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The State Immunity Controversy in International Law

Private Suits
Against
Sovereign States
in Domestic
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Dedication

Dedicated to my Parents:

Darling Dzah and Joseph S.K. Bankas – popularly known as “Shall Pass” – for their love, kindness and support

Specially to my lovely wife, Maureen, and children, Krystle Mawuse Abra Bankas, Latasha Nukunya Ama Bankas; the twins, Alison Akofa Yawa and Alethea Akpene Yawa Bankas, and Joshua Kofi Tawiah Bankas – for their love, kindness and encouragement.

I remain indebted to my wife for her encouragement and patience through all these years. Her contribution to the writing of this book is immeasurable, for she always kept the fort whilst I was away studying and conducting research at the University of Durham Faculty of Law, and the World Court (The Hague). A substantial part of the study was done at the University of Durham, UK, Great Britain.

Again, special thanks to my family and I shall forever be grateful. When the cock crows early tomorrow morning, be advised that Ernest Kwasi Bankas is still saying thank you.

February 23, 2005

Preface

Prior to 1900 the immunity of sovereign states from the judicial process and enforcement jurisdiction of municipal courts was absolute and this in the main *ex hypothesi* was derived from two important concepts, namely sovereignty and the equality of states. Sovereignty may be defined as the power to make laws backed by all the coercive forces it cares to employ. This means that a sovereign state has what can be known as *suprema potestas* within its territorial boundaries. Jean Bodin was the first of writers to propose this idea of sovereignty, but in his exposition of this notion, he undoubtedly created a confusion about the *leges imperii* which arguably turned out to be a starting point for the long controversy between what can be denoted as analytic and an historical method in meta-judicial philosophy as regards immunity of states. His influence, however, has remained a lasting imprint on public international, backed by the fact that all states are equal and independent within their spheres of influence (*superanus*), which implicitly has given root to a meta-judicial philosophy that foreign states be accorded immunity in domestic courts. That this meta-judicial philosophy found application in the *Schooner Exchange v. McFaddon* is clearly exemplified by Chief Justice Marshall's judgment in the following formulated manner.

“This perfect equality and absolute independence of sovereigns, and this common interest impelling them to mutual intercourse, and an exchange of good offices with each other, have given rise to a class of cases in which every sovereign is understood to waive the exercise of a part of that complete exclusive territorial jurisdiction, which has been stated to be the attribute of every nation.” [See (1812) 7 Cranch 116.]

The decision in the *Schooner Exchange* over the years in fact became well grounded in the practice of states until quite recently when its currency was thrown into doubt because of the great increase in commercial activities of states.

The Current State of the Law of State Immunity

The power of a domestic court or a national authority to determine whether it has jurisdiction over a particular legal controversy is without doubt a question of private international law and this notion is wholly predicated on whether the subject matter at issue is properly associated with a foreign element. The *lex fori* is therefore designated as an important means of defining legal issues and in determining whether to take jurisdiction or not because it is considered as the basic rule in private international law. The problem, however, becomes more difficult if a sover-

eign state is directly or indirectly impleaded before a national authority. In this respect, the court would be faced with the issue of whether a sovereign state can be sued by a private entity in a foreign court.

Until quite recently the notion of absolute sovereign immunity was embraced and accepted without question, but of late, many have started questioning the legitimate basis of the concept of state immunity and have in turn suggested that limitations be placed on state immunity. This in fact has prompted some countries, notably U.S.A., U.K., Canada, Singapore, Australia, Pakistan and South Africa, to resort to legislation as a means of introducing restrictive immunity into their statute books. In spite of the call by some leading countries to abrogate or modulate the concept of absolute immunity in transnational litigation, Russia and the developing nations, however, still cling without any reservations to the notion of absolute immunity.

It is instructive to note that recent writers have suggested and supported the introduction of restrictive immunity but arguably have failed to provide a straightforward and precise prescription to the problem. While it is clear that the jurisdictional immunity accorded to foreign states is most readily recognised for public acts, it is no more recognised in the Western world for acts essentially commercial in nature. There is therefore a strong trend among some countries toward the complete acceptance of commercial restriction on state immunity. Be this as it may, one is still left wondering whether in this complex world without any supranational authority legislation per se is adequate in containing this elusive problem.

The major problem likely to face litigating parties is that restrictive immunity depends wholly on a method by which governmental (public acts) and commercial acts of states are distinguished in order to determine whether to accord immunity or not. So far it has become almost impossible to find a common ground to formulate a criterion that would perhaps be acceptable to all and sundry. Even domestic courts within many sovereign states have differed in their reasoning or quest to formulate a suitable methodology or proper standards to distinguish commercial acts of states from public acts. This in turn has led to persistent divergence in the practice of states as far as restrictive immunity is concerned. It is therefore far from clear as to the current state of the law of state immunity in respect of customary international law or general international law because it would seem restrictive immunity lacks *usus* and the psychological element of *opinio juris sive necessitatis*. These difficulties in a way have created albeit a penumbra of doubt in the application of the doctrine of restrictive immunity.

It is suggested that codification is inherently problematic and not the only means of resolving the controversy. The hub of this thesis is to find an alternative means of dealing with the problem, thus looking at the influence of early writers on the doctrine of sovereign immunity. In this light I would be able to lay bare the problem and then deal with it objectively. Chapter One focuses on the historical origins of the concept of absolute immunity, where an attempt would be made to prove that early European writers did influence Chief Justice Marshall's judgment in the Schooner Exchange decision. Chapter Two addresses specifically the reasoning behind the Schooner Exchange judgment and how the said judgment found application in other courts around the globe. Chapter Three reexamines some as-

pects of the rational foundation of state immunity and the reasons why some states are finding it difficult to give up the old order, i.e., state immunity.

Chapter Four evaluates the reasons behind the changing views of states on absolute immunity. It also covers observations on current legal position on absolute and restrictive immunity in the USA and UK, respectively. Chapter Five covers in many respects private suits against African states in foreign courts, while Chapter Six examines the practice of African states in respect of state immunity. Chapter Seven is devoted to ILC draft articles on jurisdictional immunities. Chapter Eight covers issues relating to some unresolved problems of state immunity. Chapter Nine covers issues relating to suits against states for the violation of international law and some aspects of *jus cogens* and *obligations erga omnes*. Chapter Ten reviews the recent adoption of the UN Draft Convention on Jurisdictional Immunity of States and their Property. Chapter Eleven covers issues relating to the current state of the law.

Chapter Twelve, the conclusion, is structured as to have regard to the overall position of the thesis: (1) that codification has its own problems; (2) that treaty provisions between states would be helpful and will certainly bring about stability in transnational business transactions; (3) that there should be judicial development of the law of sovereign immunity as exemplified in Lord Denning's reasoning on state immunity; (4) that domestic courts should follow the principles of justice, equity and good conscience in dealing with sovereign immunity issues, and thus must make it a point to rely on or supplement their forum data with comparative survey of state practice the world over; (5) that national legislation must be discouraged so as to pave way for the modern judge to have a latitude of freedom to explore and solve by reasoning the difficulties usually associated with immunity of states and international commercial transaction (*jus gentium publicum*). For restrictive immunity is an incomplete doctrine which must be relegated to the background and that municipal courts would be better off by balancing the justified expectations of private traders as against the rights of sovereign states.

This is an expanded version of a thesis which was submitted to the University of Durham, for the degree of Doctor of Philosophy in Law.

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Ernest W. K. Bankas
at Durham
February 1998

Contents

1	The Origins of Absolute Immunity of States	1
1.1	Source Analysis.....	1
1.2	Jean Bodin’s Philosophy on Sovereignty.....	2
1.3	Thomas Hobbes.....	4
1.4	The Influence of the Philosophy of Thomas Hobbes	5
1.5	Claims and Counter Claims	9
1.6	Final Remarks	11
2	The Development of Sovereign Immunity.....	13
2.1	France before American Courts and its Aftereffects.....	13
2.2	Justice Marshall and his Ground Breaking Rule.	14
2.3	Analysis of Chief Justice Marshall’s Thesis	15
2.4	The Influence of Justice Marshall’s Decision	21
2.5	The Influence of Justice Marshall’s Judgment on English Courts	22
2.5.1	English Courts and the Sovereign Immunity Question.....	22
2.6	Civil Law Countries and Sovereign Immunity.....	25
2.7	Russia and the Sovereign Immunity Question.....	27
2.8	Is Sovereign Immunity an International Custom?.....	28
2.8.1	A Controversy	28
3	The Privileges and Immunities of States.....	33
3.1	General Observations	33
3.2	The Rational Foundation of State Immunity.....	37
3.3	Diplomatic Immunities and State Sovereignty.....	40
3.4	Comity of Nations, Reciprocity and Peaceful Coexistence.....	41
3.5	The Equality of States in the Sphere of International Law.....	43
3.6	Beneficiaries of State Immunities	46
3.6.1	State Immunity – Claims in English Courts	49
3.6.2	State Immunity in American Courts	58
3.6.3	State Immunity and the Mixed Courts of Egypt.....	61
3.6.4	State Immunity before South African Courts	63
3.6.5	State Immunity in British Commonwealth States.....	66
4	Restrictive Immunity in U.S. and U.K. Courts	69
4.1	A Move Towards a New Rule.....	69
4.2	Background	69
4.3	Early Practice in Belgium and Italian Courts	70
4.4	A Move Towards Restrictive Immunity.....	72

4.5	Restrictive Immunity and its Implication.....	74
4.6	The Change of Heart in American Practice	77
4.7	Sovereign Immunity Act of 1976: Current U.S. Law	78
4.8	Jurisdiction of the Federal Courts	79
4.9	Issues with Respect to Commencement of Action	79
4.10	Commercial Activity under FSIA	80
4.11	Contacts and Direct Effect Approach.....	81
4.12	Arbitration Clauses.....	82
4.12.1	Expropriation Claims.....	83
4.12.2	Non-Commercial Torts	84
4.12.3	Counterclaims.....	84
4.12.4	Attachment and Execution	85
4.13	The Change of Heart in British Practice.....	86
4.13.1	The State Immunity Act of the United Kingdom (1978).....	87
4.13.2	Exceptions to Immunity Under the 1978 Act	88
4.13.3	Indirect Impleading	90
4.13.4	Waivers of Immunity and Counterclaims	91
4.13.5	Execution.....	91
4.13.6	Miscellaneous Considerations	92
4.14	Difficulties in Applying Restrictive Immunity.....	94
4.14.1	Difficulties Associated with Political Acts of State.....	96
4.14.2	Thoughts on Nationalization and Restrictive Immunity.....	97
5	Private Suits Against African Countries in Foreign Courts	101
5.1	Preliminary Observations.....	101
5.2	Evidence of Resistance to the Restrictive Rule.....	104
5.3	Nigeria before English Courts.....	105
5.3.1	Trendtex Trading Corp v. Central Bank of Nigeria.....	105
5.3.2	Nigeria before German Courts	109
5.3.3	Nigeria before American Courts: Part One	111
5.3.4	Nigeria before American Courts: Part Two.....	113
5.4	Uganda before English Courts	115
5.5	Egypt before Indian Courts	116
5.6	United Arab Republic before American Courts	117
5.7	Tunisia before United States Courts.....	118
5.8	Zaire before English Courts	119
5.9	Somali Democratic Republic before American Courts	120
5.10	Libya before American Courts	120
5.11	The People's Republic of the Congo before Canadian Courts	122
5.12	Arbitration, Default Judgment and Enforcement.....	123
5.12.1	Nigeria before Switzerland and American Courts.....	123
5.12.2	Tanzania before American Courts.....	124
5.12.3	The Republic of Guinea before American Courts	127
5.12.4	Is Resistance by African States Legally Justified?	128
6	African States and the Practice of State Immunity	133
6.1	Is It Still State Immunity or Restrictive Immunity?	133

6.2	Pre-Colonial Africa and Early African Dynasties	133
6.2.1	Some Concrete Examples of Personal Sovereigns	134
6.3	The Colonial Era	137
6.4	English Sovereign Immunity Law in Africa States	141
6.5	French Sovereign Immunity Law in African States	148
6.6	Africa, Self-Determination and International Law	150
6.7	Reflections on State Practice and Its Implications	153
6.7.1	What Do We Mean by State Practice?.....	154
6.7.2	Municipal Courts and Legal Arguments of a Defendant State	156
6.7.3	Summary of Rules	159
6.8	Custom and the Concept of Persistent Objector.....	160
6.8.1	Are African States Bound by Restrictive Immunity?.....	161
6.9	Some Thoughts on the Persistent Objector Rule.....	165
6.10	The Position of African States on State Immunity.....	168
6.11	Preceding Observations and Conclusions	171
7	The ILC Report on Jurisdictional Immunities of States.....	175
7.1	Composition of the International Law Commission	175
7.2	Some Preliminary Observations.....	176
7.3	Specific Exceptions to Immunity of States	178
7.3.1	Commercial Elements and Jurisdictional Competence	178
7.4	Principles of State Immunity under the Draft Articles.....	181
7.5	Execution against a Foreign State	182
7.6	Personal Injury or Damage to Property.....	184
7.7	Effects of Draft Article 2.2 on Restrictive Immunity.....	187
7.8	Third World Influence on the ILC Deliberations.....	189
7.8.1	Disagreement Over the Draft Articles.....	192
7.9	The Uncertainty of State Practice	202
8	State Immunity and Certain Unresolved Problems	209
8.1	Some Lingering Problems.....	209
8.2	The Problems of Territorial Nexus or Connection.....	210
8.3	Problems of the Nature and Purpose Tests	215
8.4	Mixed Activities of States Involving Private Traders.....	224
8.5	The Continuing Problems of Arbitration	230
8.6	Central Banks and Certain Unsettled Problems	234
8.7	Some Problems Relating to the Act of State Doctrine	241
8.7.1	National Courts and Foreign Acts of State.....	241
8.8	The Overlap of Act of State and Sovereign Immunity.....	243
8.9	Final Remarks	249
9	State Immunity and the Violation of International Law	251
9.1	Preliminary Matters	251
9.2	Private Suits Against States for Violating Human Rights.....	251
9.3	The State, Recognition and Juridical Equality	253
9.3.1	Immunities of Heads of States and Senior State Officials.....	254
9.4	Recent Case Law on International Law Crimes.....	256

9.4.1	General Pinochet before English Courts	257
9.4.2	Ex-President Habre before the Courts of Senegal and France.....	261
9.4.3	Colonel Qaddafi before the Courts of France	262
9.4.4	A Brief Study of <i>Jus Cogens</i> and the <i>Obligaciones Erga Omnes</i> .	265
9.5	UK and Ireland before the European Court of Human Rights	268
9.6	State Immunity and World War Two Damage Claims	270
9.6.1	Germany before Greek Courts	271
9.7	Some Salient Legal Issues before the ICJ.....	273
9.7.1	The Legality of Use of Force before the ICJ.....	273
9.7.2	Congo v. the Kingdom of Belgium	279
9.7.3	The Immunity of a Foreign Minister in International Law	279
9.8	Immunity, International Crimes and American Courts	287
9.8.1	USSR Before American Courts.....	288
9.8.2	Hugo Princz v. Germany before American Courts	289
9.9	Amendment to US FSIA of 1976.....	293
9.10	Final Remarks	295
10.	UN Draft Convention on State Immunity	301
10.1	Acceptance of the Proposed Draft Convention	301
10.2	The Concept of the State for Purpose of Immunity	302
10.3	State Enterprise and Commercial Transactions	303
10.4	Commercial Character of a Contract or Transaction	305
10.5	Contract of Employment.....	307
10.6	Measures of Constraint Against the State	308
10.7	A Perspective Sketch of Possible Future Problems	312
10.8	Conclusion	314
11	The Current Law of State Immunity	317
11.1	Some Thoughts on the Law	317
11.2	The Current State of the Law.....	317
11.3	The Changing Scope of Sovereign Immunity	319
11.4	A Look at Current State Practice.....	324
11.4.1	Some Evidence of State Practice.....	327
11.5	Asian-African Legal Consultative Committee's Report	339
11.6	Further Reflections on the State of the Law.....	341
11.6.1	Some Salient Issues.....	341
11.7	Embassy Bank Accounts and Foreign Reserves	344
11.8	Employment Contracts and Restrictive Immunity	347
11.9	The Future of the Law of Sovereign Immunity	356
12	Conclusion:	361
12.1	A Proposal for Resolving the Controversy	361
Appendix	369
	Treaty of Westphalia	369
	The Schooner Exchange Decision.....	399
	Judge Weiss Concept of Restrictive Immunity (1922).....	407
	The Tate Letter.....	409

European Convention on State Immunity	411
US: Foreign Immunities Act of 1976	423
UK: Immunity Act of 1978	431
The Singapore State Immunity Act of 1979.....	443
The Pakistani State Immunity Ordinance 1981	449
South African Foreign State Immunities Act 1981	455
The ILC Montreal Draft Convention	461
Foreign States Immunities Act No. 196 of 1985.....	467
State Immunities Act, Chapter S-18.....	485
ILC Draft Articles on Jurisdictional Immunities.....	491
UN Draft Convention on State Immunity	501
Selected Bibliography	517
Index.....	535