THE PEOPLE’S REPUBLIC OF CHINA

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THE ICCA REPORTS

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a. Parties’ Right to a Physical Hearing in the Lex Arbitri

1. Does the lex arbitri of your jurisdiction expressly provide for a right to a physical hearing in arbitration? If so, what are its requirements (e.g., can witness testimony be given remotely, etc.)?

Short answer: No.

The Chinese lex arbitri is primarily based upon the Arbitration Law of China Amendment 2017. A right to a physical hearing in arbitration varies according to different types of arbitrations in China: for “domestic arbitrations” and “arbitrations with foreign elements”, Chinese lex arbitri is silent on such a right; whereas for “foreign arbitrations”, it largely confers to the lex arbitri of the seat.

As a clarification, (i) “domestic arbitration” means an arbitration seated in China and administered by Chinese arbitration commissions; (ii) “arbitration with foreign elements” means that the arbitration agreement has foreign element,¹ such as either one of or all of the parties is/are a foreign individual(s) or legal person(s); the habitual residence of either one of or all of the parties is located outside of China; the subject matter is outside of China; the legal facts causing the creation, change or extinction of the legal relationship in connection with the dispute occurred outside of China, etc.² In essence, arbitrations with foreign elements are still Chinese domestic arbitrations, because they are seated in China, administered by branches of the Chinese arbitration commissions formed by the China International Chamber of Commerce³ (among others, China

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International Economic and Trade Arbitration Commission, or “CIETAC”, is a predominant one); (iii) “foreign arbitration” means such proceedings seated in a foreign jurisdiction (for the purpose of this subject, Hong Kong, Taiwan, Macau are deemed as foreign jurisdictions) and administered by a foreign arbitration institution or ad hoc.

As to foreign arbitrations, Chinese laws would become relevant only if a foreign award is submitted to Chinese courts for recognition and enforcement.

2. If not, can a right to a physical hearing in arbitration be inferred or excluded by way of interpretation of other procedural rules of your jurisdiction’s lex arbitri (e.g., a rule providing for the arbitration hearings to be “oral”; a rule allowing the tribunal to decide the case solely on the documents submitted by the parties)?

Short answer: It can be excluded.

In China, conducting an arbitration case by resorting to remote hearings or on documents-only basis is a well-established practice. The use of remote hearing has been clarified and confirmed by CIETAC, through the CIETAC COVID-19 Rules, as “a means of open session and in compliance with CIETAC Arbitration Rules”. In addition, CIETAC COVID-19 Rules regulate the remote hearings activities and proceedings.

Though the Chinese lex arbitri does not articulate what the formality of “open session” means (Kai Ting in Chinese pinyin), relevant legal provisions and arbitration rules are as follow:

(i). Article 39 of the Arbitration Law of China Amendment 2017 provides that: “An arbitration tribunal shall hold a tribunal session to hear an arbitration case. If the parties agree not to hold a hearing, the arbitration tribunal may render an award in accordance with the arbitration application, the defence statement and other documents” (emphasis added).

(ii) The current CIETAC Arbitration Rules (2015) provide that: (a) “The arbitral tribunal shall examine the case in any way it deems appropriate unless otherwise agreed

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4 See <http://cietac.org/> (last accessed 5 March 2021).
5 CIETAC, Guidelines on Proceeding with Arbitration Actively and Properly during the COVID-19 Pandemic (Trial) (中国国际经济贸易仲裁委员会关于新冠肺炎疫情期间积极稳妥推进仲裁程序指引（试行）), effective from 1 May 2020 to the date the pandemic is officially announced as over, available at <http://www.cietac.org/index.php?m=Download&a=show&id=100&l=en> (last accessed 5 February 2021).
by the parties. Under all circumstances, the arbitral tribunal shall act impartially and fairly and shall afford a reasonable opportunity to both parties to present their case’;\(^8\) (b) “The arbitral tribunal shall hold oral hearings when examining the case. However, the arbitral tribunal may examine the case on the basis of documents only if the parties so agree and the arbitral tribunal consents or the arbitral tribunal deems that oral hearings are unnecessary and the parties so agree”\(^9\) (emphasis added).

(iii) The current CIETAC Online Arbitration Rules (2015),\(^10\) which are applicable “to the resolution of electronic commerce disputes and may also be applied to the resolution of other economic and trade disputes upon the agreement of the parties”,\(^11\) provide that: (a) “‘Online Oral Hearing’ refers to an oral hearing conducted on the Internet through video conferencing and other electronic or computer communication forms”;\(^12\) (b)“Unless the parties agree to hold oral hearings, or the arbitral tribunal decides it is necessary to do so, the arbitral tribunal shall hear the case on a documents-only basis in accordance with the written materials and evidence submitted by the parties”;\(^13\) (c) “Where an oral hearing is to be held, it shall be conducted by means of online oral hearings such as video conferencing or other electronic or computer communication forms. The arbitral tribunal may also decide to hold traditional oral hearings in person based on the specific circumstances of each case”\(^14\) (emphasis added).

The CIETAC Online Arbitration Rules (2015) govern any dispute administered by CIETAC where the parties so agreed. In the absence of such an agreement, the CIETAC Arbitration Rules or other rules as agreed by the parties will become applicable.\(^15\)

b. Parties’ Right to a Physical Hearing in Litigation and its Potential Application to Arbitration

3. In case the lex arbitri does not offer a conclusive answer to the question whether a right to a physical hearing in arbitration exists or can be excluded, does your jurisdiction, either expressly or by inference, provide for a right to a physical hearing in the general rules of civil procedure?

Short answer: Yes, the right to a physical hearing can be inferred in China’s rules of civil procedure.

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8 Ibid., Article 35 (“Conduct of Hearing”), paragraph 1.
9 Ibid., Article 35, paragraph 2.
11 Ibid., Article 1, paragraph 2.
12 Ibid., Article 2, number 9.
13 Ibid., Article 32.
14 Ibid., Article 33.
15 Ibid., Article 3.
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The procedural principle of “Open trial” has been explicitly provided by China’s rules of civil procedure, with exceptions of trade secret, national security or the protection of privacy or minors, etc.; however, as to the specific manner of “open”, i.e., open through physical or remote hearing, the China’s Civil Procedure Law is silent.

Pursuant to a notice issued by the Supreme People’s Court (effective from 15 January 2020) on the implementation of civil litigations (the “Pilot Reform Notice”), holding a remote trial requires the consent from the concerned parties, and it is only applicable to summary and ordinary civil procedures\(^\text{16}\) carried out by the specific pilot courts (“Pilot Courts”)\(^\text{17}\). It is worth noting that the remaining sixteen China’s court systems are not qualified to carry out remote trials under this Pilot Reform Notice.

In a follow-up clarification to the Pilot Reform Notice circulated by the Supreme People’s Court, it is further pointed out that:

(i) The remote trial should not be adopted by the trial court where both parties disagree, technical readiness lacks, identity verification requires physical appearance, original documentation requires physical verification, or physical evidence need to be inspected\(^\text{18}\).

(ii) The remote trial requires consents from all parties, as a general principle. If one party objects to the entire trial process to be carried out in a remote manner and requests to conduct the conventional physical trial instead, then the court should require the objecting party to submit a justifiable reason for court’s consideration. Justifiable reasons include complexity of the case, the necessity of witness to testify in the courtroom and the necessity of cross examination against the opposing party. Judges are further advised by the Supreme People’s Court not to apply the criteria of “justifiable reason” in an overly strict manner, meaning that the objection to remote trial should be sustained so long as, on the appearance that the objection was not raised to intentionally

\(^{16}\) Notice of the Supreme People's Court on Issuing the Pilot Program for the Reform of Separating Complicated Civil Proceedings from Simple Ones (最高人民法院关于印发《民事诉讼程序繁简分流改革试点方案》的通知, 法[2020]10 号), effective from 15 January 2020, Article 2, paragraph 5.

\(^{17}\) Ibid., Article 3, paragraph 1. Pilot Courts include the Intermediate People’s Courts and Basic People’s Courts in Beijing, Shanghai, Nanjing, Suzhou, Hangzhou, Ningbo, Hefei, Fuzhou, Xiamen, Jinan, Zhengzhou, Luoyang, Wuhan, Guangzhou, Shenzhen, Chengdu, Guiyang, Kunming, Xian, Yinchuan, the Intellectual Property Courts in Beijing, Shanghai and Guangzhou, Shanghai Financial Court, and the Internet Courts in Beijing, Hangzhou and Guangzhou.

\(^{18}\) Notice by the Supreme People's Court of Issuing the Principles of Q&A on the Pilot Program of the Reform of Separation between Complicated Cases and Simple Ones in Civil Procedure (I) (最高人民法院关于印发《民事诉讼程序繁简分流改革试点问答口径(一)》的通知, 法[2020]105 号), effective from 15 April 2020, paragraph 31.
obstruct the trial proceeding, it would not cause undue litigation costs to the other party nor disturb the normal court proceeding.\(^\text{19}\)

(iii) To be in compliance with the principle of “judicial experience” (meaning that the judges must take care themselves of the whole hearing process, directly and personally verify evidence, and particularly hear the oral arguments from the parties, so as to render justified rulings), the remote trial must be conducted by means of video rather than tele-conference, and through the court’s internet litigation platform, rather than judges’ private instant message or video applications.\(^\text{20}\)

Therefore, in China’s civil litigation procedure, in light of the conditions put on remote trial (such as consent from the parties and justifiable reasons for requesting a physical trial), the right to a physical hearing can be inferred as a general rule. Notwithstanding a right to a physical hearing can be inferred, the Supreme People’s Court explicitly pointed out that the remote litigation proceedings, including remote hearings, have the same effects as conventional physical ones.\(^\text{21}\)

4. **If yes, does such right extend to arbitration? To what extent (e.g., does it also bar witness testimony from being given remotely)?**

Short answer: Probably not.

While some courts have ruled that the rules of civil procedure should not be extended to arbitration, still a minority of courts held that they can be relied on and applied as supplement in case of any ambiguity or inadequacy of the *lex arbitri*.

As an example of a court decision rejecting such extension, in (2015) Er Zhong Min Te Zi No. 07487, the Beijing No. 2 Intermediate Court strictly ruled that the “violation of statutory procedure” includes the rules of procedure (i) promulgated by the Arbitration Law of China and (ii) those agreed by the parties, which should not be extended to the rules of civil procedure. This ruling literally relied on Article 20 of the Interpretation of the Supreme People’s Court on Certain Issues Concerning the Application of the “Arbitration Law of China”.\(^\text{22}\)

On the other hand, as an example of courts’ rulings allowing such extension (or to be more precise, referencing to the rules of civil procedure in the context of arbitration), in (2020) Yu 11 Min Te No. 7, the Court applied judgement’s late payment penalty to a

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19 Ibid., paragraph 32.

20 Ibid., paragraph 33.


22 See also (2019) Zhe 05 Min Te No. 24 by Huzhou Intermediate Court; (2018) Yue 18 Min Te No. 121 by Qingyuan Intermediate Court; (2016) Min 02 Min Te No. 18 by Xiamen Intermediate Court.
late payment of a domestic arbitration award, relying on the rules of civil procedure (being relevant mechanism in the *lex arbitri* absent). In (2017) Liao 09 Min Te No. 3, the Fuxin Intermediate Court opined that “the promulgation and implementation of arbitration rules and interim rules, should primarily rely on Arbitration Law and Civil Procedure Law, and in observation of the principle of [judicial] efficiency. Where the arbitration rules or interim rules do not provide specific provisions, references could be made to relevant provisions in Civil Procedure Law”.

We tend to consider unlikely that the right to a physical hearing would be extended to arbitration, based on the above reasoning provided by the Beijing No. 2 Intermediate Court, and the fact that arbitration institutions have been making detailed arbitration rules with respects to physical and remote hearings.

c. **Mandatory v. Default Rule and Inherent Powers of the Arbitral Tribunal**

5. *To the extent that a right to a physical hearing in arbitration does exist in your jurisdiction, could the parties waive such right (including by adopting institutional rules that allow remote hearings) and can they do so in advance of the dispute?*

*Short answer: N/A*

As analyzed above, China’s *lex arbitri* is silent on the right to a physical hearing in arbitration. Nevertheless, being well established that the modalities of conducting an arbitration are within parties’ autonomy, for both China’s domestic arbitration and arbitration with foreign elements, it should be admissible for the parties to enter into a prior arbitration agreement either insisting on the conventional physical hearing or waiving such modality and opting-in for a remote hearing. The remote hearing was explicitly allowed by the Shenzhen Court of International Arbitration in 2019\(^{23}\) and the China Maritime Arbitration Commission in 2020\(^{24}\) if parties so decide. The CIETAC Arbitration Rules are even more explicit on this giving the arbitral tribunal, in absence of an election by the parties, discretion to decide, as it deems appropriate, the proper modality to conduct a hearing.\(^{25}\)

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\(^{23}\) Shenzhen Court of International Arbitration, Arbitration Rules (2019), effective from 21 February 2019, Article 23.2, which provides that when the arbitral tribunal deems as necessary, the session can be held by (i) internet video, (ii) tele-conference, or (iii) by physical hearing but other proceedings to be online.

\(^{24}\) China Maritime Arbitration Commission, Arbitration Rules (2020), effective from 1 January 2020, Article 20.2, which provides that when the arbitral tribunal deems as necessary, the session can be held by (i) internet video, (ii) tele-conference, or (iii) by physical hearing but other proceedings to be online.

\(^{25}\) CIETAC Arbitration Rules, Article 35.1.
6. To the extent that a right to a physical hearing in arbitration is not mandatory or does not exist in your jurisdiction, could the arbitral tribunal decide to hold a remote hearing even if the parties had agreed to a physical hearing? What would be the legal consequences of such an order?

Short answer: No.

The “Conduct of Hearing” provision set forth in the CIETAC Arbitration Rules (2015) provides that: “The arbitral tribunal shall examine the case in any way it deems appropriate unless otherwise agreed by the parties”. Therefore, if the parties have agreed to a physical hearing, in absence of other circumstances as discussed in paragraph (”COVID-Specific Initiatives”) herein, the arbitral tribunal’s decision of holding a remote hearing instead would be deemed as in violation of “statutory procedure”, which has been interpreted by the Supreme People’s Court as including “arbitration rules elected by the parties” if such a violation is “likely to impair the accurate ruling of the case”.

As a result, such a decision would determine the possibility for the award to be set aside.

d. Setting Aside Proceedings

7. If a party fails to raise a breach of the abovementioned right to a physical hearing during the arbitral proceeding, does that failure prevent that party from using it as a ground for challenging the award in your jurisdiction?

Short answer: Under certain circumstances, yes.

If a party knows or should have known that the statutory procedure or the chosen arbitration rules have been breached, and without objection or protesting during the proceeding, that party still participated or continued to participate in the arbitration, then, after the award is rendered, such a party would lose its right to apply for the non-enforcement of the arbitral award before a Chinese court on the ground of violation of the statutory procedure.

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26 Ibid.
27 Arbitration Law of China Amendment 2017, Article 58, paragraph 1.3.
29 Provisions of the Supreme People’s Court on Several Issues Concerning the Handling of Cases of Enforcement of Arbitration Awards by People’s Courts (最高人民法院关于人民
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8. To the extent that your jurisdiction recognizes a right to a physical hearing, does a breach thereof constitute per se a ground for setting aside (e.g., does it constitute per se a violation of public policy or of the due process principle) or must the party prove that such breach has translated into a material violation of the public policy/due process principle, or has otherwise caused actual prejudice?

Short answer: N/A

9. In case a right to a physical hearing in arbitration is not provided for in your jurisdiction, could the failure to conduct a physical hearing by the arbitral tribunal nevertheless constitute a basis for setting aside the award?

Short answer: It depends.

As analyzed above, China’s lex arbitri is silent on whether a right to a physical hearing in arbitration exists or not. As discussed in sub-paragraph c.6, where parties have explicitly agreed on a physical hearing in an arbitration agreement but an arbitral tribunal ignores such agreement and orders instead a remote hearing, then parties are entitled to challenging the award based on due process principle. Nevertheless, the challenging will succeed only if “the accurate ruling of the case is jeopardized as a result of such remote hearing” according to the interpretation of the Supreme People’s Court. In other words, if the award itself is not impaired by the adopting of the remote hearing, then it would be unlikely that the award will be set aside.

There are no precedents where the failure to conduct a physical hearing by the arbitral tribunal has been found to be a basis for setting aside the award. In 2018, in a case where “either physical or remoting hearing” were agreed by parties prior to the dispute and a remote hearing was eventually ordered and carried out, the Guangzhou Intermediate People’s Court dismissed the setting aside application, on the basis that the adoption of a remote hearing in that case was not in violation of any statutory procedure rules and the losing party participated in the arbitration without protesting.

e. Recognition/Enforcement

10. Would a breach of a right to a physical hearing (irrespective of whether the breach is assessed pursuant to the law of your jurisdiction or otherwise)
constitute in your jurisdiction a ground for refusing recognition and enforcement of a foreign award under Articles V(1)(b) (right of the party to present its case), V(1)(d) (irregularity in the procedure) and/or V(2)(b) (violation of public policy of the country where enforcement is sought) of the New York Convention?

Short answer: It depends.

As a background information, it is worth noting that Chinese courts are quite cautious in refusing recognition and enforcement of foreign arbitral awards. In the past 20 years, there are only 38 such cases (including in Hong Kong, Macao and Taiwan). Refusing recognition and enforcement of a foreign award is under strict scrutiny by the Supreme People’s Court.

In China (where the New York Convention has been ratified in 1987), only intermediate courts (one level above the district courts usually hearing the first instance trials) have jurisdiction on the recognition and enforcement of foreign awards. Since 1995, a formal (pro-arbitration) reporting mechanism has been adopted within China’s courts system (“Internal Reporting Route”). Pursuant to this mechanism, an intermediate court must internally report to the high court (and eventually up to the Supreme People’s Court) in case it is considering denying the recognition and enforcement of a foreign arbitral award rendered by another New York Convention signatory country. Unless the Supreme People’s Court finds that such proposed denial is legal and proper and so notify to the trial court by a written judicial reply available to the public, a denial judgement cannot be ruled by the trial court.

Despite that China is not a case law country, the Supreme People’s Court has made it clear that a relevant and precedent decision, particularly if issued by the Supreme People’s Court, must be considered by the trial judge.

As to Article V(1)(b) of the New York Convention (right of the party to present its case), so far, the cases heard by Chinese courts focus on whether the parties have been served with a valid notice so that a party could participate to the proceedings and present its case. We have not seen a case brought up due to a breach of a right to a physical hearing.

As to Article V(1)(d) of the New York Convention (irregularity in the procedure), a refusal to recognize a foreign award was rendered by Shanghai No. 1 Intermediate Court on 11 August 2017 (after consulting the Supreme Court by the Internal Reporting Route) based on irregularity in the procedure. In this case, a party insisted on three arbitrators as per the arbitration agreement and objected to the solo arbitrator appointed by the Singapore International Arbitration Centre (“SIAC”) on the basis of SIAC’s

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expedited rules. For the sake of our analysis here, if the arbitral tribunal orders a remote hearing contrary to the physical hearing provided for in the arbitration agreement, it is likely that the foreign award will be refused recognition and enforcement by a Chinese court.

As to Article V(2)(b) of the New York Convention (violation of public policy of the country where enforcement is sought), a refusal was rendered on 25 December 2015 by the Supreme People’s Court’s written reply\(^\text{33}\) to the lower-level court based, among other legal grounds, on the violation of public policy. According to that judicial reply, there is a violation of China’s public policy in case of “in [China’s] judicial practice, any action in violation of fundamental legal principles, judicial sovereignty, and jurisdiction”. In that specific case, refusal, nevertheless, was based on the violation of Chinese courts’ jurisdiction and judicial sovereignty. For the sake of our analysis on remote hearings, given that China’s lex arbitri does not contemplate an explicit right to a physical hearing, in case the tribunal orders a remote hearing there is not a violation of a China’s “fundamental legal principle”. As a result, it is unlikely for a Chinese court to refuse recognition and enforcement of a foreign award on this particular ground.

f. COVID-Specific Initiatives

11. To the extent not otherwise addressed above, how has your jurisdiction addressed the challenges presented to holding physical hearings during the COVID pandemic? Are there any interesting initiatives or innovations in the legal order that stand out?

Short answer: In China, it is notable the increasing use of remote hearings both in arbitration and litigation.

(i) Arbitration. To cope with the COVID pandemic, CIETAC has issued a specific guidance,\(^\text{34}\) which further clarifies the circumstances where remote hearings should be preferred over physical hearings, and where document-only arbitrations should be taken. Arbitral tribunals are advised to assess the modalities of hearings from the perspective of the intention of the parties, the complexity of the case, the volume and nature of evidence, the readiness of the witness, the justified reasons in case of an objection to a remote hearing, and technology equality of the parties. Due process principle is still granted by this guideline.

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\(^{33}\) The Judicial Written Reply by the Supreme Court re the UK London Arbitration Court Award on “HULL XKK06-039”, [2015] Min Si Ta Zi No. 48.

\(^{34}\) CIETAC, Guidelines on Proceeding with Arbitration Actively and Properly during the COVID-19 Pandemic (Trial) (关于新冠肺炎疫情期间积极稳妥推进仲裁程序指引（试行）), fn. 5 above.
(ii) *Litigation.* For civil, commercial and administrative cases, remote hearings have been used by courts other than those included in the “Pilot Courts”. The Supreme People’s Court now allows courts at all levels to hold remote hearings instead of a physical hearing.\(^{35}\) Nevertheless, the courts must assess the feasibility of remote hearings from the perspective of the case’s nature, protect parties’ legal rights and respect parties’ choice on the method of litigation. Particularly, courts must not order a remote hearing if a party’s objection is explicitly submitted.

In criminal cases, it is the first time that remote hearings have been permitted by the Supreme People’s Court, but they are still restricted to auxiliary proceedings such as pronouncing the sentences of the offender only without any substantial trial proceedings or parole hearings, etc.

As a background information, since 2017, remote hearings and trials over the internet platform have been adopted by three specialized Internet Courts in Hangzhou, Beijing and Guangzhou, respectively. Those specialized courts hear internet related civil, commercial and administrative cases, excluding criminal cases.

\(^{35}\) Notice by the Supreme People’s Court of Strengthening and Standardizing Online Litigation during the COVID-19 Pandemic (最高人民法院关于新冠肺炎疫情防控期间加强和规范在线诉讼工作的通知, 法[2020]49 号), effective from 14 February 2020.