

**ENFORCEMENT OF ARBITRAL
AWARDS
AGAINST SOVEREIGNS**

R. Doak Bishop
Editor

JurisNet, LLC

SUMMARY TABLE OF CONTENTS

TABLE OF CONTENTS	vii
ABOUT THE EDITOR	xix
CONTRIBUTING AUTHORS	xxi

PART I

CHAPTER 1

Introduction: The Enforcement of Arbitral Awards against Sovereigns

<i>R. Doak Bishop</i>	3
-----------------------	---

CHAPTER 2

Treaty Obligations to Honor Arbitral Awards and Diplomatic Protection

<i>Lucy Reed and Lucy Martinez</i>	13
------------------------------------	----

CHAPTER 3

Sovereign Immunity

<i>Craig S. Miles</i>	35
-----------------------	----

CHAPTER 4

Settlement of Investor-State Disputes through Mediation—Preliminary Remarks on Processes, Problems and Prospects

<i>Jack J. Coe, Jr</i>	73
------------------------	----

PART II

CHAPTER 5

The Power of ICSID *Ad Hoc* Committees to Order Security When Granting a Stay of Enforcement

<i>Margrete Stevens</i>	113
-------------------------	-----

CHAPTER 6**The Enforcement of ICSID Arbitral Awards***Antonio R. Parra*

131

CHAPTER 7**Attachment and Execution on Commercial Assets***David W. Rivkin and Christopher K. Tahbaz*

139

CHAPTER 8**Attachment of Debts Owed to Sovereigns***Dana H. Freyer*

159

CHAPTER 9**Enforcement against Assets of State-owned Companies***Christopher F. Dugan and James E. Berger*

185

CHAPTER 10**Political Risk Insurance for Collection of Arbitral Awards***Frederick E. Jenney*

223

PART III**CHAPTER 11****The Enforcement of Arbitral Awards against Foreign Sovereigns—the United States***Edward G. Kehoe*

241

CHAPTER 12**Enforcement of Arbitral Awards against Sovereigns—Experience in the Courts of England and Wales***Judith Gill, Stephen Jagusch and Anthony Sinclair*

273

CHAPTER 13**Enforcement of Foreign Arbitral Awards against Sovereigns—Switzerland***Michael E. Schneider and Joachim Knoll*

311

CHAPTER 14**Enforcement of Arbitral Awards against
Sovereign States or State Entities—France**

Sarah Frangois-Poncet, Brenda Horrigan and Lara Karam 355

CHAPTER 15**Enforcement of Arbitral Awards against
Sovereigns—The Netherlands**

Pieter H. F. Bekker and Jacques F. de Heer 381

CHAPTER 16**Enforcement of Foreign Awards against
Sovereigns in South America—the Cases of
Argentina and Ecuador**

Javier Robalino 425

Table of Cases 453

Index 463

TABLE OF CONTENTS

ABOUT THE EDITOR CONTRIBUTING AUTHORS

xix
xxi

PART I

CHAPTER 1

Introduction: The Enforcement of Arbitral Awards against Sovereigns

3

R. Doak Bishop

CHAPTER 2

Treaty Obligations to Honor Arbitral Awards and Diplomatic Protection

13

Lucy Reed and Lucy Martinez

I.	Treaty Obligations to Honor Arbitration Awards	14
A.	New York Convention	14
B.	ICSID Convention	15
C.	NAFTA	16
D.	Energy Charter Treaty	17
E.	Bilateral Investment Treaties	17
1.	General Undertaking	17
2.	Intermediate Formulation	18
3.	Special Dispute Resolution Mechanism	18
F.	Treaty Obligations to Honor Awards as Waiver of State Immunity from Execution	20
II.	Enforcing Treaty Obligations to Honor Awards	22
A.	Options	22
B.	Diplomatic Protection	25
C.	The Role of the ICJ	28
D.	The Practical Realities of Diplomatic Protection	32

CHAPTER 3

Sovereign Immunity

35

Craig S. Miles

I.	Introduction	35
II.	Evolution from Absolute Immunity to Restrictive Immunity	36

III. The Distinction between Immunity from Jurisdiction and Immunity from Execution	42
A. Introduction	42
B. The U.S. Foreign Sovereign Immunities Act	43
1. Immunity from Jurisdiction	43
2. Immunity from Execution	48
3. Relevant Case Law	50
C. The United Kingdom (U.K.) State Immunity Act	62
D. Sovereign Immunity in France	65
E. Sovereign Immunity in Germany	69
IV. Conclusion	71

CHAPTER 4

Settlement of Investor-State Disputes through Mediation—Preliminary Remarks on Processes, Problems and Prospects	73
<i>Jack J. Coe, Jr.</i>	

I. Introduction	73
II. Investor-State Disputes and Arbitration	75
III. ICSID Docket Patterns	77
A. ICSID's Remarkable Docket	77
B. Duration of Proceedings	79
C. Rates of Settlement	79
1. ICSID Cases	79
2. NAFTA Distinguished	80
IV. Terminology and Related Matters	81
A. Conciliation—Different from Mediation?	81
B. Mediators as Distinct from Arbitrators	82
V. The Parties	83
A. Claimants	83
B. Respondents	83
VI. The Role of Counsel	84
A. The Challenge of Managing Client Expectations	84
B. Counsel and the Mediation Process	85
VII. Mediation's Essential Nature and Strengths	85
VIII. Common Features of Governing Texts	87
A. Mandate and Guiding Principles	87
B. Independence of Neutrals	87
C. Obligations of the Parties	88
D. Number of Conciliators	88
E. Confidentiality	89

IX. Stages and Techniques	89
A. Creating an Optimistic Mood Conducive to Settlement	89
B. Opening Remarks and Presentations	90
C. Shuttle Diplomacy	90
D. Exploring the Weaknesses in Each Side's Case	90
E. Identifying Lynchpins	91
X. Administering Institutions—Functions and Idiosyncrasies	91
A. In General	91
B. The ICSID Conciliation Regime—Distinctive Features	92
XI. Using Mediation for Investor-State Disputes	93
A. Obstacles and Criticisms	93
B. Expecting Too Much, Too Early—Beyond Steps and Cooling-off Periods	95
XII. Mediation as a Parallel Process with Multiple Points of Engagement	96
A. In General	96
B. The Cooling-off Period and Beyond	96
1. Basic Thesis	96
2. A Variation —Co-Mediation with a Sole Arbitrator	97
XIII. Making Full Use of the Shadow Mediator—Concurrent Mediator Tasks	97
A. In General	97
B. Claim Refinement, Issue Clarification and Engaging the Parties	98
C. Mediating Discovery and Other Procedural Disputes	98
D. Drafting Terms of Settlement	99
XIV. The Enforcement Question—Some Sample Techniques	100
A. Agreeing about Enforcement	100
B. Transforming Mediated Agreements into Globally Enforceable Awards	101
XV. Arbitrators as Instigators of Settlement	103
A. In General	103
B. Treaty Exhortations	104
C. Circulating Draft Awards	105
D. Treaty-based Traps for the Unwary	106
XVI. A Synthesis and Some Concluding Remarks	106

PART II

CHAPTER 5

The Power of ICSID *Ad Hoc* Committees to Order Security When Granting a Stay of Enforcement **113**

Margrete Stevens

- I. Introduction: Who's at Risk? Safeguarding against Injustice and the Possible Abuse of the ICSID Annulment System 113
- II. The Role of the *Ad Hoc* Committee and Its Authority to Order Security 116
- III. The Question of Security—The Weighing of Circumstances 120
- IV. A Closer Look at Argentina—Concern about Compliance 126
- V. Conclusion: Balancing Prejudice and Abuse 129

CHAPTER 6

The Enforcement of ICSID Arbitral Awards **131**

Antonio R. Parra

- I. Introduction 131
- II. Enforcement Proceedings in National Courts—Four Cases 132
- III. The Duty to "Abide and Comply" 134
- IV. Voluntary Compliance and World Bank Influence 136

CHAPTER 7

Attachment and Execution on Commercial Assets **139**

David W. Rivkin and Christopher K. Tahbaz

- I. National and International Law Framework Relevant to Attachment of and Execution against Sovereign Commercial Assets 140
 - A. International Arbitration Conventions 140
 - B. United States Law 141
 - C. United Kingdom Law 143
 - D. European Convention on State Immunity 144
 - E. Other States 145
- II. Is the Property "Commercial"? 146
 - A. Commercial Property 147
 - B. The Problem of Mixed Commercial/Sovereign Use 152

C. Central Bank Funds	155
III. Commercial Activity in Recognition Proceedings	157
IV. Conclusion	158

CHAPTER 8

Attachment of Debts Owed to Sovereigns **159**

Dana H. Freyer

I. General Considerations in Attaching Sovereign Assets	159
II. Attachment of Debts in Specific Jurisdictions	159
A. United States	159
1. Prerequisites for Attachment	159
2. Application to Specific Types of Debts	161
3. Procedures for Attachment	166
4. Summary	167
B. United Kingdom	167
1. Prerequisites for Attachment	167
2. Application to Specific Types of Debt	168
3. Procedures for Attachment	171
4. Summary	172
C. Switzerland	172
1. Prerequisites for Attachment	172
2. Case Law	175
3. Procedures for Attachment	175
4. Summary	177
D. France	178
1. Prerequisites for Attachment	178
2. Case Law	179
3. Procedures for Attachment	182
4. Summary	183
III. Conclusion	183

CHAPTER 9

Enforcement against Assets of State-owned Companies **185**

Christopher F. Dugan and James E. Berger

I. Introduction	185
II. The FSIA – Background and Overview	186
III. The FSIA in Practice	188
A. Does the FSIA Apply?	188
B. Is the Foreign State Entitled to Immunity?	190
1. Waiver	191

xii	ENFORCEMENT OF ARBITRAL AWARDS AGAINST SOVEREIGNS	
	2. Commercial Activities Expropriation	
	Exceptions	191
	3. Arbitration	193
	C. Jurisdiction in Cases Arising under the FSIA	195
IV.	Enforcement under the FSIA	197
	A. Attachment Jurisdiction under the FSIA	198
	1. Execution against Foreign States	199
	2. Execution against Foreign State	
	Instrumentalities	200
	B. Property Subject to Attachment/Execution	200
	1. "In the United States"	201
	2. "Used for a Commercial Activity"	204
	3. State Laws Governing Attachment and	
	Execution	207
	C. Specific Types of Property Immune from	
	Execution	213
	D. Prejudgment Attachment	213
V.	Practical Issues under the FSIA	214
	A. Waiver	214
	B. Discovery	215
	C. Service of Process	216
	D. Default Judgments	218
	E. Alter Ego Theories of Enforcement	220

CHAPTER 10

Political Risk Insurance for Collection of Arbitral Awards **223**

Frederick E. jenney

I.	Introduction	223
II.	Collection Risk Following an Arbitral Award	
	for Breach of Contract	224
	A. Breach of Contract Is a Key Investment Risk	224
	B. Contractual Remedy for Breach	224
	C. Dispute Resolution Procedures	224
III.	Arbitral Award Default Coverage	225
	A. Overview of Arbitral Award Default Coverage	225
	B. Requirements for Arbitral Award Default	
	Coverage	226
	1. International Arbitration	226
	2. Arbitral Award against Sovereign	227
	3. Contract-based Monetary Award	227
	4. Final and Binding Award	228
	C. Concerns about Host Government Interference	228

IV. Denial of Justice Coverage	229
A. Overview of Denial of Justice Coverage	229
B. Requirements for Denial of Justice Coverage	231
V. Political Risk Insurance in General	232
A. Political Risk Insurance Market	232
B. Political Risk Insurance Theory	233
C. Breach of Contract Not Necessarily Political	233
D. Arbitral Award Default and Denial of Justice are Specialized Coverages	235
E. Dissatisfaction with Arbitration as Dispute Resolution Mechanism	235
VI. New Ideas for Arbitral Award Default Coverage	236
A. A New Idea: Coverage of Treaty-based Arbitration	236

PART III

CHAPTER 11

The Enforcement of Arbitral Awards against Foreign Sovereigns—the United States **241**

Edward G. Kehoe

I. Introduction	241
II. The U.S. Legal Order —Salient Aspects	242
A. The Federal Arbitration Act, New York Convention and the Panama Convention	244
B. Federal versus State Laws	244
C. Under U.S. Law, Default Judgment Can Be Entered against Foreign States	245
III. Substantive Grounds for Resisting Enforcement of Foreign Arbitral Awards	246
A. Grounds under the New York Convention	246
B. Judicially-created Ground: "Manifest Disregard of the Law"	248
IV. Recognition and Enforcement of ICSID Awards in the United States	248
A. 22 U.S.C. §1650a	249
B. Procedure for Recognition and Enforcement of ICSID Awards in U.S. Courts	250
1. Registration	250
2. Complaint	250
3. Application for <i>Ex Parte</i> Order and Judgment	251

V.	Sovereign Immunity and the Jurisdiction of U.S. Courts	252
A.	The Foreign Sovereign Immunities Act (FSIA)	252
B.	Overcoming Presumption of Sovereign Immunity for U.S. Subject Matter Jurisdiction	253
1.	What Constitutes a "Foreign State" under the FSIA	253
2.	"Arbitration" Exception: 28 U.S.C. §1605(a)(6)(B)	255
3.	"Waiver" Exception: 28 U.S.C. §1605(a)(1)	256
4.	"Commercial Activity" Exception: 28 U.S.C. §1605(a)(2)	257
C.	Act of State Doctrine	257
VI.	Personal Jurisdiction and Due Process	258
A.	Service of Process	258
B.	Due Process Scrutiny under U.S. Constitutional Law	259
VII.	Procedural Defenses to the Enforcement of Arbitral Awards under U.S. Law	260
A.	<i>Forum Non Conveniens</i> —A New Weapon	261
1.	<i>Forum Non Conveniens</i> under U.S. Law	261
2.	An Additional Procedural Defense by Sovereign States or Entities	262
B.	<i>Res judicata</i> and Annulment of Awards by Foreign National Courts	264
VIII.	Sovereign Immunity and Execution	265
A.	Reasonable Period of Time to Elapse before Order of Execution	265
B.	Waiver of Sovereign Immunity from Execution	266
C.	Execution Generally Restricted to Property of Sovereign Used for a Commercial Activity in the United States	266
D.	Utilizing State Law Procedures on Attachment of Property	271
E.	FSIA Does Not Provide for Monetary Sanctions Should a Sovereign State or Entity Refuse to Obey Writs of Execution or Attachment	271
IX.	Conclusion	272

CHAPTER 12**Enforcement of Arbitral Awards against Sovereigns —
Experience in the Courts of England and Wales**

273

Judith Gill, Stephen Jagusch and Anthony Sinclair

I.	Introduction	273
II.	The General Framework for Enforcement	274
	A. Arbitration Act 1996	274
	B. Common Law	277
	C. Other Methods of Enforcement	278
III.	Anticipatory Measures	279
	A. Security for the Award	279
	B. Interim Injunctions	282
	C. Freezing Injunctions	284
	D. Security for Costs	285
IV.	Key Remedies Available on the Enforcement of an Award	286
	A. Charging Orders	286
	B. Third Party Debt/Garnishee Orders	287
	C. Writ of <i>Fieri Facias</i>	288
	D. Equitable Execution	288
	E. Winding Up Proceedings	289
V.	Cross-Enforcement against States and State Entities?	289
VI.	Resisting Enforcement under the Arbitration Act	293
VII.	State Immunity Act 1978	296
	A. Introduction	296
	B. Immunity from Adjudicative Jurisdiction	296
	1. Waiver of Immunity	297
	2. Commercial Transactions	298
	3. Agreement to Arbitrate Exception	300
	C. Procedural Advantages Conferred by the State Immunity Act	301
	D. Immunity from Enforcement Jurisdiction	303
	1. Waiver	304
	2. Property Used for Commercial Purposes	304
	E. Organs, Agencies and Other State Entities	305
	1. "Separate Entities"	306
	2. Central Banks	306
VIII.	Conclusion	308

CHAPTER 13**Enforcement of Foreign Arbitral Awards against
Sovereigns—Switzerland****311***Michael E. Schneider and Joachim Knoll*

I.	Introduction	311
II.	Enforcement Proceedings under Swiss Law	312
III.	Enforcement of Arbitral Awards	316
IV.	Enforcement against Foreign States	318
V.	Immunity of Foreign States—Obligations under Public International Law	324
A.	Restricted Immunity as Developed by the Federal Tribunal	324
B.	The Distinction between Sovereign and Commercial Acts	327
C.	The Use of a Single Concept for Immunity of Jurisdiction and of Execution	329
D.	Waiver of Immunity	331
E.	Immunity and Arbitration	332
F.	Relevant Treaties	335
VI.	Domestic Rules on Sovereign Immunity— The Requirement of a Swiss Connection (<i>"Binnenbeziehung"</i>)	338
VII.	Assets Immune from Measures of Enforcement	345
VIII.	Personal Identity—Who Benefits from Sovereign Immunity and How Are the Assets of the State Defined?	348
A.	The Beneficiary of Immunity	349
B.	The Link between the Award Debtor and the Assets Seized	350
IX.	Conclusion	353

CHAPTER 14**Enforcement of Arbitral Awards against Sovereign
States or State Entities—France****355***Sarah Frangois-Poncet, Brenda Horrigan and Lara Karam*

I.	Introduction	355
II.	Procedural Steps	355
A.	Preliminary Step: Obtaining <i>Exequatur</i> of an Arbitral Award	355
B.	Enforcement Measures	357
III.	Immunity from Execution	358
A.	Applicable Rules for Immunity from Execution	359
1.	States	359

2. State Entities/Instrumentalities	362
3. Foreign Central Banks	363
4. International Organizations	365
5. Diplomatic Missions	366
B. Waiver of Immunity from Execution	369
IV. Determination of the Assets and the Entity Against Which Enforcement May be Sought	372
A. "Nexus" Requirement between an Asset and the Underlying Claim upon Which the Arbitral Award Is Based	373
B. Enforcing against the Assets of an Entity Different from the One against Which the Award Was Rendered	374
1. French Courts' Definition of "Emanation"	374
2. Consequences for Emanations	376
C. Potential Liability Resulting from an Improper Attempt to Enforce against a Sovereign's Assets	377
V. Conclusion	379

CHAPTER 15

Enforcement of Arbitral Awards against Sovereigns— The Netherlands

381

Pieter H.F. Bekker and Jacques F. de Heer

I. Introduction	381
II. The Law	383
A. Treaties Binding The Netherlands	383
1. Principal Treaties	383
2. Other Treaties	384
B. Dutch Domestic Law	386
1. Introduction	386
2. Procedure for the Enforcement of Foreign Arbitral Awards	388
i. Enforcement pursuant to a treaty: Article 1075 CCP	388
ii. Enforcement outside the treaty context: Art. 1076 CCP	389
III. Dutch Court Decisions	391
A. Introduction	391
B. Summary of Leading Decisions	392
1. The SEEE/Yugoslavia Cases	392
2. The SPP/Egypt Case	395
3. Immunity Issues	396

IV. Measures of Constraint Targeting Foreign Sovereign Property	399
A. Introduction	399
B. Treaty Law	400
C. Dutch Domestic Law	401
1. Basic Procedure for Attachments	401
2. Attachment of Sovereign Property — Immunity Issues	405
i. Introduction	405
ii. Dutch domestic law	407
iii. International law	413
iv. The role of the Dutch executive branch in attachment matters	418
3. States or State Entities?	420
V. Conclusion	423

CHAPTER 16

Enforcement of Foreign Awards against Sovereigns in South America—the Cases of Argentina and Ecuador **425**

Javier Robalino

I. Introduction	425
II. Republic of Argentina	428
A. Introduction	428
B. The Applicable International Law on Enforcement of Awards	428
C. Applicable Local Provisions on Enforcement of Awards	431
D. Specific Provisions on Attachments	434
E. Recent Argentine Case Law	435
F. What May Be Expected of Argentina?	439
III. Republic of Ecuador	441
A. Introductory Comments	441
B. Local Provisions on Enforcement of Awards	443
C. International Provisions for Enforcement of Awards	447
D. The EMELEC Case	448
E. What May Be Expected of Ecuador?	450

Table of Cases **453**

Index **463**