# War Series: Exhaustion of Remedies in Lessons from the Finnish Shipowners' War-Time Arbitration

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In the early 1930s, the arbitration case between Finnish shipowners and the British government over the use of certain Finnish vessels during World War I provides a rich field of study in international arbitration and the local remedies rule. This case, adjudicated in Stockholm, raises fundamental questions about the exhaustion of local remedies and the jurisdiction of international tribunals.

**The Context and Claims**

The case arose from the requisitioning of Finnish vessels by Russia during World War I, which were subsequently used by Britain. Finnish shipowners sought compensation, arguing that the British government had unlawfully used their property. The British countered that the shipowners had not exhausted all local remedies available in the UK, thus barring them from seeking international arbitration.

**The Local Remedies Rule**

At the heart of this dispute is the local remedies rule, which requires that claimants exhaust all available domestic legal avenues before turning to international arbitration. The British government insisted that the Finnish shipowners should have utilized the War Compensation Court and provisions under the Indemnity Act. They argued that these were adequate

remedies that the shipowners had ignored.

On the other hand, the Finnish government contended that pursuing these remedies would have been futile. They pointed out that the Arbitration Board had already determined that the ships were requisitioned by Russia. According to them, this ruling should be treated as **res judicata**, meaning the matter had already been adjudicated and should not be re-litigated in another forum.

**Arguments Presented**

During the hearings, both sides presented robust arguments. The British government acknowledged the finality of the Arbitration Board's decision but maintained that the shipowners could have appealed. They suggested that an appeal could have clarified whether the requisition by Russia was valid, thereby opening the door for claims based on British interference.

The Finnish government, however, argued that appealing would have been redundant and likely dismissed as frivolous. They cited principles of estoppel and **res judicata** to assert that re-litigating the same facts before another court would be unnecessary and legally unsound.

**Requisition vs. Interference**

A critical issue was whether the acts constituted a requisition by Russia or an interference by Britain. If the requisition by Russia was invalid, then the British use of the ships could be considered an interference, necessitating compensation under the Indemnity Act. The British government, however, maintained that their actions were legitimate, especially if the Russian requisition stood.

**The Arbitrator's Decision**

The arbitrator ruled in favor of the Finnish shipowners,

stating they had exhausted all reasonable local remedies. This decision was pivotal, affirming that seeking further recourse in the War Compensation Court would have been redundant and that the principle of **res judicata** applied.

This ruling underscored that the local remedies rule does not obligate claimants to pursue futile or redundant legal actions. It emphasized the need for claimants to demonstrate the ineffectiveness or inadequacy of local remedies convincingly.

**Key Takeaways**

1. **Exhaustion of Local Remedies:** This case affirms the necessity for claimants to exhaust domestic remedies but also clarifies that redundant or futile remedies do not need to be pursued. It highlights the balance between thoroughness and practicality in legal redress.
2. **Principle of Res Judicata:** The decision underscores the importance of **res judicata** in international arbitration, preventing the re-litigation of issues already decided by competent authorities. This principle ensures judicial efficiency and the finality of decisions.
3. **Complexities of Wartime Actions:** The arbitration sheds light on the legal challenges associated with wartime requisitions and the responsibilities of states in such contexts. It highlights the need for clear legal standards to address the use of private property during conflicts.
4. **Role of International Arbitration:** The case exemplifies the significance of international arbitration in resolving state disputes. It underscores the binding nature of arbitration agreements and the role of arbitral awards in providing definitive resolutions.

**Conclusion**

The arbitration between Finnish shipowners and the British

government serves as a critical reference point in international law and arbitration. It demonstrates the application of the local remedies rule, the principle of **res judicata**, and the legal intricacies of property requisition during wartime. This case continues to offer valuable lessons for practitioners, illustrating the necessity of exhausting local remedies and the pivotal role of international arbitration in achieving just outcomes.

**Author:** Mahmoud Abuwasel
**Title:** Partner – Disputes
**Email:** mabuwasel@waselandwasel.com
**Profile:** https://waselandwasel.com/about/mahmoud-abuwasel/

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www.waselandwasel.com
business@waselandwasel.com