Table of Contents

Preface to the Fourth Edition page					ge xiii
Pro	eface	to the	Third Editi	ion	XV
Pre	eface	to the S	Second Ed	ition	xix
Pre	eface	to the l	First Editio	on	xxi
Lis	t of A	<i>Abbrevia</i>	itions		xxii
Tai	ble oj	Cases			xxiii
1	Intro	duction	1		1
	1.1	The D	efinition o	of Foreign Investment	11
		1.1.1	The Dist	tinction between Portfolio Investment and Foreig	gn
			Direct Ir	nvestment	12
		1.1.2	Definition	on of Foreign Investment in Investment Treaties	13
		1.1.3	The Evo	lution of the Meaning of the Term 'Investment'	14
	1.2	The H	istory of t	he International Law on Foreign Investment	23
		1.2.1	The Cole	onial Period	23
		1.2.2	The Post	t-colonial Period	26
	1.3	An Ou	itline of th	e Book	36
2	The Shaping Factors				42
	2.1 The Historical Setting				46
		2.1.1	State Re	sponsibility for Injuries to Aliens	46
			2.1.1.1	The Natural Resources Sector	48
			2.1.1.2	The Plantation Sector	52
			2.1.1.3	The Manufacturing Sector	53
			2.1.1.4	The Financial Sector	55
			2.1.1.5	Intellectual Property	56
	2.2	Confli	cting Econ	nomic Theories on Foreign Investment	60
		2.2.1	The Clas	ssical Theory on Foreign Investment	61
		2.2.2	The Dep	endency Theory	67
		2.2.3	The Mid	dle Path	69
	2.3	Actors	in the Fie	eld of Foreign Investment	75
		2.3.1	The Mul	tinational Corporation	77

		2.3.2	State Corporations	80
		2.3.3	International Institutions	82
		2.3.4	Non-governmental Organisations (NGOs)	84
		2.3.5	Other Actors	86
		2.3.6	Sovereign Wealth Funds	86
	2.4	Risks i	in Foreign Investment	87
		2.4.1	Ideological Hostility	89
		2.4.2	Nationalism	89
		2.4.3	Ethnicity as a Factor	91
		2.4.4	Changes in Industry Patterns	92
		2.4.5	Contracts Made by Previous Regimes	94
		2.4.6	Onerous Contracts	95
		2.4.7	Regulation of the Economy	95
		2.4.8	Human Rights and Environmental Concerns	96
		2.4.9	The Law-and-order Situation	98
	2.5	Source	s of the International Law on Foreign Investment	98
		2.5.1	Treaties	98
		2.5.2	Custom	101
		2.5.3	General Principles of Law	105
		2.5.4	Judicial Decisions	107
		2.5.5	Domestic Law	108
3	Con	trols by	the Host State	110
	3.1	Regula	tion of Entry	120
		3.1.1	Guarantees against Expropriation	123
		3.1.2	Guarantees Relating to Dispute Settlement	126
		3.1.3	Tax and Non-tax Incentives to Foreign Investors	127
		3.1.4	Screening of Foreign Investment Entry	128
		3.1.5	Requirements of Local Collaboration	131
		3.1.6	Capitalisation Requirements	133
		3.1.7	Requirements Relating to Environmental Protection	134
		3.1.8	Requirements Relating to Export Targets	137
		3.1.9	Requirements Relating to Local Equity	138
		3.1.10	Other Requirements	141
		3.1.11	Regulation and Expropriation	141
	3.2	New F	orms of Foreign Investment	142
		3.2.1	The Joint Venture	143
		3.2.2	The Production-sharing Agreement	144
	3.3		aints on Control: Customary International Law	145
		3.3.1	State Responsibility for Injuries to Aliens	147
		3.3.2	The Conflict between the United States and Latin	
			American States	150

		3.3.3	The Cor	ntent of the International Minimum Standard	155
		3.3.4	State Re	esponsibility and Developing States	157
		3.3.5	The 'No	bble Synthesis'	158
		3.3.6	Damage	to Property in the Course of Civil Disturbances	161
		3.3.7	Validity	of Conditions on Foreign Investment	164
			3.3.7.1	Regulations on Screening of Foreign	
				Investments	164
			3.3.7.2	Local Equity Requirements	166
			3.3.7.3	Export Requirements	169
	3.4	Conclu			170
4	The	Liabilit	y of Multi	inational Corporations and Home State Measures	172
	4.1	Obliga	tions of N	Multinational Corporations	174
		4.1.1	The Obl	igation Not to Interfere in Domestic Politics	177
		4.1.2	Obligation	ons Relating to Human Rights	178
		4.1.3	Liability	for Violations of Environmental Norms	182
		4.1.4	The Obl	igation to Promote Economic Development	184
	4.2	Extrate	erritorial (Control by Home States	186
		4.2.1	State Re	sponsibility of Home States for Failure to	
			Control	Multinational Corporations	188
		4.2.2	The Exis	sting Rules on State Responsibility	188
		4.2.3	The Dut	y to Control Nationals Abroad	196
		4.2.4	State Re	sponsibility and the Duty to Provide	
			Remedie	es to Victims	201
	4.3	Conclu	ision		202
5	Bilat	teral Inv	estment T	reaties	204
	5.1	Introdu	ictory Sur	vey	209
	5.2	Treatie	s of Frien	dship, Commerce and Navigation	214
	5.3	Reason	ns for Mal	king Bilateral Investment Treaties	217
	5.4	Feature	es of Bilat	teral Investment Treaties	222
		5.4.1	The Stat	ement of the Purpose of the Treaty	223
		5.4.2	Definitio	ons	226
			5.4.2.1	Investments	226
			5.4.2.2	Limitation on the Definition of Investment	230
			5.4.2.3	Portfolio Investments	232
			5.4.2.4	Corporate Nationality and the Protection of	
				Shareholders	233
		5.4.3	Standard	of Treatment	238
			5.4.3.1	National Standard of Treatment	238
			5.4.3.2	Fair and Equitable Standard	240
			5.4.3.3	Most-favoured-nation Treatment	241
			5.4.3.4	Full Protection and Security	242

		5.4.4	Performance Requirements	242
		5.4.5	Repatriation of Profits	243
		5.4.6	Nationalisation and Compensation	244
			5.4.6.1 Compensation for Destruction during Wars	
			and National Emergencies	250
		5.4.7	Protection of Commitments	253
		5.4.8	Dispute Resolution	254
		5.4.9	Arbitration and the Exhaustion of Local Remedies	257
			5.4.9.1 Arbitration between States	259
			5.4.9.2 Subrogation	260
		5.4.10	Safeguard Provisions and Exceptions	261
	5.5	'Balan	ced' Investment Treaties	263
		5.5.1	Environmental Concerns	265
		5.5.2	Human Rights	267
		5.5.3	Sustainable Development	270
		5.5.4	International Concerns	271
		5.5.5	Regulatory Space and Balanced Treaties	272
		5.5.6	Bilateral Investment Treaties and Customary	
			International Law	273
		5.5.7	Carve Out of Areas	275
		5.5.8	Liabilities of Foreign Investors	275
		5.5.9	Dispute Settlement	276
		5.5.10	The Termination of Treaties	276
	5.6	Conclu	usion	278
6	Mult	ilateral	and Regional Instruments on Foreign Investment	280
	6.1	The In	ternational Norms on Multinational Corporations	283
	6.2	The Dr	raft Codes on Multinational Corporations	287
		6.2.1	Description of the UNCTC Draft Code	287
			6.2.1.1 The Preamble	287
			6.2.1.2 Definition	288
			6.2.1.3 Respect for National Sovereignty	288
			6.2.1.4 Renegotiation of Contracts	289
			6.2.1.5 Non-interference in Domestic Affairs	290
			6.2.1.6 Abstention from Corrupt Practices	292
			6.2.1.7 Economic and Other Controls	293
			6.2.1.8 Disclosure of Information	293
			6.2.1.9 Treatment of Transnational Corporations	294
	6.3	The Ou	utstanding Issues	294
		6.3.1	The Relevance of International Law	294
		6.3.2	Non-interference in Domestic Affairs	296
		6.3.3	Permanent Sovereignty and International Obligations	297
		6.3.4	The UN Global Compact	298

	6.4	The R	Regional Agreements	298
		6.4.1	NAFTA	298
		6.4.2	The ASEAN Agreements	300
		6.4.3	The South African Development Community Model	
			Investment Treaty	303
	6.5	The N	fultilateral Agreement on Investment	304
	6.6	The V	VTO and Foreign Investment	309
		6.6.1	Investment in the Uruguay Round	310
		6.6.2	GATS	311
		6.6.3	TRIPS	312
		6.6.4	TRIMS	313
	6.7	An In	vestment Regime under the WTO	314
		6.7.1	The Definition of Investment	314
		6.7.2	Definition and Preservation of Regulatory Control	315
		6.7.3	Definition of Investor	316
		6.7.4	Treatment Standards	317
			6.7.4.1 Most-favoured-nation Treatment	318
		6.7.5	Performance Requirements	318
		6.7.6	Expropriation	319
		6.7.7	Balance-of-payment Safeguards	319
		6.7.8	Dispute Resolution	320
	6.8	The R	ight to Regulate Foreign Investment	320
	6.9	The M	Iega-regional Treaties: TPP and TTIP	322
	6.10	Concl	usion	323
7	Settl	ement o	of Investment Disputes: Contract-based Arbitration	324
	7.1	Contra	actual Devices for Foreign Investment Protection	328
		7.1.1	The Essential Clauses	330
			7.1.1.1 The Stabilisation Clause	330
			7.1.1.2 Choice-of-law Clause	334
			7.1.1.3 Arbitration Clause	336
	7.2	The In	ternationalisation of State Contracts	339
		7.2.1	The Origin of the Theory of Internationalisation	339
		7.2.2	The ICSID Convention and International Law	349
		7.2.3	The Continued Relevance of Contract-based	
			Arbitration	351
		7.2.4	Lex mercatoria and State Contracts	353
		7.2.5	Umbrella Clauses and Internationalisation	354
		7.2.6	Arbitration Based on Investment Legislation	355
		7.2.7	Relevance of the Contract in Investment	
			Treaty Arbitration	355
	7.3	Conclu	asion	356

8	Trea	ty-based	l Investment Arbitration: Jurisdictional Issues	358		
	8.1	Jurisdie	ction Ratione Materiae	360		
		8.1.1	The Definition of Investment	36		
		8.1.2	Economic Development as a Characteristic of Investment	36		
		8.1.3	Does Portfolio Investment Qualify as Investment?	368		
		8.1.4	Pre-contractual Expenses as Investment	372		
		8.1.5	The Qualification of Investment as Subject to			
			Local Laws and Regulations	373		
		8.1.6	Good Faith Limitations	374		
		8.1.7	Investments 'Approved in Writing'	375		
		8.1.8	The Time Factor	375		
		8.1.9	Negotiations	376		
		8.1.10	The 'Fork in the Road' and Waiver	376		
		8.1.11	Most-favoured-nation Clause	378		
		8.1.12	Exhaustion of Local Remedies	379		
	8.2	The Inv	vestor as Claimant	379		
		8.2.1	Natural Persons	380		
		8.2.2	Juridical Person: Corporate Nationality	380		
		8.2.3	Locally Incorporated Company	381		
		8.2.4	The Wholly Owned Company as Claimant	382		
		8.2.5	The Migration of Companies	383		
		8.2.6	Shopping for Jurisdiction	385		
		8.2.7	Round-tripping and Corporate Nationality	386		
		8.2.8	Denial of Benefits	387		
		8.2.9	Protection of Minority Shareholders	387		
	8.3	Conclu	sion	388		
9	Causes of Action: Breaches of Treatment Standards					
	9.1	The Customary International Law Standards				
	9.2		olation of National Treatment Standards	394		
		9.2.1	Performance Requirements and National Treatment	402		
		9.2.2	National Treatment and Infant Industries	403		
		9.2.3	Subsidies, Grants and National Treatment	404		
		9.2.4	Ethnicity and National Treatment	404		
		9.2.5	Conclusion	404		
	9.3	9.3 International Minimum Standard Treatment				
	9.4	9.4 Fair and Equitable Standard of Treatment				
		9.4.1	Violation of Legitimate Expectations	417		
		9.4.2	Denial of Justice	424		
		9.4.3	Due Process and Administrative Irregularity	425		
	9.5	Full Protection and Security 42				
	96	Conclusion				

10	0 The Taking of Foreign Property				
	10.1 What Constitutes Taking?				
		10.1.1	New Form	ns of Taking	435
		10.1.2	The Ideas	s of Property	438
			10.1.2.1	Forced Sales of Property	446
			10.1.2.2	Forced Sales of Shares	447
		10.1.3	Privatisat	ion and Forced Sales	450
			10.1.3.1	Indigenisation Measures	451
			10.1.3.2	Interference with Property Rights	453
		10.1.4	Evolving	US and European Notions of Property	454
		10.1.5	The Impa	ct on International Law	456
		10.1.6	Regulator	y Expropriations	460
	10.2	The Ex	ercise of N	Management Control over the Investment	475
		10.2.1	Cancellati	ion of Permits and Licences	477
		10.2.2	Takings b	y Agents and Mobs	479
		10.2.3	Excessive	Taxation	480
		10.2.4	Expulsion	of the Foreign Investor	481
		10.2.5	Freezing	of Bank Accounts	481
		10.2.6	Exchange	Controls	481
	10.3	Illegal	Takings		482
		10.3.1	The Takir	ng Must Be for a Public Purpose	482
		10.3.2	Discrimin	atory Taking	485
			, -	n Violation of Treaties	486
		10.3.4	The Role	of the Proportionality Rule	487
	10.4	Conclu	ision		488
11	Com	pensatio	n for Natio	onalisation of Foreign Investments	490
	11.1	The Co	mpeting N	Jorms: The Views of the	
		Capital	-exporting	States	492
		11.1.1		n that 'Prompt, Adequate and Effective'	
				ation Must Be Paid	492
			11.1.1.1	Treaties	494
			11.1.1.2	Customary Practice	495
			11.1.1.3	General Principles of Law	497
			11.1.1.4	Unjust Enrichment	497
			11.1.1.5	Acquired Rights	498
			11.1.1.6	Right to Property	499
			11.1.1.7	Foreign Investment Codes	503
			11.1.1.8	Decisions of Courts and Tribunals	505
			11.1.1.9	International Courts	505
				Awards of Arbitral Tribunals	509
				National and Regional Courts	521
			11.1.1.12	Writings of Publicists	523

11.2	11.2 The Competing Norms				
	11.2.1	The Clain	n That It Is Permissible to Deduct Past		
		Excess Pr	ofits from Compensation	526	
	11.2.2	The Clain	n That the Taking Is a 'Revindication'		
for Which No Compensation is Necessary					
11.2.3 The Claim That Appropriate Compensation					
		Should Bo	e Paid	527	
		11.2.3.1	Categories of Takings for Which Damages		
			Rather Than Compensation Must Be Paid	529	
		11.2.3.2	Categories of Lawful Takings for Which Full		
			Compensation Must Be Paid	530	
		11.2.3.3	Full Compensation Must Be Paid Where		
			There Is a One-off Taking of a Small Business	531	
		11.2.3.4	Full Compensation Need Not Be Paid as		
			Part of a Full-scale Nationalisation of a		
			Whole Industry	531	
		11.2.3.5	Partial Compensation	532	
11.3	Valuati	on of Natio	onalised Property	532	
11.4	11.4 Conclusion				
12 Def	ences to	Responsib	ility	535	
12.1	Treaty-	based Defe	ences	541	
	12.1.1	National	Security	544	
	12.1.2	Economic	c Crises and National Security	546	
	12.1.3	Necessity		548	
	12.1.4	Force Ma	<i>ijeure</i>	553	
12.2	12.2 Violation of the Fair and Equitable Standard by the Foreign				
	Investo	r		554	
12.3	-		peting Obligations and Liability	557	
			ons with Undemocratic Governments	559	
	12.3.2	Investmen	nts in Areas of Secessionist Claims	559	
	12.3.3	Cultural I	Property and Foreign Investment	560	
	12.3.4	Environm	ental Obligations	560	
			ights Considerations	561	
12.4			Treaties and the Defences Fix the		
			tment Arbitration?	561	
12.5	Conclu	sion		563	
Bibliogra	nhv			565	
Index	0 1 7				