



## Conseil Scientifique du CEPANI du 25 octobre 2012

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*Member of the Scientific Committee of CEPANI*



Le Conseil scientifique du CEPANI s'est réuni le 25 octobre dernier sous la présidence du Vice-Président Me Didier Matray, avec la participation des membres suivants: A. Fettweis, D.

Philippe, D. Struyven, E. Van Campenhoudt, D. Van Gerven et C. Verbruggen.

Le projet de programme de la journée d'étude à l'attention des magistrats a été présenté,

prévoyant l'intervention d'orateurs et magistrats néerlandais et français.

Cette journée d'étude aura lieu en janvier 2013. Le conseil a également discuté du programme de deux colloques futurs, l'un relatif à la confidentialité, et l'autre à l'arbitrage et au droit des assurances. Le projet de l'organisation à Bruxelles d'un cours relatif à l'arbitrage, destiné aux praticiens et juristes d'entreprises, a également été évoqué. Un partenariat pourrait être envisagé avec les universités.

## Articles

### Report on the 57th session of UNCITRAL Working Group II ("Arbitration and Conciliation"): Preparation of a legal standard on transparency in treaty-based investor-State arbitration – Difficulty to reach consensus (1-5 October 2012, Vienna)

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The 57<sup>th</sup> session of UNCITRAL Working Group II (Arbitration and Conciliation) was held in Vienna from 1 to 5 October 2012. It was CEPANI's eighth session as "observer".

The "members" present at the meeting in Vienna represented 39 countries and among the "observers" (of which

Belgium) there were 18 countries represented. 5 intergovernmental organizations and 26 non-governmental organizations (of which CEPANI) were also represented. In total, more or less 200 persons attended this session. However, not everyone participated actively in the discussions.



This was the fifth session of UNCITRAL Working Group II committed to the preparation of a legal standard on transparency in treaty-based investor-State arbitration. As the previous sessions on this subject, it was chaired by Mr. Salim Moollan.

At the 55<sup>th</sup> session in Vienna in October 2011 (see H. VERBIST, "Report of the 55<sup>th</sup> session of UNCITRAL Working Group II in Vienna, 3-7 October 2011", *CEPANI Newsletter* no. 60, p. 7-11), the Working Group had done a first reading of the draft rules on transparency in treaty-based investor-State arbitration that had been elaborated by the UNCITRAL Secretariat. Those draft Rules had been made on the basis of the discussions held at the Working Group's session of 4-8 October 2010 in Vienna (see H. VERBIST, "Report of the 53<sup>rd</sup> session of UNCITRAL Working Group II in Vienna, 4-8 October 2010", *CEPANI Newsletter* no. 50, p. 4-7) and at the session of 7-11 February 2011 in New York (see H. VERBIST, "Report of the 54<sup>th</sup> session of UNCITRAL Working Group II in New York, 7-11 February 2011", *CEPANI Newsletter* no. 54, p. 4-10).

At the 56<sup>th</sup> session in New York in February 2012 (see H. VERBIST, "Report on the 56<sup>th</sup> session of UNCITRAL Working Group II in New York, 6-10 February 2012", *CEPANI Newsletter* no. 63, p. 5-9), the Working Group had started with the second reading of the draft rules on transparency in treaty-based investor-State arbitration, more particularly Articles 1 and 2. At the 57<sup>th</sup> session in Vienna in October 2012 the second reading was continued with respect to Articles 3 to 9 and also, again, with respect to Article 1.

**(i) Difficulty to reach consensus**

The elaboration by the UNCITRAL Working Group of draft rules on transparency in treaty-

based investor-State arbitration is an almost revolutionary work which causes the delegations to reconsider the view they traditionally had on arbitration as a confidential dispute settlement mechanism. Given the public funds involved in investment arbitration, there is a recognised public interest for the decisions taken by arbitral tribunals in investor-State arbitrations. This aspect of transparency, however, may sometimes come into conflict with an interest of data protection, protection of national policies or other national interests such as a security interest.

Moreover, given the total number of about 3.000 bilateral investment treaties signed so far by the various States (UNCTAD *World Investment Report 2012*, on <http://www.unctad-docs.org/files/UNCTAD-WIR2012-Full-en.pdf>), the States are struggling with the question whether or not the new rules on transparency should be made applicable to all those existing treaties and, if so, how this could be done.

UNCITRAL's practice of working on a basis of consensus has contributed in the past to giving a worldwide support to the rules and model laws it elaborated. As the policies of the Member States of UNCITRAL in the field of investment are not all identical, it turns out to be difficult to find a consensus as to the form and the content of the transparency rules which the working group is asked to elaborate. During the 56<sup>th</sup> and the 57<sup>th</sup> sessions of the Working Group some Member States have indicated that there is no consensus and that they therefore can not accept the texts thusfar discussed.

As the secretary of UNCITRAL has set out both at the 56<sup>th</sup> and 57<sup>th</sup> sessions, the concept of consensus used by UNCITRAL means that there is no vote on rules of model laws that are elaborated and that there have been no objections to such rules or model laws. The consensus of the Member States is understood so as to capture the substantially prevailing position of the delegations. Generally, this reflects the view of a wide majority and is therefore considered to be more than a simple majority.

On a number of aspects, there was a consensus reached at the last 57<sup>th</sup> session, but on other aspects there was not (see the Report of Working Group II on the Work of its fifty-seventh session, 12 October 2012, A/CN.9/760, [www.uncitral.org](http://www.uncitral.org)). On the aspects where no consensus was reached, the Secretariat is asked to formulate new proposals for the 58<sup>th</sup> session of the Working Group in February 2013 in New York. But there will also be proposals by some delegations.

The European Union plays an important role in the debates, given its exclusive power in the field of foreign investments since the entry into force of the Lisbon treaty. Pursuant to Article 3(1)(e) of the Treaty on the Functioning of the European Union, the Union henceforth has exclusive competence a.o. in the area of common commercial policy, which includes a competence on foreign direct investment. But the European Member States do not all share the same view on every aspect as it was seen during the UNCITRAL Working Group meetings.

## (ii) Publication of documents

The proposed Article 3 of the draft transparency rules deals with the documents that ought to be made publicly available with respect to an investor-State arbitration. Consensus was reached that the request for arbitration, the response to the request for arbitration, further written submissions by the disputing parties, written submissions by the non-disputing party to the treaty and by third persons, transcripts of the hearings (if available), orders and decisions of the arbitral tribunal should be made automatically available to the public.



Whilst the exhibits are not among the documents that are subject to automatic disclosure, a list of exhibits, if it exists, should be made available to the public (A/CN.9/760, par. 14-16, p. 5). Subject to the exceptions of

Article 8, the arbitral tribunal will, on its own initiative or upon request from a disputing party or from a non-disputing party, and after consultation with the disputing parties, have the discretion to decide whether or not and how to make available to the public any other documents (A/CN.9/760, par. 28, p. 7).

Witness statements and expert reports should also be made available, unless pursuant to Article 8 there is a rule that witnesses and experts need to be protected (A/CN.9/760, par.



20-21, p. 6). If transcripts of hearings contain confidential information, they can be redacted (A/CN.9/760, par. 23, p. 6).

### **(iii) Publication of arbitral awards**

The proposed Article 4 did not raise any discussion, as there is broad support that arbitral awards in investor-State arbitrations should be made publicly available, subject to the exceptions of Article 8. The proposed Article 4 will, however, be deleted as a separate article and included in the proposed new Article 3 (A/CN.9/760, par. 38, p. 8).

### **(iv) Submissions by third persons (“Amicus curiae”)**

Pursuant to the proposed Article 5, after consultation with the parties, the arbitral tribunal may allow a third person that is not a disputing party and not a non-disputing party to the treaty (“third person”) to file a written submission with the arbitral tribunal regarding a matter within the scope of the dispute (often referred to as “*amicus curiae*” submissions). Such third person wishing to make a submission shall apply to the arbitral tribunal and provide specific information: a description of the third person; a disclosure of any affiliation, direct or indirect, it may have with a disputing party (A/CN.9/760, par. 43, p. 9); provide information on any government, person or organization that has provided to the third person (i) any financial or other assistance in preparing the submission, or (ii) substantial assistance in either of the two years preceding the request, such as, for instance, funding approximately 20 per cent of its overall operations annually; description of the nature

of the interest that the third person has in the arbitration; identification of the specific issues of fact or law in the arbitration that the third person wishes to address in its written submission (A/CN.9/760, par. 51, p. 11). The third person may make an “*amicus curiae*” submission both on matters of fact and on law (A/CN.9/760, par. 53, p. 11).

The arbitral tribunal will have the power to impose conditions on the third person for the filing of the written submission. The arbitral tribunal shall ensure that the submission does not disrupt or unduly burden the arbitral proceedings, or unfairly prejudice any disputing party. It shall also ensure that the disputing parties are given an opportunity to present their observations on the submission by the third person (A/CN.9/760, par. 54-57, p. 11).

### **(v) Submission by a non-disputing party to the treaty**

The proposed Article 6 deals with the possibility for a non-disputing party to the treaty to file submissions in the arbitration. No consensus could be reached yet as to whether the home State of the investor “may” be allowed or “shall” be allowed to express its views on issues of treaty interpretation (A/CN.9/760, par. 59-63, p. 12).

As regards the right of a host State to file comments on further matters within the scope of the dispute, it will be for the arbitral tribunal to decide whether or not to allow a submission from a host State. The arbitral tribunal will however not be able to invite on its own initiative the non-disputing party to a treaty to



make further submissions on matters within the scope of the dispute since such initiative could risk a politicization of disputes and could put the non-disputing party to a treaty in a more privileged position than any third party to the dispute (A/CN.9/760, par. 69-70, p. 13).

The arbitral tribunal shall not draw any inference from the absence of any submission or response to any invitation. The arbitral tribunal shall ensure that any submission does not disrupt or unduly burden the arbitral proceedings, or unfairly prejudice any disputing party. It shall also ensure that the disputing parties are given a reasonable opportunity to present their observations on any submission by a non-disputing party to the treaty.

#### **(vi) Publicity of hearings**

Whilst there was significant support for the principle set out in the proposed Article 7 that the hearings should be public, subject to the exception to protect confidential or sensitive information or the integrity of the arbitral process pursuant to Article 8, it was unclear whether consensus was reached on this matter. A number of delegations requested to reserve the right for the parties to the arbitration to agree on not having open hearings. This issue was left open for further deliberation (A/CN.9/760, par. 82, p. 15).

In the meantime, it was agreed that the arbitral tribunal may make logistical arrangements to facilitate the public access to hearings, including where appropriate by organizing attendance through video links or such other means as it deems appropriate,

and that it may, after consultation with the disputing parties, decide to hold all or part of the hearings in private where this is or becomes necessary for logistical reasons (A/CN.9/760, par. 88, p. 15).

#### **(vii) Exceptions to transparency**

The exceptions to transparency are to be set out in the proposed Article 8 of the rules. Consensus was reached on the principle that confidential or protected information shall not be made available to the public or to non-disputing parties. No consensus could be reached yet as to the laws under which should be determined whether information is confidential or protected. However, there was unanimous support for the proposition that it was not permissible for a State to adopt UNCITRAL rules on transparency and then use its domestic law to undermine the spirit (or the letter) of such rules (A/CN.9/760, par. 103, p. 18).

The arbitral tribunal, in consultation with the parties, shall make arrangements to prevent any confidential or protected information from being made available to the public, including by putting in place, as appropriate, (i) time limits in which a party, non-disputing party, or third person shall give notice that it seeks protection for such information in a document, (ii) procedures for the prompt designation and redaction of the particular confidential or protected information in such documents, and (iii) procedures for holding hearings in private to the extent required by Article 7 (A/CN.9/760, par. 110-112, p. 19).

Where the arbitral tribunal determines that information should not be redacted from a

document, or that a document should not be prevented from being made available to the public, any disputing party, non-disputing party or third person that voluntarily introduced the document into the record shall be permitted to withdraw all or part of the document from the record of the arbitral proceedings (A/CN.9/760, par. 114, p. 20).

It was also agreed that information shall not be made available to the public pursuant to Articles 2 to 7 of the rules on transparency where the information, if made available to the public, would jeopardise the integrity of the arbitral process, (a) because it could hamper the collection or production of evidence, or (b) because it could lead to the intimidation of witnesses, lawyers acting for disputing parties, or members of the arbitral tribunal, or (c) in comparably exceptional circumstances (A/CN.9/760, par. 118-119, p. 20-21).



**(viii) Repository of published information (“Registry”)**

Whilst there is general support to have a repository of published information (“registry”) regarding treaty-based investor-State arbitrations, the delegations could not yet find a consensus as to whether there should be a single registry or several registries and, as the case may be, which institution(s) would be

designated to act as registry. It was nonetheless agreed that if there would be consensus to have a single registry, then UNCITRAL would be the preferred repository institution, if it had the capacity to so act. It was also agreed that if the consensus would consist in having multiple institutions as repositories, then a central website should be established, preferably by UNCITRAL, to serve as a hub of information linking to such institutions’ repository function.

The UNCITRAL Secretariat will liaise with arbitral institutions to assess the costs and other implications of acting as a repository and will report back to the Working Group at its next session (A/CN.9/760, par. 120-122, p. 21).

**(ix) Costs**

The Working Group considered, for the first time, the issue of costs of transparency procedures and how they should be borne. After discussion, it was agreed that third parties requesting access to documents would only be required to meet the administrative costs of such access (such as photocopying, shipping, etc.). The Secretariat of UNCITRAL was given a mandate to draft language reflecting that agreement for consideration by the Working Group at its next session (A/CN.9/760, par. 130, p. 22).

**(x) Instrument for implementing the rules on transparency**

Finally, the question was discussed again whether the rules on transparency should be implemented in the context of both existing and future treaties and whether an



international convention should be prepared with a view to promoting the application of a legal standard on transparency to investment treaties.

No consensus could be reached as to whether the rules on transparency will be made applicable on an “opt-in” basis, *i.e.* if States to an investment treaty express their consent thereto, or whether the rules on transparency shall apply on an “opt out” basis to any arbitration initiated under the UNCITRAL Arbitration Rules pursuant to an investment treaty, unless the treaty provides that the rules are not applicable.

However, after discussion, it was agreed to amalgamate various proposals and to consider the new proposal at the next session. The amalgamated proposal consists of an amended Article 1 on the scope of application of the transparency rules and also of a new Article 1(4) of the UNCITRAL Arbitration Rules of 2010, in order to articulate the link between the existing UNCITRAL Arbitration Rules and the transparency rules. The new Article 1(4) of the UNCITRAL Arbitration Rules would provide that for treaty-based investor-State arbitrations, the UNCITRAL Rules of Arbitration would include the UNCITRAL Rules on Transparency subject to the provision of Article 1 of the transparency rules. The proposed new Article 1 of the transparency rules would provide that: 1.) the UNCITRAL rules on transparency would be applicable only to

arbitrations under a treaty concluded after the coming into effect of the transparency rules, unless the parties have agreed otherwise (“opt out”); 2.) in respect of (i) investor-State arbitrations initiated under a treaty concluded before the date of coming into effect of the transparency rules and of (ii) investor-State arbitrations initiated under any other rules or *ad hoc*, the UNCITRAL transparency rules shall apply only if (a) the disputing parties agree to their application (“opt in”), or (b) the parties to the treaty, or in the case of a multilateral treaty, the home State of the investor and the respondent, have agreed to the application of the transparency rules after the date of coming into effect of the transparency rules (A/CN.9/760, par. 132-133, p. 23).

Furthermore, the UNCITRAL Secretariat was given the mandate to prepare wording for (i) a convention on transparency in treaty-based investor-State arbitration, to include a draft clause permitting a reservation thereto, and (ii) for a unilateral declaration. Both these proposals will be considered at the next session of the Working Group (A/CN.9/760, par. 141, p. 24).

At the following Working Group session in February 2013 in New York the discussion will be continued on the matter of form and structure of the transparency rules and the third reading of the substance of the transparency provisions will be started.