

# CHALLENGES TO ARBITRATORS UNDER THE ICSID CONVENTION AND RULES

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## I INTRODUCTION

The year 2018 saw a record number of disqualification proposals to arbitrators and *ad hoc* committee members alike within the International Centre for Settlement of Investment Disputes (ICSID) context.<sup>2</sup> Having regard to the public availability of decisions and this flurry of activity, this chapter will focus on challenges to arbitrators (and committee members) brought under the ICSID Convention. The chapter begins by setting out the grounds for disqualification under the ICSID Convention and Rules, before briefly detailing the prevailing legal standard as developed through ICSID jurisprudence. The majority of this chapter will be devoted to a discussion of three categories of alleged conflict,<sup>3</sup> concentrating on the reasoning of publicly available decisions published during 2018.

## II THE RULES

The main grounds for disqualification of arbitrators under the ICSID Convention are prescribed by Article 57, which provides that:

*[a] party may propose to a Commission or Tribunal the disqualification of any of its members on account of any fact indicating a manifest lack of the qualities required by paragraph (1) of Article 14. A party to arbitration proceedings may, in addition, propose the disqualification of an arbitrator on the ground that he was ineligible for appointment to the Tribunal under Section 2 of Chapter IV.*

Reference to Section 2 of Chapter IV is to the nationality requirements for appointment under Articles 38 and 39 of the ICSID Convention. A third ground for disqualification is found in Rule 8 of the ICSID Arbitration Rules, which provides for a situation where an arbitrator becomes incapacitated or unable to perform the duties of his or her office.

The most commonly invoked ground for disqualification is a manifest lack of the qualities required by Article 14(1):

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2 The ICSID website reports that there were a total of 10 disqualification proposals in 2018 (<https://icsid.worldbank.org/en/Pages/process/Decisions-on-Disqualification.aspx>).

3 These categories have been selected on the basis of their recurrent appearance in the publicly available disqualification decisions from 2018.

*[p]ersons designated to serve on the Panels shall be persons of high moral character and recognized competence in the fields of law, commerce, industry or finance, who may be relied upon to exercise independent judgment. Competence in the field of law shall be of particular importance in the case of persons on the Panel of Arbitrators.*

It is well settled that although the English text of Article 14(1) refers only to ‘independent judgment’, this provision also contains a requirement of ‘impartiality’ (deriving from the equally authentic Spanish text).

In practice, applications for disqualification under Article 14(1) are almost always premised on an alleged lack of independence or impartiality, and it is on these types of challenges that this chapter will focus.

### III THE LEGAL STANDARD UNDER THE ICSID CONVENTION

The legal standard for disqualification in the ICSID context has been closely considered in decisions on disqualification proposals and scholarly commentary. The authors do not propose to rehearse that commentary here in full, but rather note that recent decisions suggest a welcome shift in the direction of a consistent and predictable standard.

#### i The applicable legal standard is objective

In determining whether an arbitrator lacks impartiality or independence, it is well established that the test is objective. As put by the chair of the ICSID Administrative Council in *Blue Bank* and *Burlington*:

*[t]he applicable legal standard is an “objective standard based on a reasonable evaluation of the evidence by a third party”. As a consequence, the subjective belief of the party requesting the disqualification is not enough to satisfy the requirements of the Convention.<sup>4</sup>*

This has been consistently reaffirmed, including by a number of decisions in 2018.<sup>5</sup>

#### ii It is sufficient to establish the appearance of dependence or bias

In the case of *Amco*,<sup>6</sup> the very first challenge to an arbitrator brought under the ICSID Convention in 1982, Indonesia sought the disqualification of the claimants’ appointed arbitrator on a number of grounds, including that he had provided tax advice to a principal

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4 See *Blue Bank International & Trust (Barbados) Ltd v. Bolivarian Republic of Venezuela*, ICSID Case No. ARB/12/20, Decision on the Parties’ Proposals to Disqualify a Majority of the Tribunal, 12 November 2013 (*Blue Bank*) paragraph 60; and *Burlington Resources Inc v. Republic of Ecuador*, ICSID Case No. ARB/08/5, Decision on the Proposal for Disqualification of Professor Francisco Orrega Vicuña, 13 December 2013 (*Burlington*), paragraph 67.

5 See, for example, *Elitech B.V. and Razvoj Golf D.O.O. v. Republic of Croatia*, ICSID Case No. ARB/17/32, Decision on the Proposal to Disqualify Professor Brigitte Stern, 23 April 2018 (*Elitech*), paragraph 46; *Raiffeisen Bank International AG and Raiffeisenbank Austria d.d. v. Republic of Croatia*, ICSID Case No. ARB/17/34, Decision on the Proposal to Disqualify Stanimir Alexandrov, 17 May 2018 (*Raiffeisen*), paragraph 84; *Mathias Kruck and others v. Kingdom of Spain*, ICSID Case No. ARB/15/23, Decision on the Proposal to Disqualify Mr Gary B. Born, 16 March 2018 (*Mathias Kruck*), paragraphs 51-52.

6 *Amco Asia Corporation and others v. Republic of Indonesia*, ICSID Case No. ARB/81/1, Decision on Proposal to Disqualify an Arbitrator, 24 June 1982 (unpublished) (*Amco*).

shareholder in the claimants' company after the commencement of the arbitration. Prior to this, his law firm also had a profit sharing arrangement with the claimants' counsel.<sup>7</sup> The unchallenged arbitrators are reported to have dismissed the proposal noting that proof of the existence of facts that indicated a lack of independence was insufficient without strict proof of actual bias.<sup>8</sup> The standard of proof imposed in *Amco* was accordingly significantly higher than the 'justifiable doubts' standard typically adopted by other arbitral institutions<sup>9</sup> and rules.<sup>10</sup>

This decision was heavily criticised,<sup>11</sup> and a majority of subsequent decisions have confirmed that Articles 57 and 14(1) do not require proof of actual dependence or bias; rather, it will be sufficient for a party to establish the appearance of dependence and bias. The next challenge, some 20 years later, was to the president of the *ad hoc* committee in the annulment proceedings in *Vivendi I*.<sup>12</sup> In that case, the unchallenged committee members rejected the findings in the *Amco* decision, noting a proper interpretation of the standard of proof was analogous to that in Rule 3.2 of the International Bar Association (IBA) Code of Ethics, which refers to an 'appearance of bias'.<sup>13</sup>

The rationale for this lower standard was neatly summarised in the 2010 *Urbaser* decision:

*[t]he requirements of independence and impartiality serve the purpose of protecting the parties against arbitrators being influenced by factors other than those related to the merits of the case. In order to be effective this protection does not require that actual bias demonstrate a lack of independence or impartiality. An appearance of such bias from a reasonable and informed third person's point of view is sufficient to justify doubts about an arbitrator's independence or impartiality.*<sup>14</sup>

This was also espoused by the chair of the ICSID Administrative Council in the *Blue Bank* and *Burlington* decisions,<sup>15</sup> as well as more recently in the *Raiffeisen* decision, in which the chair relatedly noted that '[a]ll relevant facts shall be taken into account in establishing the appearance of dependence or bias'.<sup>16</sup>

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7 *Compañía de Aguas del Aconquija S.A. & Vivendi Universal v Argentine Republic*, ICSID Case No. ARB/97/3, Decision on the Challenge to the President of the Committee, 3 October 2001 (*Vivendi I*), paragraph 21.

8 M N. Cleis, 'Disqualification Decisions under the ICSID Convention and Arbitration Rules', in *The Independence and Impartiality of ICSID Arbitrators: Current Case Law, Alternative Approaches, and Improvement Suggestions*, (2017) pp. 31–87, [www.jstor.org/stable/10.1163/j.ctt1w8h3hc](http://www.jstor.org/stable/10.1163/j.ctt1w8h3hc).

9 See, for example, PCA Arbitration Rules, Art. 12(1); UNCITRAL Arbitration Rules 1976, Art. 10(1); UNCITRAL Arbitration Rules 2010 and 2013, Art. 12(1).

10 See, for example, IBA Guidelines on Conflicts of Interest in International Arbitration Adopted by resolution of the IBA Council on Thursday 23 October 2014 (the IBA Guidelines).

11 See the opinion of the unchallenged members of the *ad hoc* committee in *Vivendi I*, paragraphs 21–22.

12 The qualities required of tribunal members pursuant to Article 14(1) apply *mutadis mutandis* to ICSID *ad hoc* committee members.

13 *Vivendi I*, paragraph 20.

14 *Urbaser S.A. and Consorcio De Agu As Bilbao Bizkaia, Bilbao Biskaia Ur Partzuergoa v. The Argentine Republic*, ICSID Case No. ARB/07/26, Decision On Claimants' Proposal to Disqualify Professor Campbell McLachlan, Arbitrator, 12 August 2010 (*Urbaser*), paragraph 43.

15 *Blue Bank*, paragraph 59; *Burlington*, paragraph 66.; *Interocean Oil Development Company and Interoccean Oil Exploration Company v. Federal Republic of Nigeria*, ICSID Case No. ARB/13/20, Decision on the Proposal to Disqualify All Members of the Arbitral Tribunal, 3 October 2017 (*Interocean*), paragraph 68.

16 *Raiffeisen*, paragraph 83.

**iii The requirements of impartiality or independence, or both, must be manifestly lacking**

The nature of these requirements has twice been summarised by the chair of the ICSID Administrative Council in the following terms: '[i]mpartiality refers to the absence of bias or predisposition towards a party. Independence is characterized by the absence of external control.'<sup>17</sup>

The requirement that these must be manifestly lacking is found in Article 57. As Professor Schreuer observed in his commentary, '[t]he requirement that the lack of qualities must be "manifest" imposes a relatively heavy burden of proof on the party making the proposal.'<sup>18</sup> The meaning of 'manifest' has been the subject of interpretation through ICSID jurisprudence.

Karel Daele's monograph, *Challenge and Disqualification of Arbitrators in International Arbitration*, suggests the existence of three generations of decisions on this matter:<sup>19</sup>

- a The first comes from *Amco*. In that case, the unchallenged arbitrators interpreted 'manifest' to mean that a lack of the qualities required pursuant to Article 14(1) must be 'quasi-certain or highly probable'.<sup>20</sup>
- b Daele's second generation of decisions, starting with *Vivendi I*, refocused the discussion in this context on a requirement that the circumstances giving rise to the challenge must be established.<sup>21</sup> In this regard, the unchallenged arbitrators noted that the term 'manifest' in Article 57 'must exclude reliance on speculative assumptions or arguments'. Instead, 'the circumstances actually established (and not merely supposed or inferred) must negate or place in clear doubt the appearance of impartiality'.<sup>22</sup> Without further discussion of the specific meaning of 'manifest', the unchallenged arbitrators concluded that any deficiency of the qualities in Article 14(1) so proven would be manifest.
- c The third and most recent generation of decisions, starting with *Blue Bank* in 2013, preferred a more focused and specific interpretation of 'manifest' as meaning 'evident' or 'obvious'.<sup>23</sup>

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17 See *Blue Bank*, paragraph 59; and *Burlington*, paragraph 66.

18 C. Schreuer et al., *The ICSID Convention: A Commentary* (2009), (Schreuer) p. 1202, paragraph 19.

19 K. Daele, *Challenge and Disqualification of Arbitrators in International Arbitration* (2012) (Daele).

20 id., page 237, paragraph 5-034.

21 id., page 239, paragraph 5-035.

22 *Vivendi I*, paragraph 25.

23 See, for example: *BSG Resources Limited, BSG Resources (Guinea) Limited and BSG Resources (Guinea) SARL v. Republic of Guinea*, ICSID Case No. ARB/14/22, Decision on the Proposal to Disqualify All Members of the Arbitral Tribunal, 28 December 2016, paragraph 54; *Burlington* paragraph 68 n.83; *Abaclat and Others v. Argentine Republic*, ICSID Case No. ARB/07/5, Decision on the Proposal to Disqualify a Majority of the Tribunal, 4 February 2014 (*Abaclat*) paragraph. 71 n.25; *Blue Bank* paragraph. 61 n.43; *Repsol, S.A. and Repsol Butano, S.A. v. Argentine Republic*, ICSID Case No. ARB/12/38, Decision on the Proposal for Disqualification of Francisco Orrego Vicuña and Claus von Wobeser, 13 December 2013 (*Repsol*), paragraph. 73 n.58; *ConocoPhillips Petrozuata B.V., ConocoPhillips Hamaca B.V. and ConocoPhillips Gulf of Paria B.V. v. Bolivarian Republic of Venezuela*, ICSID Case No. ARB/07/30, Decision on the Proposal to Disqualify a Majority of the Tribunal, 5 May 2014, (*Conoco I*) paragraph 47 and Decision on the Proposal to Disqualify a Majority of the Tribunal, 1 July 2015, (*Conoco II*) paragraph 82; *Caratube International Oil Company LLP & Mr. Devinci Salab Hourani v. Republic of Kazakhstan* ICSID Case No. ARB/13/13 Decision on the Proposal for Disqualification of Mr. Bruno Boesch, 20 March 2014 (*Caratube II*), paragraph 64; *Raiffeisen*, paragraph 79; *Elitech*, paragraph 40. As described by Daele: "These terms connote to something that is easily understood, that is readily apparent, that is discerned with little effort. This standard is slightly more strenuous than a pure reasonable doubts test. It will not be sufficient that

Notably, in the *Raiffeisen* decision, the chair of the ICSID Administrative Council applied both the second and third generation standards relying on the terminology from *Blue Bank*<sup>24</sup> and at the same time explicitly reaffirming the *Vivendi I* exclusion of reliance on mere speculation in favour of ‘circumstances actually established’.<sup>25</sup>

The unchallenged arbitrators in *Caratube II* set out a succinct formulation of the overarching test as being: ‘whether a third party would find that there is an evident or obvious appearance of lack of impartiality or independence based on a reasonable evaluation of the facts in the present case’.<sup>26</sup>

#### IV CIRCUMSTANCES GIVING RISE TO CHALLENGE UNDER THE ICSID CONVENTION – A SELECTION OF DECISIONS

In establishing the circumstances giving rise to an alleged lack of independence or impartiality, parties have often relied upon the IBA Guidelines on Conflicts of Interest in International Arbitration (the IBA Guidelines). They are a non-binding source of guidance, which represent an international consensus on minimum standards in relation to conflicts of interest in international arbitration. As such, it is often argued that they can be equated with the view that a reasonable and informed third party would take of a set of circumstances, and that they would form a part of the analysis of a reasonable third party when assessing a conflict situation. Notwithstanding their non-binding nature, previous ICSID decisions have referred to them as ‘useful references’,<sup>27</sup> ‘instructive’<sup>28</sup> and ‘a most valuable source of inspiration’.<sup>29</sup>

##### i Multiple appointments by (or against) the same party

Challenges based on multiple appointments by the same party, or its affiliates, have a long history in ICSID arbitration.

The 2010 *Tidewater* decision remains highly relevant to challenges of this nature. In finding that ‘the question whether multiple appointments to arbitral tribunals may impugn the independence or impartiality of an arbitrator is a matter of substance, not of mere mathematical calculation’,<sup>30</sup> the unchallenged arbitrators noted that ‘[t]he starting-point is that multiple appointments as arbitrator by the same party in unrelated cases are neutral, since in each case the arbitrator exercises the same independent arbitral function.’<sup>31</sup> The following

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a challenging party establishes facts that give rise to reasonable doubts as to the arbitrator’s competence, impartiality or independence. These doubts will have to be established by ‘objective evidence’, meaning that the link between the established facts and the inference that the arbitrators lacks the required qualities will have to be easily understood, clear, straightforward, without requiring a deeper and complex analysis.’ (Daele, p. 240, paragraph 5-037).

24 *Raiffeisen*, paragraph 79.

25 *id.*, paragraphs 88-89.

26 *Caratube II.*, paragraph 64; see also paragraph 77.

27 *Blue Bank*, paragraph 62; *Burlington* paragraph 69.

28 *Alpha Projektholding GmbH v. Ukraine*, ICSID Case No. ARB/07/16, Decision on Respondent’s Proposal to Disqualify Arbitrator Dr. Yoram Turbowicz, 19 March 2010, paragraph 56.

29 *Urbaser*, paragraph 37.

30 *Tidewater Inc., Tidewater Investment SRL, Tidewater Caribe, C.A., et al. v. The Bolivarian Republic of Venezuela*, ICSID Case No. ARB/10/5, Decision on Claimants’ Proposal to Disqualify Professor Brigitte Stern, Arbitrator, 23 December 2010 (*Tidewater*), paragraph 59.

31 *Tidewater*, paragraph 60.

factors may give rise to an appearance of a manifest lack of independence or impartiality: (1) the prospect of continued and regular appointment, with attendant financial benefits that might create a relationship of dependence or otherwise influence the arbitrator's judgment; or (2) a material risk that the arbitrator may be influenced by factors outside the record as a result of his or her knowledge derived from the other cases, or both.<sup>32</sup>

This has found support in a majority<sup>33</sup> of later decisions,<sup>34</sup> including the successful challenge in *Caratube II* and two recent decisions: *Elitech* and *Raiffeisen*.

In *Caratube II*, the only successful challenge in this category, the claimants challenged Kazakhstan's appointed arbitrator, Mr Brunch Boesch, on two main grounds: (1) his three prior appointments by Kazakhstan's counsel, Curtis Mallet-Prevost Colt & Mosle; and (2) his appointment by Kazakhstan (also represented by Curtis Mallet-Prevost Colt & Mosle) in the *Ruby Roz* UNCITRAL arbitration, said to have been premised on the same legal grounds and factual allegations as the claims in *Caratube II*.

In relation to (1), the unchallenged arbitrators noted that the claimants had not made any allegations of Mr Boesch's financial dependency on either Curtis Mallet-Prevost Colt & Mosle or Kazakhstan and, following the proposition in *Tidewater*, the mere fact of his appointments (without more) could not suffice to indicate a manifest lack of independence or impartiality.<sup>35</sup> As to (2), the unchallenged arbitrators concluded that there was a significant overlap in the underlying facts between the two arbitrations,<sup>36</sup> which satisfied the objective test for disqualification. In particular, Mr Boesch would be privy to information and facts from the *Ruby Roz* proceedings (outside of the record of the instant proceedings) leading a reasonable third party to find it highly likely that Mr Boesch would prejudice legal issues in the present arbitration based on the facts underlying the *Ruby Roz* case.<sup>37</sup> The claimants in each case were relying on the same fact witnesses.<sup>38</sup> Relatedly, the same was held to give rise to an appearance of imbalance within the tribunal.<sup>39</sup> The unchallenged arbitrators left it open as to whether this constituted an aggravating factor or a stand-alone ground for disqualification.<sup>40</sup>

In February 2018, the claimants in *Elitech* submitted an application to disqualify Croatia's appointed arbitrator, Professor Brigitte Stern, on the basis that her repeat appointments by Croatia and Croatia's counsel, Latham & Watkins,<sup>41</sup> raised doubts as to her ability to exercise the qualities enshrined in Article 14(1) of the ICSID Convention.<sup>42</sup>

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32 id., paragraph 62.

33 However, this view was disavowed less than six months later by the unchallenged arbitrators in *OPIC Karimum Corporation v. The Bolivarian Republic of Venezuela*, ICSID Case No. ARB/10/14, Decision on the Proposal to Disqualify Professor Philippe Sands, Arbitrator, 5 May 2011, paragraph 47, who concluded that multiple appointments is a factor that, without more, is worthy of consideration and may lead to the conclusion that it is manifest that the arbitrator cannot be relied upon to exercise independent judgement as required by the Convention.

34 See, for example, *Caratube II*, paragraph 75.

35 id., paragraph 107.

36 id., paragraphs 78-90.

37 id., paragraphs 90-91.

38 id., paragraph 86

39 id., paragraphs 92-94.

40 id., paragraph 96.

41 Professor Stern had been appointed as arbitrator twice in the preceding six years by Croatia's counsel, Latham & Watkins (*Elitech*, paragraph 20). This ground of complaint was not addressed in the decisions.

42 *Elitech*, paragraphs 12 and 41.

In particular, the claimants noted that between 2014 to 2016, Professor Stern had been appointed by Croatia in three other investor–state arbitrations, all of which were ongoing; and, including the instant case, Professor Stern had served as Croatia’s appointed arbitrator in four of the seven known investor–state proceedings brought against it.<sup>43</sup>

The claimants relied upon the IBA Guidelines, which include at Clause 3.1.3 of the Orange List,<sup>44</sup> whether the arbitrator has been appointed as arbitrator on two or more occasions by one of the parties within the past three years.<sup>45</sup> To extend the temporal scope of this guideline, the claimants referred to the decision in *Highbury v. Venezuela*,<sup>46</sup> relating to an (unsuccessful) challenge to Professor Stern three years earlier,<sup>47</sup> which stated that it was sometimes appropriate in investment arbitrations to consider the period beyond the three years specified in the IBA Guidelines.<sup>48</sup>

The claimants also argued that the other ongoing cases in which Professor Stern was appointed by Croatia concerned factual and legal issues that were substantially similar to those to be decided in the instant proceedings.<sup>49</sup> Relying on Clause 3.1.5 of the IBA Guidelines,<sup>50</sup> the claimants asserted that this fact created ‘reasonable or clear doubt or real risk in regard to the exercise of independent judgment’ and therefore served as a ground for disqualification.<sup>51</sup>

Notably, the unchallenged arbitrators (Professors Kaufmann-Kohler and Goatanda) were divided on the issue, and the challenge was accordingly decided by the chair of the ICSID Administrative Council in accordance with ICSID Article 58.<sup>52</sup> In a decision dated 23 April 2018, the chair rejected the claimants’ disqualification proposal, reaffirming the *Tidewater* decision and noting that the claimants had failed to set out any circumstance that would call into question Professor Stern’s impartiality and independence. The multiplicity of her appointments by Croatia by itself was insufficient,<sup>53</sup> and the claimants had failed to discharge the burden of showing that the presence of common issues was ‘sufficient to give rise, objectively, to the appearance of dependence or bias’.<sup>54</sup> Of relevance to this finding, the chair noted that Professor Stern’s other appointments were in cases that did not arise in the same industry as in *Elitech*. That those disputes arose under the same treaty was insufficient to give rise to any presumption of bias.<sup>55</sup>

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43 id., paragraph 15.

44 The Orange List is a non-exhaustive list of specific situations that, depending on the facts of a given case, may, in the eyes of the parties, give rise to doubts as to the arbitrator’s impartiality or independence (IBA Guidelines, Recital II, 3).

45 IBA Guidelines, Part II, Section 3, Clause 3.1.3.

46 *Highbury International AVV, Compañía Minera de Bajo Caroni AVV and Ramstein Trading Inc v. Bolivarian Republic of Venezuela*, ICSID Case No ARB/14/10, Decision on the Proposal to Disqualify Professor Brigitte Stern, 9 June 2015 (*Highbury*).

47 *Elitech*, paragraph 14.

48 *Highbury*, paragraph 84.

49 *Elitech*, paragraph 18.

50 IBA Guidelines, Part II, Section 3, Clause 3.1.5: ‘[t]he arbitrator currently serves, or has served within the past three years, as arbitrator in another arbitration on a related issue involving one of the parties, or an affiliate of one of the parties.’

51 *Elitech*, paragraph 19 (citing *Electrabel SA v. Republic of Hungary*, ICSID Case No ARB/07/19, Decision on the Claimant’s Proposal to Disqualify a Member of the Tribunal, 25 February 2008, paragraph 40).

52 id., paragraph 10.

53 id., paragraph 50.

54 id., paragraph 52.

55 id., paragraph 54.

Also in February 2018, and in another ICSID arbitration involving Croatia, Croatia proposed the disqualification of the claimants' appointed arbitrator, Dr Stanimir Alexandrov, in *Raiffeisen*. The application was premised on four points that Croatia asserted gave rise to objective and justifiable doubts as to Dr Alexandrov's independence and impartiality, including Dr Alexandrov's multiple appointments in treaty cases against Croatia.

In this regard, pointing to Dr Alexandrov's appointment in three other ongoing treaty arbitrations against Croatia<sup>56</sup> (and a further nomination that was voluntarily declined),<sup>57</sup> Croatia stated that the effect of Dr Alexandrov's serving on 45 per cent of ongoing ICSID claims against the state was that he 'possesse[d] significant and unique influence over the Respondent's financial situation and international reputation which no single arbitrator should possess'<sup>58</sup> and that he was highly likely to be negatively predisposed against Croatia (albeit if subconsciously) to secure further appointments by future claimants against the state.<sup>59</sup> Furthermore, and as a result of Dr Alexandrov having become an independent arbitrator in September 2017, Croatia argued that his own income was heavily dependent upon arbitral appointments by claimants in investment treaty arbitrations.<sup>60</sup> Dr Alexandrov's multiple appointments in cases against Croatia was stated to be equivalent to multiple appointments of an arbitrator by the same claimant or counsel falling under Clause 3.1.3 of the IBA Guidelines Orange List.<sup>61</sup>

Croatia stated that the overall circumstances surrounding Dr Alexandrov's repeat appointments and, in particular, 'the prospect of continued and regular appointment, with the attendant financial benefits' gave rise to justifiable doubts as to his ability to exercise independent judgment.<sup>62</sup>

Croatia also argued that Dr Alexandrov would be required to consider the same legal issues as in the case of *Gavrilović*, where he was also sitting as the claimants' arbitrator.<sup>63</sup> In this regard, and owing to the more advanced stage of the *Gavrilović* proceedings, it was contended that Dr Alexandrov would already have formed a view on the compatibility of the Austria–Croatia BIT and EU law, before any opportunity to hear the parties' submissions in the instant case arose.<sup>64</sup>

More broadly, Croatia also noted that Dr Alexandrov had served as the claimant–investor's appointee in 35 out of the 38 known investment treatment arbitrations in which he has sat as arbitrator.<sup>65</sup>

For reasons that were not disclosed, Croatia's appointed arbitrator, Mr Lazar Tomov, recused himself from deciding the application,<sup>66</sup> which was accordingly considered instead by the chair of the ICSID Administrative Council.

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56 *Raiffeisen*, paragraphs 17–19.

57 Dr Alexandrov declined an appointment as the claimants' arbitrator in *Addiko Bank AG and Addiko Bank d.d. v. Republic of Croatia*, ICSID Case No ARB/17/37.

58 *Raiffeisen*, paragraph 19.

59 *id.*

60 *id.*, paragraph 20.

61 *id.*, paragraph 23.

62 *id.*, paragraph 22.

63 See *Georg Gavrilović and Gavrilović d.o.o. v. Republic of Croatia*, ICSID Case No. ARB/12/39.

64 *Raiffeisen*, paragraph 26.

65 *id.*, paragraph 16.

66 *id.*, paragraph 10.

In determining Croatia's complaint regarding Dr Alexandrov's multiple appointments in treaty cases against Croatia, and by claimant-investors more generally, the chair relied on the earlier stated proposition from *Tidewater* and further noted the principle in *Vivendi I*, stating that circumstances giving rise to a finding that a lack of impartiality of independence is manifest 'must negate or place in clear doubt the appearance of impartiality'.<sup>67</sup> In this regard, the chair determined that Croatia had failed to evince an appearance of bias or financial dependence that satisfied this requirement.<sup>68</sup>

Specific to any overlap of factual or legal issues, the chair noted that 'the mere exposure of an arbitrator to the same legal issue in multiple arbitrations is insufficient to disqualify that arbitrator', and, relying on the unchallenged arbitrators' reasoning in *Caratube II*, that '[t]here must be an additional – significant – overlap of facts that are specific to the merits and the parties involved'.<sup>69</sup>

Both challenges made reference to the frequency with which the challenged arbitrators had been appointed by either investors or states: in the case of Dr Alexandrov, appointments by claimant-investors and, in the case of Professor Stern, appointments by respondent-states. So far as the authors are aware, no challenge based on this (relatively commonplace) occurrence in the ICSID context has ever been successful.

The subject of multiple appointments also arose in three separate challenges brought by Venezuela against Mr Alvaro Castellanos Howell.<sup>70</sup> These challenges, all of which were decided in 2018, related to Mr Castellanos Howell's appointment as the president of three *ad hoc* committees in ICSID annulment proceedings involving Venezuela. All three challenges were reported to have been brought on the same grounds, and all were rejected.<sup>71</sup> The decision in the *Blue Bank* annulment proceedings (the only one of the decisions that is publicly available) is considered below.

Venezuela relied on Article 3.1.3 of the Orange List of the IBA Guidelines to argue that the appointment of Mr Castellanos Howell to five *ad hoc* committees overseeing annulment proceedings involving Venezuela was indicative of Mr Castellanos Howell's reliance and financial dependence on such repeat appointments and his resultant lack of independence.<sup>72</sup> In determining the application, the unchallenged committee members noted that the potential risk of conflict identified by Article 3.1.3, which applies to multiple appointments by a party or its affiliate, was not applicable to a recurring professional relationship with ICSID, the appointing authority to *ad hoc* committees.<sup>73</sup>

At the same time, relying on Article 3.1.5 of the Orange List of the IBA Guidelines, Venezuela also pointed to an alleged commonality of issues across the proceedings to be

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67 id., paragraph 88 (citing to *Vivendi I*, paragraph 25).

68 id., paragraph 89.

69 id., paragraph 91 (citing to *Caratube II*, paragraphs 78, 84, 86 and 90).

70 *Flughafen Zürich A.G. and Gestión e Ingeniería IDC S.A. v. Venezuela*, ICSID Case No. ARB/10/19, 19 February 2018 (unpublished); *OI European Group B.V. v. Bolivarian Republic of Venezuela*, ICSID Case No. ARB/11/25, Annulment Proceedings, 6 December 2018; *Blue Bank International & Trust (Barbados) Ltd v. Bolivarian Republic of Venezuela*, ICSID Case No. ARB/12/20 (Annulment Proceedings), Decision on Venezuela's Proposal for the Disqualification of Alvaro Castellanos Howell dated 2 March 2018 (*Blue Bank Annulment*) (unofficial translation).

71 A. Ross, 'Castellanos Howell Survives three challenges by Venezuela, Global Arbitration Review', 12 March 2018, <https://globalarbitrationreview.com/article/1166554/castellanos-howell-survives-three-challenges-by-venezuela> (last accessed 7 March 2019).

72 *Blue Bank Annulment*, paragraph 75.

73 id., paragraphs 98-99.

determined by the committees of which Mr Castellanos Howell sat as president. This was dismissed on the basis that Venezuela had failed to identify any overlap beyond all proceedings being related to the annulment of awards in proceedings involving Venezuela.<sup>74</sup>

The 2018 decisions suggest that the test set out in *Tidewater* is likely to remain persuasive in determining these types of challenges, and that the threshold for establishing an appearance of dependence or partiality remains high.

## ii A pre-existing relationship with one of the parties or their affiliates

Pre-existing professional relationships have formed the basis for a number of challenges under the ICSID Convention. It does not define the kinds of relationships that should be disclosed by arbitrators or considered as a bar to appointment. As noted by Professor Schreuer:

*a relationship with a party affecting the eligibility as arbitrator may be of a personal, family or business nature. It would include a permanent attorney/client relationship, any other permanent or recurrent business relationship, employment by a party, including civil service in a State that is a party, substantial participation or shareholding in a company that is a party and any form of relationship in which the arbitrator stands to profit directly or indirectly from the financial gain of a party.*<sup>75</sup>

A pre-existing professional relationship, in this case in the context of a lawyer and client, formed the grounds for challenge in *Amco*. Although the challenge was dismissed, in noting the subsequent criticism of this decision, the unchallenged arbitrators in *Vivendi I* stated that any such relationship can only be justified under the *de minimis* exception.<sup>76</sup> In their estimation, anything more would surely be sufficient to establish the appearance of dependence.

In *Blue Bank*, the respondent challenged the claimant's appointee, Mr José María Alonso, on the basis that the firm at which he was a partner (Baker McKenzie) also represented the claimant in parallel arbitration proceedings. The chair of the ICSID Administrative Council upheld the respondent's request, *inter alia*, because, in the words of Professor Schreuer, Mr Alonso 'stood to profit directly or indirectly from the financial gain of a party'.<sup>77</sup>

As the chair observed:

*[t]he sharing of a corporate name, the existence of an international arbitration steering committee at a global level, and Mr. Alonso's statement that his remuneration depends 'primarily' but not exclusively on the results achieved by the Madrid firm imply a degree of connection or overall coordination between the different firms comprising Baker & McKenzie International.*<sup>78</sup>

In *Generation Ukraine*,<sup>79</sup> the claimant challenged the respondent state's nominee, Dr Jürgen Voss, on the basis that he had been involved in studies and investment policy reviews of Ukraine during his time as Deputy General Counsel of the Multilateral Investment Guarantee Agency. The claimant cited concerns that Dr Voss had developed personal connections with Ukrainian political officials and that these personal connections would deprive him of the

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74 *id.*, paragraphs 104-105.

75 Schreuer, p. 513, paragraph 22.

76 *Vivendi I*, paragraph 22.

77 Schreuer, p. 513, paragraph 22.

78 *Blue Bank*, paragraph 67.

79 *Generation Ukraine, Inc. v. Ukraine*, ICSID Case No. ARB/00/9 (unpublished). See S. Luttrell, *Bias Challenges in International Arbitration: The Need for a 'Real Danger' Test* (2009), p. 231.

capacity for independent judgement.<sup>80</sup> On referral by the unchallenged arbitrators, the request was recommended to be dismissed by the Secretary General of the Permanent Court of Arbitration without reasoning. Nevertheless, it must presumably have been considered that previous professional relationships arising out of an arbitrator's participation in a multi-state programme of cooperation, without any resultant financial dependency, was not a basis for disqualification.

The circumstances of the challenge in *Generation Ukraine* are similar in a number of respects to those raised by the claimant in its challenge to Kazakhstan's appointed arbitrator, Professor Knieper, in *Big Sky*.<sup>81</sup> The challenge, which was successful, centred on Professor Knieper's previous work as a German employed consultant on various legal reforms across central Asia. In particular, it was alleged that Professor Knieper's work had brought him into close contact with members of the Kazakh judiciary, whose actions the claimant criticises.<sup>82</sup>

Two complaints in this regard were also raised in *Raiffeisen*. First, it was alleged that Dr Alexandrov and counsel to the claimants, Wilmer Cutler Pickering Hale and Dorr (WilmerHale), had developed a 'special relationship' based on cross-appointments of Dr Alexandrov as arbitrator by WilmerHale as counsel, and of Mr Gary Born, a partner at WilmerHale, as arbitrator by Dr Alexandrov as counsel.<sup>83</sup> This was said to give rise to an appearance of dependence or bias.

Second, Croatia raised allegations of impropriety arising out of Dr Alexandrov's purported long-standing and publicly recognised relationship with the Brattle Group,<sup>84</sup> experts retained by UniCredit in *UniCredit Bank v. Croatia*.<sup>85</sup> In this regard, Croatia asserted that Dr Alexandrov would be predisposed towards arguments put forward by the claimants where they mirrored the expert evidence put forward by the Brattle Group in UniCredit's claim under the same treaty, which was said to be on 'an identical factual basis'.<sup>86</sup>

Both of these complaints were dismissed. In respect of the alleged 'cross-appointments', without 'something more', these were held to be insufficient to satisfy the objective test that Dr Alexandrov appeared lacking in the ability to exercise independence or impartiality, or both.<sup>87</sup> And, on the basis that the Brattle Group had not been instructed in the instant proceedings and that Dr Alexandrov should not be privy to the Brattle Group's testimony in *UniCredit* (not being appointed to the tribunal in that case), this ground of complaint was likewise rejected.

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80 id.

81 *Big Sky Energy Corporation v. Republic of Kazakhstan*, ICSID Case No. ARB/17/22, Decision on the Proposal for Disqualification of Professor Rolf Knieper, 3 May 2018 (unpublished) (*Big Sky*)

82 L. Peterson, 'In a rare development, a part of ICSID arbitrators decide that a colleague must be disqualified', *IA Reporter*, 4 May 2018, <https://www.iareporter.com/articles/30250/> (last accessed 6 March 2019).

83 *Raiffeisen*, paragraph 29.

84 id., paragraph 33.

85 id., paragraph 32.

86 id., paragraph 34.

87 id., paragraph 95.

Also in 2018, and on the same point, the president of the tribunal in *Gran Colombia Gold v. Colombia*,<sup>88</sup> Ms Malintoppi, stepped down following a challenge by the claimant purportedly on the basis of her marriage to Mr Rodman Bundy, an international lawyer who has represented Colombia in a dispute before the International Court of Justice.<sup>89</sup>

The 2018 decisions confirm that proposals of this nature will be considered on a case-by-case basis. The existence of a personal or professional relationship, without more, will be insufficient but, conversely, a risk of financial gain or profit arising out of that relationship is not a prerequisite to disqualification.

### **iii Prejudgement of issues based on previously expressed views**

Previously expressed opinions have formed the basis for a number of recent disqualification applications, all of which have been dismissed.

In *Urbaser*, the claimants sought to disqualify Professor Campbell McLachlan, the respondent-appointed arbitrator, on the basis that Professor McLachlan had expressed views in previous academic writings on a key point of law that was at issue in the case. The claimants' argument was that Professor McLachlan would not be able to find against the respondent without contradicting his previous statements.<sup>90</sup> The issue in question was whether a most favoured nation clause could apply in relation to dispute settlement provisions and, according to the claimant, the application of the most favoured nation clause in the Spain–Argentina BIT was an 'essential element of the conflict that is the object of this arbitration'.<sup>91</sup> Professor McLachlan had previously stated that the protections afforded by the most favoured nation clause 'will not apply to the dispute settlement provisions, unless the parties expressly so provide'.<sup>92</sup>

In dismissing the claimants' disqualification proposal, the unchallenged arbitrators in *Urbaser* observed as follows:

*[w]hat matters is whether the opinions expressed by Prof. McLachlan on the two issues qualified as crucial by Claimants are specific and clear enough that a reasonable and informed third party would find that the arbitrator will rely on such opinions without giving proper consideration to the facts, circumstances, and arguments presented by the Parties in this proceeding.*<sup>93</sup>

In *Saipem*, Pakistan's proposal to disqualify the claimant-appointed arbitrator was based, in part, on the assertion that the arbitrator had expressed opinions in his writing that, in the respondent's view, showed preconceived positions with regard to some of the central issues of the arbitration. In their decision the unchallenged arbitrators dismissed the proposal, noting that an arbitrator's doctrinal opinions 'expressed in the abstract without reference to any particular case do not affect the arbitrator's impartiality and independence'.<sup>94</sup>

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88 *Gran Colombia Gold Corp. v. Republic of Colombia*, ICSID Case No. ARB/18/23.

89 J. Dahlquist, 'After challenge by Canadian investor, Loretta Malintoppi resigns as chair of arbitral tribunal', *IA Reporter*, 6 February 2019, <https://www.iareporter.com/articles/after-challenge-by-canadian-investor-loretta-malintoppi-resigns-as-chair-of-arbitral-tribunal/> (last accessed 6 March 2019).

90 *Urbaser*, paragraph 41.

91 *id.*, paragraph 23.

92 *Urbaser*, paragraph 21.

93 *id.*, paragraph 44.

94 *Saipem S.p.A. v. The People's Republic of Bangladesh*, ICSID Case No. ARB/05/07, Decision on Proposal for Disqualification, 11 October 2005. Unpublished. See Schreuer, pp. 1205-1206.

This issue also formed the basis for a pair of 2018 challenges to Mr Gary Born in *KS Invest* and *Mathias Kruck*. In each case, Spain's challenge was premised on the ground that Mr Born had prejudged issues relevant to the case, said to be demonstrated by Mr Born's (1) dissenting opinion in *JWS Solar*;<sup>95</sup> (2) questioning of counsel in *Masdar*;<sup>96</sup> and (3) questioning of a fact witness presented by Spain during the hearing in *KS Invest*.<sup>97</sup>

The unchallenged arbitrators in *Mathias Kruck* issued their decision in March 2018, rejecting Spain's challenge. Dealing first with Mr Born's dissenting opinion in the *JWS Solar* case, the unchallenged arbitrators noted that the analysis and opinions contained therein were fact-specific to that particular case and accordingly did not consider that it gave rise to any doubts as to Mr Born's impartiality in the present case.<sup>98</sup> The unchallenged arbitrators also found that there was nothing improper in Mr Born's questioning of counsel and witnesses in the *Masdar* and *KS Invest* cases.<sup>99</sup> The reasoning set out in the *Mathias Kruck* decision was thereafter adopted by the unchallenged arbitrators in rejecting Spain's parallel challenge in *KS Invest*.<sup>100</sup>

This issue also arose in Venezuela's three separate challenges to Mr Castellanos Howell.<sup>101</sup> In those cases, Venezuela took issues with an article written by Mr Castellanos Howell and published in a Guatemalan daily newspaper in 2017, 'The Ideologization of Justice'.<sup>102</sup> This article discussed proposed amendments to the Guatemalan Constitution, detractors of which argued would lead 'to a scenario like Venezuela'. Commenting on the debate, Mr Castellanos Howell rejected the suggestion that the proposed amendments to the constitution would result in 'imminent "Venezuelisation"', described as a 'scenario where there is no judicial independency from other branches of government'.<sup>103</sup>

In rejecting the *Blue Bank* annulment proposal, the unchallenged committee members held that it was not possible to extrapolate from the article any explicit criticism, or prior judgment, of Venezuela by Mr Castellanos Howell. Rather, the article was intended to reproduce and comment on the views expressed by opponents to constitutional reform, and upon which Mr Castellanos Howell did not imply any value judgement.<sup>104</sup>

The 2018 cases confirm that the threshold for this category of challenge remains extremely high. Only in circumstances where an independent third party would find circumstances demonstrating the appearance of a firmly held predisposition or prejudgement

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95 *Jürgen Wirtgen, Stefan Wirtgen, Gisela Wirtgen and JSW Solar (zwei) GmbH & Co. KG v. Czech Republic*, PCA Case No. 2014-03, Dissenting Opinion of Arbitrator Gary Born, 11 October 2017 (*JWS Solar*).

96 *Masdar Solar & Wind Cooperatief U.A. v. Kingdom of Spain*, ICSID Case No. ARB/14/1 (*Masdar*).

97 *Mathias Kruck*, paragraphs 28 - 29; *KS Invest*, paragraph 22.

98 *Mathias Kruck*, paragraph 54.

99 *id.*, paragraph 55.

100 *KS Invest*, paragraph 48.

101 A. Ross, 'Castellanos Howell Survives three challenges by Venezuela', *Global Arbitration Review*, 12 March 2018, <https://globalarbitrationreview.com/article/1166554/castellanos-howell-survives-three-challenges-by-venezuela> (last accessed 7 March 2019).

102 A. Castellanos Howell, 'Ideologization of Justice in El Periodico'. English translation available at [https://res.cloudinary.com/lbresearch/image/upload/v1514989969/castellanos\\_howell\\_article\\_30118\\_1434.pdf](https://res.cloudinary.com/lbresearch/image/upload/v1514989969/castellanos_howell_article_30118_1434.pdf) (last accessed 7 March 2019).

103 *id.*

104 *Blue Bank*, paragraphs 88-89.

(and accordingly a real risk that the challenged arbitrator would rely on such opinions without giving proper consideration to the facts and evidence put forward by the parties) is such a challenge likely to be successful.

## **V CONCLUSION**

The 2018 disqualification decisions, which upheld only one of the 10 proposals, demonstrate that disqualification remains the exception, rather than the norm. The threshold for disqualification continues to be extremely high, regardless of the circumstances giving rise to the proposal (as to which, multiple appointments remains the most popular). It is likely that 2019 will see more disqualification proposals in the ICSID context, which (it is hoped) will build upon the emerging body of consistent case law as to the legal standard for disqualification.

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Chloe's practice is almost entirely focused on international arbitration, in particular investment treaty arbitration and public international law. Chloe has been involved with both *ad hoc* arbitrations and arbitrations under the rules of major international arbitration institutions, including the ICC, ICSID, and *ad hoc* arbitration under the UNCITRAL Rules. She acts for claimant investors and respondent states, and has handled cases in the mining, energy, hotel, construction, banking and telecommunications sectors. She has a wealth of experience dealing with disputes arising out of bilateral investment treaties and the Energy Charter Treaty, dealing with such issues as jurisdiction, unlawful expropriation, unfair and inequitable treatment, and denial of justice. She also advises clients on pre-contract structuring and the restructuring of investments. Her recent experience includes disputes over the transfer of licences, the alleged nationalisation of strategic assets, the interpretation of provisions in production sharing agreements, the effect and enforceability of stabilisation provisions, and breaches of other commercial agreements. Chloe also has significant experience of rail-related disputes, having acted for train operating companies against the national infrastructure provider and the regulator in arbitration, adjudication, expert determination, industry-specific dispute resolution procedures, mediation and judicial review.

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