INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES (ICSID)

SECOND EDITION

YARASLAU KRYVOI



International Centre for Settlement of Investment Disputes (ICSID)

Second Edition

Yaraslau Kryvoi

This book was originally published as a monograph in the International Encyclopaedia of Laws/Intergovernmental Organizations.





Published by: Kluwer Law International PO Box 316 2400 AH Alphen aan den Rijn The Netherlands Website: www.kluwerlaw.com

Sold and distributed in North, Central and South America by: Aspen Publishers, Inc. 7201 McKinney Circle Frederick, MD 21704 United States of America Email: customer.service@aspenpublishers.com

Sold and distributed in all other countries by: Turpin Distribution Services Ltd. Stratton Business Park Pegasus Drive, Biggleswade Bedfordshire SG18 8TQ United Kingdom Email: kluwerlaw@turpin-distribution.com

DISCLAIMER: The material in this volume is in the nature of general comment only. It is not offered as advice on any particular matter and should not be taken as such. The editor and the contributing authors expressly disclaim all liability to any person with regard to anything done or omitted to be done, and with respect to the consequences of anything done or omitted to be done wholly or partly in reliance upon the whole or any part of the contents of this volume. No reader should act or refrain from acting on the basis of any matter contained in this volume without first obtaining professional advice regarding the particular facts and circumstances at issue. Any and all opinions expressed herein are those of the particular author and are not necessarily those of the editor or publisher of this volume.

Printed on acid-free paper.

ISBN 978-90-411-4877-3

This title is available on www.kluwerlawonline.com

© 2013, Kluwer Law International BV, The Netherlands

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without written permission from the publisher.

Permission to use this content must be obtained from the copyright owner. Please apply to: Permissions Department, Wolters Kluwer Legal, 76 Ninth Avenue, 7th Floor, New York, NY 10011-5201, USA. Email: permissions@kluwerlaw.com

Printed and Bound by CPI Group (UK) Ltd, Croydon, CR0 4YY.

The Author



Dr Yaraslau Kryvoi is a Senior Lecturer in Law at the University of West London. His teaching and research focuses on public international law, investor-State disputes and commercial arbitration. He also serves as a Co-Chair of the International Courts Committee of the American Bar Association.

Prior to that, he practiced international dispute resolution law with Freshfields Bruckhaus Deringer in London and Morgan, Lewis & Bockius in Washington, DC. In 2007–2008, he was an extern law clerk for the Honourable Stephen F. Williams on the US Court of Appeals

for the DC Circuit. He also taught law at the Belarusian State University and served at the Economic Court of the Commonwealth of Independent States.

Dr Kryvoi holds an LLM degree from Harvard Law School where he was an editor of the *Harvard International Law Journal*. He also received a joint master's degree with honours in European and International Law from Utrecht and Nottingham universities, which he attended as a Huygens Scholar. He obtained his LLB with distinction from St. Petersburg State University and a PhD from Moscow State Law Academy.

He is a member of the Advisory Board of the International Encyclopaedia of Laws and a Corresponding Editor of International Legal Materials published by the American Society for International Law.

List of Abbreviations

Additional Facility
Arbitration Rules
BIT

ICSID Additional Facility
ICSID Arbitration Rules
Bilateral Investment Treaty

CAFTA Dominican Republic-Central America-United States

Free Trade Agreement

Centre International Centre for Settlement of Investment

Disputes

Conciliation Rules ICSID Conciliation Rules

Convention Convention on the Settlement of Investment

Disputes between States and Nationals of Other

States, 1966

ECHR European Convention on Human Rights
IBRD International Bank for Reconstruction and

Development

ICSID International Centre for Settlement of Investment

Disputes

ICJ International Court of Justice

IDA International Development Association
ICC International Chamber of Commerce
IFC International Finance Corporation
ILM International Legal Materials
IMF International Monetary Fund

LCIA London Court of International Arbitration
MIGA Multilateral Investment Guarantee Agency
NAFTA North American Free Trade Agreement, 1994

NGO Non-governmental organization

OECD Organisation for Economic Co-operation and

Development

PCA Permanent Court of Arbitration SCC Stockholm Chamber of Commerce UN United Nations Organization

UNCTAD United Nations Commission on Trade and

Development

UNCITRAL United Nations Commission on International Trade

Law

VCLT Vienna Convention on the Law of Treaties, 1969

List of Abbreviations

World Bank International Bank for Reconstruction and

Development

World Bank Guidelines The World Bank Guidelines on the Treatment of

Foreign Direct Investment

Preface

This monograph gives a solid overview of the International Centre for Settlement of Investment Disputes (ICSID), the principles of its functioning and its jurisprudence.

The volume describes ICSID's mandate, its organization and core functions, its arbitration and conciliation mechanisms, jurisdiction, recognition and enforcement of ICSID awards. Finally, it discusses the main principles of international investment law as well as the future of ICSID.

The monograph greatly benefited from the comments of Stanimir Alexandrov, Mark Bravin, Borzu Sabahi and Margrete Stevens. Needless to say, all errors and omissions are mine.

Dr Yaraslau Kryvoi December 2012

Webliography

Title

Digest of Investment Treaty
Decisions and Awards
Investment Arbitration Reporter
Investment Claims
(Oxford University Press)
Investment Treaty News
Investor-State Arbitration at the
University of Victoria
Kluwer Arbitration
(Kluwer Law International)
Official ICSID website
Transnational Dispute
Management
UNCTAD

Web address

www.arbitration-icca.org

www.iareporter.com www.investmentclaims.com

www.iisd.org/investment/itn www.ita.law.uvic.ca

www.kluwerarbitration.com

www.icsid.worldbank.org www.transnational-dispute-management.com

www.unctad.org

The Author	3
List of Abbreviations	9
Preface	11
Webliography	13
Part I. Development and Structure	15
Chapter 1. Introduction	15
Chapter 2. Investor-State Disputes	17
Chapter 3. The ICSID Convention	21
§1. Genesis	21
§2. HISTORY OF DRAFTING AND ADOPTION	22
§3. The Structure and Major Provisions of the Convention	24
Chapter 4. Institutional Framework	27
Part II. The Conciliation and Arbitration Mechanisms	29
Chapter 1. Conciliation Mechanism	29
Chapter 2. Arbitration Mechanism	31
§1. REQUEST FOR ARBITRATION	31
82. Rules Applicable to Arbitration Procedure	32

§3. Additional Claims and Counterclaims	34
§4. Provisional Measures	37
§5. ICSID COSTS AND FEES	38
Chapter 3. Constitution of Arbitration Tribunal	41
Chapter 4. Jurisdiction (Competence)	44
§1. Overview	44
§2. PARALLEL PROCEEDINGS	46
Chapter 5. Personal Jurisdiction	50
§1. NATIONAL OF ANOTHER CONTRACTING STATE I. Natural Persons II. Juridical Persons	50 50 50
§2. NATIONALS OF NON-CONTRACTING STATES (THE ADDITIONAL FACILITY)	52
§3. Contracting State	54
Chapter 6. Subject-Matter Jurisdiction	56
§1. LEGAL DISPUTE	56
§2. Arising Directly out of an Investment	57
§3. JURISDICTION OVER MORAL DAMAGES	60
Chapter 7. Applicable Substantive Law	63
§1. CHOICE OF SUBSTANTIVE LAW	63
§2. INTERNATIONAL SUBSTANTIVE LAW I. International Conventions II. Customary International Law III. General Principles of Law IV. ICSID Case Law and Other Secondary Sources	65 67 69 70 73
§3. Ex Aequo et Bono	75

7

Chapter 8. Principles of International Investment Law	76
§1. Fair and Equitable Treatment	76
§2. Arbitrary and Discriminatory Measures	78
§3. Denial of Justice	79
§4. GUARANTEES IN THE EVENT OF EXPROPRIATION	81
§5. Most-Favoured Nation	84
§6. Umbrella Clauses and Contractual Obligations	85
Chapter 9. Awards	88
§1. RECOGNITION AND ENFORCEMENT	88
§2. REMEDIES AGAINST THE AWARD I. Request for Supplementation and Rectification II. Request for Interpretation III. Request for Revision IV. Request for Annulment	90 90 91 91
Part III. The Future of ICSID	95
Chapter 1. ICSID in the Global Context	95
§1. Areas of Concern	95
§2. ICSID REFORM	98
Part IV. Documents	101
1. ICSID Convention	101
2. LIST OF THE ICSID CONVENTION SIGNATORIES	121
3. ICSID ADMINISTRATIVE AND FINANCIAL REGULATIONS	127
4. ICSID RULES OF PROCEDURE FOR THE INSTITUTION OF CONCILIATION AND ARBITRATION PROCEEDINGS (INSTITUTION RULES)	143
5. ICSID RULES OF PROCEDURE FOR CONCILIATION PROCEEDINGS (CONCILIATION RULES)	147

6. ICSID RULES OF PROCEDURE FOR ARBITRATION PROCEEDINGS (ARBITRATION RULES)	160
7. REPORT OF THE WORLD BANK EXECUTIVE DIRECTORS ON THE ICSID CONVENTION	182
8. ICSID ADDITIONAL FACILITY RULES	194
9. International Centre for Settlement of Investment Disputes Schedule of Fees	241
10. WORLD BANK GUIDELINES ON THE TREATMENT OF FOREIGN DIRECT INVESTMENT	243
Selected Bibliography	251
Index	257

International Centre for Settlement of Investment Disputes (ICSID)

Second Edition

Yaraslau Kryvoi

This book was originally published as a monograph in the International Encyclopaedia of Laws/Intergovernmental Organizations.

General Editor: Roger Blanpain Associate General Editor: Michele Colucci Volume Editor: Jan Wouters



Published by: Kluwer Law International PO Box 316 2400 AH Alphen aan den Rijn The Netherlands Website: www.kluwerlaw.com

Sold and distributed in North, Central and South America by: Aspen Publishers, Inc. 7201 McKinney Circle Frederick, MD 21704 United States of America Email: customer.service@aspenpublishers.com

Sold and distributed in all other countries by: Turpin Distribution Services Ltd. Stratton Business Park Pegasus Drive, Biggleswade Bedfordshire SG18 8TQ United Kingdom Email: kluwerlaw@turpin-distribution.com

DISCLAIMER: The material in this volume is in the nature of general comment only. It is not offered as advice on any particular matter and should not be taken as such. The editor and the contributing authors expressly disclaim all liability to any person with regard to anything done or omitted to be done, and with respect to the consequences of anything done or omitted to be done wholly or partly in reliance upon the whole or any part of the contents of this volume. No reader should act or refrain from acting on the basis of any matter contained in this volume without first obtaining professional advice regarding the particular facts and circumstances at issue. Any and all opinions expressed herein are those of the particular author and are not necessarily those of the editor or publisher of this volume.

Printed on acid-free paper.

ISBN 978-90-411-4877-3

This title is available on www.kluwerlawonline.com

© 2013, Kluwer Law International BV, The Netherlands

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without written permission from the publisher.

Permission to use this content must be obtained from the copyright owner. Please apply to: Permissions Department, Wolters Kluwer Legal, 76 Ninth Avenue, 7th Floor, New York, NY 10011-5201, USA. Email: permissions@kluwerlaw.com

Printed and Bound by CPI Group (UK) Ltd, Croydon, CR0 4YY.

The Author



Dr Yaraslau Kryvoi is a Senior Lecturer in Law at the University of West London. His teaching and research focuses on public international law, investor-State disputes and commercial arbitration. He also serves as a Co-Chair of the International Courts Committee of the American Bar Association.

Prior to that, he practiced international dispute resolution law with Freshfields Bruckhaus Deringer in London and Morgan, Lewis & Bockius in Washington, DC. In 2007–2008, he was an extern law clerk for the Honourable Stephen F. Williams on the US Court of Appeals

for the DC Circuit. He also taught law at the Belarusian State University and served at the Economic Court of the Commonwealth of Independent States.

Dr Kryvoi holds an LLM degree from Harvard Law School where he was an editor of the *Harvard International Law Journal*. He also received a joint master's degree with honours in European and International Law from Utrecht and Nottingham universities, which he attended as a Huygens Scholar. He obtained his LLB with distinction from St. Petersburg State University and a PhD from Moscow State Law Academy.

He is a member of the Advisory Board of the International Encyclopaedia of Laws and a Corresponding Editor of International Legal Materials published by the American Society for International Law.

The Author

The Author	3
List of Abbreviations	9
Preface	11
Webliography	13
Part I. Development and Structure	15
Chapter 1. Introduction	15
Chapter 2. Investor-State Disputes	17
Chapter 3. The ICSID Convention	21
§1. Genesis	21
§2. HISTORY OF DRAFTING AND ADOPTION	22
§3. THE STRUCTURE AND MAJOR PROVISIONS OF THE CONVENTION	24
Chapter 4. Institutional Framework	27
Part II. The Conciliation and Arbitration Mechanisms	29
Chapter 1. Conciliation Mechanism	29
Chapter 2. Arbitration Mechanism	31
§1. REQUEST FOR ARBITRATION	31
§2. Rules Applicable to Arbitration Procedure	32