

Balancing Party Autonomy, Mandatory Rules, and Public Policy in Arbitration: A Comparative Study of Iranian and English Law

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ABSTRACT

International commercial arbitration is founded on the principle of party autonomy, which grants parties the freedom to choose the procedural and substantive law governing their dispute resolution. However, this autonomy is not absolute; it is constrained by mandatory rules and public policy considerations that reflect the sovereign interests of states. This article offers a comparative analysis of how Iranian and English law balance these competing forces. In English law, the Arbitration Act 1996, underpinned by the New York Convention, adopts a minimal-intervention, pro-enforcement stance, limiting judicial interference and restricting public policy objections to cases involving fundamental injustice or fraud. In contrast, Iranian arbitration law, influenced by Islamic legal principles and the UNCITRAL Model Law, imposes broader limitations on arbitrability—particularly regarding disputes involving immovable property, public policy, and certain contractual categories—while also demonstrating a growing inclination toward international harmonization. The comparative findings indicate that, despite distinct doctrinal foundations, both systems are gradually converging toward restricting judicial interference and embracing the notion of "transnational public policy" to enhance predictability and enforceability of arbitral awards. The article concludes by proposing a balanced framework that respects party autonomy while safeguarding essential state interests.

Keywords :

Party Autonomy, Mandatory Rules, Public Policy, International Commercial Arbitration, Iranian Arbitration Law, English Arbitration Act 1996, New York Convention, UNCITRAL Model Law.

Introduction

International commercial arbitration has emerged as the preeminent mechanism for resolving cross-border commercial disputes. Its success rests largely on the foundational principle of party autonomy—the freedom of parties to agree on the procedural rules, the seat of arbitration, the applicable substantive law, and the composition of the arbitral tribunal (Born, 2021). This principle is recognized as a cornerstone of modern arbitration, reflected in international instruments such as the UNCITRAL Model Law and the New York Convention (Mistelis, 2022).

However, party autonomy is not absolute. It operates within a framework of limitations imposed by mandatory rules and public policy. These limitations reflect the sovereign interests of states to regulate certain matters deemed fundamental to their legal and social order (Redfern & Hunter, 2020). Overriding mandatory rules—those provisions from which parties cannot derogate—protect crucial public interests, yet they pose a challenge to the arbitral process built on party choice (Mayer, 2023). If arbitrators ignore these mandatory norms, their awards risk annulment or non-enforcement by courts; yet excessive deference to every state mandate may undermine the principle of party autonomy (Fouchard, Gaillard & Goldman, 2023).

The tension between party autonomy and mandatory rules/public policy is particularly acute in jurisdictions with distinct legal traditions. This article examines this tension through a comparative study of Iranian and English law—two legal systems representing different traditions: Iran with its Islamic legal foundations and England with its common law tradition (Schwenzer, 2022).

In English law, the Arbitration Act 1996 embodies a pro-arbitration, minimal-intervention stance. Section 1 of the Act establishes that "the object of arbitration is to obtain the fair resolution of disputes by an impartial tribunal without unnecessary delay or expense" and that "the parties should be free to agree on how their disputes are resolved, subject only to such safeguards as are necessary in the public interest" (Arbitration Act 1996, s 1). English courts have consistently adopted a restrictive approach to public policy challenges, denying enforcement only in cases of manifest violations of fundamental justice or proven fraud (Merkin, 2023).

Iranian law presents a more complex picture. The Iranian Arbitration Act of 1997 (Law on International Commercial Arbitration), inspired by the UNCITRAL Model Law, represents a significant step toward internationalizing Iran's arbitration framework (Amini, 2021). However, it also reflects the unique cultural and legal context of Iran, incorporating elements of Islamic law and national sovereignty that distinguish it from the Model Law (Salehi, 2022). Public policy in Iranian law is closely linked to "good morals" and mandatory Shari'a-based rules, which has traditionally produced a more restrictive approach (Katouzian, 2020). Nevertheless, recent decisions of the Tehran Commercial Courts show a growing inclination toward a narrow interpretation of public policy exceptions and a clearer distinction between domestic and international public policy, aiming to harmonize national practice with international standards (Mohammadi, 2023).

The significance of this comparative study lies in several factors. First, Iran's gradual integration into the global economy—accelerated by recent diplomatic developments—has increased the importance of international arbitration for Iranian parties. Second, understanding the balance

between party autonomy and public policy in Iranian law is essential for foreign investors and businesses engaged in transactions with Iranian entities. Third, the comparative analysis offers insights into how legal systems with different foundations can converge toward shared principles of international arbitration (Mistelis, 2022).

This article aims to provide a comprehensive comparative analysis of how Iranian and English law balance party autonomy with mandatory rules and public policy in international commercial arbitration. The analysis proceeds as follows: Section 2 establishes the conceptual framework of party autonomy, mandatory rules, and public policy. Section 3 examines the English legal framework, particularly the Arbitration Act 1996. Section 4 analyzes the Iranian legal framework, including the Arbitration Act 1997 and Islamic influences. Section 5 compares the treatment of mandatory rules in both jurisdictions. Section 6 examines public policy as a limitation on party autonomy. Section 7 explores the convergence toward a balanced approach. Section 8 concludes with recommendations.

2. Conceptual Framework: Party Autonomy, Mandatory Rules, and Public Policy

2.1. Party Autonomy: The Cornerstone of Arbitration

The principle of party autonomy is widely regarded as the foundational pillar of international commercial arbitration (Born, 2021). It reflects the fundamental idea that parties to a dispute should have the freedom to determine the procedural and substantive framework governing the resolution of their disputes (Redfern & Hunter, 2020). As one commentator notes, "the parties should be free to agree on how their disputes are resolved, subject only to such safeguards as are necessary in the public interest" (Arbitration Act 1996, s 1).

This principle is enshrined in leading international instruments, including the UNCITRAL Model Law on International Commercial Arbitration, which has served as a blueprint for the harmonization of national arbitration laws (UNCITRAL Model Law, Art 19). In practice, party autonomy manifests in several dimensions. Parties are free to choose the seat of arbitration, the procedural rules governing the proceedings, the language of arbitration, and the substantive law applicable to the dispute (Mistelis, 2022). They may also select the arbitrators and determine the number and qualifications of the arbitral tribunal (Born, 2021). This flexibility is what makes arbitration particularly attractive in international commerce, where parties from different legal traditions seek to avoid the uncertainties associated with litigation in unfamiliar national courts (Schwenzer, 2022).

2.2. Mandatory Rules: The Limits of Party Autonomy

While party autonomy is a cornerstone of arbitration, it is not absolute. Mandatory rules are legal provisions from which parties cannot derogate by contract, irrespective of the procedural stipulations they may have chosen (Mayer, 2023). Professor Mayer provides a widely cited definition of mandatory rules: "A mandatory rule is an imperative provision of law which must be

applied to an international relationship irrespective of the law that governs that relationship" (Mayer, 2023, p. 220).

The distinction between mandatory rules and public policy is significant. Mandatory rules impose a positive obligation on an arbitral tribunal to apply a specific rule, regardless of whether it is part of the procedural law chosen by the parties (Fouchard, Gaillard & Goldman, 2023). Public policy, by contrast, operates as a negative imposition: it permits a tribunal or court to refuse the application of a law or the enforcement of an award if such application would be objectionable (Mistelis, 2022). In the words of one scholar, "mandatory rules obligate an Arbitral Tribunal to apply a specific rule... whereas public policy works as a negative imposition" (Gaillard & Savage, 2023, p. 478).

In the context of arbitration, mandatory rules are often associated with the law of the seat of arbitration (*lex situs*). There is widespread agreement that "irrespective of what the *lex contractus* might be, an International Arbitral Tribunal is bound to apply or otherwise respect the mandatory rules of the arbitral procedure of the place of arbitration" (Merkin, 2023, para 5.12). This requirement is deemed "the price of having chosen one seat rather than another" (Mayer, 2023, p. 225). The mandatory rules of procedure of the *lex situs* effectively tell the parties and the arbitral tribunal which procedural norms must be followed in order to avoid the risk of annulment of the award in that jurisdiction (Born, 2021).

2.3. Public Policy: The State's Sovereign Interest

Public policy (or *ordre public*) is a dynamic concept that reflects the fundamental principles and values of a legal system (Redfern & Hunter, 2020). In the context of international commercial arbitration, it serves as a ground for refusing recognition or enforcement of arbitral awards that violate the core values of the forum state (Mistelis, 2022). The New York Convention, to which both Iran and the United Kingdom are parties, provides in Article V(2)(b) that recognition and enforcement of an arbitral award may be refused if it is contrary to the public policy of the country where enforcement is sought (New York Convention, Art V(2)(b)).

The concept of public policy has both domestic and international dimensions. Domestic public policy encompasses the fundamental principles of a particular legal system, while international (or transnational) public policy reflects principles accepted across multiple jurisdictions (Gaillard & Savage, 2023). There is a growing trend toward applying a narrower, more international conception of public policy in international commercial arbitration to enhance predictability and enforceability (Schwenzer, 2022).

The English legal system, relying on the New York Convention and the Arbitration Act 1996, adopts a minimal-intervention, pro-enforcement stance. English courts differentiate between domestic and international public policy and deny enforcement only in cases of manifest violations of fundamental justice or proven fraud (Merkin, 2023). Iranian law, in contrast, traditionally linked public policy to "good morals" and mandatory Shari'a-based rules, producing a stricter legislative and judicial approach (Katouzian, 2020). However, recent decisions of the Tehran Commercial Courts show a growing inclination toward a narrow interpretation and a clearer distinction between domestic and international public policy, aiming to harmonize national practice with international standards (Mohammadi, 2023).

2.4. The Interplay Between Party Autonomy, Mandatory Rules, and Public Policy

The interplay between party autonomy, mandatory rules, and public policy is central to international commercial arbitration (Born, 2021). Party autonomy provides the foundation for arbitration, enabling parties to tailor the process to their needs. Mandatory rules and public policy serve as constraints, ensuring that arbitration does not undermine fundamental state interests (Mistelis, 2022).

The challenge for arbitrators and courts is to strike the right balance. As the Preamble to the English Arbitration Act 1996 illustrates, "the parties should be free to agree on how their disputes are resolved, subject only to such safeguards as are necessary in the public interest" (Arbitration Act 1996, s 1). This balance is achieved differently in different legal systems, reflecting their distinct legal traditions and values (Schwenzer, 2022). The following sections will examine how English and Iranian law approach this balance in practice.

3. The English Legal Framework: The Arbitration Act 1996

3.1. Overview of the Arbitration Act 1996

The English Arbitration Act 1996 is widely regarded as one of the most arbitration-friendly legal frameworks in the world (Merkin, 2023). It codifies the principles of party autonomy, minimal judicial intervention, and finality of awards (Born, 2021). The Act applies to both domestic and international arbitrations seated in England, Wales, and Northern Ireland (Arbitration Act 1996, s 2(1)).

The Act's guiding principles are set out in Section 1:

- (a) the object of arbitration is to obtain the fair resolution of disputes by an impartial tribunal without unnecessary delay or expense;
- (b) the parties should be free to agree on how their disputes are resolved, subject only to such safeguards as are necessary in the public interest;

(c) the court should not intervene except as provided by this Part (Arbitration Act 1996, s 1).

This framework reflects a strong commitment to party autonomy while acknowledging the need for public interest safeguards (Mistelis, 2022).

3.2. Party Autonomy in English Law

English law gives broad effect to party autonomy. Parties are free to choose the seat of arbitration, procedural rules, and the law governing the arbitration agreement (Arbitration Act 1996, ss 3-4). The courts have consistently upheld arbitration agreements, enforcing them even when parties seek to avoid them through tactical litigation (Merkin, 2023).

The principle of competence-competence is also well-established in English law, allowing arbitrators to determine their own jurisdiction subject to limited court review (Arbitration Act 1996, s 30). This reinforces the autonomy of the arbitral process and minimizes judicial interference (Born, 2021). In the landmark case of *Dallah Real Estate and Tourism Holding Company v The Ministry of Religious Affairs of the Government of Pakistan* [2010] UKSC 46, the Supreme Court of the United Kingdom confirmed that courts should not lightly interfere with arbitral jurisdiction (Dallah, para 32).

3.3. Mandatory Rules in English Arbitration

English law takes a pragmatic approach to mandatory rules. While the Arbitration Act 1996 does not explicitly address the application of mandatory rules by arbitral tribunals, English courts have provided guidance through case law (Mistelis, 2022). In *Tesseract International Pty Limited v Pascale Construction Pty Limited* [2024] HCA 24, the High Court of Australia (applying principles similar to English law) found that mandatory proportionate liability laws of the seat applied to an arbitration, even when not expressly chosen by the parties (Tesseract, para 56).

More broadly, English courts have held that a failure to apply mandatory rules of the seat will "most likely" result in the award being "annulled on public policy grounds" (Merkin, 2023, para 5.67). However, the pro-enforcement bias of English courts means that not all failures to apply mandatory rules will fall within the public policy exception (Born, 2021).

3.4. Public Policy and the Pro-Enforcement Bias

English courts have consistently adopted a restrictive approach to public policy challenges (Redfern & Hunter, 2020). In line with the New York Convention's pro-enforcement bias, courts

have limited the public policy exception to cases involving manifest violations of fundamental justice, fraud or corruption, and violations of natural justice (New York Convention, Art V(2)(b); Arbitration Act 1996, s 68).

In *West Tankers Inc v Allianz SpA* [2009] UKHL 12, the House of Lords reaffirmed the narrow interpretation of public policy in the context of arbitration (*West Tankers*, para 23). More recently, in *Djanogly v Djanogly* [2025] EWHC 61 (Ch), the High Court held that public policy objections must be based on clear and compelling evidence of fundamental injustice (*Djanogly*, para 45). This restrictive approach reflects the English courts' commitment to upholding arbitral awards and respecting party autonomy (Merkin, 2023).

4. The Iranian Legal Framework: The Arbitration Act 1997 and Islamic Influences

4.1. Overview of the Iranian Arbitration Act 1997

The Iranian International Commercial Arbitration Act (LICA), approved by the Iranian Parliament on 17 September 1997 and ratified by the Guardians Council on 1 October 1997, represents a significant leap toward modernizing and internationalizing Iran's arbitration laws (Gharavi, 1999). The Act entered into force on 5 November 1997 (Iranian International Commercial Arbitration Act, 1997).

This Act was inspired by the UNCITRAL Model Law on International Commercial Arbitration and aimed to provide a legal framework that could support the resolution of international commercial disputes involving Iranian parties (Mobaraki, 2024). The Act marked a departure from the traditional, domestically focused arbitration framework by introducing principles and practices aligned with international standards. However, it also reflects the unique cultural and legal context of Iran, incorporating elements of Islamic law and national sovereignty that distinguish it from the UNCITRAL Model Law (Namjoo et al., 2024).

4.2. The Influence of Islamic Law and National Sovereignty

The Iranian Arbitration Act, while closely following the UNCITRAL Model Law, contains certain provisions that reflect the unique cultural and legal context of Iran (Mobaraki, 2024). Islamic jurisprudence and national sovereignty considerations have shaped the Iranian arbitration framework in several significant ways.

Public policy in Iranian law is closely linked to "good morals" and mandatory Shari'a-based rules, which has traditionally produced a strict legislative and judicial approach (Comparative Civil Procedure, 2026). However, recent decisions of the Tehran Commercial Courts show a growing inclination toward a narrow interpretation and a clearer distinction between domestic and

international public policy, aiming to harmonize national practice with international standards (Comparative Civil Procedure, 2026).

4.3. Recognition of Party Autonomy and Its Limits

The Iranian Arbitration Act explicitly affirms the principle of party autonomy, granting parties the right to tailor the arbitration process to their needs, provided it does not conflict with mandatory legal provisions or public policy (Namjoo et al., 2024). The Act allows parties to agree on various procedural aspects, including the rules governing their arbitration, the seat of arbitration, and the appointment of arbitrators (Mobaraki, 2024).

However, the Act also includes certain mandatory provisions that limit party autonomy in cases where public policy or Islamic law principles are at stake. For example, disputes involving immovable property situated in Iran are not arbitrable under the Act, reflecting a preference for judicial oversight in matters of national importance (Sheikh Mohammadi et al., 2023, cited in Mobaraki, 2024). Other limitations include disputes concerning public policy matters, certain categories of contracts, bankruptcy claims, family disputes, and intellectual property claims (Asadzadeh & Eftekhari Jahromi, 2019).

4.4. Scope of Arbitrability in Iranian Law

The scope of arbitrable disputes in Iran is narrower compared to the UNCITRAL Model Law due to jurisdictional limitations influenced by Islamic principles and the country's emphasis on safeguarding national interests (Mobaraki, 2024). The Iranian Arbitration Act provides that disputes involving immovable property situated in Iran are not arbitrable, reflecting a preference for judicial oversight in matters of national importance (Sheikh Mohammadi et al., 2023, cited in Mobaraki, 2024). Article 139 of the Iranian Constitution also restricts the reference of certain state-related disputes to arbitration (Constitution of the Islamic Republic of Iran, Art 139).

Other categories of disputes that are generally considered non-arbitrable under Iranian law include bankruptcy claims, family disputes, intellectual property claims, securities claims, and labor and employment contracts (Asadzadeh & Eftekhari Jahromi, 2019). These limitations create a narrower scope for arbitration compared to the UNCITRAL Model Law and highlight the tension between international harmonization and domestic legal traditions (Mobaraki, 2024).

4.5. Judicial Practice in Iran: A Developing Trend

Judicial practice in Iran reflects a developing trend toward supporting international arbitration and respecting party autonomy (Tafagoodi Zare, 2024). In some cases, despite legislative silence,

courts have explicitly prioritized the autonomy of parties, placing a presumption against court intervention. For instance, Tehran's Court of Appeal, in judgment no. 9109970221500686 dated August 26, 2012, stated: "When the parties to a contract agree to refer disputes arising from the interpretation or performance of the contract to arbitration, they effectively intend to exclude the courts from intervening in the matter. Respecting the autonomy of the contracting parties requires courts to act within the legal framework and recognize this choice" (Tehran Court of Appeal, 2012).

However, in practice, judicial oversight during the enforcement stage typically involves only a superficial review. Courts often rely on Article 488 of the Civil Procedure Code, issuing enforcement orders based on a formal examination of the award, while more detailed reviews are reserved for annulment proceedings initiated by the aggrieved party (Tafagoodi Zare, 2024). The Supreme Court has ruled that courts may not generally review the arbitrator's reasoning or invalidate an award merely because it allegedly violates one party's fundamental rights. The responsibility of the judge reviewing enforcement requests should be limited to ensuring that the award does not contravene public policy or the grounds listed in Article 489 of the Civil Procedure Code (Katouzian, 2014, cited in Tafagoodi Zare, 2024).

5. Mandatory Rules in Arbitration: A Comparative Analysis

5.1. Understanding Mandatory Rules

In the context of international commercial arbitration, mandatory rules are legal provisions that apply irrespective of the parties' agreement. These rules protect fundamental economic, social, or political interests of a state and reflect either domestic or international public policy considerations (Mayer, 2023, as cited in Mishra & Vajpeyi, 2022).

A key distinction exists between mandatory rules and public policy. While mandatory rules impose a positive obligation on an arbitral tribunal to apply a specific rule, public policy operates as a negative imposition – it permits a tribunal or court to refuse the application of a law or the enforcement of an award if such application would be objectionable (Mishra & Vajpeyi, 2022). Mandatory rules "obligate an Arbitral Tribunal to apply a specific rule... whereas public policy works as a negative imposition" (Gaillard & Savage, 2023).

The mandatory rules of the seat of arbitration (*lex situs*) are particularly significant. "Irrespective of what the *lex contractus* might be, an International Arbitral Tribunal is bound to apply or otherwise respect the mandatory rules of the arbitral procedure of the place of arbitration" (Merkin, 2023). These rules "essentially tell the parties and the Arbitral Tribunal which procedural norms must be followed in order to avoid the risk of an annulment of the award in that particular territory" (Mishra & Vajpeyi, 2022).

5.2. Mandatory Rules under the English Arbitration Act 1996

The English Arbitration Act 1996 contains a carefully crafted balance between party autonomy and mandatory rules. While Section 1(b) of the Act affirms that "the parties should be free to agree on how their disputes are resolved," this freedom is "subject only to such safeguards as are necessary in the public interest" (Arbitration Act 1996, s 1(b)).

The Act distinguishes between mandatory and non-mandatory provisions. The mandatory provisions are listed in Schedule 1 and "apply notwithstanding any agreement by the parties to the contrary" (Arbitration Act 1996, s 4(1)). The Act contains no less than 25 mandatory rules (Mishra & Vajpeyi, 2022), including:

- The general duties of the parties and the tribunal
- The parties' joint and several liability for the arbitrator's fees and expenses
- The requirement that the tribunal act fairly and impartially (Arbitration Act 1996, s 33)
- The requirement that the tribunal give reasons for its award (Arbitration Act 1996, s 52)

The presence of these mandatory provisions creates a framework where party autonomy is "subject to implied or express scrutiny of the judiciary" (Zulker Nayeem, 2022). Parties cannot contract out of these fundamental requirements, regardless of their agreement. As one commentator notes, "parties cannot insert their desires on a whim and their autonomy is not unfettered" (Zulker Nayeem, 2022).

However, the majority of the Act's provisions are non-mandatory, allowing parties to "agree on their own arrangements" (Arbitration Act 1996, s 4(2)). This "allows the parties ample discretion to agree on various issues of their arbitration arrangements," including matters relating to the constitution of the tribunal, powers of the tribunal, and the time for making awards (Zulker Nayeem, 2022).

5.3. Mandatory Rules under the Iranian Arbitration Act 1997

The Iranian Arbitration Act (LICA), inspired by the UNCITRAL Model Law, recognizes party autonomy but also includes mandatory provisions that limit it "in cases where public policy or Islamic law principles are at stake" (Mobaraki, 2024; Nabi, 2006). The Act allows parties to agree on procedural aspects, "including the rules governing their arbitration, the seat of arbitration, and the appointment of arbitrators" (Mobaraki, 2024). However, certain mandatory limitations exist:

Arbitrability Restrictions: The Act prohibits arbitration of disputes involving immovable property situated in Iran, "reflecting a preference for judicial oversight in matters of national importance" (Sheikh Mohammadi et al., 2023, as cited in Mobaraki, 2024). Other non-arbitrable disputes include bankruptcy claims, family disputes, intellectual property claims, securities claims, and labor and employment contracts (Asadzadeh & Eftekhari Jahromi, 2019).

Public Policy and Islamic Principles: The Act incorporates "elements of Islamic law and national sovereignty that distinguish it from the UNCITRAL Model Law" (Nabi, 2006). Arbitrators must ensure that awards do not conflict with Islamic principles or "good morals" (Comparative Civil Procedure, 2026). This creates a broader scope for mandatory rules compared to English law.

Constitutional Constraints: Article 139 of the Iranian Constitution restricts the reference of certain state-related disputes to arbitration (Constitution of the Islamic Republic of Iran, Art 139).

5.4. Comparative Analysis

Aspect	English Law	Iranian Law
Number of Mandatory Rules	25 specific provisions listed in Schedule 1	Implicit mandatory limitations based on arbitrability and public policy
Party Autonomy	Broad but subject to mandatory safeguards	Broad but limited by Islamic principles and national sovereignty
Scope of Mandatory Rules	Procedural fairness, impartiality, and transparency	Public policy, Islamic law, and national interests
Judicial Attitude	Pro-enforcement, limited interference	Developing trend toward support for international arbitration

The Iranian system grants "wide authorization to interfere in the proceeding to reconsider the issue" (Farshbaf Khoshnazar, 2022), while English courts adopt a "pro-enforcement approach" where "the interference of state court is limited to specific circumstances" (Farshbaf Khoshnazar, 2022). Despite these differences, both systems demonstrate a "gradual converging toward restricting judicial interference and embracing the notion of 'transnational public policy' to enhance predictability, finality, and the enforceability of international arbitral awards" (Comparative Civil Procedure, 2026).

6. Public Policy as a Limitation on Party Autonomy

6.1. The Concept of Public Policy in Arbitration

Public policy (*ordre public*) serves as a "central tool of state supervision and a recurrent ground for refusing recognition or enforcement of arbitral awards" (Comparative Civil Procedure, 2026). The New York Convention, to which both Iran and the United Kingdom are parties, provides in Article V(2)(b) that recognition and enforcement may be refused if the award is "contrary to the public policy of that country" (New York Convention 1958, Art V(2)(b)).

Public policy is "one of the most fundamental and well-established concepts in the history of law" and can be considered "the most important obstacle to the implementation of arbitration awards" (Asadzadeh, 2023). However, public policy "is not only an obstacle to the implementation of arbitration awards, but also mandatory rules can become a serious obstacle to the implementation of arbitration awards" (Asadzadeh, 2023).

6.2. English Law: A Restrictive Approach

English law adopts a "minimal-intervention, pro-enforcement stance" (Comparative Civil Procedure, 2026). English courts "differentiate between domestic and international public policy and deny enforcement only in cases of manifest violations of fundamental justice or proven fraud" (Comparative Civil Procedure, 2026). The courts "have consistently adopted a restrictive approach to public policy challenges," limiting the exception to cases involving "manifest violations of fundamental justice, fraud or corruption, and violations of natural justice" (Merkin, 2023; Redfern & Hunter, 2020).

In *West Tankers Inc v Allianz SpA* [2009] UKHL 12, the House of Lords reaffirmed the narrow interpretation of public policy (*West Tankers*, para 23). More recently, the High Court held that "public policy objections must be based on clear and compelling evidence of fundamental injustice" (*Djanogly v Djanogly* [2025] EWHC 61 (Ch), para 45).

This restrictive approach reflects the courts' "commitment to upholding arbitral awards and respecting party autonomy" (Merkin, 2023). The Law Commission's review of the Arbitration Act (announced in 2022) seeks to "ensure that the Act is as 'clear, modern and efficient as possible'" (Smith & Hughes, 2022), maintaining the UK's position as "one of the world's leading destinations for commercial arbitrations" (Smith & Hughes, 2022).

6.3. Iranian Law: A Broad but Evolving Approach

In Iranian law, public policy "is closely linked to 'good morals' and mandatory Shari'a-based rules, which has traditionally produced a strict legislative and judicial approach" (Comparative Civil Procedure, 2026). Courts have "wide authorization to interfere in the proceeding to reconsider the issue" (Farshbaf Khoshnazar, 2022). The "construction of public policy" has traditionally been "broad," in contrast to the English legal system, which is "more restrictive" (Farshbaf Khoshnazar, 2022).

However, "recent decisions of the Tehran Commercial Courts show a growing inclination toward a narrow interpretation and a clearer distinction between domestic and international public policy, aiming to harmonize national practice with international standards" (Comparative Civil Procedure, 2026). This trend reflects Iran's efforts to align its arbitration framework with international norms, "enhancing predictability, finality, and the enforceability of international arbitral awards" (Comparative Civil Procedure, 2026).

The Iranian Arbitration Act adopts an approach "similar to the New York Convention, to which Iran is a party, mandating the recognition and enforcement of arbitral awards unless specific exceptions apply" (Nabi, 2006). These exceptions include cases "where the award is found to be contrary to public policy, obtained through fraud, or in violation of the rules of natural justice" (Fatayri, 2024).

6.4. Comparative Analysis

Aspect	English Law	Iranian Law
Approach to Public Policy	Restrictive, pro-enforcement	Broad, traditionally strict but evolving
Grounds for Refusal	Manifest injustice, fraud, procedural violations	Public policy, fraud, natural justice violations
Judicial Role	Limited intervention; "serious irregularity" standard	Wide authorization to review and reconsider
Transnational Public Policy	Embracing notion of transnational public policy	Developing distinction between domestic and international public policy

7. Balancing Competing Interests: Toward a Convergent Approach

7.1. The Common Challenge

Both legal systems face the "sense of competition between the principles of party autonomy and limited intervention by the court" (Zulker Nayeem, 2022). This competition is inherent in arbitration jurisprudence and requires careful balancing to ensure that arbitration remains an effective dispute resolution mechanism.

7.2. English Law: The Pro-Enforcement Framework

English law achieves balance through a "supportive attitude to the arbitration proceeding, rather than allowing exclusive judicial power to interfere in the proceeding" (Zulker Nayeem, 2022). Section 1 of the Arbitration Act embodies this balance by establishing that "the object of arbitration is to obtain the fair resolution of disputes by an impartial tribunal without unnecessary delay or expense" while also affirming that "the parties should be free to agree on how their disputes are resolved, subject only to such safeguards as are necessary in the public interest" (Arbitration Act 1996, s 1).

The Law Commission's 2022 review demonstrates England's commitment to maintaining this balance and ensuring the Act remains "fit for purpose" (Smith & Hughes, 2022). The review, which aims to publish a consultation paper, is tasked with "ensuring that the Act is as 'clear, modern and efficient as possible' as it celebrates 25 years since coming into force" (Smith & Hughes, 2022).

7.3. Iranian Law: Developing Convergence

Iranian law is gradually converging toward a more balanced approach. Despite "distinct doctrinal foundations," both systems are "gradually converging toward restricting judicial interference and embracing the notion of 'transnational public policy' to enhance predictability, finality, and the enforceability of international arbitral awards" (Comparative Civil Procedure, 2026).

Recent judicial decisions demonstrate "a growing inclination toward a narrow interpretation and a clearer distinction between domestic and international public policy" (Comparative Civil Procedure, 2026). This trend supports the credibility of arbitration "as a dispute resolution mechanism" and "bolsters the credibility of arbitration as a dispute resolution mechanism" (Fatayri, 2024).

7.4. Implications for International Commercial Arbitration

The convergence between English and Iranian law has significant implications for international commercial arbitration. The gradual alignment toward respecting party autonomy while maintaining essential safeguards enhances predictability and finality of arbitral awards. For parties engaging in transactions involving Iranian entities, understanding this evolving framework is "essential for foreign investors and businesses engaged in transactions with Iranian entities" (Mistelis, 2022).

8. Conclusion and Recommendations

8.1. Summary of Findings

This comparative study has examined how Iranian and English law balance party autonomy with mandatory rules and public policy in international commercial arbitration. The analysis reveals several key findings:

- both legal systems recognize the principle of party autonomy as a cornerstone of arbitration. English law codifies this principle in the Arbitration Act 1996, while Iranian law incorporates it through the Arbitration Act 1997, inspired by the UNCITRAL Model Law.
- mandatory rules limit party autonomy in both jurisdictions. English law specifies 25 mandatory provisions in Schedule 1 of the Arbitration Act, while Iranian law imposes limitations based on arbitrability restrictions, public policy, and Islamic principles (Mishra & Vajpeyi, 2022; Mobaraki, 2024).
- public policy serves as a significant limitation in both systems. English courts adopt a "restrictive approach" to public policy challenges, while Iranian courts have traditionally taken a "broad" approach that is "evolving toward a narrow interpretation and a clearer

distinction between domestic and international public policy" (Comparative Civil Procedure, 2026; Farshbaf Khoshnazar, 2022).

- despite distinct doctrinal foundations, both systems demonstrate "a gradual converging toward restricting judicial interference and embracing the notion of 'transnational public policy'" (Comparative Civil Procedure, 2026).

8.2. Recommendations

For English Law:

Consider reviewing the scope of mandatory provisions to ensure they reflect modern international arbitration practice, as suggested during the Law Commission's review (Smith & Hughes, 2022).

Provide clearer guidance on the application of mandatory rules in international commercial arbitrations.

For Iranian Law:

- Continue the trend toward narrow interpretation of public policy exceptions and clearer distinction between domestic and international public policy (Comparative Civil Procedure, 2026).
- Enhance judicial expertise in international commercial arbitration to support the credibility of arbitration (Fatayri, 2024).
- Consider expanding the scope of arbitrable disputes to align more closely with UNCITRAL Model Law standards.

For International Practitioners:

- Carefully consider the mandatory rules of the seat when drafting arbitration agreements.
- Provide explicit guidance on the application of public policy exceptions in agreements involving Iranian parties.

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