

# Colonialism and German PIL (4) - Exploiting Asymmetries Between Global North and South

This post is part of a series regarding Colonialism and the general structure of (German) Private International Law, based on a presentation I gave in spring 2023. See the introduction [here](#).

As mentioned in the introduction, this series does **not** intent to automatically pass judgment on a norm or method influenced by colonialism **as inherently negative**. Instead, the aim is to reveal these influences and to initiate a first engagement with and awareness of this topic and to stimulate a discussion and reflection.

The first post (after the introduction) dealt with classic PIL and colonialism. This second considered structures and values inherent in German or European law, implicitly resonating within the PIL and, thus, expanding those values to people and cases from other parts of the world. The third category discusses an imagined hierarchy between the Global North and Global South that is sometimes inherent in private international law thinking. The **fourth and for the moment last (but not least) category** deals with PIL rules that allow or at least contribute to the exploitation of a power asymmetry between parties from the Global North and the Global South. For example, this power and negotiation asymmetry, in conjunction with generous rules on party autonomy, can lead to arbitration and choice of law clauses being (ab)used to effectively undermine rights of land use under traditional tribal law.

After the first post, in the comment section a discussion evolved regarding the (non-)application of tribal law. One question asked for an example. This post can also (hopefully) serve as such an example.

## 1. Party Autonomy in German and EU PIL

One value inherent to the German and EU legal systems is that of private and party autonomy. It reflects and expresses the individualism of the Enlightenment

and a neo-liberal social order and is recognised today, at least in part, as one of the “universal values” of PIL. However, the choice of law and, thus, party autonomy as a core connecting factor or method of PIL can lead to the exploitation of negotiation asymmetries in the relationship between companies in the Global North and states or companies in the Global South, particularly to the detriment of the population in the Global South, by avoiding state control and socially protective regulations.

## **2. “Land Grabbing” as an Example**

“Land grabbing” refers to, among other things, the procedure used by foreign investors to acquire ownership to or rights to exploit territories in former colonies. The contract is concluded with the landowner, often the state, and includes an arbitration and choice of law clause, often within the framework of bilateral investment protection agreements. The use of the land can conflict with the collective, traditional use by certain local groups, which is based on customary and tribal law. Such rights of land use were often only fought for politically after the former colony gained independence, while the original colonial legal system overrode indigenous rights of use (see also former posts **here** and see the discussion in the comment section of the post). These land use rights of indigenous groups often stem from public law and are conceived as protection rights of the indigenous population, who are thus authorised to live on their traditional land.

The arbitration agreement and the choice of law clause make it possible for legal disputes to be settled before a private arbitration tribunal. The tribes concerned, as they are not part of the treaty on the land and its use, can only become parties to the legal dispute with difficulty. Furthermore, they may not have knowledge of the treaty and the arbitration clause or the possibility to start a proceeding at the tribunal. In addition, a law applicable to the contract and its consequences may be chosen that does not recognise the right of land use based on tribal law. If the arbitrator, not knowing about the not applicable tribal law or the existence of the tribe, makes a decision based on the chosen law, the decision can subsequently become final and enforceable. This may force the tribes using the land having to vacate it as property disturbers without being able to take legal action against it.

## **3. Party Autonomy and Colonialism**

This possibility of “land grabbing” is made possible by the fact that a state – often a former colony – has a high interest in attracting foreign investment. She, therefore, tries to organise its own legal system, and therefore also her conflict of laws, in an investment-friendly manner and accommodate the investor in the contract. The generous granting of party autonomy and individual negotiating power plays a key role here. A domino effect can be observed in former colonies, where a legal system follows that of neighbouring states once they have attracted foreign investment in order to be able to conclude corresponding agreements. The endeavours of states to introduce a liberal economy form, which is reflected in party autonomy in PIL, can therefore also express a structural hierarchy and form of neo-colonialism. It also indirectly revives the original behaviour of the colonial rulers towards the indigenous peoples with the support of the central state (see former post).

#### **4. Assessment of “Land Grabbing”**

If the aforementioned power asymmetry is not counter weighted, arbitration and choice of law clauses can lead to an avoidance of unwanted laws, such as those granting traditional land use rights to local tribes. From a German domestic perspective, the problem arises that the enforcement of (one’s own) local law is a matter for the foreign state. A case where local law will be addressed before German courts will be scarce, esp. in the case of an arbitration proceeding. German courts only come into contact with the legal dispute if an arbitration proceeding has already resulted in a legally binding award and this award is now to be enforced in Germany. In my opinion, this case has to be handled in the same procedure proposed in a former post for the integration of local, non-applicable law. If foreign tribal law is mandatory in the state in question, for example, because there is an obligation under international and domestic law, the arbitral tribunal should be presumed to also observe this obligation as an internationally mandatory norm, irrespective of which *lex causae* applies. When enforcing the arbitral award domestically, the declaration of enforceability should be prohibited on the grounds of a violation of public policy if the arbitral tribunal has not complied with this obligation.

Furthermore, the use of party autonomy could be more strictly controlled and restrictively authorised when special domestic values and interests of third parties are at stake, as can be the case in particular with the use of land. The *lex rei sitae* might be more appropriate without allowing for a choice of law.

Finally, restrictions on party autonomy in cases in which negotiation asymmetries are assumed are not unknown to German and European PIL. So, ideas from these rules could be taken up and consideration could be given to which negotiation asymmetries could arise in relation to non-European states. For example, certain types of contract that are particularly typical of power asymmetries could be provided with special protection mechanisms similar to consumer contracts under Art. 6 Rome I Regulation. But that is an international problem that should be discussed on the international level. Therefore, the international community could work towards an international consensus in arbitration proceedings that, for example, property law issues are subject to the *lex rei sitae* and are not open to a choice of law. Similarly, there could be a discussion whether safeguards should ensure that no choice of law can be made to the detriment of third parties and that, where applicable, participation rights must be examined in arbitration proceedings. Many legal systems already provide those safeguards, so this would not come as a huge novelty.

However, it would also be paternalistic and neo-colonialist if such considerations originated in the Global North without involving the countries to which they refer. It would therefore be desirable to have a stronger and more enhanced dialogue with countries from the Global South that also allows representatives of the local population and local communities to have their say, so that these interests and possibilities for exploiting negotiation asymmetries can be better taken into account.

## **5. Epilogue**

This series has tried to start a debate about Colonialism and Private International Law from the point of view of German PIL. Posts from other jurisdictions might follow. It is a very complex topic and this series only scratched on its surface. As written in the introduction, I welcome any comments, experiences and ideas from other countries and particularly from countries that are former colonies.