

Regulating International Organisations: What Role for Private International Law?

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The regulation of public international organisations (IOs) has been brought into sharp focus following the landmark US Supreme Court ruling in *Jam v International Finance Corporation*⁵⁸⁶ *US* (2019) (Jam). Jam is remarkable because the virtually absolute immunities enjoyed by some important IOs have now been limited in the US (where several IOs are based), giving some hope that access to justice for the victims of institutional action may finally become a reality. Jam has no doubt reinvigorated the debate about the regulation of IOs. This post calls for private international law to play its part in that broader debate. After briefly setting out the decision in Jam, a call for a greater role for private international law in the governance of IOs is made.

The Jam decision

The facts giving rise to the Jam litigation and the subsequent decision by the US Supreme Court has already attracted much discussion by public international lawyers, including by this author here. Only a brief summary is presently necessary. The International Finance Corporation (IFC), the private lending arm of the World Bank which is headquartered in the US entered into a loan agreement with Coastal Gujarat Power Limited, a company based in India, to finance the construction of a coal-fired power plant in Gujarat. The plaintiffs sued the IFC (including in tort) in a US Federal District Court asserting that pollution from the plant harmed the surrounding air, land, and water. The District Court found that the IFC was absolutely immune under the *US International Organisations Immunities Act 1945* (IOIA). The DC Circuit affirmed that decision. For an analysis of those decisions, see previous posts by this author here and here.

However, in its landmark ruling in Jam, the US Supreme Court reversed the decision of the court below, significantly affecting the potential scope of IO

immunities. The IOIA, which applies to the IFC, grants international organizations the 'same immunity from suit...as is enjoyed by foreign governments' (22 U. S. C. §288a(b)). The main issue in *Jam* concerned how the IOIA standard of immunity is to be interpreted. Should it be equated with the virtually absolute immunity that states enjoyed when the IOIA was enacted? Or should the IOIA standard of immunity be interpreted by reference to the restrictive immunity standard (immunity exists only with respect to non-commercial or public acts)? This latter standard is now enshrined in the *US Foreign Sovereign Immunities Act 1976* (s 1605(a)(2), FSIA). By seven votes to one (with Breyer J dissenting) the US Supreme Court has now given a definitive answer. The majority of the court concluded that the IOIA grants immunity with reference to the FSIA standard of immunity, stating:

In granting international organizations the "same immunity" from suit "as is enjoyed by foreign governments," the Act seems to continuously link the immunity of international organizations to that of foreign governments, so as to ensure ongoing parity between the two. The statute could otherwise have simply stated that international organizations "shall enjoy absolute immunity from suit," or specified some other fixed level of immunity. Other provisions of the IOIA, such as the one making the property and assets of international organizations "immune from search," use such noncomparative language to define immunities in a static way...Or the statute could have specified that it was incorporating the law of foreign sovereign immunity as it existed on a particular date...Because the IOIA does neither of those things, we think the "same as" formulation is best understood to make international organization immunity and foreign sovereign immunity continuously equivalent (*Jam*, pp. 9-10).

The result is that the IFC (and similarly situated organisations) only possess immunities in respect of their non-commercial or public transactions. While the limiting of IO immunities is to be welcomed for it can only go towards enhancing access to justice for the victims of institutional conduct, the decision in *Jam* raises more questions than it perhaps answers.

Firstly, how can the decision in *Jam* be accommodated with the international law notion of IO immunities that finds its basis in the theory of 'functionalism'? The idea being that IOs need immunities to avoid an intrusion into their independence by host states/national courts. Instead of clarifying what this functional standard actually means and how it interacts with the commercial v non-commercial

distinction, in *Jam*, the Supreme Court chose to simply engage in an exercise of statutory interpretation taking a parochial approach (*Jam*, p. 12). So, there now exists a schism in the international and national (at least in the US) law on IO immunities (see [here](#)). Other commentators have tried to provide some indications on how functionalism can be translated to the commercial v non-commercial distinction for the purposes of determining IO immunities, without however providing an answer that will generate any certainty. For the moment, it is simply noted that a transaction that may be within the scope of functional immunities may also be a classically commercial transaction making it difficult to precisely determine what ought to be immune.

Secondly, leaving to one side the schism between the international and national understanding of IO immunities now created, the difficulty in distinguishing between commercial and non-commercial activity itself must not be understated. Webb and Milnes have stated that ‘IOs with links to the US like the World Bank face the daunting prospect of litigation in the US Courts exploring the extent and limits of what is “commercial”. In state immunity law, this exception has been broadly defined, essentially as comprising the type of activity in which private actors can engage (in contradistinction to the exercise of public power), and its outer boundaries remain unmarked.’ Just like the distinction has given significant challenges in the state immunity context (whether the focus should be on the nature of the transaction or its purpose), the difficulty will be even greater in the IO context only creating further uncertainties. As Breyer J pointed out in his dissent:

*As a result of the majority’s interpretation, many of the international organizations to which the United States belongs will discover that they are now exposed to civil lawsuits based on their (U. S.-law-defined) commercial activity. And because “commercial activity” may well have a broad definition, today’s holding will at the very least create uncertainty for organizations involved in finance, such as the World Bank, the Inter-American Development Bank, and the Multilateral Investment Guarantee Agency. The core functions of these organizations are at least arguably “commercial” in nature; the organizations exist to promote international development by investing in foreign companies and projects across the world...The World Bank, for example, encourages development either by guaranteeing private loans or by providing financing from its own funds if private capital is not available (*Jam*, p.*

The justifiable concerns pointed to by Breyer J require a comprehensive response falling nothing short of treaty reform. In fact, the majority of the Supreme Court in *Jam* observed that treaty amendment was one method to resolve any real or perceived difficulties for IOs in so far as the scope of their immunities is concerned. In rejecting IFC's argument that most of its work of entering into loan agreements with private corporations was likely commercial activity; and the very grant of immunities becomes meaningless if it can be sued in respect of claims arising out of its core lending activities (*Jam*, p. 15), the court said:

The IFC's concerns are inflated. To begin, the privileges and immunities accorded by the IOIA are only default rules. If the work of a given international organization would be impaired by restrictive immunity, the organization's charter can always specify a different level of immunity. The charters of many international organizations do just that...Notably, the IFC's own charter does not state that the IFC is absolutely immune from suit (*Jam*, pp. 17-8).

Treaty reform is obviously demanding and time-consuming. *Jam* nevertheless provides the impetus to pursue it with vigour. Such reform is required not only for organisations such as the IFC, but also IOs more generally.

The need for real and meaningful reform: a role for private international law

Clearly, *Jam* demonstrates the particular difficulties in assessing the scope of the IFC's immunities. In answering questions of IO immunities, the tension is between two values: maintaining an IO's functional independence and securing access to justice for the victims of IO action. This tension is not only manifest vis-à-vis the IFC in particular, but exists for all IOs in general. As this author discussed in another work, regardless of the subject matter of a dispute or the gravity of harm, the location of the affected party or the identity of the IO, the public visibility of a dispute or its inconspicuousness, we live in a 'denial of justice age' when it comes to the pursuit of justice against IOs. The victims (including families of the more than 9000 individuals who lost their lives) of cholera introduced in Haiti by UN peacekeepers in 2010 are still awaiting effective justice. The victims of the Srebrenica genocide of 1995 for which the UN assumed moral responsibility have not yet been compensated, with no such compensation in sight. When hundreds of

Roma suffered serious harm due to lead poisoning caused by the apparent negligence of the UN Mission in Kosovo in placing vulnerable communities next to toxic mines, the UN belatedly set up a Human Rights Advisory Panel; its adverse findings have gone unenforced to this day. There are countless other disputes, including, contractual, tortious, employment and administrative, where a denial of justice is much too common.

If the balance between IO independence and access to justice is to be better and properly struck, fresh thinking is needed that underpins any reform process. Of course, each IO is different from one another, and the shape that any reforms that may take will need to be particularised to the circumstances of the concerned organisation. Nevertheless, IOs constitute international legal persons with significant commonalities, and there ought to be certain foundational reforms that are equally applicable to most if not all organisations. Private international law can play a major role in any such foundational reform process.

Specifically, as I showed elsewhere, there exists a 'regulatory arbitrage' in the governance of IOs. This arbitrage results in victims of IO conduct slipping through legal loopholes when seeking to access justice. One manifestation of the regulatory arbitrage is provided by the law on IO immunities, including how it is interpreted and/or applied. As is much too common (see for example the Haiti Cholera Litigation), despite lack of access to justice within the institutional legal order which IOs are required to provide under international law, by and large national courts refuse to limit IO immunities interpreting functional immunities as de facto absolute. Therefore, (a) immunities that were always intended to be limited by functionalism are overextended; and (b) immunities are not made contingent on the provision of access to justice at the institutional level. The balance between perceived institutional independence and access to justice has leaned towards the former. The result is a denial of justice at multiple levels.

For some victims, Jam may ultimately correct the exploitation of this arbitrage in respect of claims pursued against organisations such as the IFC for lending by that organisation is likely to constitute commercial and therefore non-immune. However, other victims will continue to be denied justice due to ambiguous and broad wording used in constituent instruments providing for IO immunities (such as the immunities of the UN). IOs will continue to exploit the prevailing regulatory arbitrage to avoid liability. Unless the exploitation of the regulatory arbitrage is tackled, the denial of justice age cannot be brought to an end. To

address this arbitrage, private international law techniques can be used to balance often competing but legitimate values. For example, conceptualising question of IO immunities in terms of 'appropriate' forum can be a useful method to coordinate the exercise of jurisdiction between the IO and national legal orders that co-exist in a pluralist legal space. Here, what should determine whether a national court ought to take jurisdiction over an IO is whether access to justice consistently with fair trial standards is available or can be adequately provided within the IO legal order? This must be determined following a specific and nuanced inquiry as opposed to a tick the box exercise (for employment claims, see a detailed study [here](#)).

Further, focusing on the rules on jurisdiction, choice of law and the recognition and enforcement of foreign judgments (the three aspects of private international law), the individual right to access justice can be secured without compromising IO independence for private international law is perfectly suited to slice regulatory authority across legal orders with much precision. This author has called for the Hague Conference on Private International Law to initiate discussions about the negotiation of a global treaty that enshrines the private international law rules applicable between states and IOs. The regulatory framework that must govern IOs is one which involves public, institutional and private international law benefiting from each other's strengths.