Microinvestment Disputes

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ABSTRACT

Salini v. Morocco sparked one of the liveliest controversies in the dynamic field of international investment disputes. Salini held that the word “investment” in the Convention establishing the International Centre for Settlement of Investment Disputes (ICSID), although undefined, has an objective meaning that limits the ability of member states to submit disputes to ICSID arbitration. The Salini debate is central to this field because it shapes the nature, purpose, and volume of ICSID arbitration—and also determines who gets to decide those matters. In particular, Salini’s decision to include “a contribution to development” as an element of its objective definition of investment transformed development promotion from a generalized goal of ICSID as an institution into a jurisdictional requirement for each case.

This Article introduces the concept of a microinvestment dispute, which focuses attention on small investments giving rise to ICSID cases. The microinvestment lens reveals the failings of Salini’s contribution-to-development prong. By conditioning ICSID jurisdiction on an individualized showing of such a contribution, this prong disproportionately burdens microinvestors, inhibiting their access to ICSID despite the fact that the drafters of the ICSID Convention specifically rejected a minimum size requirement. In so doing, the development prong also limits ICSID’s value to those who need it most. In the name of promoting development, Salini may well undercut it.

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In addition, this Article also offers a “third way” alternative to both Salini’s objectivity and pure subjectivity. This alternative—bounded deference—draws on the principles of autonomy, consent, and good faith to strike a better balance between states and arbitral tribunals.

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I. INTRODUCTION

“[A]fter all, [a] person’s a person, no matter how small.”

– Horton the Elephant.¹

Is an investment an investment, no matter how small? In the context of international investment disputes, this question matters because the jurisdiction of the International Centre for Settlement of

¹. DR. SEUSS, HORTON HEARS A WHO! (1954).
Investment Disputes (ICSID or the Centre) hinges on the meaning of *investment*.\(^2\)

Nothing in the text of the ICSID Convention excludes small investments (or small claims) from the Centre's jurisdiction or otherwise discriminates against small investments.\(^3\) Indeed, the negotiating history reveals the conscious rejection of proposals excluding small disputes and small investments from the Centre's reach.\(^4\)

Article 25(1) of the ICSID Convention gives ICSID jurisdiction over "any legal dispute arising directly out of an investment, between a Contracting State . . . and a national of another Contracting State, which the parties to the dispute consent in writing to submit to the Centre."\(^5\) Yet the Convention omits any definition of *investment*.

Through 2000, "there ha[d] been almost no cases where the notion of investment within the meaning of Article 25 of the Convention was raised."\(^6\) In 2001, in *Salini v. Morocco*, an ICSID tribunal held that the "investment requirement" has objective content limiting ICSID jurisdiction.\(^7\) The tribunal added:

The doctrine generally considers that investment infers: [i] contributions, [ii] a certain duration of performance of the contract and [iii] a participation in the risks of the transaction. . . . In reading the Convention's preamble, one may add [iv] the contribution to the economic development of the host State of the investment as an additional condition.\(^8\)

The tribunal in *Salini* went on to note, "In reality, these various elements may be interdependent" and they "should be assessed globally even if, for the sake of reasoning, the Tribunal considers them individually here."\(^9\) The tribunal then determined that the claimant satisfied each of the four elements and "[c]onsequently . . . consider[ed]" that the claimant had made an investment within the

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\(^2\) In this article, I italicize a word when talking about the word instead of using the word in the ordinary way. For example: Smith made an investment; the tribunal construed *investment*. Here, *investment* is shorthand for "the word 'investment'."


\(^4\) See infra Part II.B.

\(^5\) ICSID Convention, supra note 3, art. 25(1) (emphasis added).


\(^7\) Id.

\(^8\) Id.

\(^9\) Id.
meaning of Article 25.10 Notwithstanding Salini's call for sensitivity in examining the elements "globally," later tribunals have generally attributed to Salini the creation of a four-part "test."11 Some tribunals have followed "the Salini test,"12 other tribunals have rejected it,13 while still others have suggested modifying it into three-,14 five-,15 and six-part tests.16 Some tribunals have changed one or more of the Salini criteria, insisting, for example, that the investor must contribute "substantial" assets or must make a "significant" contribution to the development of the host state.17 Some tribunals have returned to the idea of a global assessment—sometimes to expand access to ICSID, sometimes to restrict it.18 The Salini test thus remains at the center of a lively debate between

10. *Id.* ¶¶ 53–58.

11. See, e.g., *Phoenix Action, Ltd.* v. Czech Republic, ICSID Case No. ARB/06/5, Award, ¶¶ 39 n.18, 81–83 (Apr. 15, 2009) (describing Salini as "seminal"). It might be noted that this attribution developed and persists notwithstanding the fact that another tribunal adopted a similar approach several years earlier and in circumstances where the investment question was much more present than in *Salini.* Compare *Salini,* ICSID Case No. ARB/00/4, Decision on Jurisdiction, ¶ 57 (concerning a highway construction project whose "contribution... to the economic development of the Moroccan State cannot seriously be questioned"), with *Fedax N.V.* v. Republic of Venez., ICSID Case No. ARB/96/3, Decision on Jurisdiction, ¶ 43 (July 11, 1997) (concerning promissory notes). For more on *Fedax,* see infra notes 132–34 and accompanying text.


13. See, e.g., *Abaclat* v. Argentine Republic, ICSID Case No. ARB/07/5, Decision on Jurisdiction and Admissibility, ¶ 364 (Aug. 4, 2011) ("[T]he Tribunal does not see any merit in following and copying the Salini criteria."); *M.C.I. Power Grp. L.C.* v. Republic of Ecuador, ICSID Case No. ARB/03/6, Award, ¶ 165 (July 31, 2007) ("[T]he requirements that were taken into account in some arbitral precedents for purposes of denoting the existence of an investment... must be considered as mere examples and not necessarily as elements that are required for its existence.").

14. See, e.g., *Fakes* v. Republic of Turk., ICSID Case No. ARB/07/20, Award, ¶¶ 110–14 (July 14, 2010) (accepting the first three Salini criteria, while reviewing and rejecting other candidates).

15. See, e.g., *Joy Mining Mach., Ltd.* v. Arab Republic of Egypt, ICSID Case No. ARB/03/11, Award on Jurisdiction, ¶ 53 (Aug. 6, 2004) (adding to the Salini criteria a requirement of "regularity of profit and return").

16. See, e.g., *Phoenix Action,* ICSID Case No. ARB/06/5, Award, ¶ 114 (adding to the Salini criteria requirements that assets must be invested bona fide (i.e., in good faith) and in conformity with the domestic laws of the host state).

17. See, e.g., *Helnan Int'l Hotels A/S* v. Arab Republic of Egypt, ICSID Case No. ARB/05/19, Decision on Objection to Jurisdiction, ¶ 77 (Oct. 17, 2006) ("[T]o be characterized as an investment, a project must show... [inter alia] a substantial commitment and a significant contribution to the host State's development." (emphasis omitted) (internal quotation marks omitted)). The subsequent award for the respondent was partially annulled on other grounds. Helnan Int'l Hotels A/S v. Arabic Republic of Egypt, ICSID Case No. ARB/05/19, Decision on Annulment, ¶ 73 (June 14, 2010).

18. See discussion infra Part IV.A.
objectivists and subjectivists, and among the former. This debate is crucial to shaping ICSID’s docket and, more, its character.

This Article problematizes Salini and especially its fourth prong, which requires an investment to “contribut[e] to the economic development of the host State” as a condition of access to ICSID arbitration. It does this by focusing on Salini’s impact on microinvestment disputes, a concept introduced here. Criticism of the development prong is not new—indeed, Christoph Schreuer has called this “the most controversial” part of Salini. Yet, the microinvestment lens reveals new problems with the development prong: it imposes a backdoor size requirement that inhibits access to ICSID by microinvestors who may have the greatest need for such access, thereby harming ICSID’s ability to fulfill its objectives, including development promotion. This article thus critiques Salini’s fourth prong from the perspectives of text, negotiating history, teleology, and such fundamental policies as access to justice and contribution to development itself.

In keeping with Article 25, a microinvestment dispute is a legal dispute arising directly out of a microinvestment, between a state and a foreign investor. A microinvestment, in turn, is an investment worth less than $5 million made by an individual, a microenterprise, or a

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20. See discussion infra Part II.B.


22. The word microinvestment and its corollary microinvestor owe a debt to the better-established microfinance and, especially, microenterprise.


24. According to Susan Franck’s data set of awards in investment treaty arbitrations rendered (and made available publicly) before June 1, 2006, forty-four awards quantified the damages claimed, with the amounts sought varying from approximately $155,314 to $9.4 billion. Susan D. Franck, Empirically Evaluating Claims About Investment Treaty Arbitration, 86 N.C. L. REV. 1, 16–17, 57 (2007). The mode and median claims were $50 million and approximately $59 million, respectively, while the mean was significantly higher at approximately $343 million. Id. at 58 & n.254. The $5 million threshold for microinvestment is much smaller than the average claim, clearly low enough that investors with qualifying disputes can be expected to experience difficulties related to the small size of the investment in dispute. See infra text accompanying notes 238–45 (discussing these difficulties). At the same time, this threshold is also high enough to identify a meaningful number of qualifying cases. By way of comparison, a threshold of $1 million would capture only one case actually filed at ICSID. See infra Part IV.B (discussing this one case).
small or medium enterprise (SME). This definition focuses on claims arising from microinvestments, not on small claims per se, which may arise from investments of any size. The point is to identify cases that are, despite their small size, genuinely important to the business concerned. The importance of a dispute about an investment—and hence the investor's need for access to ICSID—is a function of the size of the claim relative to the value of the investment. Simply put, a large company is better able than a small company to bear a loss of the same amount. While a loss of $5 million would give rise to "bet the company" litigation for many companies, the same loss only gives rise to an "ordinary business dispute" for larger companies. Where a smaller company may have urgent need in a $5 million case for the effectiveness and neutrality promised by international arbitration, a larger company may be willing to litigate it in domestic court or even write off the loss altogether in the pursuit of other, larger business dealings with the

25. In this regard, it should be noted that claims by individuals (e.g., Alex Genin, Antoine Goetz) and relatively small companies (e.g., Asian Agricultural Products Ltd., Vacuum Salt Products Ltd.) join those of business giants (e.g., ADM, Shell) in populating the ICSID universe. See List of Concluded Cases, ICSID, http://icsid.worldbank.org/ICSID/FrontServlet?requestType=GenCaseDtlsRH&actionVal=ListConcluded (last updated Oct. 10, 2012).

As to the definitions of microenterprise and SME, according to the Organisation for Economic Co-operation and Development (OECD),

SMEs are generally considered to be non-subsidiary, independent firms which employ fewer than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union. However, some countries set the limit at 200, while the United States considers SMEs to include firms with fewer than 500 employees. Small firms are mostly considered to be firms with fewer than 50 employees while micro-enterprises have at most ten, or in some cases, five employees.

OECD, SME AND ENTREPRENEURSHIP OUTLOOK 2005, at 17 (2005) [hereinafter OECD OUTLOOK]; see also TOM GIBSON & H.J. VAN DER VAART, DEFINING SMES: A LESS IMPERFECT WAY OF DEFINING SMALL AND MEDIUM ENTERPRISES IN DEVELOPING COUNTRIES 4–8 (2008) (surveying definitions of SME). The traditional emphasis on employment may need updating. See id. at 12–15 (arguing for revenues as a better criterion than employment or assets). The European Union and World Bank use both employment and financial criteria. Id. at 5; OECD OUTLOOK, supra; cf. 15 U.S.C. § 6901(10) (2006) (specifying that microenterprises employ “fewer than 5 employees” and “generally lack access to conventional loans, equity, or other banking services”).

26. The materiality concept from U.S. securities law makes a helpful analogy, as a loss of $5 million might be material to a small company but not to a larger company. See 4 LOUIS LOSS, JOEL SELIGMAN & TROY PAREDES, SECURITIES REGULATION 613–60 & n.436 (4th ed. 2009) (discussing the concept of materiality and noting a case in which "$6.8 million was immaterial [because] this amount represented only 2% of [the company's] total assets" (quoting Parnes v. Gateway 2000, Inc., 122 F.3d 539, 546–47 (8th Cir. 1997))).
country concerned. This is why the definition of microinvestment dispute excludes claims by large businesses. In principle, then, the definition is tied to the size of both the investment and the investor, not to the amount in controversy. In practice, however, data about the size of the investment and the investor is often unavailable, and the amount in controversy serves as a proxy for the (claimed) value of the investment, because most cases allege the taking or (nearly) complete destruction of the investment. Ultimately, the aim of this Article is more to introduce the concept of a microinvestment dispute than to fix its exact definition—that is, to establish that a real class of these disputes exists, and regardless of its precise parameters, it matters how ICSID treats them.

It matters, of course, to injured microinvestors whether they have access to an effective mechanism for dispute settlement. It matters systemically as well, for microinvestors' collective economic power is awesome, they may have the greatest need for access to ICSID, and their investment may be chilled the most by lack of that access.

Part II of this Article introduces ICSID and its jurisdiction, stressing the investment and consent requirements and the relationships between them. It argues for replacing Salini's objective approach with an approach of bounded deference, which permits member states, through the power of consent, to determine the scope of investment for a given case within the bounds of good faith. Part III describes ICSID's purposes, particularly the aim to promote development, and argues that those purposes do not justify Salini's development prong. Part IV surveys the landscape of microinvestment disputes and examines Salini's impact on two recent microinvestment disputes: Mitchell v. Democratic Republic of the Congo and Malaysian Historical Salvors Sdn., Bhd. v. Malaysia. Part V critiques Salini's development prong from the microinvestment perspective. The Article then concludes in Part VI.

27. In this regard, an in-house counsel at a Fortune 500 company that deals extensively with states once said to me, "We would rather eat dirt than bring one of these [ICSID] cases."

28. I acknowledge that the argument for excluding large businesses could be extended to claims by wealthy individuals as well.

29. I acknowledge that this proxy is imperfect. To determine whether a particular case genuinely qualifies as a microinvestment dispute as defined here, it may be necessary to drill into data beyond what is included in an award. For example, in Petrobart Ltd. v. Krygz Republic, the claimant sought about $4 million, but it is a natural gas distribution company and so may well be too large to qualify as an SME. Petrobart Ltd. v. Kyrgyz Rep., Arb. No. 126/2003, Award, 4, 78 (Arb. Inst. of the Stockholm Chamber of Comm. 2005).

30. See discussion infra Part V.
In offering this microinvestment critique of Salini's development prong, this Article does not contend that this jurisdictional hurdle is the chief impediment to the successful prosecution of microinvestment claims. The economics of these claims are inherently challenging—they invoke expensive procedures in pursuit of (by definition) small recoveries—and are worsened by the risk that a tribunal may subject an unsuccessful microinvestor to the "loser pays" rule. A full treatment of the economics of microinvestment disputes is beyond the scope of this Article. The contention here is that Salini's development prong unnecessarily and inappropriately adds to the inherent burdens on microinvestors' access to ICSID.

II. ICSID AND ITS JURISDICTION

A. A Brief Introduction to ICSID

ICSID was created by multilateral treaty in 1966. It has 147 member states today. ICSID is an "autonomous international institution," but it is closely related to the World Bank: the Bank conceived of ICSID and sponsored the talks leading to its creation, the Bank houses ICSID at its headquarters, and the Bank's president serves ex officio as chairman of ICSID's Administrative Council and is responsible for nominating ICSID's secretary-general (a position occupied until 2009 by the Bank's general counsel).

ICSID's primary purpose is to facilitate the resolution of disputes between international investors and member states. It resolves disputes through either arbitration or conciliation, but the former dominates its docket. ICSID has no standing decisional bodies.

31. See infra notes 237–39 and accompanying text.
35. See ICSID Convention, supra note 3, arts. 2, 5, 10(1) (establishing ICSID with numerous connections to the World Bank); Executive Directors' Report, supra note 34, ¶¶ 1–8, 15–18 (describing the role the World Bank had in the creation of ICSID).
Independent ad hoc tribunals are constituted to decide a single case. The ICSID Secretariat performs vital work to support the tribunals, but it has no decisional responsibility (apart from the secretary-general’s “limited power to ‘screen’ cases that are ‘obviously outside the jurisdiction of the Centre’”).

ICSID awards are binding on the parties. ICSID has a unique provision for the enforcement of its arbitral awards, which obliges each member state to enforce ICSID awards as if they were final judgments of its own domestic courts. To avoid giving tribunals absolutely unreviewable authority, the ICSID Convention created the annulment process, which allows quasi-appellate review on five specified grounds by an “ad hoc Committee” appointed by the President of the World Bank.

Access to international adjudication traditionally had been reserved to states, as remains the case today at the International Court of Justice. A private business injured by a foreign state in violation of international standards had to persuade its home state to “espouse” the claim, which international law then regarded as the home state’s to control and dispose. ICSID represented a profound

37. See ICSID Convention, supra note 3, arts. 37–49 (addressing the constitution, powers, and functions of the tribunals).

38. Executive Directors’ Report, supra note 34, ¶ 20 (paraphrasing ICSID Convention, supra note 3, art. 36(3)).

39. ICSID Convention, supra note 3, art. 53.

40. Compare Convention on the Recognition and Enforcement of Foreign Arbitral Awards, art. V, opened for signature June 10, 1958, 330 U.N.T.S. 3 [hereinafter New York Convention] (listing grounds for refusing enforcement of an award in international commercial arbitration), with ICSID Convention, supra note 3, art. 54(1) (“Each Contracting State shall recognize an award rendered pursuant to this Convention as binding and enforce the pecuniary obligations imposed by that award within its territories as if it were a final judgment of a court in that State.”). See generally 22 U.S.C. § 1650a (2006) (“The pecuniary obligations imposed by [an ICSID] award ... shall be given the same full faith and credit as if the award were a final judgment of a court of general jurisdiction of one of the several States.”); Roger P. Alford, Federal Courts, International Tribunals, and the Continuum of Deference, 43 VA. J. INT’L L. 675, 687–99 (2003) (arguing that ICSID awards enjoy higher status in domestic law than do the judgments of any other international tribunal).

41. See ICSID Convention, supra note 3, arts. 5, 52 (establishing the annulment process); SCHREUER ET AL., supra note 23, at 890–1095 (explaining and analyzing the annulment process).

42. See Statute of the International Court of Justice, art. 34(1), June 26, 1945, 3 Bevans 1179, 59 Stat. 1055 (“Only states may be parties in cases before the Court.”).

43. See, for example, Mavrommatis Palestine Concessions (Greece v. Gr. Brit.), 1924 P.C.I.J. (ser. A) No. 2, at 12 (Aug. 30):

It is an elementary principle of international law that a State is entitled to protect its subjects, when injured by acts contrary to international law committed by another State.... By taking up the case of one of its subjects..., a State is in reality asserting its own rights—its right to ensure, in the person of its subjects, respect for the rules of international law.... Once
step from this traditional conception of international law toward transnational law with meaningful participation by nonstate actors. Investors received a direct right of arbitral action against host states—a remarkable legal right to act on the international plane independent of their home state—with the opportunity to secure an award uniquely powerful in domestic courts. Host states received “radical” restrictions on diplomatic protection, which often involved diplomatic pressure and was “sometimes followed by the use of force” for matters submitted to ICSID arbitration. In other words, to borrow from John Jackson, host states, especially developing countries, benefitted from a move away from “power-oriented” toward “rules-oriented” dispute settlement. Home states were freed from the diplomatic costs of involvement in investor disputes with other states. Thus, one of ICSID’s major objectives is to “depoliticize” investment disputes by treating them more like ordinary legal disputes.

a State has taken up a case on behalf of one of its subjects before an international tribunal, in the eyes of the latter the State is sole claimant. Id.; see also L. Oppenheim, 1 International Law: A Treatise § 291 (2d ed. 1912) (“[i]f individuals who possess nationality are wronged abroad, it is their home State only and exclusively which has a right to ask for redress, and these individuals themselves have no such right.”); id. §§ 13, 63, 288–92 (stressing that private persons are not subjects, but objects, of international law, with no rights thereunder).

44. See Philip C. Jessup, A Modern Law of Nations: An Introduction 2 (1948) (arguing that “international law, like national law, must be directly applicable to the individual” and that this is one of the two “keystones of a revised international legal order”); Philip C. Jessup, Transnational Law 2–3 & n.6 (1956) (“Having argued in 1948 that [recognizing individuals as subjects of international law] was a desirable position . . ., I am prepared to say it is now established.”); cf. Aron Broches, The Convention on the Settlement of Investment Disputes Between States and Nationals of Other States, 136 Recueil des COURS 331 (1972), reprinted in Selected Essays: World Bank, ICSID, and Other Subjects of Public and Private International Law 188, 198 (1995) (“[T]he most striking feature of the Convention is that it firmly establishes the capacity of a private individual or a corporation to proceed directly against a State in an international forum, thus contributing to the growing recognition of the individual as a subject of international law.”).

45. See sources cited supra note 40.


47. Id. at 309.

48. See ICSID Convention, supra note 3, art. 27 (barring diplomatic protection for matters submitted to ICSID arbitration unless the respondent lost the arbitration and refused to comply with the award).


50. Shihata, supra note 46, at 313 (“[ICSID] . . . attempts in particular to ‘depoliticize’ the settlement of investment disputes.”).
ICSID arbitration, like other forms of arbitration, is a creature of consent. The state's consent may be expressed in several ways, but over the past twenty—and, especially, ten—years, ICSID's docket has come to be dominated by cases where the state unilaterally preconsented in a treaty, mainly in a bilateral investment treaty (BIT). In a BIT, each party grants substantive rights to investors from the other party, typically including fair and equitable treatment, national treatment, and a promise to pay compensation for any expropriation. The parties also typically consent to international arbitration at ICSID or other fora (or both) over any dispute submitted by an investor from the other party alleging a violation of the BIT. The state's preconsent by treaty empowers qualifying investors to initiate arbitration at one of the specified fora by consenting themselves just before filing a claim. Treaty-based cases transformed ICSID's docket, now vastly larger than in the recent past. They "are to ICSID what Prince Charming was to Sleeping Beauty, having stirred the activities of the Centre."

B. ICSID Jurisdiction and the Case for Bounded Deference

As mentioned, ICSID has jurisdiction over legal disputes "arising directly from an investment," but the ICSID Convention does not

51. See infra text accompanying notes 74–79 (discussing the role of consent in ICSID jurisdiction).
53. Id. at 129–30. Absent state consent to investor–state arbitration, the traditional norms of espousal, discussed supra note 43, survive into the ICSID era. See, e.g., Barcelona Traction, Light & Power Co., Ltd. (Belg. v. Spain), 1970 I.C.J. 3, ¶ 79 (Feb. 5) (“The State must be viewed as the sole judge to decide whether its protection will be granted, to what extent it is granted, and when it will cease... [T]he State enjoys complete freedom of action.”).
54. The possibility of such “nonsynchronous consent” was contemplated at ICSID's creation, see Executive Directors' Report, supra note 34, at ¶ 24 (giving examples of permissible means of consent), and there have been a handful of cases premised upon consent expressed in domestic statutes. See ICSID CASELOAD, supra note 36, at 10 (showing that 6 percent of ICSID cases are based on statutory consent). It was only in 1990 that an ICSID tribunal first exercised jurisdiction based upon state consent expressed in a treaty. See Asian Agric. Prods. Ltd. v. Democratic Socialist Republic of Sri Lanka, ICSID Case No. ARB/87/3, Final Award, ¶ 2 (June 27, 1990), 6 ICSID Rev. 526, 527 (1991) (relying on Sri Lanka’s consent in a BIT). See generally Jan Paulsson, Arbitration Without Privity, 10 ICSID REV.—FOREIGN INV. L.J. 232 (1995).
55. See ICSID CASELOAD, supra note 36, at 7, 10 (showing that 81 percent of ICSID cases have been registered since 2000 and 74 percent are treaty-based).
define the crucial term *investment*. The negotiating history reveals ample discussion of the issue. Of particular relevance to microinvestments, the negotiators debated whether to exclude small investments or small disputes from ICSID jurisdiction. "In fact, [an early text] provided that...the Centre would not exercise jurisdiction in respect of disputes involving claims of less than US $100,000." Other "delegates felt that the total value of the investment and not the claim under dispute should be determinative." Still others favored procedural mechanisms, such as screening by the secretary-general or the investor's home state "to shield the Centre from insignificant claims." None of these proposals prevailed, however. Unable to agree to a definition of *investment*, the negotiators agreed instead to omit one. Throughout the negotiations, Aron Broches opposed the efforts to define *investment*. In part, like Justice Potter Stewart's famous

57. The first draft of the Convention included a definition of *investment* as "any contribution of money or other assets of economic value for an indefinite period or, if the period be defined, for not less than five years." SCHREUER, supra note 23, at 115. The secretariat later revised the definition to read:

[T]he acquisition of (i) property rights or contractual rights (including rights under a concession) for the establishment or in the conduct of an industrial, commercial, agricultural, financial or service enterprise; (ii) participations or shares in any such enterprise; or (iii) financial obligations of a public or private entity other than obligations arising out of short-term banking or credit facilities.

Id. at 115. For a thorough discussion of the ICSID negotiating history as it pertains to investment, see Julian Mortenson, The Meaning of "Investment": ICSID's Travaux and the Domain of International Investment Law, 51 HARV. INT'L L.J. 257, 280–96 (2010).


59. SCHREUER, supra note 23, at 116. Mortenson added:

The first draft of the Convention imposed a minimum $100,000 amount in dispute as a jurisdictional prerequisite. The dollar minimum was withdrawn in the next draft, and despite occasional expressions of concern that it might leave ICSID open to "small or frivolous" disputes, it was never reinstated. The same held true for all efforts to impose a substantiality requirement on the investment itself.

Mortenson, supra note 57, at 297–98 (emphasis added).

60. SCHREUER, supra note 23, at 116.

61. Id. at 115.

62. Broches was the general counsel of the World Bank at the time, in which position he was one of the main architects of the ICSID Convention. When ICSID came into existence, Broches also served as its first secretary-general. ANDREAS F. LOWENFELD, INTERNATIONAL ECONOMIC LAW 539 (2d ed. 2008).
Broches regarded investment as difficult to define but easy to recognize. More fundamentally, Broches argued that a definition was “dangerous,” because recourse to the services of the Center might in a given situation be precluded because the dispute in question did not precisely qualify under the definition . . . . There was the further danger that a definition might provide a reluctant party with an opportunity to frustrate or delay the proceedings by questioning whether the dispute was encompassed by the definition.

Broches thus objected to the wrangling that would follow from defining investment, deeming jurisdictional details best left to each member state to decide which cases to submit to ICSID. Broches made this point repeatedly—and specifically in opposition to a minimum-dollar-value requirement.

One possible reading of the ICSID Convention, then, is that the undefined word in Article 25 places no independent restraint on a member state’s freedom to refer disputes to ICSID—that investment’s definition is wholly subjective and member states enjoy complete discretion to manufacture jurisdiction through consent. The report
on the Convention prepared by the executive directors of the World
Bank provides some support for the subjective view, as it states: "No
attempt was made to define the term 'investment' given the
essential requirement of consent by the parties, and the mechanism
through which Contracting States can make known in advance, if
they so desire, the classes of disputes which they would or would not
consider submitting to the Centre...." But the same report also
undercuts any construction that deprives the word "investment" of all
jurisdictional significance, as do both the rule of effectiveness and
state practice under the Convention.

If Claimants' contributions were to fail the Salini test, those
contributions... would not be given the procedural protection afforded by the
ICSID Convention. The Tribunal finds that such a result would be
contradictory to the ICSID Convention's aim, which is to encourage private
investment while giving the Parties the tools to further define what kind of
investment they want to promote. It would further make no sense in view of
Argentina's and Italy's express agreement in the BIT at issue to protect the
value generated by these kinds of contributions.

Id. at ¶ 25. The key phrase here is "the nature of the dispute," which must refer to the
language in Article 25 about jurisdiction over "any legal dispute arising directly out of
Disputes: Some Observations on Jurisdiction, 5 COLUM. J. TRANSNAT'L L. 263, 267-68
(1966) (explaining the phrase "the nature of the dispute").

72. The International Law Commission regarded the principle that the
language of a treaty should be given appropriate effect (ut res magis valeat quam
percat) to be "embodied" in the general rule of treaty interpretation now codified in
U.N.T.S. 331 [hereinafter Vienna Convention], laying stress on the obligation to
construe a treaty "in good faith" and "in the light of its object and purpose." Draft
Articles on the Law of Treaties with Commentaries, [1966] 2 Y.B. INT'L L. COMMISSION
187, 219.

73. See Vienna Convention, supra note 72, art. 31.3(b) ("There shall be taken
into account... any subsequent practice in the application of the treaty which
establishes the agreement of the parties regarding its interpretation."). It should be
noted that only those customary rules codified in the Vienna Convention, and not the
Convention itself, apply to the ICSID Convention:
State consent is plainly necessary for ICSID jurisdiction: it is the “essential prerequisite” for jurisdiction, “the cornerstone of the jurisdiction of the Centre.”74 So central to ICSID’s fabric is the consent requirement that it is manifest three times in the preamble alone.75 This consent-centeredness was crucial to overcoming resistance, especially among Latin American states, to ICSID’s creation.76 It also anchored ICSID in traditional international legal norms,77 even as ICSID otherwise broke radically from those norms by empowering private persons to act in their own interests on the

Without prejudice to the application of any rules set forth in the present Convention to which treaties would be subject under international law independently of the Convention, the Convention applies only to treaties which are concluded by States after the entry into force of the present Convention with regard to such States.

Id. art. 4. The ICSID Convention creates the Administrative Council of ICSID, “composed of one representative of each Contracting State,” and empowers it to “adopt the rules of procedure for the institution of conciliation and arbitration proceedings.” ICSID Convention, supra note 3, arts. 4(1), 6(1)(b). The ICSID rules governing requests for the institution of arbitral proceedings oblige complainants to specify separately how both the consent and investment requirements have been satisfied. See Int’l Ctr. for Settlement of Inv. Disputes, Rules of Procedure for the Institution of Conciliation and Arbitration Proceedings, r. 2(1)(c), 2(1)(e); Schreuer, supra note 23, at 117 (discussing the two requirements).

74. Executive Directors’ Report, supra note 34, at ¶ 23, 25; accord Broches, supra note 44, at 352 (“I want to stress the overriding significance of consent not merely as a formal requirement for the jurisdiction of the Centre, but as an essential characteristic of the entire system of the Convention.”).

75. See ICSID Convention, supra note 3, pmbl. (making facilities available for submission by parties “if they so desire” without obliging any state to submit any case “without its consent,” while also recognizing that “mutual consent” once given “constitutes a binding agreement”).

76. See Lowenfeld, supra note 62, at 540–41 (describing the gradual acceptance of the convention over time).

77. See, e.g., The S.S. Lotus (Fr. v. Turk.), 1927 P.C.I.J. (ser. A) No. 10, at 18 (Sept. 7) (“The rules of law binding upon States... emanate from their own free will...”). Eighty-five years later, it remains clear that state consent plays a vital role in the creation of international legal obligation—most obviously in the case of treaties, but also for custom and general principles. See Statute of the International Court of Justice, supra note 42, art. 38(1) (listing the sources of international law); Louis Henkin, International Law: Politics and Values 26–40 (1995) (describing the role of consent in making international law). Yet, the modern rise of jus cogens, most notably in the context of human rights law, has diminished markedly Lotus’s suggestion that consent is the only possible constraint on a state’s otherwise absolute freedom to do as it will. See id. at 38–39 & n.*, 176–81. Thus, while consent is discussed here as an important principle of international law—and one that is especially relevant to ICSID jurisdiction—nothing in this Article valorizes consent above basic human values. Cf. Perry S. Bechky, Lemkin’s Situation: Toward a Rhetorical Understanding of Genocide, 77 Brook. L. Rev. 551, 621 (2012) (“Sovereignty, like other governmental constructs, must yield to ‘elementary considerations of humanity.’” (quoting Corfu Channel (U.K. v. Alb.), 1949 I.C.J. 4, 22 (Apr. 9))).
international plane. The consent requirement allows each ICSID member to decide for itself how far to go into the brave new world of investor claims—to decide how many and what kinds of cases it is willing to allow investors to bring against it.

With the BIT revolution in ICSID's docket, jurisdictional disputes now often turn on the scope of the state's consent—that is, on the definition of protected investment in the relevant investment treaty. Deploying the image of Article 25 as a "jurisdictional keyhole," investments covered by the consent clause of an investment treaty have a key unlocking at least one of two locks on the door barring access to ICSID arbitration. They may need a second key to open the investment-requirement lock. Or, one key may open both locks. Both the investment treaty and ICSID revolve around the same core word. They may use the word in the same way or they may use it differently—but it is difficult to reach a conclusion without a definition in Article 25.

In these circumstances, ICSID tribunals should presume that the consent key normally opens both locks. In other words, they should take a broad, flexible, and party-centric approach to the

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78. See supra note 44.
79. Broches wrote:

The Bank has always stressed the doubly voluntary character of the entire ICSID scheme: not only are [Bank] members free to join the Centre or not, but even after they have done so, they are free to decide whether or not to utilize the Centre's facilities by consenting to its jurisdiction in respect of particular arrangements or disputes.

Broches, supra note 44, at 348.
80. See, e.g., Treaty Concerning the Reciprocal Encouragement and Protection of Investment, U.S.-Arg., art. VII(1), Nov. 14, 1991, 1991 U.S.T. Lexis 176, available at http://unctad.org/sections/dite/iia/docs/bits/argentina_us.pdf (consenting to arbitration of investment disputes arising under the treaty). The definition of investment in investment treaties is typically expansive and open-ended. See, e.g., id. art. 1 ("[I]nvestment' means every kind of investment... owned or controlled directly or indirectly... , such as equity, debt, and service and investment contracts; and includes without limitation [five types of investment].").
82. For the mathematically inclined, the keyhole imagery may be replaced with that of a Venn diagram. The question is the degree of overlap between two circles, each defining investment—a question made much harder to answer by the fact that one of the circles is, in effect, invisible.
83. Cf. Československa Obchodní Banka, A.S. v. Slovak Republic (CSOB), ICSID Case No. ARB/97/4, Decision on Jurisdiction, ¶ 66 (May 24, 1999), 14 ICSID Rev. 250, 274 (describing consent as an "important element in determining whether a dispute qualifies as an investment," the presence of which "creates a strong presumption" that a transaction so qualifies).
They should approach with a spirit of modesty and deference the question whether to construe the undefined word to impose “outer limits” on a member state’s ability to submit a dispute to ICSID. They should assess whether a member state’s submission is bona fide, not whether it is correct. They should give “great weight” to the member state’s understanding of investment—but they should not deem it “controlling.”

Thus, subject to other requirements not here relevant, an ICSID tribunal should ordinarily exercise jurisdiction to decide any legal dispute voluntarily submitted to it by the parties, so long as the dispute arises out of a transaction that may be characterized in good faith as an investment. This approach comports with the principles of estoppel and pacta sunt servanda. And, to borrow an oft-quoted

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84. See R. Doak Bishop et al., Foreign Investment Disputes: Cases, Materials, and Commentary 344 (2005) (describing investment under the Convention as a “relatively malleable and party-sensitive term”); Biwater Gauff (Tanz.) Ltd. v. United Republic of Tanz., ICSID Case No. ARB/05/22, Award, ¶¶ 316–17 (Jul. 24, 2008) (advocating a “flexible and pragmatic approach” that construes investment “by reference to the parties’ agreement”).

85. Broches, supra note 44, at 351.

86. Cf. Mortenson, supra note 57, at 273 (criticizing “the Salini line” for deciding correctness rather than reasonableness).

87. Broches, supra note 71, at 268; see Broches, supra note 44, at 362 (declaring that the “wise decision” to omit a definition of investment “leaves a large measure of discretion to the parties,” but “this discretion is not unlimited and cannot be exercised to the point of being clearly inconsistent with the purposes of the Convention”); Special Clauses Relating to the Subject-Matter of the Dispute, INT’L CTR. FOR SETTLEMENT OF INV. DISPUTES, http://icsid.worldbank.org/ICSID/StaticFiles/model-clauses-en/8.htm (last visited Sep. 27, 2012) (“Parties thus have much, though not unlimited, discretion . . . .”); see also SGS Société Générale de Surveillance S.A. v. Islamic Republic of Pak., ICSID Case No. ARB/01/13, Decision on Jurisdiction, ¶ 133 & n.153 (Aug. 6, 2003), 18 ICSID Rev. 307, 347 (“The ICSID Convention does not delimit the term ‘investment,’ leaving to the Contracting Parties a large measure of freedom to define that term as their specific objectives and circumstances may lead them to do so . . . . That freedom does not, however, appear to be unlimited . . . .”); cf. Certain Questions of Mutual Assistance in Criminal Matters (Djib. v. Fr.), 2008 I.C.J. 136, ¶ 145 (June 4) (holding that, even when a treaty “provide[s] a State . . . with a very considerable discretion, this exercise of discretion is still subject to the obligation of good faith codified in Article 26 of the Vienna Convention).

88. See generally Temple of Preah Vihear (Cambodia v. Thai.), 1962 I.C.J. 6 (finding Thailand precluded from contesting a treaty after having enjoyed its benefits for fifty years). Even under the narrower view of estoppel recognized by Judge Spender’s dissent, a state may not contest a prior representation on which another state reasonably relied to its detriment. Id. at 143–44. States have been estopped as well from contesting prior representations in disputes with private persons. See Thomas Cottier & Jörg Paul Müller, Estoppel, MAX PLANCK ENCYCLOPEDIA PUB. INT’L LAW, www.mpepil.com (last visited Sept. 12, 2012).

89. See Vienna Convention, supra note 72, art. 26 (“Every treaty in force is binding upon the parties to it and must be performed by them in good faith.”). Pacta sunt servanda is “the fundamental principle of the law of treaties,” Draft Articles on the Law of Treaties with Commentaries, supra note 72, at 211, “an antecedent,
phrase from the European Court of Human Rights,\textsuperscript{90} it appropriately gives each member state “a margin of appreciation” when defining investment for the purpose of determining when submitting disputes to ICSID best suits its own interests.\textsuperscript{91} The good faith limitation is unlikely to have much bite in actuality, because only rarely (if ever) will an ICSID member state submit to ICSID, whether in error or in bad faith, a dispute that cannot reasonably\textsuperscript{92} be regarded as arising directly out of an investment. The limitation is nevertheless important in principle, because it anchors the party-centric approach to the text of Article 25 and the “cardinal injunction”\textsuperscript{93} to construe it in good faith.\textsuperscript{94}

underlying ‘constitutional’ principle” on which “the normative character of a treaty depends.” \textsc{Henkin}, supra note 77, at 28.


\textsuperscript{91} See \textsc{Schreuer}, supra note 23, at 117 (advocating an approach in which member states have “much freedom,” but not “unlimited freedom,” in deciding what transactions qualify as investments).

\textsuperscript{92} \textit{Id.} at 153 (quoting Maritime Delimitation and Territorial Questions (Qatar v. Bahrain), 1995 I.C.J. 6, at 39 (Feb. 15) (Schwebel, J., dissenting)).

\textsuperscript{93} \textit{Id.} at 153 (quoting Maritime Delimitation and Territorial Questions (Qatar v. Bahrain), 1995 I.C.J. 6, at 39 (Feb. 15) (Schwebel, J., dissenting)).

\textsuperscript{94} See Vienna Convention, supra note 72, art. 31.1 (“A treaty shall be interpreted in good faith . . . .”); Draft Articles on the Law of Treaties with Commentaries, supra note 72, at 211 (“The motif of good faith, it is true, applies throughout international relations; but it has a particular importance in the law of treaties . . . .”); Michel Virally, Good Faith in Public International Law, 77 Am. J. Int’l L. 130, 133 (1983) (“[G]ood faith presents itself as an absolutely necessary ingredient to the operation of the whole international legal order . . . .”).

In this regard, while Mortenson similarly advocated deference to state approaches to interpreting investment, he went too far in embracing any activity that is “plausibly economic,” a construction that appears to extend in principle beyond a good-faith construction of investment, although I agree with Mortenson that this scenario would rarely arise in reality. Mortenson, supra note 57, at 301–10, 315–16. Likewise, Yulia Andreeva erred by characterizing bilateral definitions of investment as lex specialis. Yulia Andreeva, Salvaging or Sinking the Investment? MHS v. Malaysia Revisited, 7 Law & Prac. of Int’l Cts. & Tribunals 161, 169 (2008). This characterization, by operation of the implicit Latin maxim, would permit member states to derogate from the ICSID Convention.

Conversely, while Georges Abi-Saab appears to have endorsed \textit{Salini}, we share much analytical common ground. We agree that the absence of “an express definition of investment [in Article 25] does not automatically imply that the definition is totally left to the BITs”; that the undefined word should be construed in accordance with its ordinary meaning in light of its context and the Convention’s object and purpose; and that investment, “whilst flexible enough, is not infinitely elastic. It leaves much latitude and a wide margin of interpretation and further specification to States in their BITs; but not to the point of rendering it totally vacuous, without any legal effect.” \textit{Abaclat v.}}
MICROINVESTMENT DISPUTES

This party-driven approach presents, to be sure, a radically different vision of subject-matter jurisdiction than that embraced by the U.S. federal courts. Litigants may not manufacture federal court jurisdiction by consent.\(^9\) They cannot waive jurisdictional defects.\(^9\) Indeed, jurisdictional defects may be raised on appeal for the first time, even by the party that originally invoked federal jurisdiction\(^9\) or \emph{sua sponte} by the appellate courts.\(^9\) But this restrictive view of jurisdiction—which closes the door to the federal courts, even when causing inefficiency\(^9\) or injustice\(^1\) is driven by the particular needs of the U.S. constitutional system. Litigants may not waive or change the jurisdictional limits of the federal courts because the Founders and Congress have created those limits to preserve the constitutional balance between the national government and the fifty states.\(^1\) No such considerations exist at ICSID. The international community has no interest in preventing a national government from

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96. See Fed. R. Civ. P. 12(h)(3) (requiring the district court to dismiss a case “at any time” it determines it lacks subject-matter jurisdiction, unlike other defenses, which are waived if not promptly raised).

97. See, e.g., Capron v. Van Noorden, 6 U.S. 126 (1804).

98. See, e.g., Louisville & Nashville R.R. Co. v. Mottley (Mottley 1), 211 U.S. 149, 152 (1908) (“Neither party has questioned that jurisdiction, but it is the duty of this court to see to it that the jurisdiction of the [federal trial court] . . . is not exceeded.”).

99. The result of \emph{Mottley I}, for example, was to force the parties to re-litigate in state court what had already been decided in federal court, adding three years of expense and delay. See Louisville & Nashville R.R. Co. v. Mottley (Mottley ID), 219 U.S. 467, 472 (1911) (reaching the merits of the federal questions not decided in 1908).

100. In \emph{Capron}, the Court allowed a plaintiff who originally claimed jurisdiction but then lost at trial to later challenge the judgment against him for lack of jurisdiction. 6 U.S. at 126–27. In \emph{Finley v. United States}, 490 U.S. 545 (1989), the Court held that the wife and mother of passengers killed in an airplane accident had to pursue her claims against the two defendants in two separate courts despite the risk that the defendants would blame each other and secure inconsistent verdicts that would leave her without any remedy. 490 U.S. at 545–46. Congress later reversed \emph{Finley}'s result. See 28 U.S.C. § 1367 (2006) (authorizing pendent parties jurisdiction).

101. Wright and Miller stated:

A federal court’s entertaining a case that is not within its subject matter jurisdiction . . . is nothing less than an unconstitutional usurpation of state judicial power . . . The subject matter jurisdiction of the federal courts is too fundamental a concern to be left to the whims and tactical concerns of the litigants.

WRIGHT & MILLER, supra note 95, § 3522.
voluntarily submitting a dispute to international arbitration.\footnote{102} Rather, quite opposite to domestic considerations in the United States, party consent is the \textit{sine qua non} of ICSID jurisdiction.\footnote{103}

Against this party-driven approach to ICSID jurisdiction, Professor M. Sornarajah has applauded \textit{Salini}'s objective approach as a means to restrict what he sees as the undue breadth of \textit{investment} in many newer BITs.\footnote{104} He has argued that the ICSID Convention reflects “the traditional meaning of investment” at the time of its drafting in 1964, which “did not go beyond . . . a long-term project for the exploitation of resources or a project contract.”\footnote{105} In his view, “the definition of investment in the ICSID Convention remains unaffected” by later BITs and “the use of the term ‘investment’ has a temporal meaning varying from treaty to treaty depending on the period in which it was drafted.”\footnote{106} ICSID, however, should not be shackled to a 1960s conception of \textit{investment}, which the drafters did not write into the Convention.\footnote{107} The Convention gives life to an institution and ought, to the extent consistent with good faith and other rules of treaty interpretation, be construed to allow that institution air to breathe and space to grow.\footnote{108} Such dynamism is all the more important given the nature of the Centre as a place devoted to the peaceful settlement of disputes. By leaving \textit{investment} undefined, the Convention’s drafters built flexibility into their creation. Their emphasis on consent “as an essential characteristic of

\footnote{102} Cf. Mortenson, supra note 57, at 306 (arguing that “close scrutiny” is not needed where “[t]he only entity hurt by deference . . . is the entity to which deference is actually directed: the [respondent] state itself”).

\footnote{103} See supra notes 51–56, 68–79. A potential exception to the otherwise firm U.S. rule against consenting to federal jurisdiction is telling, because it allows party consent in one circumstance where that consent cures the constitutional problem driving the rule—namely, where a state itself consents to be sued in federal court. According to Wright and Miller:

\begin{quote}
There may be an exception to this rule when a state has consented to be sued in a federal court and has waived the protection afforded by the Eleventh Amendment. Whether this situation actually involves an exception to the general rule depends upon whether the Eleventh Amendment defense is one going to the subject matter jurisdiction of the federal courts, an issue on which there is substantial debate.
\end{quote}

\footnote{104} See M. SORNARAJAH, \textsc{The International Law on Foreign Investment} 10–18, 190–96, 310–13 (3d ed. 2010).

\footnote{105} \textit{Id.} at 310, 311.

\footnote{106} \textit{Id.} at 12 n.32.

\footnote{107} See supra text accompanying notes 2–5 and 57–67.

\footnote{108} ICSID tribunals should heed, \textit{mutatis mutandis}, Chief Justice Marshall’s exhortation that “we must never forget that it is a \textit{constitution} we are expounding.” \textit{McCulloch v. Maryland}, 17 U.S. 316, 407 (1819). Neither the analogy nor the interpretative liberality should be pushed too far. \textit{See} JOSÉ E. ALVAREZ, \textsc{International Organizations as Law-Makers} 65–74, 82–100 & n.138 (2005).
the entire system of the Convention empowers member states (within the limits of good faith) to adapt the institution to their needs, as those needs may vary geographically and temporally. Bounded deference thus better respects state autonomy and other values of the international community.

Last, as readers will have noticed, this Article does not proffer its own definition of investment, proposing instead an approach that allows states to choose their own definitions within the confines of good faith. Some commentators have suggested that this approach is insufficient, contending that one must first define investment—or, at least, outline its core parameters—before one can determine whether another definition fits within an acceptable range of variance from one’s own baseline standard. Part III.B will explain why Salini’s contribution-to-development prong is inconsistent with the proper role of an ICSID tribunal. No more need be done here. In an actual case, a tribunal may or may not find it necessary to lay more groundwork to apply the good faith test to the facts before it. For most definitions actually found in BITs, a tribunal may well be able to conclude that the definition before it is reasonable without need to belabor alternative definitions and parameters. The key lies in embracing pluralism and deference. A spirit of pluralism—captured in Justice Oliver Wendell Holmes’s observation that “words are flexible”—helps a tribunal avoid the mistake that investment has one true meaning against which all others must be tested. Likewise, a spirit of deference helps a tribunal see that states have the freedom to choose among the possible definitions and the tribunal’s role is limited to determining the reasonableness, not the correctness, of a state’s choice.

110. Cf. HENKIN, supra note 77, at 11 (“The essential quality of statehood in a state system is the autonomy of each state.”); id. at 101 (“Commitment to state autonomy has been shaken since the Second World War, but it is still a basic, perhaps the basic, value of the system.”).
111. See infra Part III.B.
113. By way of analogy, when the U.S. Supreme Court established the deference a U.S. court owes to administrative construction of an ambiguous statute, it observed that the “question for the court is whether the agency’s answer is based on a permissible construction of the statute” and “[t]he court need not conclude that the agency construction was the only one it permissibly could have adopted to uphold the construction, or even the reading the court would have reached if the question initially had arisen in a judicial proceeding.” Chevron U.S.A., Inc. v. NRDC, 467 U.S. 837, 843 & n.11 (1984).
III. ICSID, DEVELOPMENT, AND SALTINI’S DEVELOPMENT PRONG

A. Development as ICSID’s Object and Purpose

Andreas Lowenfeld briefly captured the “[w]ave of [e]xpropriations” that swept much of the globe in the first decades after World War II:

[Expropriations and nationalizations of all kinds took place, in Eastern Europe, in former colonies, and in newly invigorated countries of Latin America. All the countries that had come under Communist rule... nationalized land and private industrial property, including the property of aliens. Utilities, mines, and other major enterprises were subject to state takings in Bolivia, Brazil, Argentina, Peru, and Guatemala, among other states of Latin America... The most widely known instances of state take-overs were the expropriation of Dutch properties in Indonesia (1958-59), the nationalization of the Anglo-Iranian Oil Company’s properties in Iran (1951), and Egypt’s nationalization of the Suez Canal Company (1956).]

In a series of debates through the 1960s into the 1970s, the UN General Assembly struggled over the state of customary international law on the property rights of aliens. In 1964, in a case emerging out of Cuba’s nationalization of American-owned properties, the U.S. Supreme Court observed:

There are few if any issues in international law today on which opinion seems to be so divided as the limitations on a state’s power to expropriate the property of aliens... It is difficult to imagine the courts of this country embarking on adjudication in an area which touches more sensitively the practical and ideological goals of the various members of the community of nations.

The World Bank would have known these events and controversies, of course. Indeed, in 1956–1958, a World Bank team helped to negotiate compensation for Egypt’s nationalization of the Suez Canal. A member of that team became president of the World Bank in 1963.

The purposes of the World Bank include “promot[ing] private foreign investment.” It can certainly be said that the World Bank...
conceived ICSID and sponsored the talks to create it for the purpose of promoting investment. The Bank's executive directors asserted, for example, that "the primary purpose of the [ICSID] Convention" was to "stimulate a larger flow of private international investment."\textsuperscript{119}

This account, however, is incomplete. Investment promotion is only ICSID's "intermediary purpose," not its "ultimate purpose."\textsuperscript{120} Ultimately, the Bank initiated ICSID "to further [the Bank's own] overall purpose of promoting economic development in the world's poor countries."\textsuperscript{121} The Bank's mission is even captured in its name: the International Bank for Reconstruction and Development. Its statement of purposes makes clear that "facilitating the investment of capital for productive purposes" is itself meant to serve the end of "assist[ing] in the . . . development" of member states.\textsuperscript{122} Ibrahim Shihata, a general counsel of the World Bank and secretary-general of ICSID, thus wrote, "ICSID must be regarded as an instrument of international policy for the promotion of investments and of economic development."\textsuperscript{123} Support for this view of ICSID as an instrument of and other investments made by private investors," \textit{id.}, although ICSID is an example of the Bank not limiting itself to these means unless the arbitral process is seen as a form of "guarantee." Broches described ICSID as being within the Bank's "institutional ambit" though outside its "professional experience and competence," and thus characterized it as a "semi-extra-curricular exercise." Broches, \textit{supra} note 44, at 345, 347.

\textsuperscript{119} Executive Directors' Report, \textit{supra} note 34, ¶ 12; accord \textit{Convention on the Settlement of Investment Disputes: Hearing on H.R. 15785 Before the Subcomm. on Int'l Orgs. and Movements of the H. Comm. on Foreign Affairs, 89th Cong. 2 (1966)} (statement of Fred Smith, General Counsel, U.S. Dep't of the Treasury) ("ICSID's] primary purpose is to improve the climate for private investment in countries which seek to attract foreign capital, particularly the economically developing countries, and thus to stimulate a larger flow of private investment into those countries.").


\textsuperscript{121} LOWENFELD, \textit{supra} note 62, at 537. The Bank sought to make this contribution through a procedural innovation without involving itself in the debates about the state and desirability of the substantive international law of investment protection. Elihu Lauterpacht, \textit{Foreword} to \textit{SCHREUER, supra} note 23, at ix. Even the reference to international law in the Convention's choice of law clause is caveated with the words "as may be applicable," ICSID Convention, \textit{supra} note 3, art. 42(1), and this reference "gives no clue as to the content of [international] law; evidently in 1964 no useful clue could have achieved" widespread support. LOWENFELD, \textit{supra} note 62, at 540.

\textsuperscript{122} Articles of Agreement, \textit{supra} note 118, art. I(i); see also Broches, \textit{supra} note 44, at 342 ("[A]s a development institution . . . the Bank was and is vitally concerned with capital flows from the developed to the developing countries.").

\textsuperscript{123} SHIHATA, \textit{supra} note 46, at 314; see also Executive Directors' Report, \textit{supra} note 34, ¶ 9 ("In submitting the attached Convention to governments, the Executive Directors are prompted by the desire to strengthen the partnership between countries in the cause of economic development."). Sornarajah has stressed that support among
development can be found in the preamble to the ICSID Convention, which is predicated on "the need for international cooperation for economic development, and the role of private international investment therein."\footnote{124}

Alan Sykes likewise justified granting investors a direct right of action on the ground that doing so generates economic benefits for well-intentioned developing countries. In short, Sykes argued that investors concerned about the risk of uncompensated expropriation may charge a risk premium for investment in developing countries, but a credible mechanism for assuring compensation ameliorates the risk, thereby reducing the premium and the cost of capital for a developing country.\footnote{125} Espousal is too uncertain to reduce adequately this premium;\footnote{126} depoliticization is intended to give investors more confidence in the investment climate to stimulate investment flows to further development. Sykes concluded that a state with "benign intentions toward investors" can reap the benefits of cheaper capital at minimal cost to itself by granting investors the right to initiate investment arbitration and thus "signaling" to foreign investors that it is a state of this "benign type."\footnote{127}

developing states for ICSID is contingent upon its nexus to development: "The very essence of the system of investment protection...is economic development...Subjectio to...the ICSID system is achieved at the cost of a surrender of sovereignty, and this is justified by the belief that economic development will take place as a result." Sornarajah, supra note 104, at 313.

124. ICSID Convention, supra note 3, pmbl.
126. See Barcelona Traction, Light & Power Co., Ltd. (Belg. v. Spain), 1970 I.C.J. 3, ¶ 79 (Feb. 5) (stating that diplomatic protection is "a discretionary power the exercise of which may be determined by considerations of a political or other nature, unrelated to the particular case"); Aron Broches, Note to the Executive Directors, in 2 HISTORY OF THE ICSID CONVENTION 1, 61–192 ¶ 2(b) (1968) ("The necessity of espousal...introduces a political element. An investor may well find that his national Government refuses to espouse a meritorious case because it fears that to do so would be regarded as an unfriendly act by the host Government.").
127. Sykes, supra note 125, at 15–16. See generally Andrew T. Guzman, Why LDCs Sign Treaties that Hurt Them: Explaining the Popularity of Bilateral Investment Treaties, 38 VA. J. INT'L L. 639 (1998) (arguing that developing countries sign BITs to compete for capital against other developing countries by enhancing the credibility of their commitments to foreign investors); Zachary Elkins et al., Competing for Capital: The Diffusion of Bilateral Investment Treaties, 1960-2000, 2008 U. ILL. L. REV. 265 (same). Some empirical support for Sykes's account may be found in Todd Allee & Clint Peinhardt, Contingent Credibility: The Impact of Investment Treaty Violations on Foreign Direct Investment, 65 INT'L ORG. 401 (2011) (arguing that foreign direct investment (FDI) increases in non-OECD countries by $21–$24 million per year with each BIT signed, but decreases by $55 million per year for each pending ICSID case and by $791 million per year if the country has lost (or by $300–$350 million per year if it has settled) an ICSID case within the past two years).
Investment promotion should thus be viewed as a means to the end of economic development. Indeed, nearly fifty years after ICSID’s founding, one might venture that economic development is not ICSID’s ultimate purpose either. Rather, economic development serves to improve human welfare, a true end. In other words, one might drop the modifier “economic” in favor of a broader vision of human development. At the least, based on the intervening decades of learning, one should acknowledge that economic development does not occur in a vacuum, but in conjunction with the development of legal and social institutions.

B. Salini’s Development Prong

Schreuer has identified five “typical characteristics” of investments. He included “significance for the host State’s development” in this list, for purposes of the ICSID Convention, while acknowledging that “[t]his is not necessarily characteristic of investments in general.”

Fedax v. Venezuela, the first ICSID decision centered on the meaning of investment, relied on Schreuer’s characteristics, calling them the “basic features” of an investment. Faced with the question of whether promissory notes qualify as investment under Article 25, the tribunal briefly ticked off how the notes possessed each of the five features. This recitation ended, “And most importantly, there is clearly a significant relationship between the transaction and the development of the host State . . . .”

128. Cf. William Michael Reisman, International Law and Organization for a New World Order: The Uppsala Model, General Report of JUS 1981, in THE SPIRIT OF UPPSALA: PROCEEDINGS OF THE JOINT UNITAR-UPPSALA UNIVERSITY SEMINAR ON INTERNATIONAL LAW AND ORGANIZATION FOR A NEW WORLD ORDER 27, 40 (Atle Grah-Madsen & Jiri Toman eds., 1984) (“[H]uman rights, most broadly understood, have been taken as the major goal and the major justification of world order.”). 129. See SCHREUER, supra note 23, at 134 (arguing that development should include “development of human potential, political and social development and the protection of the local and the global environment”). 130. See van Aaken & Lehmann, supra note 120, at 7 (“There is no longer any doubt that institutions are important for economic development as well as for [sustainable development].”). See generally KENNETH W. DAM, THE LAW-GROWTH NEXUS: THE RULE OF LAW AND ECONOMIC DEVELOPMENT (2006). 131. See SCHREUER, supra note 23, at 128. Four of Schreuer’s characteristics were adopted by Salini, while the last, expectation of profit, sometimes finds support among Salini’s progeny. See supra notes 8, 15 and accompanying text. 132. SCHREUER, supra note 23, at 128 (emphasis omitted). 133. See Fedax N.V. v. Republic of Venez., ICSID Case No. ARB/96/3, Decision on Jurisdiction, ¶ 43 (July 11, 1997). 134. Id. 135. Id. (emphasis added).
Two years later, in *CSOB v. Slovakia*, the tribunal considered whether a loan constituted an investment under Article 25.136 The tribunal laid primary emphasis on two factors: Slovakia's consent, which "creates a strong presumption that [the parties] considered their transaction to be an investment within the meaning of the ICSID Convention";137 and CSOB's contribution to the development of Slovakia's banking sector. On the latter, the tribunal reasoned that the reference to promoting development in the ICSID Convention's preamble supports a "liberal interpretation" of *investment*, stating: "This language permits an inference that an international transaction which contributes to cooperation designed to promote the economic development of a Contracting State may be deemed to be an investment as that term is understood in the Convention."138 The tribunal then held that a loan may qualify as an investment "if only because . . . [it] may contribute substantially to a State's economic development."139 Although the respondent had argued for an approach to *investment* broadly similar to that advocated by Schreuer and *Fedax*,140 the tribunal seems to have regarded CSOB's contribution to Slovakia's development as sufficient alone to qualify as an investment under Article 25.141

Accordingly, the first two cases to apply ICSID's development objective to the construction of *investment* both approached the question in a liberal spirit, treating contribution-to-development as a factor easing access to ICSID arbitration. This began to change with *Salini*, particularly in its more rigid manifestations as a "fixed and inflexible"142 checklist of mandatory criteria. With this, the development language of the preamble transformed from a door-opening aid into a door-closing obstacle for otherwise eligible claimants.

The liberal approach is preferable. It respects member states' autonomy,143 maximizing their freedom to use ICSID as they deem best. A fixed *Salini* test with a mandatory development prong sets

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137. *Id.* at 274, ¶ 66.
138. *Id.* at 273, ¶ 64.
139. *Id.* at 276–77, ¶ 76 (emphasis added).
140. *Id.* at 277–78, ¶ 78.
141. *See id.* at 282–83, ¶¶ 90–91 (concluding that risk and expectation of return are not required elements of *investment* and that "CSOB's claim and the related loan facility . . . qualify as investments" where they "are closely connected to the development of CSOB's banking activity" in Slovakia).
142. Biwater Gauff (Tanz.) Ltd. v. United Republic of Tanz., ICSID Case No. ARB/05/22, Award, ¶ 314 (Jul. 24, 2008).
143. *See supra* note 110 and accompanying text.
Article 25’s “outer limits” of ICSID jurisdiction more restrictively than does the “ordinary meaning” of investment.\(^{144}\)

In this regard, the mandatory development prong calls to mind Alice’s conversation with Humpty Dumpty in *Through the Looking Glass*:

Humpty: When I use a word, it means just what I choose it to mean—neither more nor less.

Alice: The question is whether you can make words mean so many different things.

Humpty: The question is which is to be the master—that’s all.

Alice: That’s a great deal to make one word mean.

Humpty: When I make a word do a lot of work like that, I always pay it extra. . . .\(^{145}\)

Some tribunals must be paying *investment* extra. They make it do a lot of work, making it mean just what they choose it to mean—not *investment* in its ordinary sense but something less, something like “investment that demonstrably contributes (substantially) to development.” The drafters of the ICSID Convention were free to define *investment* as they wished, whether more or less expansively than, or otherwise akilter from, its ordinary meaning. They did not do so. Tribunals do not enjoy the drafters’ freedom. Drafters are the masters of language; tribunals are not. Tribunals are bound to construe undefined terms in accordance with their ordinary meaning and the customary rules of treaty interpretation.\(^{146}\) In the context of ICSID jurisdiction, absent clear limitations in Article 25, tribunals should acknowledge that states are the masters of jurisdiction—that the Convention empowers states with broad discretion to determine in good faith which matters to submit to ICSID arbitration.\(^{147}\)

Tribunals should, accordingly, abandon *Salini’s* development prong.

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144. See Vienna Convention, *supra* note 72, art. 31.1 (requiring that a treaty be interpreted “in accordance with [its] ordinary meaning”).


146. In this regard, one might note that, when construing the ICSID Convention in its “context and in the light of its object and purpose,” Vienna Convention, *supra* note 72, art. 31.1, tribunals may appropriately limit *investment* to its economic sense—lest any state try to submit to ICSID a dispute over priestly robes (in Shakespeare’s original usage), military blockades (in a usage attributed to the Duke of Wellington), or material for dental coatings. See Compact Oxford English Dictionary (2d ed. 1991) (*investment* definitions 1, 2b, 4, 5b).

147. See *supra* Part II.B.
as an unwarranted restriction on state discretion even if they otherwise persist with Salini's objective approach.148

Furthermore, if investment is to have an objective meaning in Article 25, whatever that meaning might be, it must be the same meaning for all ICSID members. If an investor must demonstrate that its investment made a (substantial) contribution to development in the host state as a condition of ICSID jurisdiction, as the Salini line would have it, this condition must apply wherever the investment is made. But what does it mean to make a substantial contribution to development in the United States or Japan? Is it even possible to contribute to development in a country that is already “developed”? At the very least, it is much more difficult for an investor to prove that it made a substantial contribution to development in a developed country than in a developing country. The development prong therefore creates an imbalance of obligations among ICSID members. Consider: If a German investor builds a factory in Panama and a Panamanian investor builds a factory in Germany—with identical contributions, durations, and assumptions of risk—it is possible that Salini would lead ICSID tribunals to find that only the former made a contribution to development, effectively allowing Germany a jurisdictional out not available to Panama.

Other critiques of the mandatory development prong abound. For example, although some proponents of the Salini test attribute credit to Schreuer's “typical features” of investment, he has denied paternity.149 He has called “unfortunate” the trend toward calcification of his “typical features” into a “rigid list of criteria,” arguing that it will neither “facilitate the task of tribunals” nor “make decisions more predictable.”150 He has warned that a test insisting on

148. Two recent developments are instructive. In Fakes, the tribunal adopted a three-prong version of Salini, accepting only those “three criteria [that] derive from the ordinary meaning of the word ‘investment.’” The Association of Southeast Asian Nations (ASEAN) countries likewise built a three-prong variant of Salini into the definition of investment in their new regional investment treaty. Notably, ASEAN and Fakes both omitted Salini's development requirement—although, as it happens, they did not agree on which three of Schreuer's other four characteristics to use. Compare Fakes v. Republic of Turk., ICSID Case No. ARB/07/20, Award, ¶¶ 110–12 & n.73 (July 14, 2010) (considering that “the criteria of (i) a contribution [of assets], (ii) a certain duration, and (iii) an element of risk, are both necessary and sufficient”), with ASEAN Comprehensive Investment Agreement art. 4(c) & n.2, Feb. 26, 2009, available at http://www.aseansec.org/20632.htm (“The [required] characteristics of an investment include the commitment of capital, the expectation of gain or profit, or the assumption of risk.”), and SCHREUER, supra note 23, at 128 (identifying five “typical characteristics of investments under the Convention”).

149. See SCHREUER, supra note 23, at 133 (“The First Edition of this Commentary cannot serve as authority for this development.”).

150. Id.
a showing of contribution to development needs "particular care."\(^{151}\) He has favored a liberal spirit in which an investor who contributes to development "enjoys the presumption of being an investment," but without automatically "exclud[ing] from the Convention's protection" "an activity that does not obviously contribute to economic development."\(^{152}\) And he has supported an expansive view of development, which embraces "development of human potential, political and social development and the protection of the local and the global environment."\(^{153}\)

Some tribunals have rejected Salini's development prong. One held that contribution to development is "implicitly covered" by any investment, rendering a separate prong unnecessary.\(^{154}\) Another rejected the contention that the ICSID Convention's preamble requires a development prong, holding that "economic development.... is an expected consequence, not a separate requirement, of the investment projects carried out by a number of investors in the aggregate."\(^{155}\)

A third tribunal found it "impossible to ascertain" whether an investment contributes to development, "the more so as there are highly diverging views on what constitutes 'development.'"\(^{156}\) It proposed focusing on contribution to the economy, rather than to development, and adopting the rebuttable presumption that investments so contribute.\(^{157}\) This approach is superior to Salini, helpfully moving from the vague and value-laden question of whether

\(^{151}\) Id. at 134.

\(^{152}\) Id.

\(^{153}\) Id.; accord Casado v. Republic of Chile, ICSID Case No. ARB/98/2, Award, ¶ 234 (May 8, 2008) ("The acquisition and expansion of the daily El Clarin, whose circulation was... the country's largest, undoubtedly contributed to economic, social and cultural development."); see also van Aaken & Lehmann, supra note 120, at 3 ("Economic growth alone is not enough. Rather, the economic, social, and environmental aspects of any action are interconnected and have to be viewed together.").

\(^{154}\) Fakes v. Republic of Turk., ICSID Case No. ARB/07/20, Award, ¶ 102 & n.65 (July 14, 2010) (quoting Consorzio Groupement L.E.S.I.—DIPENTAS v. People's Democratic Republic of Alg., ICSID Case No. ARB/03/08, Award, ¶ II.13(iv) (Jan. 10, 2005)).

\(^{155}\) Id. ¶ 111.

\(^{156}\) Phoenix Action, Ltd. v. Czech Republic, ICSID Case No. ARB/06/5, Award, ¶ 85 (Apr. 15, 2009). Brigitte Stern, the president of the Phoenix Action tribunal, later elaborated on this comment, asking rhetorically: "[I]s the creation of a big department store that lowers the prices for local consumers, but destroys the work of many small shops, an investment that fosters development?" Brigitte Stern, The Contours of the Notion of Protected Investment, 24 ICSID REV.—FOREIGN INV. L.J. 534, 543 (2009). Stern concluded that arbitrators are ill-equipped to answer such questions, which must instead be answered by states in formulating policies about the types of investments they wish to protect under BITs. Id. at 543–44.

\(^{157}\) Phoenix Action, ICSID Case No. ARB/06/5, Award, ¶¶ 85–86.
an investment aimed to “contribute to development” to the more readily ascertainable question of whether it aimed to “contribute to the economy.” It would be better still, however, to eliminate the development prong than to recast it in a way that continues to limit member state autonomy with an even weaker textual basis, while collapsing the complexity of development into a single criterion.

IV. APPLICATION OF SALINI’S DEVELOPMENT PRONG TO MICROINVESTMENT DISPUTES

A. Surveying the Landscape of Microinvestment Disputes

Salini’s impact on two recent microinvestment disputes—Mitchell v. Congo and Malaysian Historical Salvors v. Malaysia—is detailed below. First, however, this section will survey briefly the landscape of other (arguable) microinvestment disputes.

158. Compare the views of Devashish Krishan:

It is a stretch of human knowledge and reason to say that there must be an individual showing of contribution to economic development for transactions to be considered investments. Rather, [it should be assumed] that an economic transaction constituting an investment, by definition, contributed to economic development. . . . In order to reverse this assumption, one would need to adopt a fantastical theory that investment is not a driver and causative instrument of economic growth. . . . [I]t calls into question the competence of ICSID arbitrators—most of whom are lawyers, not economists—to make this critical determination.

Devashish Krishan, A Notion of ICSID Investment, 6 TRANSNAT’L DISP. MGMT., 2009, at 15–16. Krishan’s last point finds support in the often quite thin reasoning of tribunals applying the development prong. For example, a tribunal examining whether improvements to a hotel constituted an investment had only this to say: “As for the contribution to the development of the EGYPT’s development [sic], the importance of the tourism industry in the Egyptian economy makes it obvious.” Helnan Int’l Hotels A/S v. Arab Republic of Egypt, ICSID Case No. ARB/05/19, Decision on Objection to Jurisdiction, ¶ 77 (Oct. 17, 2006). Apparently the tribunal deemed worthy any contribution to the tourism sector because of Egypt’s existing success in that sector. Does this imply that contributions to less successful or even nonexistent sectors are unworthy? Surely not, for development often entails starting or radically improving industries to meet unmet needs. The reason given thus amounts to no reason at all.

159. See infra Parts IV.B–C.

160. In this section, I rely mainly on Susan Franck’s data set, cited (gratefully) with her permission. See Generation 1 Dataset and Related Materials, WASHINGTON & LEE UNIV. SCH. OF LAW, http://law.wlu.edu/faculty/page.asp?pageid=1185 (last visited Sept. 28, 2012). Franck coded awards in investment treaty arbitrations for, inter alia, the amount claimed, which is quite helpful for a survey of this nature. Nevertheless, the data has several germane limitations: Franck did not code for the value of the investment or the nature or size of the claimant, factors irrelevant to her research; she focused on cases brought under investment treaties, not on investment claims pursuant to contracts or statutes; only forty-four of the eighty-two cases (54 percent) in Franck’s
ICSID tribunals decided several microinvestment disputes before Salini. In these cases, the size of the investment did not figure prominently in the jurisdictional analysis.161 Maffezini v. Kingdom of Spain illustrates how adherence to a party-centric approach to Article 25 simplifies the jurisdictional analysis.162 In that case, Spain raised various jurisdictional objections. After noting that Maffezini's contributions to the Spanish company qualified as investments under the Argentina–Spain BIT, the tribunal commented simply, "These provisions complement and are consistent with the requirements of Article 25 of the Convention."163

Several microinvestment disputes have been brought to investor–state arbitration outside ICSID.164 These cases are not subject to Article 25, but this solution to the Salini problem is imperfect at best and may vanish altogether.165

data set "quantified an investor's claimed damages either fully or partially"; and the data ends with awards published before June 1, 2006, quite long ago by ICSID standards. Franck, supra note 24, at 17, 57.

161. See Gruslin v. Malaysia, ICSID Case No. ARB/99/3, Award (Nov. 27, 2000), 5 ICSID Rep. 484, 489–90 (2002) (holding, in a dispute claiming about half the value of an investment of $2.3 million, that jurisdiction was lacking because the claim fell outside the scope of Malaysia's consent); Tradex Hellas, S.A. v. Republic of Alb., ICSID Case No. ARB/94/2, Decision on Jurisdiction, ¶¶ 167, 178–80, 195 (Dec. 24, 1996), 5 ICSID Rep. 47 (2002) (holding, in a dispute arising from an investment valued at $2.2 million, that consent was not expressed validly in a BIT that had not yet entered into force, but was found instead in Albania's investment statute).


164. See Bogdanov v. Moldova, Award, ¶¶ 5.1(i), 5.2 (Arb. Inst. of the Stockholm Chamber of Comm. 2005) (awarding 310,000 Moldovan lei, approximately $24,600 per Franck's calculations, in principal damages, representing about half the value of the "transferred assets" in dispute); Link-Trading Joint Stock Co. v. Moldova, Final Award, ¶ 9, (UNCITRAL 2002) (involving a claim worth about $3,488,813.25 in Moldovan lei). ICSID was not available as a forum in these cases because Moldova did not become a member state until 2011. See INT’L CTR. FOR SETTLEMENT OF INV. DISPUTES, LIST OF CONTRACTING STATES AND OTHER SIGNATORIES OF THE CONVENTION, available at http://icsid.worldbank.org/ICSIDFrontServlet?requestType=ICSIDDocRH&actionVal=ContractingStates&ReqFrom=Main.

165. See infra note 292.
Last, in *Abaclat v. Argentina*, ICSID addressed a “mass claims” case that joined the claims of many microinvestors.\(^{166}\) Argentine government bonds had been sold widely to retail customers in Italy, with the result that Argentina owed “$13.5 billion owned by Italian [retail] bondholders (approximately 600,000 persons).”\(^{167}\) After Argentina defaulted on its sovereign debt in 2001, more than 180,000 of these retail bondholders, including many individuals, joined together in a single ICSID case.\(^ {168}\) Most of the claimants qualified individually as microinvestors, as the total debt amounted to only about $22,500 per bondholder. Yet, the claimants’ strategy of acting together in a mass claims proceeding plainly distinguishes *Abaclat* from a microinvestment dispute. Their strategy raises new questions about ICSID’s willingness and ability to decide mass claims. If successful in *Abaclat*, mass collaboration may help some future claimants manage certain difficulties that commonly trouble microinvestors (such as the cost of arbitration relative to the amount in dispute),\(^ {169}\) but mass claims will remain radically distinct from microinvestment disputes, and many microinvestors will continue to find themselves without the option of collaborating with masses of co-claimants.

**B. Mitchell v. Democratic Republic of the Congo**

Patrick Mitchell owned Mitchell & Associates, a small law firm in the Democratic Republic of the Congo (Congo). On March 5, 1999, Congolese authorities sealed the firm’s premises, seized documents and other items, and detained two attorneys. The premises remained sealed and the attorneys remained imprisoned for more than eight months.\(^ {170}\) With these actions, Congo effectively put Mitchell & Associates out of business.\(^ {171}\)

167. *Id.* ¶ 64.
168. *Id.* ¶¶ 1, 58. Withdrawals later reduced this number to sixty thousand claimants. *Id.* ¶¶ 294, 640.
169. *See infra* text accompanying notes 238–45.
170. Mitchell v. Democratic Republic of the Congo, ICSID Case No. ARB/99/7, Decision on Annulment, ¶ 1 (Nov. 1, 2006) (quoting Mitchell v. Democratic Republic of the Congo, ICSID Case No. ARB/99/7, Award, ¶ 23 (Feb. 9, 2004)). The Mitchell award has not been made public, so all references to it here rely on quotations found in the annulment decision.
171. Luke Peterson has reported some further details about Mitchell’s dispute with Congo. Apparently, Mitchell & Associates represented a Canadian mining company, Banro, in its own expropriation dispute with Congo. The Congolese authorities claimed that Mitchell’s firm was cooperating with rebels and charged the two detained attorneys with treason. Among the items seized was “a large sum of cash.” LUKE ERIC PETERSON, RESEARCH NOTE: EMERGING BILATERAL INVESTMENT TREATY ARBITRATION
Mitchell, a U.S. citizen, brought an ICSID claim under the BIT between the United States and Congo. The ICSID tribunal ruled that "Mitchell has been the victim of an expropriation" in violation of the BIT. It awarded him $750,000 plus interest. The tribunal also ordered Congo to pay $95,000 as a contribution to Mitchell's share of the tribunal's fees and costs.\(^{172}\)

Congo had objected to the tribunal's jurisdiction, arguing, inter alia, that Mitchell had not made an investment within the meaning of Article 25. The tribunal "received ample information" to determine whether Mitchell's activities in Congo qualified as an investment.\(^{173}\) The tribunal concluded that Mitchell

> transferred into Congo money and other assets which constituted the foundations for his professional activities, ... Together with the returns on the initial investments, which also qualify as investments ..., these activities and the economic value associated therewith qualify as an investment within the meaning of the BIT and the ICSID Convention.\(^{174}\)

The tribunal further considered that Mitchell's "movable property," his "right to 'know-how' and 'goodwill,'" and his "right to exercise [his] activities" in Congo all qualified as investment.\(^{175}\) The tribunal thus laid emphasis on the bits and pieces of Mitchell & Associates without adequate attention to the whole as a going concern. The fault is shared with the BIT itself: its definition of investment omits an express reference to any "enterprise," and although the tribunal could have construed the definition's broad, exemplary language to include

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171. See Mitchell, ICSID Case No. ARB/99/7, Decision on Annulment, ¶ 24 (quoting Mitchell, ICSID Case No. ARB/99/7, Award, ¶ 55).
172. Id. ¶ 5.
173. Id. ¶ 24 (quoting Mitchell, ICSID Case No. ARB/99/7, Award, ¶ 47).
174. Id. ¶ 24 (quoting Mitchell, ICSID Case No. ARB/99/7, Award, ¶ 55). The tribunal's jurisdictional analysis drew a dissent from one arbitrator. See Mitchell v. Democratic Republic of the Congo, ICSID Case No. ARB/99/7, Decision on the Stay of Enforcement of the Award, ¶¶ 12, 26 (Nov. 30, 2004), 20 ICSID Rev.—FOREIGN INV. L.J. 587 (2005) (discussing the relevance of the dissent to Congo's request for a stay of enforcement pending the decision on annulment).
an enterprise,\textsuperscript{176} the United States has achieved greater clarity in later treaties.\textsuperscript{177}

Congo also had argued that Mitchell's activities were not "a long-term operation," did not involve a "significant contribution of resources," and were "not of such importance for the State's economy that it distinguishes itself from an ordinary commercial transaction."\textsuperscript{178} The tribunal rejected these contentions, finding that, while many investments possess these attributes, they are not necessary to qualify as an investment. The tribunal declared that the ICSID Convention "equally include[s] . . . 'smaller investments' of shorter duration and with more limited benefit to the host State's economy. . . ."\textsuperscript{179}

Congo requested that an ad hoc committee annul the tribunal award, contending that the tribunal manifestly exceeded its powers and failed to provide reasons for its decision. Congo argued, inter alia, that the tribunal lacked jurisdiction over the matter because Mitchell had not made an investment within the meaning of Article 25. Congo won. The ad hoc committee negated Mitchell's award and ordered him to pay $100,000 as a contribution to Congo's share of the committee's fees and costs.\textsuperscript{180}

The committee relied on the Salini test for its analysis. To avoid the possibility that member states might sign an investment treaty that "arbitrarily" defined business activities as investments, the committee stressed that "the [ICSID] Convention has supremacy over . . . a BIT."\textsuperscript{181} The committee staked out this position even though it conceded that the relevant language in the US–Congo BIT was "altogether usual and in no way exorbitant."\textsuperscript{182} It held that Article 25 limits jurisdiction to investments with four interdependent characteristics, including "contribution to the economic development of the host country."\textsuperscript{183} It regarded the development prong as


\textsuperscript{177} See, e.g., Free Trade Agreement, U.S.-S. Kor., art. 11.28, June 30, 2007, available at http://www.ustr.gov/trade-agreements/free-trade-agreements/korus-fta/final-text (defining investment to include "an enterprise" and "shares, stock, and other forms of equity participation in an enterprise"). The agreement in turn defines an enterprise as "any entity constituted or organized under applicable law, . . . including any corporation, trust, partnership, sole proprietorship, joint venture, association, or similar organization." Id. art. 1.4.

\textsuperscript{178} Mitchell, ICSID Case No. ARB/99/7, Decision on Annulment, ¶ 23.

\textsuperscript{179} Id. ¶ 24 (quoting Mitchell, ICSID Case No. ARB/99/7, Award, ¶ 56).

\textsuperscript{180} Id. ¶ 67.

\textsuperscript{181} Id. ¶ 31.

\textsuperscript{182} Id. ¶ 32.

\textsuperscript{183} Id. ¶ 27.
“fundamental,” “essential,” and “unquestionable”—deeming it “doubtless covered” implicitly by ICSID decisions where it “had not been mentioned expressly.”

The committee stated that the mandatory contribution to economic development need not be “sizable or successful . . . . It suffices for the operation to contribute in one way or another to the economic development of the host State, and this concept of economic development is, in any event, extremely broad but also variable depending on the case.” Nevertheless, the committee was unable to accept that Mitchell’s small law firm made the kind of contribution to development it deemed necessary. It declared that the firm was not “readily recognizable” as an investment and was instead “a somewhat uncommon operation from the standpoint of the concept of investment,” noting this was the first ICSID case about a law firm. It considered irrelevant the “minimal” funds contributed by Mitchell to start and operate his firm. Thus, while the committee disclaimed any desire to discriminate against “smaller” investments, its whole analysis began from the premise that the law firm was not “readily recognizable” as an investment and that Mitchell’s financial contribution was “minimal.”

The committee also excluded the firm’s movable property, know-how, and goodwill from its analysis, deciding these only mattered if “the services of the ‘Mitchell & Associates’ firm . . . . constitute [an] investment within the meaning of the Convention and the [BIT].” The committee thus considered that the firm’s services had to make a contribution to development. The committee added that this requirement could only be satisfied if the firm “had concretely assisted [Congo], for example by providing it with legal services in a regular manner or by specifically bringing investors.”

The committee concluded that the tribunal had made a “particularly grave” error in failing to establish a link between the firm’s services and Congo’s development, because the absence of such a link “boils down to granting the qualification as investor to any . . .

184. Id. ¶¶ 30, 33.
185. Id. ¶ 33.
186. Id. ¶¶ 34, 39 (quoting Broches).
187. Id. ¶ 34. This argument is specious: ICSID cannot be expected to have addressed every single industry, and for each industry that ICSID has addressed, one case was the first to do so.
188. Id. ¶ 38.
189. Id. (emphasis added).
190. Id. ¶ 39.
191. Id. The committee conceded here that both parties had presented evidence showing that “some U.S. investors had indeed consulted the ‘Mitchell & Associates’ firm,” but it disregarded this evidence because the tribunal had not mentioned it (at least not with sufficient specificity). Id.
law firm established in a foreign country." But the committee failed to explain why every law firm should not qualify as an investment. Contrary to the committee's view, law firms do indeed share the characteristics typical of investment: they contribute assets for an indefinite duration and bear risk in the expectation of profit. They also hire and train employees, buy goods and services, pay taxes and fees, and otherwise generate economic activity. What they lack is physicality: the physical footprint is small, the equipment needed is small, bricks and mortar are largely absent. Most of the value of a law firm is invisible, lying in know-how and goodwill. This invisibility probably explains why the committee deemed that Mitchell's law firm was not "readily recognizable" as an investment. An investment in a small law firm, to be sure, does not look like an investment in a factory or power plant, but it is still an investment. The committee seems to have been deceived by appearances.

Size also played an explicit role in the committee's reasoning, as when it dismissed Mitchell's financial contribution as "minimal." This was a mistake. The committee should have recognized that law is not a capital-intensive industry. Small law firms may be started by "hanging a shingle" on leased office space with some furniture and basic office equipment. Even large law firms do not require overmuch capital, especially when compared with services such as telecommunications and transportation. This makes law firms small investments, but still investments. While the committee worried about drawing lines to avoid a rule allowing all law firms access to ICSID, it neglected to consider the costs of a rule excluding many law firms—and, apparently, also many accountants, architects, consultants, doctors, engineers, and other knowledge-intensive professional services. The committee's line-drawing led it to examine the recipients of the services provided by Mitchell & Associates. The committee should not have embarked on this path: a law firm's status as an investment does not change depending whether the firm counsels the government or private clients, domestic or foreign clients, few or many clients, investors or other clients. Nor should the committee have assumed that providing services to a government necessarily makes a greater contribution than does providing services to private persons. In the end, it is difficult to conceive that a larger investment—whether more physically visible or more capitally intense, which often go together, of course—would be subjected to the same misguided analysis about the nature of its customers.

The committee's analysis, moreover, discounted the value of legal know-how, disregarded the contributions that law firms make to economic growth (by, for example, drafting contracts and obtaining

192. Id. ¶ 40.
permits), and ignored the possibility that law firms contribute to the development of the rule of law, which both contributes to economic growth and ought to count inherently as a contribution to development properly understood. This failure is particularly notable here, as it has been reported that Congo moved against Mitchell & Associates in retaliation for the firm’s representation of a foreign investor in a separate dispute with the government; if true, this charge evidences the progress needed in Congo to develop the rule of law for the benefit of investors, the Congolese economy, and indeed Congolese society as a whole. Due to its cramped view of what contributes to development, the committee missed an opportunity to hold Congo accountable to the values of the international community.

C. Malaysian Historical Salvors v. Malaysia

In 1991, the government of Malaysia contracted with a marine salvage company, Malaysian Historical Salvors (Salvors), to find and salvage the cargo of a British ship that sank in the Strait of Malacca in 1817. The contract (as described by the tribunal, a sole arbitrator) required Salvors “to utilize its expertise, labour and equipment to carry out the salvage operation, and to invest and expend its own financial and other resources, and assume all risks of the salvage operation.” Salvors “finance[d] the salvage operation in its entirety.” Salvors acted on a “no finds-no pay” basis, under which it bore “all the costs” and “attendant risks” of the operation. It would “recover its expenditure and make a profit only if” it successfully salvaged and auctioned the ship’s cargo.

Salvors worked on this project for “almost four years,” recovering 24,000 items. Malaysia placed in its national museum some of the

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193. See Peter Egger & Hannes Winner, Does Contract Risk Impede Foreign Direct Investment?, 139 SWISS J. ECON. & STAT. 155, 156, 164 (2003) (arguing that the viability of contracts correlates with FDI inflows, even when accounting for other measures of the quality of legal institutions).

194. See, e.g., DAM, supra note 130, at 93–94 (discussing studies on the correlation between confidence in the judiciary and economic growth).

195. Contributing to the rule of law fits comfortably within Schreuer’s conception of development, which encompasses “development of human potential” and “political and social development.” SCHREUER, supra note 23, at 134.

196. See Peterson, supra note 170.

197. Malaysian Historical Salvors, Sdn., Bhd. v. Malaysia, ICSID Case No. ARB/05/10, Award on Jurisdiction, ¶ 7 (May 17, 2007).

198. Id. ¶ 8.

199. Id. ¶ 9.

200. Id. ¶ 10.

201. Id. ¶ 13.
salvaged goods. The rest were auctioned in 1995, earning almost $3 million. The contract provided for Malaysia to pay Salvors 70 percent of both the auction proceeds and “the best attainable value” for the items Malaysia kept, which Salvors valued at over $400,000. Salvors claimed that Malaysia paid it only $1.2 million, leaving about $1.2 million more in controversy.

In 2004, after some proceedings in other fora, Salvors filed an ICSID case under the Malaysia–UK BIT. Malaysia objected to jurisdiction on several grounds. The sheer number of jurisdictional papers in this small case, filed over the course of fifteen months, is striking: correspondence, memorials, post-hearing submissions, two rounds of additional comments, and still more “gratuitous submissions.” Salvors litigated at ICSID for nearly five years—from filing its initial claim in May 2004 through an annulment decision in April 2009—solely on jurisdiction.

Malaysia objected, inter alia, that the contract in dispute was merely a “service contract,” not an “investment contract.” Although its first memorial on jurisdiction did not mention Salini, or otherwise argue that Salvors failed to contribute to development, this came to be the decisive issue in the case. And Salvors’s small size figured prominently in the analysis.

The tribunal identified “seven decided cases of importance” on the definition of investment in Article 25, in a line from Salini as “the starting point” to Mitchell. Before discussing these cases, it first

203. Salvors, ICSID Case No. ARB/05/10, Award on Jurisdiction, ¶¶ 11–14.
204. Id. ¶ 13–14.
205. Id. ¶¶ 15–18. Salvors was incorporated in Malaysia. Id. ¶ 2. Oddly, the tribunal never explained the basis of Salvors’s claim to British nationality under the BIT. The claim was presumably based on British ownership, something Malaysia contended arose too late for jurisdictional purposes under the BIT, an issue the tribunal did not decide. Id. ¶¶ 41.1, 148–49; Malaysian Historical Salvors, Sdn., Bhd. v. Malaysia, ICSID Case No. ARB/05/10, Respondent’s Memorial on Objections to Jurisdiction, ¶¶ 87–88, 107 (Mar. 11, 2006) (discussing the various intergovernmental agreements that may have applied to the claimant). In a wonderful example of transparency, the parties consented to ICSID publishing their jurisdictional arguments. See Case Details: Pleadings, INT’L CTR. FOR SETTLEMENT OF INV. DISPUTES, http://icsid.worldbank.org/ICSID/ FrontServlet?requestType=CasesRH& actionVal=View Pleadings (last visited Oct. 9, 2012).
206. See Salvors, ICSID Case No. ARB/05/10, Award on Jurisdiction, ¶¶ 29–37, 50–52 (May 17, 2007) (detailing the filings made). All this does not even include the claimant’s preregistration correspondence with ICSID, the jurisdictional hearing in Frankfurt, and the entire annulment proceeding.
207. Salvors, ICSID Case No. ARB/05/10, Respondent’s Memorial on Objections to Jurisdiction, ¶ 108(c); accord Salvors, ICSID Case No. ARB/05/10, Award on Jurisdiction, ¶ 41.3.
208. Salvors, ICSID Case No. ARB/05/10, Award on Jurisdiction, ¶¶ 47, 66–68.
209. Id. ¶ 56, 74.
explained why it found certain other cases "not... of significant assistance... in the present circumstances." Tellingly, the tribunal distinguished one case that had held that a capital contribution is an investment on the ground that the contribution in that case involved "substantial amounts" of capital, when "the Tribunal is not satisfied that the amount invested by [Salvors] could be described as 'substantial amounts.'"

The tribunal reviewed the "seven decided cases of importance," discern[ing] a broad trend which emerges from ICSID jurisprudence on the 'investment' requirement." In short, the tribunal applied the four Salini criteria. Here again, size drove the analysis.

First, although Malaysia conceded that Salvors "made contributions in money, in kind and in industry," the tribunal nevertheless deemed it noteworthy that "the size of the contributions were in no way comparable to those found in Salini" and other cases. It repeatedly noted that Salvors's contribution was smaller than the bank guarantee found not to be an investment in Joy Mining v. Egypt.

Second, concern for size manifested itself again in the tribunal's analysis of the development prong, which had "considerable, even decisive, importance." The tribunal held that a contribution to development does not suffice unless the contribution is "significant." The requirement of significance" is needed, the tribunal warned, lest any contribution, "however small," qualify. Following Mitchell, the tribunal commented that the salvage contract "is not a 'readily recognizable' 'investment.'" It accepted that

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210. Id. ¶ 57.
211. Id. ¶ 63 (distinguishing Alcoa Minerals of Jamaica, Inc. v. Jamaica, ICSID Case No. ARB/74/2).
212. Id. ¶¶ 56, 104.
213. Preferring a "Newtonian rather than a Cartesian approach (i.e. moving from the particular to the general rather than vice versa)," id. ¶ 106, the tribunal never quite articulated a clear test and reserved some flexibility in application, id. ¶ 106(e), but its analysis tracked the four prongs of Salini, id. ¶¶ 107–46. The tribunal considered a possible fifth prong accepted by some post-Salini tribunals (regularity of profits), but concluded it was not apt in the particular circumstances of this case. Id. ¶ 108.
214. Id. ¶ 109.
215. Id. ¶¶ 109, 123, 134 n.19, 143 n.21.
216. Id. ¶ 123; see also id. ¶¶ 112, 130 (explaining the importance of contribution to development for its analysis).
217. Id. ¶ 123.
218. Id.
219. Id. ¶¶ 126–30. The tribunal also followed Mitchell in deeming meaningful the fact that Salvors was the first claimant in the marine salvage industry. Id.; see supra note 187 (discussing Mitchell's point about the claimant being the first in its industry).
Salvors provided "gainful employment" to Malaysians, "cultural and historical benefits" for Malaysia, and "direct financial benefits" to the treasury through the auction proceeds—but it found these benefits were not "material," were not of sufficient "quality or quantity," and were ordinary benefits of a kind resulting from "any normal service contract." In the end, the tribunal appears to have concluded that a "significant contribution" is only made where the investor produced a "lasting" economic benefit for the host state, typically in the form of "infrastructure."

Finally, the tribunal exported its development conclusion into its analysis of the duration of Salvors’s activities in Malaysia. It noted that Salini had discussed a minimum time of two to five years, which Salvors’s four-year effort satisfied "in a quantitative sense," but only because of the "fortuity" that Salvors was unable to find and salvage the wreck in eighteen months as originally contemplated. Then, it held that duration also has a "qualitative sense," which is tied to contribution to development, so a claimant failing the development prong fails the duration prong as well.

Despite all this emphasis on size, the tribunal disclaimed that size was determinative: "It should not be thought that investments of relatively small cash sums can never amount to an 'investment.'" However, the next sentence suggested that all this means is that some large investments take forms other than cash (e.g., intellectual property). It is difficult to conceive of any small investment capable of satisfying the tribunal's test of a lasting, significant contribution to infrastructure.

The tribunal accordingly dismissed the case for lack of jurisdiction. This decision rested solely on the meaning of investment in Article 25, as the tribunal declined to decide any other issue, including whether Salvors had made an investment under the definition in the BIT.

Salvors requested annulment of the award. It won. The ad hoc committee, split two to one, annulled the award on the ground that the tribunal had manifestly exceeded its powers by failing to exercise its properly invoked jurisdiction. The committee faulted the

220. Salvors, ICSID Case No. ARB/05/10, Award on Jurisdiction, ¶¶ 131–32, 144.
221. See id. ¶¶ 143–44 ("The benefit [of Salvors's project] was not lasting, in the sense envisaged in the public infrastructure or banking infrastructure projects.").
222. Id. ¶ 110.
223. Id. ¶¶ 110–11.
224. Id. ¶ 139.
225. Id.
226. Id. ¶¶ 146–49.
tribunal for "exclud[ing] small contributions" from ICSID's ambit and adopting a construction at odds with "the decision of the drafters of the ICSID Convention to reject a monetary floor in the amount of an investment."228 Evidencing its commitment to ICSID access for small claims, the committee ordered Malaysia to bear the full costs of the annulment procedure (but not Salvors's attorney fees), declaring:

[I]t was not the intent of the drafters of the ICSID Convention to exclude claimants advancing claims of minor financial dimension. If such claimants are left to pay not only the costs of their legal representation but half of the ICSID costs as well, the practical result could be to discourage if not debar small claims.229

A few words of elaboration about the committee's analysis are needed. The committee considered that the ordinary meaning of investment is "the commitment of money or other assets for the purpose of providing a return" and found no reason to deviate from that meaning in Article 25.230 The committee emphasized the definition in the BIT, apparently accepting the view that member states have unbridled freedom to define investment as they wish when consenting to ICSID jurisdiction.231 Given the importance of the

228. Id. ¶ 80(b)-(c).
229. Id. ¶ 82.
230. Id. ¶ 57. Among the reasons I believe that member-state discretion must be bounded by good faith is the statement in the Executive Directors' Report that jurisdiction is limited by the "nature of the dispute." See Executive Directors' Report, supra note 34, ¶ 25. The committee appears to have conceded that this language places one restriction on member-state discretion: "investment' does not mean 'sale." Salvors, ICSID Case No. ARB/05/10, Decision on the Application for Annulment, ¶ 72.

231. The committee argued:

It cannot be accepted that the Governments of Malaysia and the United Kingdom concluded a treaty providing for arbitration of disputes arising under it in respect of investments so comprehensively described, with the intention that the only arbitral recourse provided... could be rendered nugatory by a restrictive definition of a deliberately undefined term of the ICSID Convention....

...[T]reaties... today are the engine of ICSID's effective jurisdiction. To ignore or depreciate the importance of the jurisdiction they bestow upon ICSID, and rather to embroider upon questionable interpretations of the term "investment" as found in Article 25(1) of the Convention, risks crippling the institution.

Salvors, ICSID Case No. ARB/05/10, Decision on the Application for Annulment, ¶ 62, ¶ 73. The interpretative significance given here to the wave of investment treaties may be seen as a procedural extension of the views of the committee's president, Judge Schwebel, about the import of those treaties in generating substantive customary law on the treatment of investments. See Stephen M. Schwebel, The Influence of Bilateral Investment Treaties on Customary International Law, 98 PROC. AM. SOC'Y INT'L L. 27 (2004) (arguing that BITs have reshaped custom on protection of foreign investment).
BIT to the committee’s analysis, it found that the tribunal had committed a “gross error” by failing to consider and apply the BIT’s definition of investment.\textsuperscript{232} Finally, where the tribunal (like in \textit{Mitchell Annulment}) seems to have been driven by a quest for line-drawing to limit access to ICSID, the committee tilted the other way: it favored access to ICSID for all investments, however defined in the BIT, regardless of size, and particularly where ICSID is the only forum specified in the BIT.\textsuperscript{233}

The dissent made an impassioned case for requiring a contribution to development as a jurisdictional condition. In the dissent’s view, this requirement is what “separate[s] an ICSID investment from any other kind of investment” and “ICSID arbitration...from any other kind of arbitration.”\textsuperscript{234} The dissent further insisted that the contribution to development must be significant, contending that in the absence of an express textual command to include “minor but negligible matters” within the scope of investment, basic principles of international law mandate the requirement of significance.\textsuperscript{235} Without this requirement, the dissent warned, ICSID would protect even “an entity which is systematically earning its wealth at the expense of the development of the host State.”\textsuperscript{236} Accordingly, the dissent proclaimed, “ICSID would seem to have lost its way: it is time to call back the organization to its original mission.”\textsuperscript{237}

V. A MICROINVESTMENT CRITIQUE

As illustrated by the opinions in \textit{Mitchell Annulment} and \textit{Salvors Award}, one risk posed by \textit{Salini}’s contribution-to-development test—

\textsuperscript{232} \textit{Salvors}, ICSID Case No. ARB/05/10, Decision on the Application for Annulment, ¶ 74.

\textsuperscript{233} See, e.g., id. ¶¶ 62, 82 (expressing concern for assuring “international recourse” for small investors and reducing Salvors’s share of the costs to facilitate such recourse).

\textsuperscript{234} Malaysian Historical Salvors, Sdn. Bhd. v. Malaysia, ICSID Case No. ARB/05/10, Dissenting Opinion of Judge Mohamed Shahabudeen, ¶ 30 (Feb. 19, 2009). The dissent used the phrase “an ICSID investment” twenty-eight times, id. ¶¶ 62, 82 (expressing concern for assuring “international recourse” for small investors and reducing Salvors’s share of the costs to facilitate such recourse). The dissent used the phrase “an ICSID investment” twenty-eight times, id. ¶ 32 (“[A]n ICSID investment [i]s a special kind of investment.”). The dissent appears to have contrasted “an ICSID investment” with “purely commercial enterprises,” contending that the former “might indeed be made in favour of private entities but not for their own enrichment exclusively....” Id. ¶¶ 17, 22.

\textsuperscript{235} See id. ¶¶ 34–36 (mentioning de minimis, good faith, \textit{ex re sed non ex nomine}, proportionality, and abuse of rights).

\textsuperscript{236} Id. ¶ 22.

\textsuperscript{237} Id.
especially in its "substantial contribution" variant—is that it may devolve into a backdoor mechanism for screening out microinvestments. The Convention does not impose a minimum size requirement, and tribunals ought not invent one. As the Fakes v. Republic of Turkey tribunal stated, "[S]mall investments are covered by the ICSID Convention in the same way as large investments. An investment can be large or small . . . ." 238

In a worst-case scenario, a ruling that a microinvestment is not an investment under Article 25 can deprive the claimant of any international forum to hear the claim. For example, had the Salvors Award not been annulled, the claimant would have been left without another forum because the Malaysia–UK BIT makes ICSID the sole forum for dispute settlement, 239 as do a number of other BITs. 240

238. Fakes v. Republic of Turk., ICSID Case No. ARB/07/20, Award, ¶ 112 n.73 (July 14, 2010).


By contrast, the BIT at issue in Mitchell afforded an alternative known as the ICSID Additional Facility. See U.S.–Congo BIT, supra note 176, art. VII(2)(b). The Additional Facility may decide "legal disputes which are not within the jurisdiction of the Centre because they do not arise directly out of an investment." Int’l Ctr. for Settlem. of Inv. Disputes, Additional Facility Rules, art. 2(b) (2006), available at https://icsid.worldbank.org/ICSID/StaticFiles/facility/AFR_English-final.pdf. However, access to the Additional Facility is conditioned on receiving the secretary-general’s approval, which she can give "only if [s]he is satisfied . . . that the underlying transaction has features which distinguish it from an ordinary commercial transaction." Id. art. 4(3)(b). Moreover, Additional Facility arbitration is "outside the jurisdiction of the Centre," so "none of the provisions of the Convention" apply, including the Convention’s special provisions on enforceability of awards. Id. art. 3; see also Schreuer, supra note 23, at 27, 141–43, 1120–23 (discussing the Additional Facility); sources cited supra note 40 (discussing enforcement).

Where no international forum is available, domestic court litigation may be an option, but courts may not enforce treaty rights, may be bound by domestic rules (such as the later-in-time rule in the United States) that restrict treaty-based challenges to domestic legislation, may otherwise defer to domestic actions, and may even themselves deny justice to foreign litigants. See generally Louis Henkin, Foreign Affairs and the United States Constitution 141–48, 198–211 (Oxford Univ. Press, 2d ed. 1996) (1990) (discussing various limitations on the enforcement of treaties by U.S. courts); Jan Paulsson, Denial of Justice in International Law (2005). In any of these scenarios, a foreign investor may find itself forced to exhaust remedies in the national courts and then attempt to persuade its home state to espouse its claim—exactly the antiquated process ICSID is meant to replace.

240. Although I am not aware of any statistics on point, the following examples suffice to show that the Malaysia–UK BIT is not alone among BITs in designating ICSID as the sole forum for dispute settlement: Albania–UK, Gambia–Netherlands, Germany–Swaziland, Guyana–UK, Netherlands–Yemen, and U.S.–Morocco. Agreement on Encouragement and Reciprocal Protection of Investments, Gam.-Neth., art. 9, Sept. 25, 2002, 67 (2002) NR. 1; Agreement for the Promotion and Protection of Investments, Alb.-U.K., art. 8, Mar. 30, 1994, U.K.T.S. No. 17 (1996); Treaty Concerning the Encouragement and Reciprocal Protection of Investments, Ger.-Swaz., art. 11(2), Apr. 5, 1990, BGBl. II at 967; Agreement for the Promotion and Protection
Even with the annulment in *Salvors*, it should be seen that the development prong imposed costs, risks, and delay on the claimant. These burdens are much plainer, of course, in *Mitchell*, where the ad hoc committee annulled the claimant's award and went so far as to order him to pay Congo $100,000.241 Burdens like this may dissuade microinvestors from filing meritorious claims242 because they are inherently challenged to afford investment arbitration, and each incremental cost further tilts the field against them.243 These

of Investments, Guy.-U.K., art. 8(I), Oct. 27, 1989, U.K.T.S. No. 47 (1990); Treaty Concerning the Encouragement and Reciprocal Protection of Investments, U.S.-Morocco, art. VI(3), July 22, 1985, 1985 U.S.T. 222; Agreement on Encouragement and Reciprocal Protection of Investments, Neth.-Yemen, art. 9, Mar. 18, 1985, 9 (1986) Nr. 1. Likewise, in SGS Société Générale de Surveillance S.A. v. Islamic Republic of Pak., ICSID Case No. ARB/01/13, Decision on Jurisdiction, ¶ 151 (Aug. 6, 2003), 18 ICSID Rev. 307, the tribunal noted, "It is important in this connection to observe that Article 9(2) of the [Swiss-Pakistan] BIT provides only one recourse to an investor, that is, recourse to a tribunal constituted under the ICSID Convention." In the 1990s, the French Model BIT (Article 8) provided for ICSID only; the British and German Model BITs (Articles 8 and 11, respectively) preferred ICSID only, while including alternative language that allowed investors other choices as well; and the Chilean and Portuguese Model BITs (Articles 8 and 9, respectively) provided for only ICSID or local courts. See U.N. CONFERENCE ON TRADE AND DEV., BILATERAL INVESTMENT TREATIES IN THE MID-1990S, Annex II (1998) (collecting Model BITs). The newer BITs I have seen tend to provide arbitral options other than ICSID, but this does not change the fact that the ICSID-only BITs remain in effect (and are likely to do so for the foreseeable future).


242. Even in a NAFTA case where a majority of the tribunal ordered the unsuccessful claimant to pay 75 percent of both tribunal costs and Mexico's attorney fees, the tribunal acknowledged that its "loser pays" approach ought not apply "in the case of an investor with limited financial resources where considerations of access to justice may play a role." *Int'l Thunderbird Gaming Corp. v. United Mexican States*, Arbitral Award, ¶¶ 214, 220–21 (UNCITRAL 2006). Thomas Wälde dissented from the order of costs, stressing that it "makes recourse to independent justice for smaller companies prohibitive." *Int'l Thunderbird Gaming Corp. v. United Mexican States*, Separate Opinion of Thomas Wälde, ¶ 142 (UNCITRAL 2005). Compare, in the different context of the "American rule" disfavoring the shifting of attorney fees in U.S. civil litigation, Fleischmann Distilling Corp. v. Maier Brewing Co., 386 U.S. 714, 718 (1967) ("Since litigation is at best uncertain, one should not be penalized for merely defending or prosecuting a lawsuit, and... the poor might be unjustly discouraged from instituting actions to vindicate their rights if the penalty for losing included the fees of their opponents' counsel.").

In this regard, Stephan Schill has argued that tribunals in investment arbitration generally should (and generally do) engage in one-way cost-shifting in favor of successful claimants, but not against unsuccessful claimants, in order to adequately incentivize the prosecution of claims. Stephan W. Schill, *Arbitration Risk and Effective Compliance*, 7 J. WORLD INVESTMENT & TRADE 653, 655 (2006). Microinvestors present a compelling instance for Schill's thesis: having lost their business, they are especially vulnerable to the additional risk of adverse cost-shifting and they may need the prospect of favorable cost-shifting to afford to pursue a winning claim.

243. Susan Franck has mined her data set for information about the costs of arbitral tribunals and attorney fees in investment treaty arbitration. See Franck, supra note 24, at 69 (considering a total of 102 awards). She found eleven awards where
burdens also pressure microinvestors to settle on unfavorable terms. The development prong presses a finger on the scale against access to the ICSID system, and it weighs particularly heavily against claims by microinvestors—indeed, it may not carry any force at all in cases regarding larger investments, given the conclusory assertions and weak analyses often found in such cases.

Id. She also found seventeen awards quantifying tribunal costs, with an average of $581,333. Id. These prices are obviously problematic for microinvestment disputes. In another article, Franck surveyed the literature about the cost of investment arbitration. See Susan D. Franck, Rationalizing Costs in Investment Treaty Arbitration, 88 WASH. U. L. REV. 769, 811–13 (2011). She concluded that the costs are “not necessarily exorbitant,” but “may prove troubling” nonetheless:

[W]here attorney’s fees and tribunal costs exceed the possible damages (i.e., for smaller investments), those fiscal costs may deter investors with legitimate claims of international law violations from arbitrating their claims. . . . Cost decisions can be critical to assessing the utility of arbitration and its efficacy in promoting access to justice and the rule of law.

Id. at 812–13. Others have made similar observations:

There is growing—albeit largely anecdotal—evidence that . . . the high costs of arbitration and the exclusivity of legal expertise in the field prevent SMEs from accessing investor-state arbitration as readily as do larger enterprises. . . . With less of a financial cushion, SMEs confronted with an investment dispute are arguably less able to bear the costs of investor-arbitration.


Franck revealed that settlement rates are quite low (7 percent) in her data set. Franck, supra note 24, at 74. Based on my own experiences in and observations of disputes, I would join Franck’s hypothesis that the rates are so low because the novelty of the field introduces many uncertainties that inhibit claimants and respondents from coming to a shared understanding about the appropriate value, and thus would predict that—if the jurisprudence of investor-state arbitration stabilizes as it grows—settlements should become more prevalent. This prediction is consistent with Franck’s observation that all three cases in her data set that resulted in an award confirming a settlement first had “a critical decision by the arbitral tribunal” that removed important elements of uncertainty from these disputes. Id. at 72.

Id. at 119–21 (May 17, 2007) (noting that, “[i]n this Tribunal’s view, the main reason why the PSEG tribunal did not discuss the Salini
The development prong may hinder access to ICSID arbitration in another way as well. While trends in investor–state arbitration appear to favor contingency-fee arrangements or third-party funding,247 these arrangements may be inhibited by the increased risk of jurisdictional defeat248 and the greater costs that must be incurred to minimize that risk.249 This concern ought not be overstated, however, as microinvestor claimants inherently face significant obstacles to obtaining financial support because their expected recovery is limited.250

criteria was because the investment in question was a "readily recognizable investment," where claimant had an $800 million contract to build a power plant).

246. See, e.g., supra text accompanying note 158 (discussing Helnan).

247. For claims by knowledgeable insiders about this trend, see, for example, Mark Kantor, Third-Party Funding in International Arbitration: An Essay About New Developments, 24 ICSID REV. 65, 76 (2009) ("Notwithstanding the legal uncertainties created by the differing cultural and legal reactions to third-party funding among countries, the practice is flourishing."). For anecdotal evidence of this trend, see S&T Oil Equip. & Mach., Ltd. v. Juridica Inv. Ltd., 456 F. App'x 481, 482–83 (5th Cir. 2012) (affirming lower court's refusal to stop a contractual arbitration in Guernsey between a U.S. company that had abandoned an ICSID claim against Romania and its third-party funder); RSM Prod. Corp. v. Grenada, ICSID Case No. ARB/05/14, Order Discontinuing the Proceeding and Decision on Costs, ¶¶ 68–69 (Apr. 28, 2011) (ordering RSM to pay Grenada's legal fees when RSM abandoned its claim, notwithstanding RSM's allegations that Grenada's legal fees were paid by a third-party funder); ICSID LAWYERS, www.icsidlawyers.com (last visited Sept. 28, 2012) ("If we determine your [investment arbitration] claim is meritorious, various legal fee payment types are possible, including contingency fee agreement (where we find funding on your behalf to advance your claim).").

248. By way of comparison, no less an observer of U.S. civil litigation than Arthur Miller has predicted that recent decisions heightening the standards to commence litigation in the federal courts will cause lawyers to take fewer cases on a contingency fee basis, making it harder for plaintiffs to find representation and thus leaving more meritorious claims uncompensated. Arthur R. Miller, From Conley to Twombly to Iqbal: A Double Play on the Federal Rules of Civil Procedure, 60 DUKE L.J. 1, 66–68 (2010).

249. Continuing with the analogy to U.S. pleadings standards, one survey of approximately two hundred employment lawyers who had filed a federal complaint since the standards began to change in Bell Atlantic Corp. v. Twombly, 550 U.S. 544 (2007), found that 94 percent alleged more facts in their complaints and 75 percent had to respond to motions to dismiss more often. EMERY G. LEE III & THOMAS E. WILLING, FED. JUDICIAL CTR., ATTORNEY SATISFACTION WITH THE FEDERAL RULES OF CIVIL PROCEDURE: REPORT TO THE JUDICIAL CONFERENCE ADVISORY COMMITTEE ON CIVIL RULES 5, 11–12 (2010), available at www.fjc.gov/public/pdf.nsf/lookup/costciv2.pdf/$file/costciv2.pdf.

250. One third-party funder, which is known to have funded at least one ICSID case, announced that it "focuses exclusively on [cases] where the amount in dispute exceeds US$25,000,000." About Juridica: Investment Policy, JURIDICA INV. LTD., http://www.juridicainvestments.com/about-juridica/investment-policy.aspx (last visited Sept. 28, 2012). The cost of due diligence in deciding which cases to fund may make investments in small cases cost-prohibitive. See Anthony Charlton, Kicking (All) the Tyres, KLUWER ARBITRATION BLOG (Dec. 2, 2010), http://kluwerarbitrationblog.com/blog/2010/12/02/kicking-all-the-tyres/ ("From anecdotal evidence, funders will, on average, depending on the size of the claim, invest anywhere between US$100,000 to
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Salini's development prong may push some microinvestment claims outside ICSID into other arbitral fora, depriving microinvestors of a choice available to larger claimants. From a claimant's perspective, alternative tribunals may be inferior to ICSID, especially when it comes to the enforceability of awards and a recent case outside ICSID suggests the possibility that a Salini-like analysis may close access to other tribunals as well. Moreover,

US$1 million on due diligence, covering both legal and quantum issues.

Likewise, a survey of U.S. civil litigators found that "[a]lmost 90% of plaintiffs' lawyers" in the survey, 74 percent of whom rely on contingency fees as their "usual arrangement" with clients, "agree that their firm, in general, will turn down a case if it is not cost-effective to handle it"; this figure was significantly higher than the comparable number for defense counsel (76 percent), who almost never use contingency fees as their usual arrangement (0.1 percent). ABA SECTION OF LITIG., MEMBER SURVEY ON CIVIL PRACTICE: FULL REPORT 172–76 (2009), available at http://www.abanet.org/litigation/survey/1209-report.html.

251. See supra text accompanying note 40 (comparing enforceability provisions of the New York and ICSID Conventions). It is possible that the greater automaticity of ICSID awards, which a textual comparison of the two Conventions suggests, may prove less meaningful in actual practice. See Edward Baldwin et al., Limits to Enforcement of ICSID Awards, 23 J. INT'L ARB. 1 (2006) (arguing that enforcement of ICSID awards is less automatic than often believed); Gaëtan Verhoosel, Annulment and Enforcement Review of Treaty Awards: To ICSID or Not To ICSID, 23 ICSID REV, 119, 146–47 (2008) (concluding that enforcement of ICSID awards is "undeniably pretty good," while enforcement of non-ICSID awards is "not so bad at all"). In my view, it is too soon to reach an empirical conclusion on the comparative enforceability of investment arbitration awards, especially as enforceability is presently confronting its greatest test yet. See, e.g., Argentina v. BG Group PLC, 665 F.3d 1363, 1373 (D.C. Cir. 2012) (vacating a non-ICSID award because claimant had not litigated in Argentine courts for eighteen months before commencing arbitration, as specified in the Argentina–UK BIT); Proclamation No. 8788, 77 Fed. Reg. 18,899, ¶ 2 (Mar. 26, 2012) (imposing trade sanctions because Argentina "has not acted in good faith in enforcing [ICSID] arbitral awards in favor of United States citizens").

252. Romak, a Swiss company, brought a BIT claim against Uzbekistan seeking payment of a commercial arbitral award arising out of an unpaid sale of wheat. Romak S.A. v. Republic of Uzb., Case No. AA280, Award, ¶¶ 7, 13 (Perm. Ct. Arb. 2009). Uzbekistan objected to the tribunal's jurisdiction, arguing that Romak had not made an investment in Uzbekistan. Id. ¶ 97. The BIT defined investments to "include every kind of assets," followed by an exemplary list that included "claims to money." Id. Romak advocated a literal construction of this definition, arguing that its rights to payment under the wheat contract and the arbitral award qualified as investments under the BIT. Id. ¶ 101. The tribunal rejected this argument, reasoning that the BIT allowed investors to choose ICSID, that the language granting that choice would be rendered useless if investment in the BIT were given a wider scope than ICSID permits, and that investment in the BIT should be given the same construction, regardless whether claimant chose ICSID or UNCITRAL arbitration. Id. ¶¶ 192–95. After discussing Salini and its progeny, id. ¶¶ 196–205, the tribunal decided that the word investments in the BIT has "an inherent meaning" or "plain meaning" that corresponds with the first three prongs of Salini. Id. ¶¶ 207–08. The tribunal was "further comforted . . . by the reasoning adopted by other arbitral tribunals," including Salini. Id. ¶ 207. The tribunal then applied its three-part definition of investments, concluding that Romak did not satisfy any of the three parts. Id. ¶¶ 209–43. The
from a public perspective, proceedings before alternative tribunals are generally less transparent than ICSID and less open to public participation as amici.\textsuperscript{253}

Inhibiting microinvestors’ access to ICSID is particularly unfortunate because they may have the most need for treaty-based protection.\textsuperscript{254} While large businesses sometimes enjoy sufficient leverage to secure contractual commitments to international arbitration,\textsuperscript{255} small businesses are typically less able to protect themselves politically in the host state or to secure diplomatic protection from their home state.\textsuperscript{256} And small businesses are more affected by weaknesses in legal systems,\textsuperscript{257} especially in countries

\begin{footnotesize}
\begin{enumerate}
\item See ICSID R. P. FOR ARB. PROCEEDINGS 32(2), 37(2), 48(4) (addressing public access to hearings, amicus briefs, and publication of summaries of awards); SCHRUEER, supra note 23, at 697–707 (discussing confidentiality and transparency). NAFTA cases outside ICSID have been a notable exception, as the NAFTA parties have been important proponents of transparency in investment arbitration. See NAFTA Free Trade Comm’n, Statement of Interpretation, pt. A (July 31, 2001) (addressing public access to documents about NAFTA arbitration); NAFTA Free Trade Comm’n, Statement on Non-Disputing Party Participation, 44 I.L.M. 796 (2005) (addressing amicus participation in NAFTA arbitration).
\item See U.N. CONFERENCE ON TRADE AND DEV., THE ROLE OF INTERNATIONAL INVESTMENT AGREEMENTS IN ATTRACTING FOREIGN DIRECT INVESTMENT TO DEVELOPING COUNTRIES 34 (2009), available at www.unctad.org/en/docs/diaeia20095_en.pdf (“BITs may matter as a special protection for small and medium-sized enterprises . . .”); id. at 52 (“There is anecdotal evidence from a number of home countries that SMEs are particularly interested in BITs.”).
\item As Caplan wrote:
\begin{quote}
While larger enterprises sometimes pursue arbitration, they may feel, as a general matter, that it is less necessary or even desirous to do so. Their stronger economic and political influence may bring host state governments to the negotiating table more readily and with better settlement terms. . . . Because larger enterprises are typically more financially resilient than SMEs, they are likely to be in a better position to pursue a broader dispute settlement strategy that is less reliant on investor-state arbitration.
\end{quote}

Caplan, supra note 243, at 302; see also id. at 301 n.20 (“The small or medium investor would rarely carry the weight to cause the scales to tip in its favor.” (quoting Nigel Blackaby, Public Interest and Investment Treaty Arbitration, 1 TRANSNAT’L DISP. MGMT., 2004)).
\item An economic analysis of “over 4,000 firms in 54 countries” concluded:
\end{enumerate}
\end{footnotesize}
MICROINVESTMENT DISPUTES 

with comparatively weak legal systems. ICSID ought not adopt a jurisdictional requirement that impedes access for the very claimants most in need of effective, neutral dispute settlement. Such impediments effectively hang an “unwelcome” sign on ICSID’s door, which may in turn diminish support for investment arbitration among small enterprises, an essential business constituency.

Depriving microinvestments of adequate access is also inconsistent with ICSID’s foundational syllogism: the availability of effective, neutral tribunals promotes investment flows and, therefore, promotes development. While the costs of losing any one microinvestment are small (by definition), what is vital from the developmental perspective is the cumulative impact of many microinvestments. Collectively, the economic power of smaller enterprises is awesome: “[E]stablishments that employ less than 100 people have the largest employment shares, ranging from 40% in upper-middle income countries to 57.6% in low income countries.”

The predicted effect of the summary legal obstacle on annual firm growth is 2.8% for large firms, whereas it is 5.7% for medium firms and 8.5% for small firms. These results indicate that large firms are able to adjust to the inefficiencies of the legal system. However, the same does not seem to be the case for small and medium enterprises, which end up paying for the legal systems’ shortcomings in terms of slower growth.


258. The same analysis also observed:

The results indicate that firms in financially and legally developed countries with lower levels of corruption are less affected by firm-level obstacles. Taking into account firm size reinforces the results. Marginal improvements in legal efficiency translate into a relaxing of legal constraints for small and medium-sized firms (albeit significant at the 10% level).

Id. at 162–66.

259. I thank Luke Nottage for this observation.

260. To similar effect, Thomas Wälde dissented from Thunderbird’s order of costs against an unsuccessful claimant on the ground that raising barriers to arbitration for smaller companies “undermines the very purpose of [investment] treaties” by “leaving out entrepreneurs with initiative, willingness to take .. risk.” Int’l Thunderbird Gaming Corp. v. United Mexican States, Separate Opinion of Thomas Wälde, ¶ 142 (UNCITRAL 2005); see also id. ¶¶ 5, 86, 140 (stressing the importance of making investment arbitration accessible to smaller, entrepreneurial investors).

261. See Caplan, supra note 243, at 298 (“Though SMEs typically make small investments on an individual basis, their collective efforts can be sizeable, with substantial benefits for international development and cross-border prosperity.”).

It has also been shown that smaller businesses transfer more technology to developing countries than do larger businesses.\textsuperscript{263}

Governments can sometimes entice large investments individually by negotiating one-off deals, but this cannot be done for microinvestments. To encourage microinvestments, governments must instead craft good rules and institutions to attract them en masse. SMEs brim with untapped potential for more foreign direct investment (FDI).\textsuperscript{264}

Thus, in the name of promoting development, the \textit{Salini} test may actually hamper that goal. To be sure, the word “may” in the previous sentence (and elsewhere in this section) indicates an important limit on the claim made in this critique. The argument is essentially theoretical, relying on the theories underpinning ICSID’s foundational syllogism and the idea that raising costs and risks for microinvestors will affect their actions on the margins.\textsuperscript{265} Lee Caplan

In the 81 countries that had a net positive job creation... the job creation share for firms with less than 100 employees ranges from 67.5% in upper-middle income countries (median) to 95.4% in low income countries... [and even in] 17 countries that had a net job loss... the smallest firms with less than 100 employees are creating jobs.

Id. at 14.

Caplan, supra note 243, at 298.

See OECD OUTLOOK, supra note 25, at 16 ("SMEs [including microenterprises] constitute the dominant form of business organisation in all countries world-wide, accounting for over 95% and up to 99% of the business population depending on the country."); id. at 42 ("Up to two-thirds of microenterprises (<10 employees) are not internationalized, compared to one third of medium-sized enterprises.... Foreign direct investment (FDI) is a vehicle for SME internationalisation, although for most countries, only a fraction (1-4% of European-19 SMEs) have established subsidiaries abroad.").

has called for "a comprehensive survey of SME attitudes toward the settlement of investment disputes," including "their perceptions about the importance of investor–state arbitration in resolving investment disputes, and whether they can effectively afford and utilize investor-state arbitration," because at present, "[t]he scope of the problem is unfortunately unknown." Without a better empirical understanding, we cannot know how many microinvestors are dissuaded from bringing claims to ICSID—and why—and, even worse, how many, are dissuaded from investing in developing countries. The ICSID decisions only reveal those microinvestment disputes that have been brought to date, obscuring those not brought. Anecdotal evidence (and common sense) suggests there are other microinvestment disputes never submitted to ICSID. We can only presume, for now, that Salini's burdens contribute to the dissuasion.

VI. CONCLUSION

Like Horton the Elephant, ICSID tribunals should conclude that investments are investments, no matter how small. They should discard Salini's objective approach, or at least its development prong, thereby honoring the Hippocratic injunction to "do no harm" to microinvestors and the goal of development. The ICSID Convention sets no minimum size requirement, and none is warranted by ICSID's history or objectives. To the contrary, assuring that the doors to ICSID remain open to microinvestment disputes serves ICSID's values of depoliticization and development promotion.

state–state mechanisms). But see Axel Berger et al., More Stringent BITs, Less Ambiguous Effects on FDI? Not a Bit!, 112 ECON. LETTERS 270, 272 (2011) (arguing that data showing a correlation between FDI and the presence of investor–state dispute settlement in BITs is attributable to the special circumstances of transitional governments after the Cold War, when those governments actually tended to consent to investor–state dispute settlement in only one narrow class of cases).

266. See Caplan, supra note 243, at 307, 311. Absent adequate empirical evidence, Caplan also tempered his factual assertions. For example: "SMEs may not be as successful in resolving disputes through non-legal means, such as negotiation. Thus, when investment disputes arise, SMEs may place more stock in investor-state arbitration than larger enterprises." Id. at 302.

267. One reviewer, inspired by the epigraph, called these unknowns "the elephant in the room."

268. Caplan, supra note 243, at 303 ("The author's own experiences in the field—which include investment disputes involving SMEs that ICSID would not necessarily know about—confirm the existence of these two kinds of barriers [expense of arbitration and access to expert counsel] for at least some SMEs.").

269. Dr. Seuss, supra note 1.
More fundamentally, ICSID exists to help move the reality of the international community toward community values. Rejecting Salini's development prong serves such core community values as equal access to justice, fairness, *pacta sunt servanda*, peaceful settlement of disputes, and the rule of law. It also helps to move international society toward transnational society with a meaningful ability by private persons—no matter how small—to protect their own rights and interests.

270. Cf. Owen M. Fiss, *Against Settlement*, 93 YALE L.J. 1073, 1089 (1984) ("Civil litigation is an institutional arrangement for using state power to bring a recalcitrant reality closer to our chosen ideals.").

271. See sources cited supra note 44.