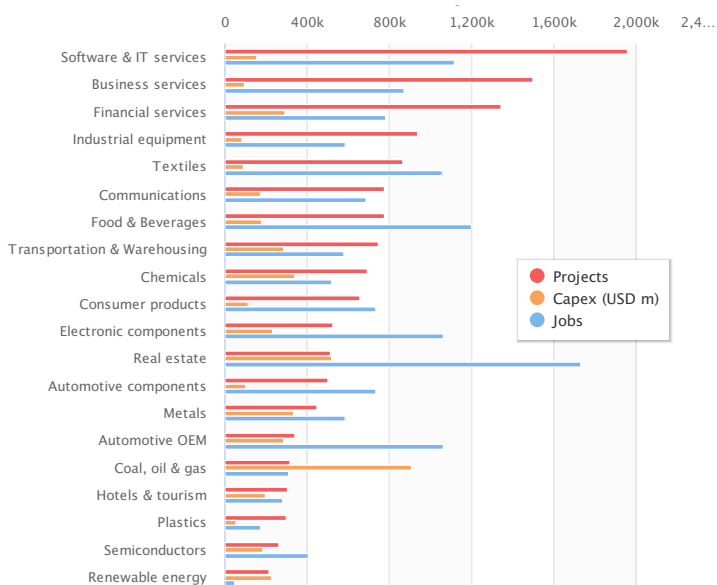
## FDI in the South Pacific: 2020

## Summary of projects, jobs and capex (monthly)

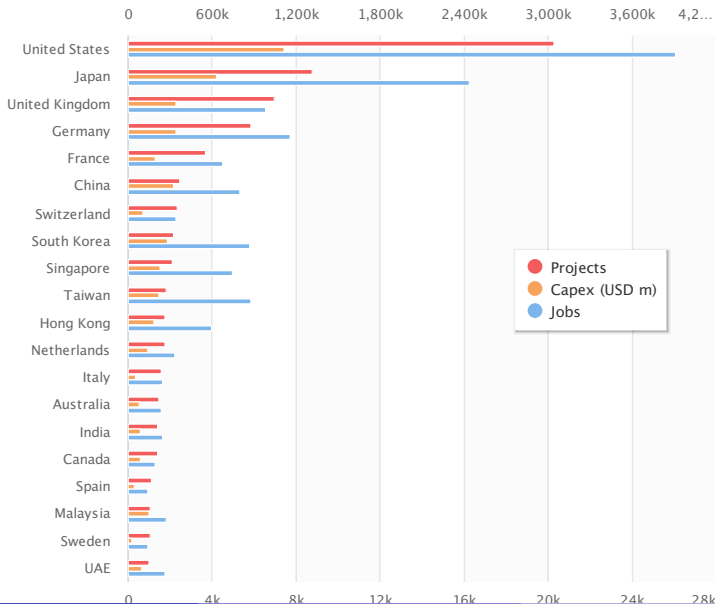
Source: [www.fdimarkets.com](http://www.fdimarkets.com) (2021)



## FDI in the South Pacific: Sectors

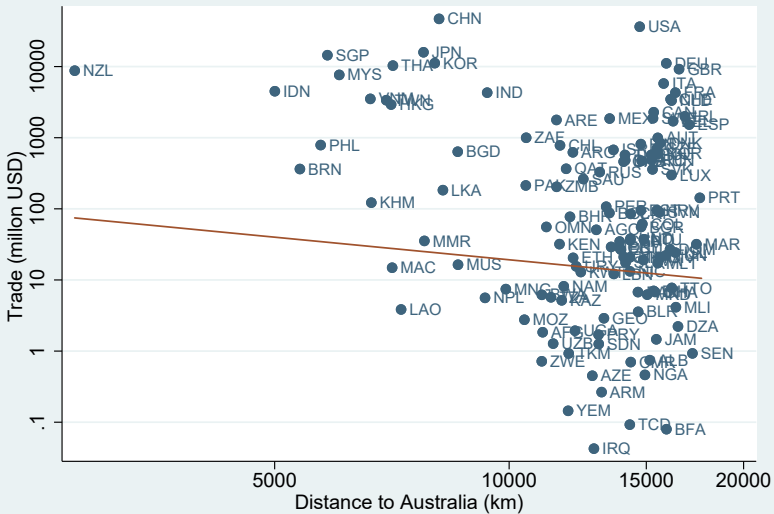


## FDI in the South Pacific: Country of origin



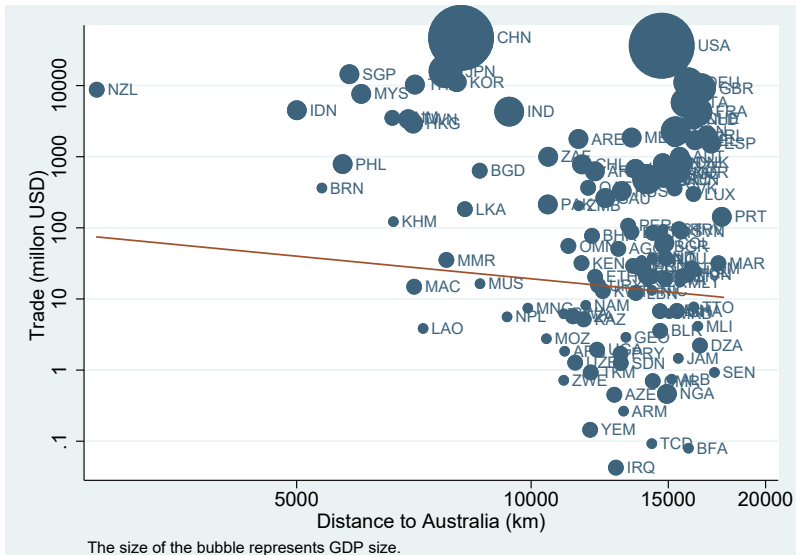


# Trade in Australia FDI



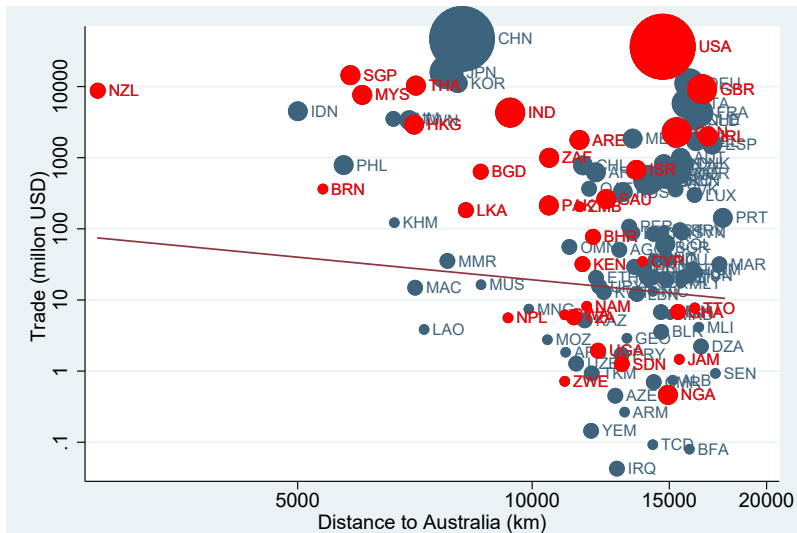
# Trade in Australia

FDI



# Trade in Australia

FDI



The size of the bubble represents GDP size. Red bubbles common law

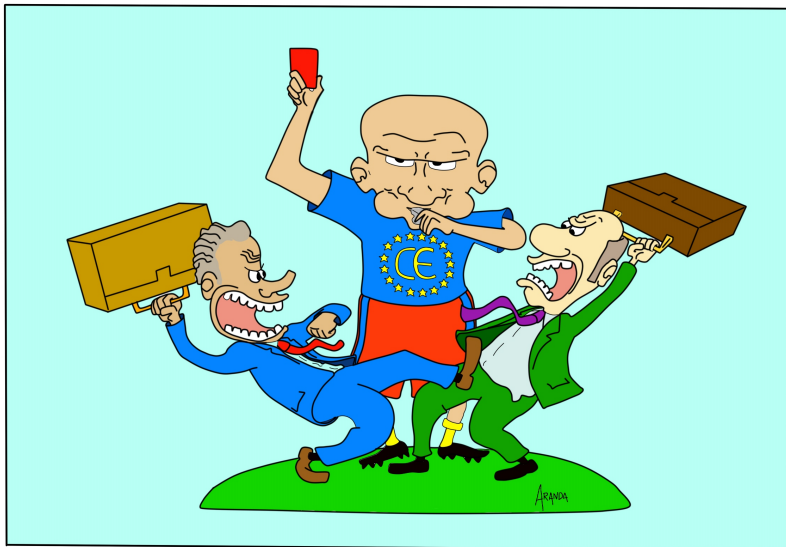
# The Gravity Equation

- Trade volumes follow the law of gravity:

$$FDI_{i \rightarrow j} = \underbrace{\frac{GDP_i GDP_j}{GDP_{world}}}_{\text{Economic size}} \times \underbrace{\left( \frac{\text{Contractual environment}}{Distance_{i \rightarrow j}} \right)}_{\text{Frictions}}$$

- FDI & trade increase with economic activity (more consumers & producers)
- FDI & trade fall with certain frictions:
  - Natural: Distance & History & Culture & Language
  - Human-made: Contractual & institutional environment

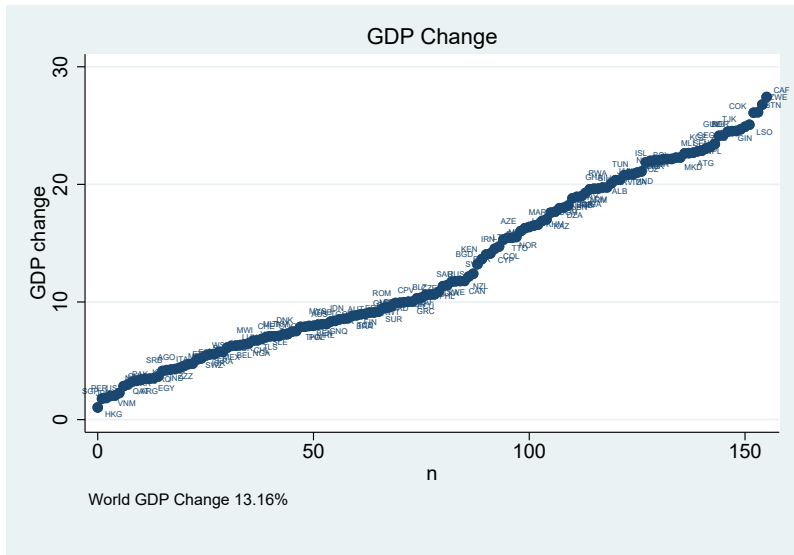
# What is International Commercial Arbitration?



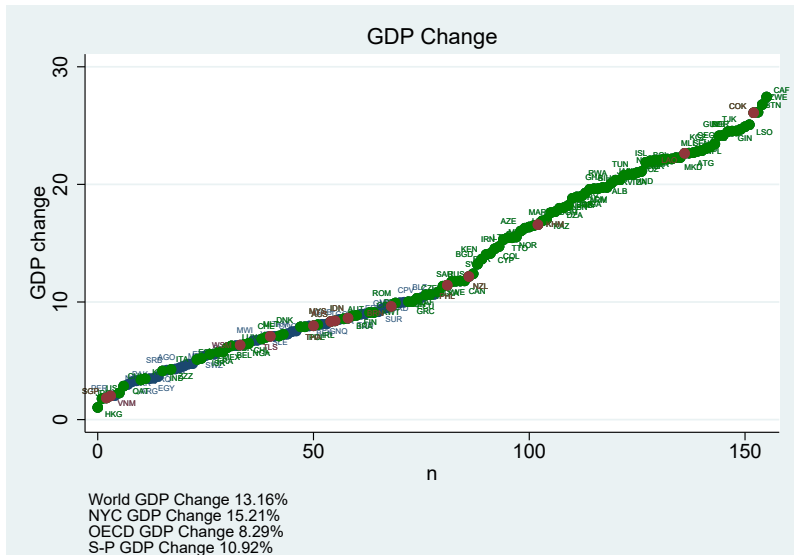
# Mechanisms by which arbitration affects FDI & trade

- Arbitration provides an effective and predictable dispute settlement mechanism:
  - ① Flexible, confidential & final:
    - Award can be executed worldwide
  - ② Increases the trust between parties:
    - High cost of engaging in nuisance suits
  - ③ Reduces the uncertainty of litigation in domestic courts in trade disputes:
    - Choice of law

# General Welfare effects of Arbitration

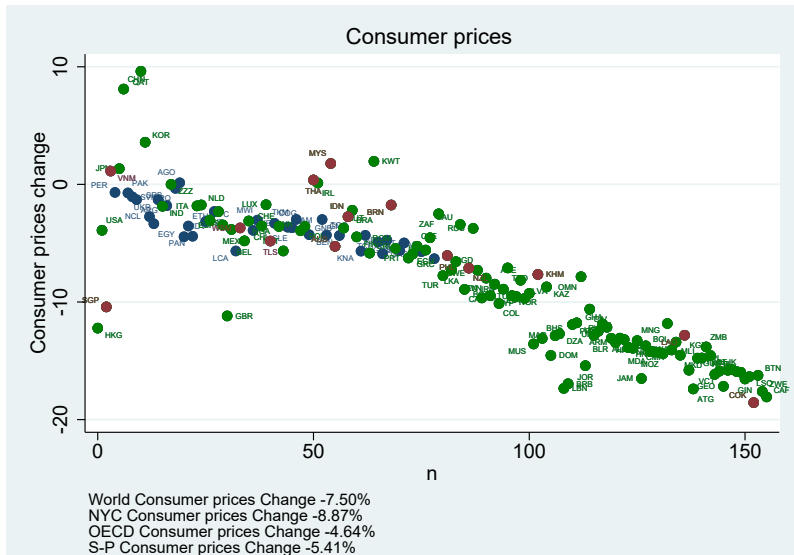


# General Welfare effects of Arbitration

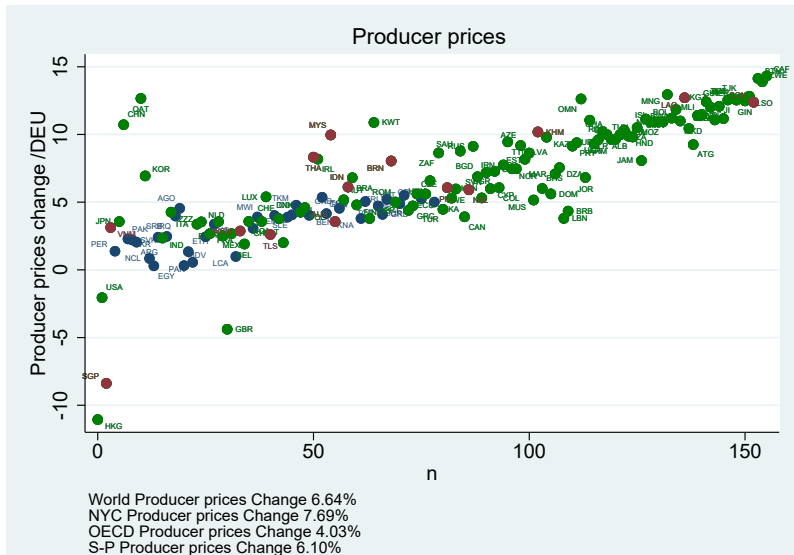




# General Welfare effects of Arbitration



# General Welfare effects of Arbitration



# International Business Promotion

Countries have three basic ways to escape the “gravity push” and promote trade and FDI

- 1 Get closer
  - Play for gravity (not against it): Common language, historical links
- 2 Grow bigger
  - Seek comparative advantages & economic growth
    - Human capital, knowledge, innovation
- 3 Be smarter!
  - Reduce human-made frictions
    - Provide a better contractual environment via arbitration

# Thanks!

## Thanks and acknowledgments\*

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# Background

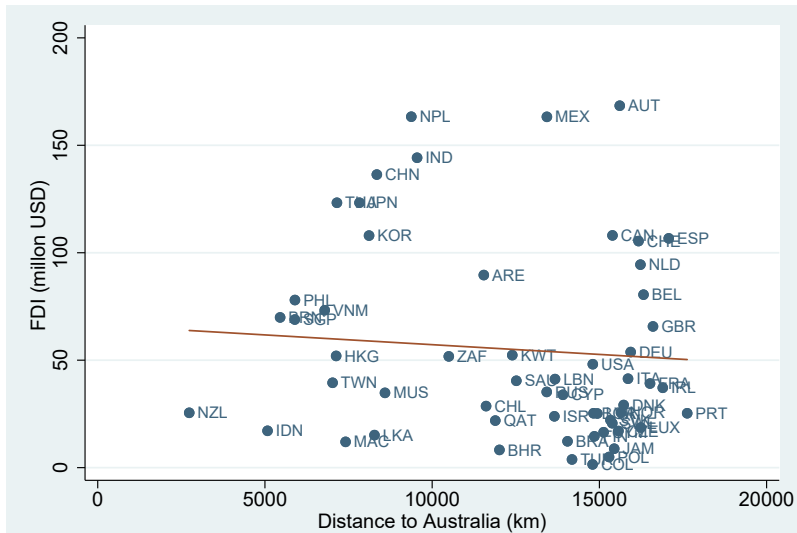
## Trade

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## FDI

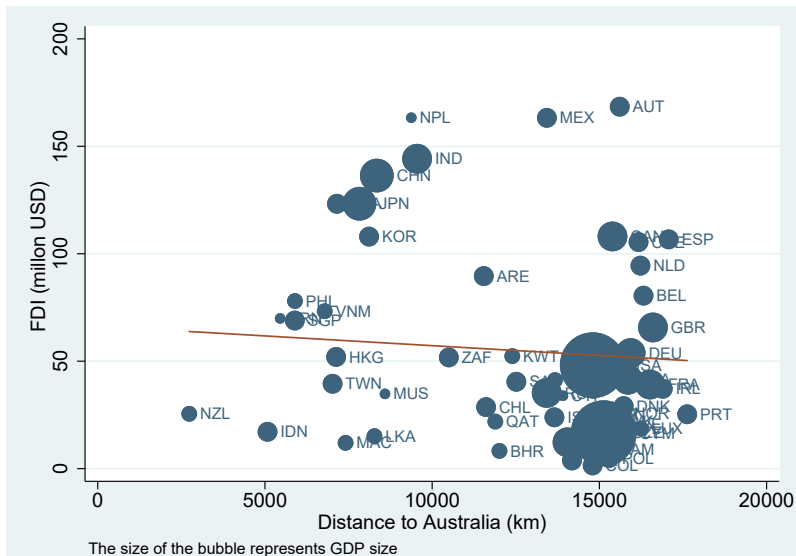
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## FDI in Australia

[Back](#)

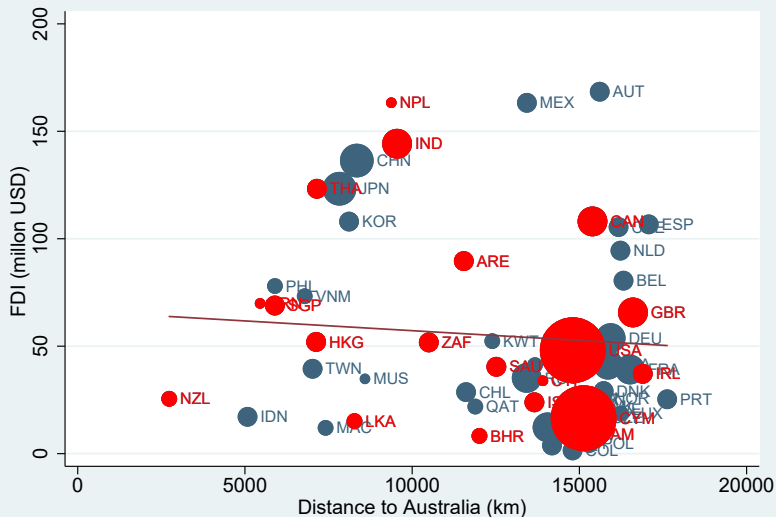
## FDI in Australia

Back



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