



# EUROPEAN COMMISSION

Directorate-General for Trade

Directorate F - WTO, Legal Affairs and Trade in Goods  
**Dispute Settlement and Legal Aspects of Trade Policy**

111928/EU XXV.GP  
Eingelangt am 15/07/16

Brussels, 14 July 2016  
Trade F2/BSF/cg/4076214

**PUBLIC**

 <b>Council of the European Union</b> General Secretariat	
<b>Trade Policy Committee</b> <b>(Services and Investment)</b>	
<b>m.d. :</b>	<b>55/16</b>
<b>source :</b>	<b>Commission</b>
<b>for :</b>	<b>Information</b>
<b>date :</b>	<b>14 - 07 - 2016</b>

## **NOTE FOR THE ATTENTION OF THE TRADE POLICY COMMITTEE** **(SERVICES AND INVESTMENT)**

**SUBJECT:** *Non-paper: Reforming investment dispute settlement - Considerations on the way towards a multilateral investment dispute settlement mechanism (Update)*

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**OBJECTIVE:** *For information*

### **REMARKS:**

Delegations will find enclosed the updated non-paper setting out issues for discussion with regard to the proposal to work towards the creation of a multilateral investment court. The non-paper has been adjusted following discussions with Canada and will be co-sponsored by the Commission and Canada. The Commission intends to use this non-paper for

distribution to third countries in the context of initial discussions on this topic, including the informal meeting in the margins of the World Investment Forum that the Commission and Canada will co-chair.

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## **Reforming investment dispute settlement: Considerations on the way towards a multilateral investment dispute settlement mechanism**

The last years have seen a growing debate worldwide on the perceived limitations of the current ad hoc Investor-State Dispute Settlement mechanism in terms of its legitimacy, neutrality, lack of transparency, inconsistency, and costs.

The idea of working towards the creation of a multilateral investment dispute settlement mechanism has emerged. This idea has generated significant interest. In order to move forward, several key objectives and principles that would underpin a multilateral investment dispute settlement mechanism need to be identified for further discussion and analysis. In that context, guidance could be taken from the core characteristics common to highly respected and successful multilateral institutions such as the WTO Dispute Settlement System and the International Court of Justice.

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### **Considerations:**

1. **Permanency:** A degree of permanency of a future multilateral dispute settlement mechanism is required in order to reinforce the consistency of decisions and the legitimacy of the mechanism.
2. **Institutional aspects:** A new multilateral mechanism would either be independent from existing institutions or be built into or docked onto existing structures.
3. **Procedural aspects:** It may be possible to rely on existing procedural dispute settlement rules or to agree on new procedural rules. The mechanism should be designed to ensure enforceability of decisions in a way comparable to arbitral awards under current investment treaties.
4. **Membership and openness:** The initiative must remain open to all interested countries both during the negotiation process, as well as once the mechanism is established.
5. **Flexibility:** Flexibility must be ensured with regard to both the scope and coverage of the mechanism and potentially expanding membership.
6. **Neutrality:** The neutrality of adjudicators needs to be beyond doubt, such as through open and transparent appointment processes, stability of status and remuneration, ethical standards, and effectively addressing potential conflicts of interests.
7. **Competence and credibility:** Stringent qualification criteria should apply to ensure the highest possible degree of expertise, competence and credibility of adjudicators.
8. **Transparency and inclusiveness:** Transparency, openness, and participation of third parties in the adjudication process should be at least comparable to other international judicial institutions, taking into account recent developments in investment dispute settlement practice.

9. **Legal correctness and consistency:** Legal certainty, predictability, and coherence in the interpretation of investment agreements need to be ensured through in-built appeal or review mechanisms.
10. **Costs:** The costs should be equitably allocated among its members, taking into account the potential number of disputes and different economic situation and level of development of individual members.
11. **Development status:** consideration should be given to steps to ensure account is taken of the capacity to participate of developing and least developed countries, including exploration of the idea of an advisory centre for investment agreements.

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