THE HIDDEN COST OF EU TRADE DEALS:

INVESTOR-STATE DISPUTE SETTLEMENT CASES TAKEN AGAINST EU MEMBER STATES

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Friends of the Earth Europe is the largest grassroots environmental network in Europe, uniting more than 30 national organisations with thousands of local groups. We are the European arm of Friends of the Earth International which unites 74 national member organisations, some 5,000 local activist groups, and over two million supporters around the world. We campaign on today’s most urgent environmental and social issues. We challenge the current model of economic and corporate globalisation, and promote solutions that will help to create environmentally sustainable and socially just societies. We promote environmentally sustainable societies on the local, regional, national and global levels. We seek to increase public participation and democratic decision-making. Greater democracy is both an end in itself and is vital to the protection of the environment and the sound management of natural resources. We work towards environmental, social, economic and political justice and equal access to resources and opportunities on the local, regional, national and international levels.
Investor-state dispute settlement (ISDS) is nothing new, but the recent and ongoing trade negotiations between the EU and US (TTIP) and the EU and Canada (CETA), have given rise to mounting public criticism of the mechanism. Investor-state arbitration provides foreign investors with a privileged mechanism (that domestic investors or other parts of society cannot use). Foreign investors can circumvent domestic court systems and claim financial compensation from host governments in secret business friendly international tribunals, if they deem their investment potentials (including their profits) are affected by the introduction of regulatory and/or policy changes in the host state. These private tribunals are comprised of three for-profit arbitrators who issue their decisions behind closed doors and often have a conflict of interest as they have a commercial interest in keeping the system alive and they often work for the same companies that file cases.

Claims for compensation can – and do – amount to billions of euro. However, ISDS cases themselves, as well as the awards, and other outcome documents for these cases are not fully disclosed to the public even when cases may relate to public interests, such as the environment.

Friends of the Earth Europe compiled available data on ISDS cases taken against EU member states since 1994, and for which documentation is available in the public domain. Considering the enormous lack of transparency around investor-state arbitration, this research exercise can only provide an insight into the overall scale of the phenomenon. However, it highlights the irrefutable attack on recent EU accession countries and the environment, as well as the cost this system has already had on EU taxpayers and European democracy.

**KEY FINDINGS**

127 known ISDS cases have been brought against 20 EU member states since 1994.

Details of the compensation sought by foreign investors was publicly available for only 62 out of the 127 cases (48%). The compensation sought for in these 62 cases amounts to almost €30 billion.

The total amount awarded to foreign investors – inclusive of known interest, arbitration fees, and other expenses and fees, as well as the only known settlement payment made by an EU member state – was publicly available for 14 out of the 127 cases (11%) and amounts to €3.5 billion.

The largest known amount to be awarded by a tribunal against an EU member state was €553 million in the Ceskoslovenska Obchodni Banka vs. Slovak Republic case (1997).

76% of known cases (97 out of the 127) were taken against new member states that acceded to the EU between 2004 and 2007.

26 ISDS claims have targeted the Czech Republic (20% of the total), making it the EU member state with the most cases filed against it.

Almost 60% of cases (75 out of the 127) concern environmentally relevant sectors.

The total number of known closed cases for which outcomes are publicly available (63 out of the 127 cases) show full or partial success for investors in 44% (28 out of 63 cases) of cases – with 15 cases in favour of the investors and 13 cases resulting in settlements.

While settlements tend to have a positive connotation, because both parties come to an agreement that puts an end to the dispute, without one ‘winning’ over the other, these can still be very costly to the taxpayer. For instance, the largest known amount to have been paid out by an EU member state relates to a settlement (Bureko vs Poland, August 2006). As a result of the settlement agreement reached with Bureko over an insurance enterprise, over €2 billion was paid by Poland.

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1 €29,777,141,904
2 €3,820,327,134
3 €663,123,703,89
4 €2,201,530,937. This payment was dispersed as an interim dividend through P2U S.A. (a majority state-owned Polish Insurance company) as opposed to directly through the official state budget.
127 cases against 20 EU countries

1994-2014

The hidden cost of EU trade deals: Investor-state dispute settlement cases taken against EU member states

Businesses can sue governments in secret corporate courts if new laws that protect people or the environment get in the way of their profits

Worst hit
Czech Republic
26 ISDS claims

Biggest award
Slovak Republic
€553 million

€4.7 billion
Asked from Germany following democratic decision to phase out nuclear energy

Biggest settlement payout
Poland to Eureko
€2 billion

Most cases
New EU states
76% of cases

The US-EU trade deal is a Trojan horse

One of the biggest threats is investor-state dispute settlements
The ‘Investor-state dispute settlement’ mechanism – (ISDS) has been coming under growing public scrutiny due to its inclusion in the ongoing negotiations of an EU-US trade deal (Transatlantic Trade and Investment Partnership, TTIP) and the recently concluded EU-Canada trade treaty (CETA). One of the European Commission’s arguments supporting the inclusion of the mechanism in those trade deals is that EU member states have already signed thousands of trade and investment agreements, which include such investor-state dispute arbitration. Investor-state arbitration has become a consistent feature bilateral investment treaties (BITs), with EU member states being party to some 1,400 BITs including ISDS since the late 1960s. So the European Commission says it should be part of the agreements now under negotiation.

What the European Commission rarely mentions is how often this mechanism has been used against EU member states, and how much this mechanism has cost EU taxpayers. The ongoing negotiations of trade and investment agreements – including the Transatlantic Trade and Investment Partnership, the Transpacific Partnership, and negotiations between the EU and the US respectively with China – are unprecedented in size and scope, and would drastically expand the extent of foreign direct investments covered by investor-state arbitration. Such an expansion would risk seriously undermining governments’ ability to regulate for the protection of people and the environment.

When the state loses an ISDS case or makes a settlement, governments can be forced to foot the bill with public money. In other words, investor-state arbitration effectively allows foreign investors to pass their investment risks on to society – i.e. taxpayers. Even when cases have been discontinued or when the outcome is said to be ‘in favour of the state’, the tribunal can split the costs of the arbitration pro-

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6  http://www.foeeurope.org/isds
ceedings\(^8\) between both parties, resulting in the state bearing a cost burden on top of the usually exorbitant legal costs. According to OECD estimates, expenses for a single ISDS case amount to $8 million on average for legal and arbitration fees alone.\(^9\)

Proponents of the dangerous clause argue that the mechanism is already included in some 3,000 investment treaties worldwide, and that it provides necessary protection for private investors. However, they seldom mention the costs of private arbitration for taxpayers and society. Also they fail to acknowledge that the very reason why European Union member states (mainly Western ones) have not been heavily targeted by ISDS claims is that they have not agreed on trade agreements with other high capital-exporting countries so far – such as the US, Canada, or China, with whom the EU is currently negotiating.\(^10\) In that regard, the parallel negotiations of TTIP, CETA, or the EU-China trade agreements are likely to change the state of play in a significant way.

We consider the reforms proposed by the European Commission as insufficient as they do not take away the fundamental problems with the ISDS system: it is undemocratic, discriminatory, investor biased and unnecessary. We argue that including the harmful clause in the recently concluded EU-Canada agreement and the EU-US trade agreement under negotiations contributes to expanding the scope of private arbitrators’ power in an unprecedented way. This jeopardises the ability of national and local authorities to regulate in the public interest in the future and constitutes an unacceptable and unnecessary attack on democracy.

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\(^8\) The average cost of a basic ICSID arbitration tribunal for each party: $274,080.62 (€ 207,960.70) - this figure increases depending on the complexity of the case, number of arbitrators/their rates and the duration of the arbitration. Available at: https://icsid.worldbank.org/ICSID/StaticFiles/basicdoc/CRR_English-final.pdf


\(^10\) The U.S. currently has bilateral investment treaties with 9 EU countries including: Bulgaria, Croatia, Czech Republic, Estonia, Latvia, Lithuania, Poland, Romania and Slovak Republic.
This briefing presents data collated manually on investor-state dispute settlement cases against EU member states since 1994. It uses data available in the public domain. It attempts to provide a comprehensive overview of all known cases for which the relevant documentation is accessible. However, subject to agreement by both parties, some ISDS cases are kept entirely confidential, even in cases where the dispute may be a matter of public interest.11 Due to the limited transparency obligations around arbitration proceedings,12 the cases gathered here might not encompass all cases of investor-state disputes taken against EU member states. Not all cases are published and even fewer are fully documented. Even when cases are publicly known, many details of the amounts awarded are not fully disclosed. Where possible, case information was sourced using databases from the International Centre for Settlement for Investment Dispute (ICSID)13, the United Nations Commission on International Trade Law (UNCITRAL)14, or the United Nations Conference on Trade and Development (UNCTAD)15. Other cases were sourced using arbitration tribunal websites such as; the International Court of Arbitration (ICC)16, The Stockholm Chamber of Commerce (SCC)17 and the Permanent Court of Arbitration (PCA)18. In addition, case award documents were sourced from the Energy Charter Treaty website19, the Investment Treaty Arbitration website20 with supplementary information gathered and cross-referenced using relevant law firm websites for individual cases. Where information was not accessible through the above-mentioned sources, information was collected from relevant investment arbitration news service reports (such as IA Reporter)21 and other relevant journal articles.22

Note on amounts stated: All award amounts stated are comprised of the damage award and, where known, are inclusive of arbitration fees/legal expenses and interest on the damage award.

Note on conversion and exchange rates used: All total figure amounts quoted (except for Poland and Slovak Republic) were converted using the European Commission Conversion Tool (06/2014).23 Conversions for total figure-amounts quoted for the Slovak Republic were completed using the European Commission conversion tool using 06/1997 (year of the case) into US dollars as the euro did not exist then and then from US dollars to euro in 06/2014.24 Conversions for all total figure amounts quoted for Poland were completed using the European Central Bank conversion rate to the euro.25

Note on Comparative figures used: For example: the Slovak Republic Gross average minimum wage in the Slovak Republic for one person for one year = €4,624 The total amount paid out by the Slovak Republic in awards = €578,348,827 (2 out of the 13 cases)

Total amount paid out (€578,348,827) divided by the gross average yearly minimum wage = the gross average minimum wage for 136,920 people over a one-year period in the Slovak Republic.

13 https://icsid.worldbank.org/ICSID/FromServiet
14 http://www.uncitral.org/
15 www.unctad.org/iiia
16 http://www.iccwbo.org
17 http://www.sccinstitute.com/
19 http://www.encharter.org/index.php?id=313
20 http://www.italaw.com/
21 http://www.iareporter.com/
22 Czech Yearbook of International Law, ICSID review: foreign investment law journal.
26 Gross average minimum wage differs from the total costs of labour for an employer. Gross average minimum wage excludes taxes/social security contributions, paid days off, public holidays, sick pay and annual leave. the exact amount depends on various factors including if and how many children one has.
1] General Trends in ISDS Claims Against Member States at the EU Level

This investigative research has found that:

- EU member states have been respondents in 127 known cases since 1994.
- 20 EU member states have had cases filed against them through the investor-state dispute settlement mechanism to date.
- The (known) amount of damages claimed against EU member states in an individual case ranges from €66,000²⁷ (Czech Republic) to over €10 billion²⁸ (Poland).
- The amount of compensation sought was publicly available for 62 out of 127 cases (48%) and amounts to almost €30 billion.²⁹
- The total amount awarded to foreign investors from EU member states – inclusive of interest, arbitration fees, other expenses and fees, as well as the only known settlement payment paid out by an EU member state – was publicly available for 14 out of the 127 cases (11%) and amounts to €3.5 billion.³⁰
- The total amount awarded broken down is:
  - €1,261,767,547 awarded solely in damages to foreign investors as part of an award;
  - Plus €44,097,915 of known costs paid out by states in arbitration fees, interest and other expenses related to the dispute;³¹
  - And an additional €2,196,541,672 – paid out by Poland in a settlement agreement with Eureko, August 2005.³²
- 76% of known cases (97 out of the 127) were taken against new member states that acceded to the EU between 2004 and 2007.³³
- 26 cases have been initiated against the Czech Republic – making it the EU member state which has faced the most ISDS cases (20% of the cases).
- Almost 60% of cases (75 out of the 127) concern environmentally relevant sectors.
- The largest known amount to be awarded by a tribunal against an EU member state was €553 million³⁴ in the Ceskoslovenska Obchodni Banka vs. the Slovak Republic case (1997).
- To date, US investors have initiated ten cases against five EU member states (Poland, Romania, the Czech Republic, the Slovak Republic and Estonia)³⁵.
- Of the 127 known cases, 15 were awarded in favour of the investor; 14 cases were found in favour of the state; 13 resulted in settlements; 18 cases outcomes remain unknown (or have not been made public); 21 cases have been rejected, dismissed or the proceedings have been discontinued³⁶ and 46 cases remain pending.
- While settlements tend to be interpreted as a positive outcome for the state, they actually can cost taxpayers a lot of money. The largest amount known to have been paid out by an EU member state was as a result of a settlement agreement. After reaching a settlement agreement with Eureko, Poland agreed to pay over €2 billion³⁷ over a dispute about an insurance enterprise, in August 2005.
- A lack of transparency still surrounds the exact terms of settlement agreements in the context of investor-state disputes, leaving it unclear which trade-offs might have been conceded by states in addition to the amounts known to have been paid.
- There has been a noticeable rise in (the same) investors using the ISDS mechanism on multiple occasions. Seven investors have initiated at least two cases and two investors have initiated at least three. This trend coincides with the rapid increase in the total number of cases being initiated over the past number of years³⁸.

27 €65,614.4 (RCE Projectmanagement v. Czech Republic)
28 €10,283,425,814.5 (Eureko v. Poland)
29 €357,774,190.4
30 €3,502,877,134
31 This amount only refers to the fees, interest and other expenses in relation to the dispute, which we know were paid by State s in the 14 cases, for which damage awards were publicly available. This does not reflect the full amount. States have paid out in legal expenses, arbitration costs etc. for other cases. This amount includes cases that were rejected, discontinued, settled, dismissed or that pending.
32 This payment was dispersed as an interim dividend through PZU S.A. (a majority state-owned Polish insurance company) to directly through the official state budget.
33 The Czech Republic, Poland, the Slovak Republic, Hungary, Romania, Lithuania, Estonia, Latvia, Slovenia and Cyprus.
34 €657,153,704.5
36 Usually, ISDS case outcomes are categorised into the following categories 1) in favour of the Investor, 2) in favour of the state or 3) settled cases. The difficulty with grouping case outcomes into three categories is that it does not reflect the nuanced complexities of dispute awards. Cases that are not found in favour of the investor are not by default in favour of the state. In some cases, the claims are dismissed and both parties are ordered to split the arbitration costs or other legal expenses, but this differs from a claimant bearing the full costs of arbitration or indeed having been ordered to compensate the state which would constitute the outcome being considered in favour of the state.
37 €2,201,530,937. This payment was dispersed as an interim dividend through PZU S.A. (a majority state-owned Polish Insurance company) as opposed to directly through the official state budget.
2) STRIKING FEATURES IN ISDS CLAIMS INITIATED AGAINST EU MEMBER STATES

A. ‘ENVIRONMENT UNDER ATTACK’

75/127 CASES CONCERN THE ENVIRONMENT

Known disputes of environmentally relevant concern include the following sectors:

- Oil
- Gas
- Coal
- Nuclear Power Plants
- Distribution and Generation of Energy
- Mining
- Food Products
- Renewable Energy
- Forestry
- Agriculture
- Construction
- Waste Management

37/75 cases
- Almost €12 billion sought

7/75 cases
- Almost €300 million paid

39 €11,825,468,006
40 €275,245,147
In 2009, Swedish energy company, Vattenfall, initiated an international arbitration case against Germany. The case centered around the construction of a coal-fired power plant on the Elbe river. A provisional contract for the construction of the plant was granted by the City of Hamburg in 2007, which set out a number of environmental limitations in an effort to protect the waters of the Elbe river. The decision to phase out nuclear energy in Germany in 2011 led to Vattenfall claiming compensation of €4.7 billion over the closure of power plants in Krummel and Brunsbuttel. The case is still pending.
The hidden cost of EU trade deals: Investor-state dispute settlement cases taken against EU member states

a close-up on:
- The Czech Republic
- Poland
- The Slovak Republic
- Romania

77 of the 127 cases were taken against:
- The Czech Republic
- Poland
- Hungary
- The Slovak Republic
- Romania

€3.5 billion paid in 13 out of the 14 known awards

€21.47 out of €30.46 billion sought from Eastern EU accession countries

Ronald Lauder vs. Czech Republic
- Country: Czech Republic
- Year: 1999
- Case: UNCITRAL
- Provision invoked for filing the case: United States/Czech Republic BIT
- Amount of compensation sought: Unknown
- Field/sector: Broadcasting enterprise

Case outcome:
The tribunal found that the state breached its obligations early on in their agreement, but concluded this did not constitute a violation of the treaty obligations. The costs were equally split between the parties.

The Ronald Lauder and CME cases effectively highlight the unpredictability and irregularities of the arbitration system. Despite the lack of consistency in decision making in international arbitration tribunals, the consequences of the awards are irreversible for states being sued and can translate into hundreds of millions of euro in compensation paid out of public budgets.

The Unbelievable Cost of the Unpredictable Arbitration System

In the early 1990s, Ronald Lauder invested in TV Nova – a private Czech TV broadcaster, through his German company, which was later succeeded by Dutch company Central European Media (CME). Both Lauder and CME sought to initiate arbitration against the Czech Republic to seek damages following the alleged interference of the Czech Media Council into business arrangements, which Lauder claimed contributed to profit losses.54 The CME and Lauder cases happened in parallel. Despite dealing with similar facts for both cases, the tribunals delivered two contradictory awards. Lauder’s claim was dismissed as not constituting a violation of treaty obligations55, while the second case was found in favor of CME who was awarded damages of $269,814,000 with fees of $1,351,203 amounting to a total of $271,165,203 (€198,830,622)56.

The Ronald Lauder and CME cases effectively highlight the unpredictability and irregularities of the arbitration system. Despite the lack of consistency in decision making in international arbitration tribunals, the consequences of the awards are irreversible for states being sued and can translate into hundreds of millions of euro in compensation paid out of public budgets.

The Czech Republic has already paid out ...

8. ‘Pressure on Eastern Europe’

77 of the 127 cases were taken against:
- The Czech Republic
- Poland
- Hungary
- The Slovak Republic
- Romania

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€21.47 out of €30.46 billion sought from Eastern EU accession countries

A close-up on:
- The Czech Republic
- Poland
- The Slovak Republic
- Romania

47 €20,985,266,337
48 €29,777,141,904
49 The Czech Republic, Poland, the Slovak Republic, Hungary, Romania, Lithuania, Estonia, Latvia, Slovenia and Cyprus.
50 €3,501,860,703. This figure includes the settlement payment in the Eureko vs. Poland case, August 2005.
51 The only case involving a Western European country, and for which the award is known, targeted Spain (in the case Emilio Agustín Maffezini vs Spain)
**CASE STUDY: THE UNBEARABLE COSTS OF THE UNPREDICTABLE ARBITRATION SYSTEM**

**CASE 1:**

**COMPANY:** CME

**COUNTRY:** Czech Republic

**YEAR:** 2000

**CASE:** UNCITRAL

**PROVISION INVOKED FOR FILING THE CASE:** The Netherlands/Czech Republic BIT

**AMOUNT OF COMPENSATION SOUGHT FOR:** $500 million (€366,622,671.94)

**FIELD/SECTOR:** Media investor

**CASE OUTCOME:**

Award in favor of the investor: state was responsible for paying $271,165,203 (€198,830,622) – inclusive of $1,351,203 in fees.

**CASE 2:**

**COMPANY:** Ronald Lauder

**COUNTRY:** Czech Republic

**YEAR:** 1999

**CASE:** UNCITRAL

**PROVISION INVOKED FOR FILING THE CASE:** United States/Czech Republic BIT

**AMOUNT OF COMPENSATION SOUGHT FOR:** Unknown

**FIELD/SECTOR:** Broadcasting enterprise

**CASE OUTCOME:**

The tribunal found that the state breached its obligations early on in their agreement, but concluded this did not constitute a violation of the treaty obligations. The costs were equally split between the parties.

**THE CZECH REPUBLIC HAS ALREADY PAID OUT...**

€460,370,618 IN COMPENSATION TO FOREIGN INVESTORS

56 Total amount in compensation sought for €1,872,836,029 (15 out of the 26 cases taken against the Czech Republic)

53 Total amount of awards paid out €521,842,092 (3 out of the 26 cases taken against the Czech Republic)

54 [Link](http://natialaw.blogspot.be/2011/03/ronald-lauder-vs-czech-republic.html)

55 Final Award document: [Link](http://italaw.com/documents/CME-2003-Final_001.pdf)

56 Final Award document: [Link](http://italaw.com/documents/CME-2003-Final_001.pdf)

57 Annex 1: Comparative data for Czech Republic nurses salaries figures

**CASE DESCRIPTION:**

In the early 1990’s Ronald Lauder invested in TV Nova – a private Czech TV broadcaster, through his German company, which was later succeeded by Dutch company Central European Media (CME). Both Lauder and CME sought to initiate arbitration against the Czech Republic to seek damages following the alleged interference of the Czech Media Council into business arrangements, which Lauder claimed contributed to profit losses.54 The CME and Lauder cases happened in parallel. Despite dealing with similar facts for both cases, the tribunals delivered two contradictory awards. Lauder’s claim was dismissed as not constituting a violation of treaty obligations55, while the second case was found in favour of CME who was awarded damages of $689,814,000 with fees of $1,351,203 amounting to a total of $271,165,203 (€198,830,622)56.

The Ronald Lauder and CME cases effectively highlight the unpredictability and irregularities of the arbitration system. Despite the lack of consistency in decision making in international arbitration tribunals, the consequences of the awards are irreversible for states being sued and can translate into hundreds of millions of euro in compensation paid out of public budgets.

**DISPUTES RELATING TO:**

- Food Industry
- Steel Industry
- Metal Industry
- Fisheries
- Forestry
- Transport
- Property Development
- Waste Management
- Media
- Banking
- Energy Sector
EUREKO B.V VS. POLAND

COMPANY: Eureko B.V. (Netherlands)/Achmea B.V
COUNTRY: Poland
YEAR: 2003
CASE: UNCITRAL Arbitration Rules

PROVISION INVOKED FOR FILING THE CASE:
The Netherlands - Poland BIT

AMOUNT OF COMPENSATION Sought FOR:
Approx. $14 billion (UNCTAD)

FIELD/SECTOR: Insurance enterprise

CASE OUTCOME:
Partial award in favor of the investor - later resulted in a settlement agreement (2006) between the parties50 with Eureko known to have received €2,196,341,672.17 (which can be broken down as follows: 33% of PLN 12.75 billion, plus PLN 3.55 billion, plus PLN 1.224 billion)

CASE DESCRIPTION:
The dispute between Eureko and Poland centred on the privatisation of the formerly state-owned insurance company Powszechnyiaklad Ubezpieczen S.A (PZU) and resulted in the largest known settlement payment by an EU member state. The Polish Government published an invitation to sell 30% of the shares capital of PZU, and after reviewing the submitted tenders - Eureko and Big Bank Gdanski S.A. (BBG) were selected as the buyers. Eureko planned to increase its share holdings using the initial public offering (IPO) from 30% to 51% - to ensure that the Eureko consortium were the controlling shareholders of PZU. The dispute emerged following Poland’s refusal to complete PZU’s privatisation – which would have allowed Eureko to obtain this majority stake in the company.

The claimant contended that Poland backtracked on their earlier commitments and this breach of contract had in turn cost them their opportunity to become majority shareholders. Poland argued that Eureko’s claims were predicated on contractual claims under a share purchase agreement making them inadmissible. The tribunal dismissed Poland’s plea of inadmissibility61 concluding that the actions, and inactions, of the Government of Poland were in breach of Poland’s obligations under the Netherlands-Poland BIT.

The case was eventually settled and according to a joint press release on the settlement agreement Eureko was paid €2,196,341,672.17 (which can be broken down as follows: 33% of PLN 12.75 billion, plus PLN 3.55 billion, plus PLN 1.224 billion)62. In lieu of this payment, the agreement outlined a government-controlled process of decreasing Eureko’s shares in PZU by 2011. The deal also stipulated that Eureko was prevented from competing against PZU. The dispute between Eureko and Poland centred on the privatisation of the formerly state-owned insurance company Powszechnyiaklad Ubezpieczen S.A (PZU) and resulted in the largest known settlement payment by an EU member state. The Polish Government published an invitation to sell 30% of the shares capital of PZU, and after reviewing the submitted tenders - Eureko and Big Bank Gdanski S.A. (BBG) were selected as the buyers. Eureko planned to increase its share holdings using the initial public offering (IPO) from 30% to 51% - to ensure that the Eureko consortium were the controlling shareholders of PZU. The dispute emerged following Poland’s refusal to complete PZU’s privatisation – which would have allowed Eureko to obtain this majority stake in the company.

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This is a staggering case resulting in a payment of €8 billion, highlighting the huge cost of settlement agreements. When Poland decided to reverse the privatisation of insurance services (in the public interest), ISDS enabled the investor to use special privileges to claim billions in compensation.

This also casts further concern over the other 12 cases that resulted in settlements – the outcomes of which still remain unknown.
**Poland**

**Case Study:** Tax Payers Can Only See The Bill They Have To Foot

### Les Laboratoires Servier, S.A.A. Biofarma, S.A.S. Arts et Techniques du Progres S.A.S vs. Poland

**Company:**
Les Laboratoires Servier, S.A.A. Biofarma, S.A.S. Arts et techniques du progres S.A.S. (France)

**Country:**
Poland

**Year:**
2010

**Case:**
UNCITRAL

**Provision Invoked for Filing the Case:**
France-Poland BIT

**Amount of Compensation Sought For:**
€219,973,603.16

**Field/Sector:**
Pharmaceutical Industry

**Case Outcome:**
In favour of the investor – Poland obliged to pay €4 million

### Case Description:

In 2010, Servier, the leading French independent pharmaceutical company, initiated an investor-state dispute against Poland. The case was filed under the France-Poland bilateral investment treaty, with claimants seeking €300 million in compensation.

Poland had enacted a number of legislative and administrative reforms in line with EU regulation of pharmaceuticals under the 1991 Europe Agreement – between Poland and the European communities – following its adoption of the Pharmaceutical Law in 2001, and prior to its accession to the EU in 2004. As a consequence of these reforms, a number of products produced by the claimant were denied approval. Both parties disagreed over what legal framework was applicable to the harmonisation process. Ultimately, the arbitration tribunal found that Poland had not engaged in bad faith behavior in a way that would require damages beyond the Treaty standard, the Tribunal must simply apply the standard of compensation for the divestment of “any” investment under BIT Article 5(2). Poland was obliged to pay damages of €4 million to the claimants.

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**Poland Has Already Paid Out...**

€2,201,530,937 = 230,045 Polish Nurses’ Salaries

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64 http://icsidreview.oxfordjournals.org/content/early/2014/06/06/icsidreview.siu009.extract
67 Annex 1: Comparative data for the Polish nurses salaries figures
The hidden cost of EU trade deals: Investor-state dispute settlement cases taken against EU member states

**ACHMEA B.V. vs. Slovak Republic**

**Company:** Achmea B.V. (formerly Eureko (Netherlands))

**Country:** Slovak Republic

**Year:** 2008

**Case:** UNCITRAL

**Provision Invoked for Filing the Case:** Slovak-Netherlands BIT

**Amount of Compensation Sought For:** approx. €100 million

**Field/Sector:** Insurance enterprise

**Case Outcome:** €22.1 million in damages and €220,772.74 + €2,905,350.94 in costs/expenses (7 Dec 2012)

**Total:** €25,226,123.68

**Case Description:**

In 2008, Achmea (formerly Eureko) initiated an arbitration case against the Slovak Republic under the Slovak-Netherlands BIT claiming they had violated the 1992 agreement on encouragement and reciprocal protection of investments.

Achmea had previously incorporated and funded Union zdravotn poistovna (Union Healthcare) in the Slovak Republic. Multiple legislative measures were introduced following a change of government in 2006 which reversed “the 2004 liberalization of the Slovak health insurance market that had prompted Eureko to invest in the Slovak Republic’s health insurance sector”. The claimants argued that the introduction of these measures destroyed the value of their investment – constituting an unlawful indirect expropriation of their investment in Union Healthcare.

Achmea sought compensation of approximately €100 million for damages incurred. One of the key questions in this case related to the tribunal’s jurisdiction over the dispute and whether the European Community Treaty supersedes the BIT – rendering the BIT inapplicable. The Slovak Republic objected to “the tribunal’s jurisdiction based on the interaction of the BIT with substantive provisions of EU law”. The tribunal ruled that the BIT was not terminated with the Slovak Republic’s accession to the EU.

The tribunal ultimately awarded Achmea damages in the amount of €22.1 million, as well as €2,905,350.94 for legal fees and assistance, and a further €220,772.74 to reimburse the costs of the merits stage of the arbitration process.

**The Slovak Republic has already paid out...**

€578,348,827

**In Compensation to Foreign Investors**

= 96,391

Slovak nurses’ salaries

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68 €2,014,976,742 (6/15 cases)

69 Total amount of awards paid out by the Slovak Republic €578,348,827 (2/13 cases)


73 Annex 1: Comparative data for the Slovak nurses salaries figures
The Slovak Republic has already paid out €578,348,827 (2/13 cases) in costs/expenses (7 Dec 2012) in costs/expenses. 

In 2008, Achmea (formerly Eureko) initiated an arbitration case against the Slovak Republic under the Slovak-Netherlands BIT claiming they had violated the 1992 agreement on encouragement and reciprocal protection of investments. Achmea had previously incorporated and funded Union zdravotní poistovná a.s. (Union Health Insurance). Achmea sought compensation of approximately €100 million for damages incurred. These measures destroyed the value of their investment – constituting an unlawful expropriation.

Achmea B.V. v Slovakia

Award in favour of the investor

In 2008, Achmea (formerly Eureko) initiated an arbitration case against the Slovak Republic under the Slovak-Netherlands BIT claiming they had violated the agreement on encouragement and reciprocal protection of investments. Achmea had previously incorporated and funded Union zdravotní poistovná a.s. (Union Health Insurance). Achmea sought compensation of approximately €100 million for damages incurred. These measures destroyed the value of their investment – constituting an unlawful expropriation.

Achmea B.V. v Slovakia

Award in favour of the investor

The tribunal ultimately awarded Achmea damages in the amount of €22.1 million, as well as €2,905,350.94 for legal fees and assistance, and a further €220,772.74 to reimburse the costs of the merits stage of the arbitration process.

CASE OUTCOME:

Award in favour of the investor €22.1 million

Field/sector:
Food products enterprise

CASE DESCRIPTION:

The Micula case is one of a growing number of cases which have been filed by foreign investors targeting new member states of the European Union (EU) following policy and regulatory changes introduced to comply with legal requirements for accession to the EU.

The Micula brothers invested in the North West region of Romania – setting up multiple food processing, milling and manufacturing businesses. In 2005, the claimants initiated a dispute against Romania seeking compensation to the tune of €450 million. The case emerged following a series of decisions taken by Romania, which altered or withdrew a number of investment incentives (ie: exemptions from custom duties and certain taxes) that had previously been offered to the Micula brothers in support of their investment in a disadvantaged region of Romania. Romania argued that the regulatory changes they made were warranted, as they were implemented as part of the lead up to accession to the EU in 2007.

In December 2013 the tribunal found Romania in breach of the Sweden-Romania BIT and obliged to pay more than €250 million (€183,311,335) to the Micula brothers.

This case has raised a number of concerns:

The Micula vs. Romania case has incited a great deal of interest, particularly in relation to the sovereignty of EU law. The European Commission (EC) intervened and attempted to convince the tribunal that the actions implemented by Romania were taken in an effort to comply with EU law obligations to eliminate state aid (ie: subsidies and incentives). The Commission argued that if the tribunal ordered Romania to pay compensation it would be considered state aid under a different pretense. The arbitrators were not swayed by the EC’s interventions and, in relation to the enforceability of the final award, drew “attention to Romania’s obligations under the ICSID Convention to comply with the final ICSID awards.”

CASE STUDY:

MICULA VS. ROMANIA

COMPANY:
Ioan Micula, Viorel Micula and others (Sweden)

COUNTRY: Romania

YEAR: 2005

CASE: ICSID Case No. ARB/05/20

PROVISION INVOKED FOR FILING THE CASE:
Romania-Sweden BIT

AMOUNT OF COMPENSATION SOUGHT FOR:
€450 million

FIELD/SECTOR:
Food products enterprise

CASE OUTCOME:
Award in favour of the investor $250 million (€183,311,335)

European Commission Intervenes in Investment Treaty Arbitration...In Vain...The Right to Regulate for Whom?

DISPUTES RELATING TO:
- Oil Refining
- Ammonia Production
- Agriculture
- Food Products/Trading
- Textiles Industry
- Duty Free Services
- Stock Purchase Agreements
- Steel Production
- Real Estate
Romania has found itself in a conflicting situation, caught between the EU and its commitments to the International Centre for Settlement of Investment Disputes (ICSID) as a member state. The EC issued Romania with a suspension injunction on the 26 of May, 2014 reinforcing their concerns that the award may constitute a form of unlawful state aid81. In August 2014, an ICSID ad-hoc committee overseeing Romania’s case to annul this colossal award presented Romania with the following offer: that they would continue the stay of enforcement of the award for the duration of the pending annulment proceedings, on the condition that Romania agree in writing to pay the full $250 million (€183,311,335) if the annulment proceedings are unsuccessful – even if this in turn goes against EU law.82

Romania declined, and in September 2014 the tribunal revoked the stay of enforcement. Because of Romania’s refusal to commit to the committee’s proposal, they could now face a case in US courts where the investors can try to force the state to pay through asset seizure.

Potential profits can be expropriated: The tribunal dismissed other objections made by the respondents, notably whereby Romania claimed that investment incentives should be seen as ‘potential entitlements’ as opposed to assets which can be expropriated. The tribunal stated;

“investments do include income expectations and such income will of necessity be less if an investor is deprived of incentives.”83

EU accession countries have repeatedly been targeted by foreign investors for implementing policy and regulatory changes that coincide with EU standards, and resulting in the EC intervening in multiple cases.84

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**ROMANIA HAS ALREADY PAID OUT...**

\[ £183,311,336 = €38,491 \]

IN COMPENSATION TO FOREIGN INVESTORS

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82 IA Reporter (2014): http://www.iareporter.com/articles/20141002_1
83 IA Reporter (2014) ‘Stay is lifted on $250 million ICSID award after Romania fails to give assurance that award would be paid in the event of non-annulment’ available at: http://www.iareporter.com/articles/20141002_1
85 Annex 1: Comparative data for the Romanian nurses salaries figures
This research – which concentrates on ISDS cases filed against EU member states – only reveals the tip of the private arbitration iceberg. Yet, contrary to the arguments put forward by the European Commission, it clearly shows the unacceptable costs that taxpayers and society bear when foreign investors are being granted privileged treatment.

Perhaps some of most the striking findings to emerge relate to the details about the differences in case outcomes, which clearly show that no matter who ‘wins’ the case, legal and arbitration fees that states have to bear for their defense, costs large amounts of public funds – which cannot be invested for society. Likewise, while settlements are usually presented as a positive step towards resolution, they often mean a heavy financial burden – as shown by the Eureko vs. Poland case where Poland paid over 2 billion euro - and force dangerous policy changes for the protection of citizens and the environment.86

In March 2014, in response to the growing public concern and criticism of investor-state disputes87, the European Commission launched a public consultation on the inclusion of ISDS in the EU-US trade deal (TTIP). The consultation questionnaire was based on the draft investment chapter of the EU-Canada agreement. An extraordinary 149 thousand people replied, of which at least 131 thousand said no to ISDS. In September 2014, despite unprecedented scrutiny and public engagement, the European Commission concluded the EU-Canada trade deal including special privileges for foreign investors. This deal was concluded prior to the release of the final qualitative and quantitative report on the public consultation on ISDS in TTIP, clearly conveying the Commission’s disregard for widespread public disapproval on the mechanism.

Decision makers at national and EU level have repeatedly attempted to dampen the rising concerns that including ISDS in the EU-Canada (CETA) and the EU-US (TTIP) trade deals will dramatically increase the number of lawsuits launched by foreign investors, by referring to the existing investment treaties that EU member states have already signed on to. This fails to acknowledge that the main reason why most European countries have not been sued through ISDS is that they have not consented to investor-state arbitration with other high capital-exporting countries. This will change dramatically if the EU-Canada and the EU-US deals go ahead with investor-state dispute settlement included. This also fails to acknowledge that the nine Eastern European countries that have signed BITs with the US (prior to their accession to the EU) have been targeted through the mechanism.

Including investor-state arbitration in the EU-Canada (CETA) and the EU-US (TTIP) trade deal negotiations expands the scope of private arbitrators’ power to an unprecedented scale. It questions the responsibility of governments locking their ability to regulate for the public interest in the future vis-à-vis their citizens, the very taxpayers who will have to foot the bill for the risks taken by private investors.

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86 "ISDS does not limit the EU’s or a member state’s right to regulate. A country cannot be compelled to repeal a measure: it always has the option of paying compensation instead”; http://trade.ec.europa.eu/doclib/docs/2013/october/tradoc_151791.pdf
ANNEX 1:
COMPARATIVE DATA USED IN
INFographics/Illustrations

All figures adjusted to purchasing power parity and all currency conversions made using the European Commission Currency Conversion Tool.88

Czech Republic
• Nurse’s Salary (net): $890 (€675.36) per month (approx. €8,104.32 annually)89
• The Czech Republic has already paid out some €460,370,618 in compensation to foreign investors. This equates to:
• The average salary of 56,805 nurses over a one-year period in the Czech Republic, or;

Poland
• Nurses Salary (net): $1,051 (€797.54) per month – approx. €9,570 annually90
• Poland has already paid out €2,201,530,937 in compensation to foreign investors, this equates to;
• The average salary for 230,045 nurses over a one year period in Poland or;

Romania
• Nurses Salary (net): $523 (€396.87) per month – approx. €4,762.44 per year91
• Romania has already paid out €183,311,336 in compensation to foreign investors, this equates to:
• The average salary of 38,491 nurses’ over a one year period in Romania or;

The Slovak Republic
• Nurses Salary (net): $659 (€ ppp 500) per month – approx. €6,000 annually92
• The Slovak Republic has already paid out €578,348,827 in compensation to foreign investors, this equates to
• The average salary for 96,391 nurses’ over a one year period in the Slovak Republic or;

88 Available at: http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm (09/2014)
89 http://www.worldsalaries.org/czechrepublic.shtml
90 http://www.worldsalaries.org/poland.shtml
91 http://www.worldsalaries.org/romania.shtml
92 http://www.worldsalaries.org/slovakia.shtml
The hidden cost of EU trade deals: Investor-state dispute settlement cases taken against EU member states
20  The hidden cost of EU trade deals: Investor-state dispute settlement cases taken against EU member states