

The Impact of the Arbitration Environment on Building Investor Confidence and Enhancing Legal Security for Investors

—A Comparative Study in Light of International Conventions and National Legislation

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Abstract

This study examines the impact of the arbitration environment on building investor confidence and enhancing legal security for investors, proceeding from the premise that the arbitration environment is no longer merely a procedural framework for dispute resolution, but has become one of the principal components of a legal environment conducive to investment. The study aims to elucidate the concept and constituent elements of the arbitration environment, analyze its relationship with legal security and investor confidence, and assess its impact on enhancing investment attractiveness in light of international conventions and national legislation, while drawing upon a number of comparative legislative experiences. The study adopts a descriptive-analytical methodology, supplemented by a comparative approach, through an analysis of legislative provisions and international conventions, foremost among them the 1958 New York Convention, the 1965 Washington Convention, and the UNCITRAL Model Law on International Commercial Arbitration. It further examines a number of comparative legal systems and analyzes relevant doctrinal and judicial trends. The study concludes that the arbitration environment constitutes an integrated framework comprising the legislative framework, judicial support, the efficiency of arbitral institutions, the effectiveness of arbitral award enforcement, and compliance with international standards. The integration of these elements is doctrinally associated with enhanced legal security, reduced legal risks, and stronger investor confidence, and may therefore contribute to a state's capacity to attract domestic and foreign investment. The study further concludes that reliance solely on traditional economic indicators is no longer sufficient for assessing the attractiveness of the investment envi-

ronment. It therefore proposes recognizing the arbitration environment as an independent legal indicator for assessing investment attractiveness, based on measuring the quality of legislation, judicial independence, the efficiency of arbitral institutions, the expeditious enforcement of arbitral awards, and the extent of compliance with international conventions. This finding constitutes the principal scholarly contribution of the study and opens the way for developing more precise legal tools for assessing the investment environment and enhancing States' competitiveness in attracting investment.

Keywords

Arbitration Environment, International Commercial Arbitration, Legal Security, Investor Confidence, Investment Attractiveness, New York Convention, UNCITRAL Model Law

1. The Conceptual and Legal Framework of the Arbitration Environment and Its Relationship with Investment

In the modern era, the assessment of the investment environment is no longer confined to traditional economic indicators, such as market size, financial stability, tax incentives, and the availability of infrastructure. Rather, it has become closely linked to the quality of the legal environment governing investment activity, as the framework that ensures the stability of legal positions, protects rights, and enhances confidence in transactions. In this context, the arbitration environment has emerged as one of the most important components of the legal environment for investment, given its role in providing an effective and neutral mechanism for resolving commercial and investment disputes, thereby contributing to the mitigation of legal risks that investors may encounter in conducting their economic activities.

International experience has demonstrated that investors, particularly foreign investors, do not merely consider whether an arbitration law exists; rather, they assess the arbitration environment as an integrated system encompassing legislation, the judiciary, arbitral institutions, mechanisms for the enforcement of arbitral awards, and the extent of the State's compliance with relevant international conventions. Accordingly, the arbitration environment has become one of the indicators considered by investors when comparing potential investment destinations, due to its direct impact on achieving legal security and reducing the degree of uncertainty associated with investment (see: the 1958 New York Convention; the UNCITRAL Model Law on International Commercial Arbitration; reports of the United Nations Conference on Trade and Development (UNCTAD) concerning the investment climate).

From an economic perspective, arbitration is no longer merely an alternative mechanism for resolving disputes after they arise; rather, it has become part of the institutional infrastructure that precedes the investment decision itself. Investors

do not limit their assessment to the economic feasibility of a project; they also evaluate the likelihood of disputes arising, the degree of independence of the national judiciary, the speed of enforcement of judgments and awards, and the availability of recourse to neutral arbitration enjoying international recognition. The greater the efficiency, clarity, and consistency of the arbitration environment with international standards, the higher the level of investor confidence, the lower the cost associated with legal risks, and the greater the State's attractiveness to domestic and foreign capital (see: OECD reports on investment policy and World Bank reports concerning the business environment).

This subject assumes particular importance in light of increasing competition among States to attract investment, as legislative reforms in the field of arbitration have become one of the principal pillars of programs aimed at developing the investment environment. Many States have moved towards modernizing their legislation in conformity with the UNCITRAL Model Law, acceding to the New York Convention and the Washington Convention, establishing specialized institutional arbitration centers, and strengthening the supportive role of national courts, thereby achieving a balance between respect for party autonomy and ensuring procedural integrity.

Nevertheless, legal scholarship has often approached arbitration from a procedural or contractual perspective, focusing on the arbitration agreement, the constitution of the arbitral tribunal, arbitral proceedings, or the enforcement of arbitral awards. By contrast, the arbitration environment, understood as an integrated legal and institutional system, has not received sufficient scholarly attention, particularly from the perspective of its impact on building investor confidence and achieving legal security for investors. Against this background, the present study seeks to provide an analytical framework linking arbitration and investment within an integrated theoretical approach, premised on the proposition that the arbitration environment constitutes one of the principal legal indicators of investment attractiveness and that its efficiency may be reflected in the level of investor confidence, the stability of transactions, and the State's capacity to compete in attracting capital.

Which legal and institutional mechanisms can the quality of the arbitration environment contribute to legal security and investor confidence? The study addresses this question through doctrinal and comparative methodology, identifying and evaluating the relationship between the quality of the arbitration environment and the legal conditions of security and confidence relevant to investment decision-making, as reflected in legislative texts, judicial and arbitral practice, international instruments, and legal and policy scholarship. It does not purport to establish an empirically measured causal effect of arbitration quality on actual investment flows. Accordingly, references in this study to the arbitration environment enhancing investment attractiveness should be understood as doctrinal propositions concerning the legal and institutional architecture of investor protection and its relevance to investors' assessment of legal risk, rather than as find-

ings of empirical causation regarding investment flows.

Building upon this conceptual framework, this Section is divided into three interconnected Subsections. The first examines the concept of the arbitration environment, its development, and its legal components. The second addresses the concepts of legal security and investor confidence and their relationship with investment. The third examines the legal basis underlying the relationship between the arbitration environment and investment attractiveness, paving the way for Section Two, which analyzes the practical impact of the arbitration environment on building investor confidence and enhancing legal security for investors.

1.1. The Concept, Development, and Legal Pillars of the Arbitration Environment

Recent decades have witnessed a fundamental shift in the perception of commercial and investment arbitration. Arbitration is no longer viewed merely as an alternative means of dispute resolution; rather, it has become one of the principal components of the legal infrastructure underpinning the modern investment environment. Before committing capital to a particular State, an investor does not confine the assessment to economic and tax indicators, but also considers the ability of the legal system to protect the investor's rights, ensure the neutrality of the forum that will adjudicate any dispute arising from the investment, and secure the prompt enforcement of decisions rendered in the investor's favor. Against this background, the concept of the arbitration environment has emerged as a notion broader than arbitration law alone, encompassing the legal, institutional, and judicial framework that makes arbitration an effective mechanism worthy of investor confidence (Born, 2021, pp. 69-74).

The significance of this concept lies in the fact that the success of an arbitration system is not measured solely by the existence of modern legislation, but rather by the degree of integration among the elements surrounding it, beginning with recognition of the parties' freedom to resort to arbitration, continuing through the role of the judiciary in supporting the arbitral process, and culminating in the effective enforcement of arbitral awards in accordance with international standards (United Nations Commission on International Trade Law, 2006; Convention on the Recognition and Enforcement of Foreign Arbitral Awards, 1958, Arts. III-V).

Accordingly, understanding the arbitration environment requires, first, an examination of its legal concept, followed by an analysis of its historical development, and then an identification of the pillars upon which it rests as an integrated system that directly affects the building of investor confidence and the achievement of legal security for investors.

1.1.1. The Concept of the Arbitration Environment

It should be noted that national legislation and international conventions do not provide an explicit definition of the term "arbitration environment." Rather, they focus on regulating arbitral proceedings or specifying the requirements for the

validity of arbitration agreements and the effects of arbitral awards. Accordingly, this concept constitutes a composite legal notion that has developed in modern legal scholarship as a result of the evolving relationship between arbitration and international investment (Redfern & Hunter, 2023, pp. 34-39).

Linguistically, the term “environment” denotes the setting within which a phenomenon develops and its various elements interact. In legal terminology, it refers to the body of rules, institutions, and mechanisms governing a particular activity and providing the conditions necessary for its stability and continuity.

On this basis, the arbitration environment may be defined as:

The legislative, judicial, institutional, and procedural system governing arbitration, ensuring its independence and effectiveness, and guaranteeing the enforcement of its awards in a manner that fosters confidence in dispute resolution and enhances the legal security of those engaged in transactions, particularly investors.

This definition is distinguished by the fact that it does not confine the arbitration environment to arbitration law alone, but links it to all elements affecting the efficiency of the arbitral system. The existence of modern legislation is insufficient if courts adopt an expansive approach to setting aside arbitral awards or refuse to enforce them. Likewise, the existence of a developed judiciary is insufficient if arbitral institutions lack efficiency or impartiality. The arbitration environment is therefore the product of the interaction of a range of legal and institutional elements, rather than merely a reflection of isolated legislative provisions (Born, 2021, pp. 80-91).

From an investment perspective, the arbitration environment constitutes one of the elements of legal risk management, as investors assess in advance the likelihood of disputes arising, the mechanisms available for resolving them, and the possibility of obtaining a final award capable of enforcement both within and outside the State. The lower the degree of legal uncertainty, the greater the attractiveness of the investment environment, and vice versa (OECD, 2015).

Accordingly, the arbitration environment is no longer a purely procedural matter; rather, it has become part of the State’s institutional infrastructure, an element influencing investment decisions, and an indicator of respect for the rule of law and the protection of contractual rights.

1.1.2. The Historical Development of the Concept of the Arbitration Environment

The concept of the arbitration environment did not emerge in its present form at once; rather, it was the product of a long historical development associated with the evolution of international trade and foreign investment.

At the traditional stage, arbitration was viewed as an exceptional mechanism for resolving commercial disputes between merchants, without constituting part of the State’s legal policy. National laws approached arbitration with caution, and some legal systems even granted courts extensive powers to intervene in arbitral

proceedings and set aside arbitral awards, thereby limiting arbitration's effectiveness in international transactions (Redfern & Hunter, 2023, pp. 11-18).

The 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention) subsequently brought about a fundamental transformation by establishing the principle of international recognition of arbitral awards and requiring Contracting States to enforce them except in specifically enumerated exceptional circumstances (New York Convention, Arts. III-V). This contributed to strengthening investor confidence in the possibility of enforcing awards across borders, which directly facilitated the expansion of international commercial arbitration.

This trend was further reinforced by the 1965 Washington Convention, which established the International Centre for Settlement of Investment Disputes (ICSID) and provided a specialized institutional framework for resolving disputes between States and foreign investors. It consolidated the proposition that the existence of an effective arbitration system constitutes one of the fundamental safeguards for promoting international investment (ICSID Convention, 1965, Arts. 25, 53-54).

Thereafter, the UNCITRAL Model Law on International Commercial Arbitration provided a harmonized legislative model that has been adopted or used as a source of inspiration by dozens of States, thereby contributing to the convergence of legal systems and reducing procedural disparities that had constituted one of the sources of legal risk for investors (United Nations Commission on International Trade Law, 2006).

As competition among States to attract investment intensified over recent decades, attention was no longer confined to enacting modern arbitration legislation. Rather, it extended to the development of the entire system, including judicial training, the establishment of institutional arbitration centers enjoying an international reputation, the adoption of digital technologies, the facilitation of award enforcement, and adherence to international standards of transparency and impartiality. Against this background, the concept of the arbitration environment emerged in legal and economic literature as an indicator for assessing a State's readiness to receive investment and protect investors' rights (UNCTAD, 2023; OECD, 2015).

The historical development therefore clearly demonstrates that arbitration has evolved from a procedural mechanism for dispute resolution into an institutional component that affects the legal and economic standing of States and their capacity to compete in attracting capital.

1.1.3. The Legal Nature of the Arbitration Environment

A question arises as to the legal nature of the arbitration environment: does it constitute part of arbitration law, or does it represent an independent legal concept?

One strand of legal scholarship confines the concept to the legislative framework governing arbitration, whereas the prevailing view regards it as a broader

legal system encompassing legislation, the judiciary, institutions, international conventions, and enforcement mechanisms. This latter approach is consistent with the realities of international investment and the requirements of legal governance (Born, 2021, pp. 74-83).

This approach is supported by the fact that investors do not assess the provisions of arbitration law in isolation; rather, they evaluate the entire surrounding legal environment, including the independence of the judiciary, the speed of award enforcement, the effectiveness of arbitral institutions, and the State's compliance with international conventions. Accordingly, the arbitration environment is, in essence, an integrated legal system for managing legal risks associated with investment disputes.

This characterization has important implications, foremost among them that the development of the arbitration environment cannot be achieved merely by amending arbitration legislation. Rather, it requires integrated legislative, institutional, and judicial reform, which explains the success of certain States in transforming themselves into regional and international centers for arbitration and investment within relatively short periods of time.

1.1.4. The Pillars of the Arbitration Environment and Its Legal Elements

The arbitration environment does not rest upon a single element; rather, it arises from the integration of a range of legal and institutional components that interact to create a coherent system ensuring the effectiveness and independence of arbitration and its capacity to deliver effective justice (Abu Al-Wafa, 2015, pp. 19-20). Accordingly, the assessment of an arbitration environment should not be confined to an examination of arbitration law, but should extend to all elements affecting the effectiveness of the arbitral process, from the conclusion of the arbitration agreement through to the enforcement of the final award. This approach is reflected in modern international arbitration scholarship, which conceptualizes the arbitration environment as a Legal Arbitration Ecosystem, rather than merely a collection of disparate legislative provisions (Born, 2021, pp. 91-105; Redfern & Hunter, 2023, pp. 35-41).

An examination of comparative legislation, international conventions, and modern legal scholarship reveals five principal pillars upon which the arbitration environment rests.

1) The Legislative Pillar

The legislative framework constitutes the cornerstone of the arbitration environment because it determines the extent to which the State recognizes arbitration, defines the scope of party autonomy, delineates the relationship between courts and arbitration, and establishes the procedural safeguards necessary for the administration of justice.

The effectiveness of legislation is not measured by the number or detail of its provisions, but rather by its consistency with established international principles, foremost among which are respect for the arbitration agreement, the independence of the arbitration clause from the underlying contract, the principle that the

arbitral tribunal has jurisdiction to rule on its own jurisdiction (Kompetenz-Kompetenz), and the autonomy of the arbitration clause (Separability Doctrine) (United Nations Commission on International Trade Law, 2006, Arts. 8, 16; Born, 2021, pp. 1094-1138).

Accordingly, States that have adopted legislation inspired by the UNCITRAL Model Law enjoy a greater degree of investor confidence, as this model promotes a measure of legislative harmonization and reduces the risks arising from differences among national laws.

The impact of legislation is not confined to the regulation of procedures; it also extends to shaping investor expectations. The clearer, more stable, and more consistent legislation is with international standards, the greater the investor's ability to assess legal risks and the lower the degree of uncertainty, which constitutes one of the principal elements of legal security (OECD, 2015).

2) The Judicial Pillar

Regardless of the quality of arbitration legislation, the arbitration environment cannot achieve its objectives unless the national judiciary supports, rather than competes with, arbitration.

Modern legal thought has shifted from viewing the judiciary as exercising broad supervisory authority over arbitration to regarding it as a partner in ensuring the success of the arbitral process. Judicial intervention should therefore be confined to circumstances permitted by law, such as appointing an arbitrator where the parties are unable to reach agreement, ordering interim measures, assisting in the taking of evidence, or considering an application to set aside an award within narrowly defined limits (United Nations Commission on International Trade Law, 2006, Arts. 5, 11, 17J, 34).

Accordingly, judicial independence, efficiency, and the speed with which courts determine arbitration-related matters have become among the most important indicators relied upon by investors in assessing a State's legal environment. A judiciary that adopts an expansive approach to setting aside arbitral awards or prolongs enforcement proceedings creates a legal environment that discourages investment, even where the arbitration legislation itself is among the most advanced.

The French Court of Cassation, since its landmark decision in *Gosset*, has affirmed the autonomy of the arbitration agreement from the underlying contract, thereby enhancing the stability of the arbitral process and limiting unjustified judicial intervention (Cour de cassation [Cass.], 1re civ., 7 May 1963).

Likewise, courts in England and Singapore, as well as those in the distinct legal jurisdiction of Hong Kong, have established a judicial approach based on respect for party autonomy and restraint in interfering with the functions of arbitral tribunals. This approach has contributed to consolidating the position of these jurisdictions as leading global centers for arbitration and investment (Lew, Mistelis, & Kröll, 2003, pp. 698-730).

3) The Institutional Pillar

Modern arbitration no longer relies solely on Ad Hoc Arbitration; rather, insti-

tutional arbitration has become the backbone of international commercial and investment disputes.

Arbitral institutions perform a role that extends beyond mere procedural administration. They establish arbitration rules, supervise the constitution of arbitral tribunals, monitor the quality of proceedings, provide administrative and technical support, and contribute to the harmonization of arbitral practices.

Practical experience has demonstrated that the existence of arbitral institutions enjoying independence and an international reputation, such as the ICC, LCIA, SIAC, HKIAC, and SCC, directly contributes to strengthening investor confidence, as investors recognize that disputes will be subject to professional institutional administration that reduces the likelihood of procedural irregularities or unjustified delay (Blackaby et al., 2023, pp. 45-53).

From this perspective, the mere establishment of national arbitration centers is not sufficient. Such centers must enjoy financial and administrative independence, adopt modern rules, maintain panels of arbitrators with international expertise, and embrace digital transformation in order to become part of an investment-attractive environment.

4) The Enforcement Pillar

The value of arbitration is not realized merely upon the issuance of an award; rather, it is realized in practical terms when that award can be enforced efficiently and expeditiously.

For this reason, enforceability constitutes the most important practical element of the arbitration environment, because investors do not seek merely a theoretical award, but an effective mechanism through which they can obtain satisfaction of their rights.

The 1958 New York Convention constituted a major turning point in this regard by requiring Contracting States to recognize and enforce foreign arbitral awards, while limiting the grounds for refusing enforcement to specifically enumerated exceptional circumstances (New York Convention, Arts. III-V).

The Convention has therefore been described as the “backbone of international commercial arbitration,” as it provided investors with a cross-border legal safeguard that had previously been unavailable (van den Berg, 1981, pp. 1-12).

Accordingly, a State that effectively complies with international standards governing the enforcement of arbitral awards sends a clear message to investors that their rights will remain protected even in the event of a dispute, which positively influences investment decisions.

5) The International Pillar

It is no longer possible to speak of a developed arbitration environment where a State’s legislative framework remains isolated from the international legal system.

A State’s accession to international conventions, the harmonization of its legislation with model rules, and its recognition of foreign awards and arbitral decisions are all indicators of its integration into the international commercial legal

system.

Among the most prominent of these instruments are:

- The 1958 New York Convention.
- The 1965 Washington Convention.
- The UNCITRAL Model Law.
- Bilateral Investment Treaties (BITs).
- Free trade agreements containing mechanisms for the settlement of investment disputes.

UNCTAD reports have demonstrated that international investors attach considerable importance to the extent of a State's adherence to these international instruments, as they provide a stable and predictable legal framework and reduce risks associated with legislative changes or divergent judicial interpretations (UNCTAD, 2023).

Accordingly, the international pillar is not merely a supplementary component of the arbitration environment; rather, it has become one of the criteria by which that environment is assessed, as it reflects the extent of the State's openness to the global legal order and its readiness to provide the legal safeguards necessary for the protection of investment.

The foregoing demonstrates that the arbitration environment is not a formal concept confined to the existence of arbitration legislation. Rather, it constitutes an integrated legal system comprising five interconnected pillars: legislation, the judiciary, institutions, enforcement, and integration into the international legal system. None of these pillars can operate effectively in isolation from the others, since weakness in any one of them affects the efficiency of the system as a whole.

1.2. Investment, Legal Security, and Investor Confidence

Investment in the contemporary global economy is no longer merely a transfer of capital from one State to another; rather, it has become a complex legal and economic decision governed by a range of considerations extending beyond the expected financial return to include an assessment of the legal environment in which the investor will conduct its activities. An investor, whether domestic or foreign, does not consider the rate of return alone, but weighs the expected return against the level of legal and regulatory risks that may confront the investment project. This is because heightened legal risks increase the cost of investment, reduce the predictability of legal positions, and consequently diminish the attractiveness of the investment environment (OECD, 2015; UNCTAD, 2023).

This development has led to the emergence of the concept of legal security as one of the fundamental pillars of the modern State, alongside the concept of investor confidence as the natural consequence of a stable legal system capable of protecting rights. Together, these two concepts have become among the most important criteria relied upon by international financial institutions, investment funds, and multinational corporations when assessing investment destinations (World Bank, 2023).

Accordingly, the relationship between the arbitration environment and investment cannot be properly understood without examining the concepts of legal security and investor confidence and clarifying the nature of the relationship between them. Arbitration is not an end in itself; rather, it is a means of building confidence in the State's legal system, which is directly reflected in investment decisions. From this perspective, this Subsection addresses three principal themes: first, the concept of legal security; second, the concept of investor confidence; and third, the complementary relationship between the two within the context of investment activity.

1.2.1. The Concept of Legal Security for Investors

Legal security (Legal Certainty or Legal Security) is a concept that has developed significantly in European constitutional and administrative legal scholarship and subsequently extended into commercial and investment law, to the extent that it has become one of the general principles of law upon which modern legislation and judicial and arbitral bodies rely when interpreting legal provisions (Craig, 2021, pp. 609-623).

Despite the diversity of scholarly definitions, they converge on a fundamental meaning: legal security is a state of stability, clarity, and predictability of the legal consequences of acts and transactions, enabling persons to arrange their affairs on the basis of stable and non-unexpected legal rules (Craig, 2021, p. 611).

In the investment context, legal security assumes a broader dimension, as it is not confined to the stability of legislative provisions but also encompasses consistency in their judicial interpretation, respect for contracts, the assurance of enforcement of judgments and awards, and protection against arbitrary interference with investors' acquired rights (Dolzer & Schreuer, 2022, pp. 145-173).

Accordingly, legal security for investors may be defined as:

A state of legitimate assurance arising from the stability, clarity, and predictability of the legal system, ensuring the protection of investors' rights, respect for their contracts, and access to effective and neutral mechanisms for dispute resolution and the enforcement of decisions rendered in relation thereto.

This definition does not treat legal security as synonymous merely with legislative stability; rather, it regards legal security as the result of the integration of several elements, including legislation, the judiciary, arbitration, enforcement, and compliance with international conventions. Legal security is therefore not achieved merely through the enactment of modern laws, but when all State institutions operate coherently in a manner that ensures the protection of investors' legitimate rights.

For this reason, numerous investment arbitral tribunals have emphasized that one of the principal obligations incumbent upon the host State is to provide a stable and predictable legal environment, as part of the Fair and Equitable Treatment standard contained in many bilateral and multilateral investment treaties

(*Tecnicas Medioambientales Tecmed S.A. v. United Mexican States*, ICSID Case No. ARB(AF)/00/2, Award, 2003; *Saluka Investments B.V. v. Czech Republic*, Partial Award, 2006).

Legal security has therefore ceased to be merely a theoretical value and has become an international legal obligation, the breach of which may, in certain forms of investment arbitration, entail State responsibility.

1.2.2. The Concept of Investor Confidence

If legal security represents the cause, investor confidence represents the effect, or the natural consequence of the existence of such security.

Investor confidence does not merely refer to a subjective psychological sentiment on the part of the investor; rather, it denotes an objective condition formed as a result of the investor's assessment of the State's overall legal, economic, and institutional circumstances and the extent to which the investor is able to conduct its activities within a stable framework whose outcomes are predictable (OECD, 2015).

Economic scholarship considers investor confidence to rest upon three principal elements:

- 1) Confidence in legislative stability.
- 2) Confidence in the impartiality of institutions.
- 3) Confidence in the effective enforcement of rights.

(Rodrik, 2015; World Bank, 2023).

From a legal perspective, investor confidence means the investor's conviction that the State's legal system will respect its contractual rights, provide effective mechanisms for dispute resolution, and ensure the enforcement of judgments and awards without discrimination or arbitrariness (Dolzer & Schreuer, 2022, pp. 146-150).

Investor confidence is therefore not built through governmental declarations or tax incentives alone; rather, it is built, above all, through the quality of legal institutions, foremost among them the judiciary and arbitration.

Accordingly, States that enjoy an international standing in the field of arbitration, such as Singapore, Switzerland, England, and France, do not derive their investment attractiveness solely from economic advantages, but also from the legal reputation they have acquired for respecting contracts, maintaining judicial independence, and ensuring the prompt enforcement of arbitral awards. Confidence in their legal systems has therefore become one of the principal reasons for their selection as destinations for international investment (Born, 2021, pp. 92-105; Blackaby et al., 2023, pp. 48-55).

Although the seat of arbitration may be chosen in a State or jurisdiction with an established legal and arbitral reputation different from the host State selected by the investor as the destination of the investment, this does not diminish the importance of the arbitration environment of the host State as a Significant component of the legal security surrounding the investment. The choice of the arbitral seat and the choice of an investment destination are legally distinct decisions, each

governed by different considerations and risks, notwithstanding that some of the factors relevant to them may overlap. Accordingly, an investor's assessment of the arbitration environment is not confined to the designation of the arbitral seat, but extends to the effectiveness of the legislative, judicial, and institutional framework governing arbitration in the host State, the extent of judicial support for the arbitral process, the effectiveness of arbitral award enforcement, and the consistency of judicial practice and its alignment with international standards. The effectiveness of this environment reflects, in part, the extent to which the legal system respects part autonomy, protects contractual rights, safeguards the independence of dispute-resolution mechanisms, and ensures the effective enforcement of rights. Taken together, these elements contribute to shaping the investor's perception of the level of legal security afforded by the host state. On this basis, investor confidence is not conceptually separate from legal security; rather, it constitutes one of its practical manifestations. The more efficient and reliable the arbitration environment is within a stable legal framework, the stronger the conditions supporting legal security and investor confidence are likely to be, without this, in itself, establishing a direct causal relationship between the quality of the arbitration environment and the volume of investment flows.

1.2.3. The Relationship between Legal Security and Investor Confidence

Defining the relationship between legal security and investor confidence is of particular importance to this study because its principal hypothesis is that the arbitration environment affects investment through its role in enhancing legal security, which, in turn, leads to the building of investor confidence.

It follows that the relationship between arbitration and investment is not direct; rather, it is a sequential relationship mediated by the framework of legal security and investor confidence.

Arbitration, as a mechanism for the protection of rights, reduces the legal risks associated with contracts and investments and provides investors with an additional safeguard through the possibility of recourse to a neutral and independent forum for the resolution of disputes. This, in turn, increases the investor's level of assurance regarding the stability of its legal position and consequently strengthens confidence in the State's investment environment (Born, 2021, pp. 75-91).

Legal security also contributes to reducing what economic literature refers to as the Legal Uncertainty Cost, namely, the cost borne by investors as a result of the difficulty of predicting the outcome of disputes, the possibility of changes in legal rules, or deficiencies in the enforcement of judgments and awards. The lower this cost, the greater the attractiveness of investment and the stronger the State's competitiveness in attracting capital (OECD, 2015; World Bank, 2023).

Moreover, investor confidence does not arise merely from the existence of sound legislation; rather, it develops through the practical application of such legislation, consistency in judicial decisions, the State's observance of its international obligations, and the prompt enforcement of arbitral awards. The arbitration environment therefore constitutes the link between legal rules and practical real-

ity, as it tests the State's capacity to fulfill its obligations toward investors.

From this perspective, it may be concluded that legal security constitutes the legal foundation upon which investor confidence is built, while investor confidence represents the economic effect of legal security. The arbitration environment, in turn, performs the role of the institutional mechanism connecting the two by providing an effective and neutral dispute-resolution system that safeguards rights and enhances the predictability of legal outcomes.

1.3. The Legal Basis of the Relationship between the Arbitration Environment and Investment Attractiveness

The preceding two Subsections concluded that the arbitration environment constitutes an integrated legal and institutional system, and that legal security and investor confidence represent the natural outcome of the soundness of that system. However, the fundamental question that arises is: What is the legal basis that makes the arbitration environment a factor influencing investment decisions?

The significance of this question does not lie merely in establishing the existence of a relationship between arbitration and investment, as this relationship has become widely accepted in both economic and legal scholarship. Rather, its importance lies in identifying the legal basis that explains this relationship and provides it with legislative, judicial, and international foundations, beyond purely economic assumptions. This study does not merely seek to demonstrate that arbitration is a mechanism for dispute resolution; rather, it aims to establish that the arbitration environment has become one of the components of the legal framework governing investment and that its efficiency affects the investor's assessment of the host State before an investment decision is made.

Accordingly, this Subsection proceeds from an analysis of three interrelated legal foundations: the principle of party autonomy, the principle of legal security and the protection of legitimate expectations, and the international obligations incumbent upon States in the field of investment protection, as the foundations upon which the relationship between the arbitration environment and investment attractiveness rests.

1.3.1. Party Autonomy as a Legal Basis of the Arbitration Environment

The principle of party autonomy is one of the oldest principles underpinning private law. It provides that individuals are free to regulate their legal relationships and to choose the appropriate means for protecting their rights, provided that such choices do not contravene public policy or mandatory legal provisions. This principle finds one of its clearest applications in arbitration, where the jurisdiction of the arbitral tribunal is founded, in the first instance, upon the agreement of the parties rather than upon a general jurisdiction imposed by the State (Born, 2021, pp. 335-382; Al-Zuhayli, 1985, pp. 756-757; Wali, 2007, pp. 83-84).

Accordingly, the arbitration environment does not arise from State interference with the parties' will, but rather from the legal recognition and regulation of that will. The greater the extent to which legislation respects arbitration agreements,

recognizes their independence from the underlying contract, and prevents parties from evading them except within legally prescribed limits, the greater the confidence of parties in the State's legal system.

For this reason, the UNCITRAL Model Law requires courts to refer the parties to arbitration where a valid arbitration agreement exists, except where the agreement is null and void, inoperative, or incapable of being performed ([United Nations Commission on International Trade Law, 2006, Art. 8](#)). The majority of modern arbitration laws have likewise adopted this approach as an affirmation of respect for party autonomy.

The effect of party autonomy is not confined to the stage of concluding the arbitration agreement. It also extends to the choice of the applicable law, the seat of arbitration, the language of the proceedings, the number of arbitrators, and the procedures governing the dispute. Such freedom gives investors a significant degree of control over the management of legal risks associated with their investments, thereby enhancing confidence in the State's legal environment.

Accordingly, respect for party autonomy is not merely a rule of contract law; rather, it constitutes an indicator of the maturity of the arbitration environment, because a State that respects the choices of the parties sends a clear message to investors that it respects contractual freedom and protects the legal positions arising therefrom.

1.3.2. Legal Security and the Protection of Legitimate Expectations as a Basis for Investment Attractiveness

If party autonomy constitutes the contractual basis of the arbitration environment, then legal security and the protection of legitimate expectations constitute the substantive basis linking arbitration and investment.

Legitimate Expectations refer to those expectations that an investor is entitled to form on the basis of existing legislation, official conduct attributable to the State, or assurances provided to the investor upon entering the market. Consequently, any sudden or arbitrary change that undermines such expectations may constitute a breach of the fair and equitable treatment standard contained in numerous investment treaties ([Dolzer & Schreuer, 2022, pp. 145-173](#)).

Investment arbitral tribunals have affirmed this concept in numerous awards, emphasizing that investors are entitled to rely upon the stability of the legal and regulatory environment when making investment decisions. In *Tecmed v. Mexico*, the arbitral tribunal held that the State is required to provide a stable and consistent legal framework enabling the investor to plan its economic activities on the basis of legitimate and reasonable expectations ([Técnicas Medioambientales Tecmed S.A. v. United Mexican States, ICSID Case No. ARB\(AF\)/00/2, Award, May 29, 2003, paras. 154-156](#)). Similarly, the tribunal in *Saluka v. Czech Republic* affirmed that the protection of legitimate expectations constitutes one of the essential components of the fair and equitable treatment standard, without preventing the State from exercising its legitimate regulatory powers, provided that such exercise is undertaken transparently and without arbitrariness ([Saluka Invest-](#)

ments *B.V. v. Czech Republic*, 2006, paras. 302-308).

While the arbitral awards referred to above are significant in highlighting the relationship between legitimate expectations and the fair and equitable treatment (FET) standard, they should not be understood as establishing a uniform and autonomous rule under which every change to the host State's legal or regulatory framework constitutes, in itself, a breach of that standard. The extent to which legitimate expectations may be relied upon, and the scope of the protection afforded to them, remain dependent on the wording of the applicable investment treaty, the nature, specificity, clarity, and legal basis of the commitments or representations relied upon by the investor, the circumstances surrounding the investment, and the interpretive approach adopted by the arbitral tribunal in applying the FET standard to the dispute before it. Accordingly, this study relies on *Tecmed* and *Saluka* as influential illustrations of arbitral jurisprudence demonstrating how legitimate expectations have been addressed within the framework of the FET standard, rather than as establishing a generally applicable rule or a university binding formulation governing all investment disputes.

Subject to these qualifications, the significance of the arbitration environment lies in its function as the legal and institutional framework through which an investor, where relying on a right or protection afforded under the applicable legal instrument, may submit a claim alleging a breach of that protection to an independent and impartial arbitral tribunal, in accordance with the applicable rules of jurisdiction and governing law. From this perspective, the significance of the arbitration environment is not confined to providing a mechanism for protecting existing rights and legal positions once a dispute has arisen; it also extends to enhancing the predictability of how those rights will be protected and how disputes that may arise in relation to them will be resolved. This, in turn, contributes to legal security and strengthens investor confidence in the legal framework surrounding the investment and, together with other legal, economic, and institutional factors, constitutes one of the elements relevant to the attractiveness of the investment environment.

1.3.3. States' International Obligations and Their Impact on Building the Arbitration Environment

Strengthening the arbitration environment is no longer purely a matter of domestic legislative choice; rather, in many instances, it has become an international obligation arising from a State's accession to international conventions relating to arbitration and investment.

A State's accession to the 1958 New York Convention requires it to recognize arbitration agreements and enforce foreign arbitral awards in accordance with the conditions set forth in the Convention, without expanding the grounds for refusing enforcement (New York Convention, Arts. II-V). Likewise, accession to the 1965 Washington Convention entails an obligation to recognize and enforce awards rendered by the International Centre for Settlement of Investment Disputes as if they were final judgments of the State's own courts (ICSID Convention,

Arts. 53-54).

These two regimes should not be conflated. The New York Convention governs the recognition and enforcement of awards rendered in international commercial arbitration generally, whereas the ICSID Convention establishes a distinct, self-contained framework applicable specifically to investor-State disputes submitted to the Centre. Critically, a State's accession to the ICSID Convention does not, by itself, constitute consent to arbitrate any particular investor-State dispute, such consent must arise independently from a bilateral or multilateral investment treaty, an investment contract, or a domestic investment law offering arbitration to qualifying investors, in accordance with the requirement of written consent under Article 25 of the ICSID Convention (*ICSID Convention, 1965, Art. 25*)

These obligations are further reinforced through bilateral and multilateral treaties for the protection and promotion of investment, which require States to provide fair and equitable treatment, afford full protection to investments, and permit investors to resort to international arbitration when disputes arise. This has led to the emergence of an integrated international legal framework in which the arbitration environment forms part of the State's obligations toward the international investment community, rather than merely constituting a matter of domestic legislative policy.

In this regard, reports issued by the United Nations Conference on Trade and Development (UNCTAD) indicate that the efficiency of dispute settlement mechanisms, State compliance with arbitral awards, and the alignment of domestic legislation with international standards are among the principal factors affecting investors' assessment of cross-border investment risks (*UNCTAD, 2023*).

The Organisation for Economic Co-operation and Development (OECD) likewise emphasizes that the effectiveness of mechanisms for the enforcement of rights and dispute resolution constitutes a fundamental pillar of a competitive investment environment, and that legislative reforms alone are insufficient unless accompanied by a supportive judiciary, independent arbitral institutions, and effective enforcement of awards (*OECD, 2015*).

It follows that the arbitration environment has become part of the framework of legal governance of investment, and that the extent of the State's compliance with international standards in this field constitutes a factor influencing its capacity to attract and retain investment.

The foregoing analysis demonstrates that the relationship between the arbitration environment and investment attractiveness is neither incidental nor purely economic. Rather, it rests upon firmly established legal foundations consisting of respect for party autonomy, the entrenchment of legal security and the protection of legitimate expectations, and compliance with international obligations arising from treaties governing arbitration and investment. Consequently, the arbitration environment is no longer merely a procedural framework for dispute resolution; rather, it has become one of the components of the State's legal infrastructure and one of the indicators relied upon by investors in assessing the level of legal risk

before making an investment decision.

2. The Impact of the Arbitration Environment on Building Investor Confidence and Achieving Legal Security

While Section One established the conceptual and legal framework of the arbitration environment and identified the legal foundations that make it one of the principal pillars of investment attractiveness, this Section moves to a deeper stage by examining the practical impact of the arbitration environment on the formation of investor confidence and the consolidation of legal security for investors. The central proposition underlying this study is not confined to establishing the existence of a relationship between arbitration and investment; rather, it extends to analyzing the manner in which the quality of the arbitration environment is transformed into a factor influencing investment decisions and the State's capacity to attract and retain capital.

In the global economy, investors no longer assess States solely on the basis of macroeconomic indicators. Increasing importance is now attached to legal and institutional indicators reflecting the extent to which a State respects the rule of law, ensures the stability of transactions, and provides effective mechanisms for dispute resolution. Studies issued by international organizations have shown that the existence of an effective arbitration system reduces legal risks, lowers transaction costs, and enhances the predictability of dispute outcomes, which is directly reflected in investment decisions (OECD, 2015; UNCTAD, 2023).

The significance of the arbitration environment in this context lies in the fact that it constitutes the link between legal rules and their practical application. Legislation, regardless of its quality, cannot produce its intended effect in attracting investment unless it is supported by competent arbitral institutions, a supportive judiciary, effective enforcement mechanisms, and a legal culture committed to respecting party autonomy and the independence of the arbitral process. Accordingly, the arbitration environment does not operate merely as a procedural system, but rather as part of the broader framework of legal governance that shapes investors' perceptions of the level of legal risk in the host State.

Moreover, the impact of the arbitration environment is not confined to the stage following the emergence of a dispute; rather, it begins before the investment contract itself is concluded. When assessing a particular project, an investor takes into account the availability of effective mechanisms for protecting rights in the event of a dispute, the independence of the national judiciary, the State's compliance with its international obligations, and the ease with which arbitral awards can be enforced. The arbitration environment therefore performs a preventive role in reducing legal risks and a remedial role in resolving disputes, making it one of the essential elements in building investor confidence.

In light of the foregoing, this Section addresses three interrelated Subsections. The first examines the impact of the legislative environment governing arbitration on enhancing investor confidence. The second considers the impact of the judicial

and institutional environment on achieving legal security. The third analyzes the impact of the enforcement of arbitral awards on investment stability, with the aim of demonstrating the practical effect of each component of the arbitration environment on building investor confidence and achieving legal security for investors.

2.1. The Impact of the Legislative Arbitration Environment on Enhancing Investor Confidence

The legislative environment constitutes the first pillar upon which the arbitration environment rests, as it provides the legal framework that defines the scope of party autonomy, regulates the relationship between the judiciary and arbitration, and establishes the procedural safeguards necessary to ensure the integrity of the arbitral process. Accordingly, the quality of legislation affects not only the effectiveness of arbitration but also confidence in the State's legal system, since investors regard legislation as the formal expression of the State's policy toward the protection of rights and respect for contractual obligations.

Comparative experience has demonstrated that legislative reforms in the field of arbitration have been among the first measures adopted by States seeking to improve their investment environments. The purpose of modernizing arbitration laws has not merely been to develop procedures for dispute resolution, but also to convey a clear legal message to investors that the State has adopted a modern legal system consistent with international standards and capable of ensuring respect for arbitration agreements and the enforcement of arbitral awards ([United Nations Commission on International Trade Law, 2006; Born, 2021, pp. 91-105](#)).

This is not because investors necessarily undertake a detailed examination of the provisions of arbitration law before making an investment decision, but because the quality of legislation has become an indicator of the maturity of the State's legal system and the extent of its commitment to protecting contractual rights, which directly affects the assessment of legal risks associated with investment. Accordingly, the development of arbitration legislation has become an integral part of policies aimed at improving the investment climate in many States, whether in Europe, Asia, or the Gulf region.

From this perspective, examining the impact of the legislative environment on enhancing investor confidence requires an analysis of three principal elements: the extent to which legislation conforms to international standards, its respect for party autonomy and the independence of the arbitration agreement, and the limits of judicial intervention in the arbitral process. Taken together, these elements constitute the foundation upon which investor confidence in the State's legal system is built.

2.1.1. The Conformity of National Legislation with International Standards and Its Impact on Building Investor Confidence

National arbitration legislation is no longer assessed by reference to how recently it was enacted or the number of provisions it contains; rather, it is evaluated ac-

according to the extent of its consistency with established principles of international commercial law and its ability to strike a balance between respect for party autonomy, procedural integrity, and the protection of public policy. The development of international trade and the growth of cross-border investment have given rise to a global trend toward harmonizing the fundamental principles governing arbitration, embodied principally in the UNCITRAL Model Law on International Commercial Arbitration, which has become the principal legislative reference for the modernization of arbitration laws in a large number of States (United Nations Commission on International Trade Law, 2006; Born, 2021, pp. 157-169).

The significance of such conformity is not confined to the technical aspects of legislation; it extends to its effect on the formation of investor confidence. An international investor does not enter a new market without regard to the legal framework that will govern the investment. Rather, the investor compares different legal systems and seeks an environment that applies familiar rules consistent with international standards, thereby reducing the risks of legislative surprises or material differences in the interpretation of legal rules. Accordingly, aligning national legislation with the UNCITRAL Model Law has, in many instances, become a legal message directed toward the international investment community, indicating that the State has adopted a legal framework open to international trade and respectful of established principles of arbitration.

Such alignment is reflected in a number of fundamental principles, most notably recognition of the independence of the arbitration agreement, acknowledgment of the arbitral tribunal's competence to rule on its own jurisdiction, limitation of judicial intervention, recognition of the binding effect of arbitral awards, and restriction of the grounds for setting aside or refusing enforcement. These principles not only promote legislative consistency among States but also contribute to the formation of stable legal expectations for investors, enabling them, to a significant degree, to predict how a dispute will be conducted if it arises, irrespective of the State in which the arbitration takes place (Born, 2021, pp. 1094-1168; Redfern & Hunter, 2023, pp. 184-206).

From an economic perspective, such harmonization reduces what economic literature refers to as Legal Transaction Costs, because the harmonization of the fundamental rules of arbitration reduces the time, effort, and costs incurred by investors in understanding the legal system of the host State. It also reduces the likelihood of disputes over procedural matters and increases the predictability of dispute outcomes. Douglass North observed that the quality and stability of legal institutions play a central role in reducing transaction costs and promoting economic activity, an analysis that naturally extends to the arbitration environment as one of the components of the State's institutional framework (North, 1990, pp. 54-73).

It is noteworthy that States and jurisdictions that have succeeded in becoming regional or global arbitration centers did not achieve this solely through the establishment of sophisticated arbitral institutions; rather, they first reformed their

legislative environments to bring them into conformity with international standards. In this context Singapore, as a State, and Hong Kong, as a distinct legal jurisdiction, incorporated legislation based on the UNCITRAL Model Law on International Commercial Arbitration into their respective legal frameworks and have continued to develop those frameworks in response to international developments. This has been reflected in the confidence placed by investors and international commercial parties in these two legal systems and has contributed to their emergence as two of the most frequently selected seats of arbitration in Asia (Born, 2021, pp. 162-168; Queen Mary University of London & White & Case, 2021).

In the Arab context, the Kingdom of Saudi Arabia witnessed a significant legislative transformation with the enactment of the Arbitration Law issued by Royal Decree No. (M/34), dated 24/5/1433 AH, which clearly drew upon the provisions of the UNCITRAL Model Law, whether in recognizing the independence of the arbitration clause, adopting the principle that the arbitral tribunal has competence to rule on its own jurisdiction, narrowing the scope of judicial review of arbitral awards, or regulating their enforcement in a manner that strikes a balance between respect for party autonomy and the protection of public policy. This development constituted one of the important elements supporting the Saudi investment environment, given its close connection with economic reform programs and efforts to enhance the Kingdom's competitiveness in attracting foreign investment (Kingdom of Saudi Arabia, 1433 AH; Kingdom of Saudi Arabia, 1447 AH; Kingdom of Saudi Arabia, 2016).

Conformity with international standards does not mean that a State must relinquish its legislative particularities or the protection of its public policy. Rather, it means that such particularities should be governed by known and predictable parameters so that they do not become a source of legal uncertainty. Investors do not object to the existence of mandatory rules or public policy considerations; rather, their concern lies in the ambiguity of such rules, inconsistency in their application, or an expansive judicial interpretation that undermines the effectiveness of arbitration. Comparative legal scholarship therefore distinguishes between legitimate legislative particularity and unforeseeable exceptions that undermine confidence in the legal system (van den Berg, 1981, pp. 265-312).

Accordingly, legislative conformity should not be viewed as a merely formal objective or technical requirement, but rather as one of the fundamental components of investor confidence. The clearer, more stable, and more consistent national legislation is with international principles, the higher the level of legal certainty for investors, the lower the investment risks, and the greater the State's capacity to compete in attracting capital.

It follows that the legislative environment performs not only a regulatory function but also a communicative one, as it conveys to investors the State's commitment to the rule of law, adherence to international standards, and provision of a stable and predictable legal framework. The quality of arbitration legislation therefore constitutes the starting point for building investor confidence. However,

it is not sufficient on its own to achieve this objective unless accompanied by genuine respect for the parties' freedom to resort to arbitration and for the independence of the arbitration agreement.

2.1.2. Respect for Party Autonomy and the Independence of the Arbitration Agreement and Their Impact on Enhancing Investor Confidence

Arbitration is fundamentally based on the principle of party autonomy, which grants the parties the freedom to agree to exclude the jurisdiction of national courts and select a private mechanism for resolving their disputes. Respect for this principle constitutes one of the most important indicators by which investors assess the maturity of a State's legal environment, because any unjustified interference with an arbitration agreement directly affects confidence in the stability of contractual relationships (Born, 2021, pp. 335-382; Wali, 2007, pp. 95-97).

Modern legislation has therefore established the principle of the independence of the arbitration agreement from the underlying contract, such that the invalidity, termination, or expiry of the contract does not result in the extinction of the arbitration clause unless the defect affects the arbitration agreement itself (United Nations Commission on International Trade Law, 2006, Art. 16). This principle has become well established in comparative jurisprudence, given the protection it affords to the parties' intentions and its role in preventing substantive disputes from being used as a means of obstructing arbitral proceedings (Redfern & Hunter, 2023, pp. 195-201).

From an investment perspective, this principle assumes particular significance because it provides investors with a legal assurance that a dispute will be submitted to the forum agreed upon by the parties, irrespective of subsequent disputes concerning the validity or performance of the underlying contract. This enhances the predictability of legal proceedings, which is one of the fundamental pillars of legal security (Dolzer & Schreuer, 2022, pp. 145-150).

Respect for party autonomy is also associated with the principle of Kompetenz-Kompetenz, which empowers the arbitral tribunal to rule, in the first instance, on its own jurisdiction before judicial intervention, thereby preventing the obstruction of arbitral proceedings through the raising of procedural objections before national courts (Born, 2021, pp. 1094-1138). Adoption of this principle reflects the legislature's confidence in the arbitral system and enhances investor confidence in its independence and effectiveness.

Accordingly, a legislative environment that respects party autonomy, safeguards the independence of the arbitration agreement, and limits unnecessary judicial intervention contributes to building investor confidence by providing a stable legal framework upon which parties can rely when entering into their contracts and investments.

2.1.3. The Limits of Judicial Intervention in the Arbitral Process and Their Impact on Investor Confidence

The success of the legislative environment is not achieved merely through recog-

inition of arbitration; it also depends on defining the scope of the relationship between national courts and arbitral tribunals. The modern approach is not based on complete separation between the two, but rather on the concept of a judiciary supportive of arbitration, which intervenes when necessary to protect the arbitral process without replacing it ([United Nations Commission on International Trade Law, 2006, Art. 5](#)).

Comparative legislation has therefore tended to confine judicial intervention to specified circumstances, such as the appointment of an arbitrator where the parties are unable to reach agreement, the granting of interim measures, assistance in the taking of evidence, or consideration of an action to set aside an award on specifically enumerated grounds. This approach achieves a balance between safeguarding procedural guarantees and respecting the autonomy of arbitration ([Blackaby et al., 2023, pp. 309-327](#)).

By contrast, expansive judicial review or a broad interpretation of the grounds for setting aside arbitral awards weakens confidence in the arbitration environment because it creates uncertainty regarding the finality and enforceability of awards. Accordingly, the French Court of Cassation and the courts of England and Singapore have emphasized in numerous decisions the need to interpret the grounds for setting aside arbitral awards narrowly in order to preserve the stability of international commercial transactions ([Cour de cassation \[Cass.\], 1re civ., 1963](#); [Born, 2021, pp. 3403-3458](#)).

It is therefore evident that investors do not assess legislation solely through its abstract provisions, but also through the extent to which courts adhere to its spirit and objectives. The more the judiciary supports arbitration, respects the finality of arbitral awards, and confines its review to the limits prescribed by law, the greater the confidence in the investment environment and the lower the legal risks associated with dispute resolution.

The foregoing demonstrates that the legislative environment affects investor confidence through three interrelated elements: the conformity of legislation with international standards, respect for party autonomy and the independence of the arbitration agreement, and the limitation of judicial intervention to the extent necessary to support the arbitral process. Taken together, these elements constitute the legislative foundation upon which the arbitration environment rests and form the point of departure toward its second component, namely the judicial and institutional environment, which will be addressed in the second Subsection of this Section.

2.2. The Impact of the Judicial and Institutional Environment on Achieving Legal Security for Investors

The effectiveness of the arbitration environment is not achieved merely through the existence of modern legislation; rather, it depends on the extent to which national courts and arbitral institutions are capable of applying such legislation in a manner that strikes a balance between respect for party autonomy and the integrity of the proceedings. Investors do not assess legal provisions in the abstract;

rather, they assess their capacity for effective practical application, which makes the judicial and institutional environment one of the most important determinants of legal security and investor confidence (Born, 2021, pp. 91-105).

Comparative experience has demonstrated that States with specialized judiciaries and independent arbitral institutions enjoy a higher degree of investor confidence, as the quality of implementation is no less important than the quality of legislation. Accordingly, this Subsection addresses three principal elements: the role of the judiciary in supporting arbitration, the impact of the independence and efficiency of arbitral institutions, and the importance of arbitrator impartiality in achieving legal security.

2.2.1. The Role of the Judiciary in Supporting Arbitration and Achieving Legal Security

The modern role of the judiciary is based on the principle of a Supportive Judiciary, rather than one that competes with arbitration. This requires judicial intervention to be confined to circumstances permitted by law, such as assisting in the constitution of the arbitral tribunal, granting interim measures, or considering an application to set aside an award on specifically enumerated grounds, without examining or reassessing the merits of the dispute (United Nations Commission on International Trade Law, 2006, Arts. 5, 11, 17J, 34).

This approach enhances legal security in two respects: first, by protecting the parties' choice to resort to arbitration; and second, by ensuring that arbitral proceedings are neither obstructed nor deprived of their effectiveness through excessive judicial review. Accordingly, courts in leading arbitral jurisdictions, such as England, Singapore, and France, have adopted a restrictive approach to intervention in the arbitral process, thereby enhancing investor confidence in the stability of those legal systems (Redfern & Hunter, 2023, pp. 537-556; Born, 2021, pp. 3403-3458).

Accordingly, the efficiency of the judiciary in supporting arbitration is not measured by the number of judgments rendered, but rather by its ability to strike an appropriate balance between safeguarding legality and preserving the autonomy of the arbitral process.

2.2.2. The Independence and Efficiency of Arbitral Institutions and Their Impact on Investor Confidence

Arbitral institutions have become one of the most important components of the legal environment for investment. Their role is no longer confined to administering proceedings but has extended to establishing standards of quality, impartiality, and efficiency in dispute management. Accordingly, the reputation of an arbitral institution, its administrative and financial independence, the clarity of its procedural rules, and the efficiency with which it administers proceedings are all factors that influence an investor's choice of the seat of arbitration (Blackaby et al., 2023, pp. 45-53).

Recent studies confirm that investors prefer recourse to institutions characterized by institutional stability and clear procedural rules, such as the ICC, LCIA,

and SIAC, because this reduces the likelihood of procedural disputes and enhances the predictability of the course of proceedings (Queen Mary University of London & White & Case, *International Arbitration Survey*, 2021).

Nevertheless, as previously explained, a distinction should be maintained between the choice of a jurisdiction as the seat of commercial arbitration and the choice of a State as an investment destination. The former is primarily governed by procedural and legal considerations relating to dispute resolution, whereas the latter constitutes a broader economic and legal decision involving a wider range of consideration. This distinction, however, does not negate the relationship between the arbitration environment and a State's attractiveness as an investment destination. Where a host State provides a reliable legal and arbitral environment characterised by clear and stable legislation, an arbitration-supportive judiciary, efficient and independent arbitral institutions, and the effective enforcement of arbitral awards, such an environment enhances legal security and reduces the risks associated with dispute resolution. This, in turn, supports investor confidence in the host State's legal system and, together with its other economic and institutional attributes, strengthens its capacity to become a preferred destination for cross-border capital and investment.

In this respect, the significance of arbitral institutions extends beyond the administration of existing disputes to the broader arbitration environment and the perception of the host State's legal and institutional framework. The existence of independent and efficient arbitral institutions operating in accordance with internationally recognized standards to an institutional infrastructure supportive of arbitration and investment, reinforces legal security, and strengthens investor confidence in its capacity of the host State's legal system to administer and resolve commercial disputes in accordance with international best practices.

2.2.3. Arbitrator Impartiality and Guarantees of Independence and Their Impact on Achieving Legal Security

The impartiality and independence of arbitrators constitute fundamental principles of arbitral justice and, at the same time, are among the most important safeguards upon which investors base their confidence in the arbitration system. Accordingly, most arbitration laws and international arbitration rules require arbitrators to disclose any circumstances that may give rise to justifiable doubts as to their impartiality or independence, while granting the parties the right to challenge an arbitrator where serious grounds for doing so exist (United Nations Commission on International Trade Law, 2021, Arts. 11-13; ICC Arbitration Rules, 2021, Art. 11).

The concept of independence is not confined to the absence of a financial or professional relationship with one of the parties; rather, it extends to avoiding any circumstances that may affect the appearance of impartiality or undermine confidence in the integrity of the arbitral process. For this reason, the IBA (2024) Guidelines on Conflicts of Interest in International Arbitration developed practical standards for disclosure and the assessment of conflicts of interest and have

become an important reference in international arbitration practice.

It follows that arbitrator impartiality does not constitute merely a procedural safeguard; rather, it is an essential element in building legal security, because investors cannot have confidence in the effectiveness of arbitration unless they are assured of the independence of the decision-makers entrusted with resolving the dispute.

The foregoing demonstrates that the judicial and institutional environment performs a role complementary to that of the legislative environment in building investor confidence. A judiciary supportive of arbitration, independent arbitral institutions, and impartial and independent arbitrators together constitute an integrated framework that enhances legal security and reduces the risks associated with dispute resolution. Accordingly, the success of the arbitration environment is not measured solely by the modernity of its legislation, but also by the efficiency of the institutions of justice in applying it. This provides the basis for proceeding to Subsection Three: The Impact of the Enforcement of Arbitral Awards on Investment Stability, as the final link in ensuring the overall effectiveness of the arbitration environment.

2.3. The Impact of the Enforcement of Arbitral Awards on Investment Stability

The enforcement stage of an arbitral award constitutes the true test of the effectiveness of the arbitration environment, as legal protection for investors is not achieved merely by the issuance of an award, but rather by their ability to enforce it effectively and within a reasonable period of time. Accordingly, enforceability is one of the most important indicators by which investors assess the efficiency of a State's legal system, because an unenforceable award deprives arbitration of its practical value and returns the investor to a state of legal uncertainty (Born, 2021, pp. 3403-3412).

From this perspective, this Subsection examines the impact of the enforcement of arbitral awards on investment stability through three dimensions: the role of the New York Convention in enhancing investor confidence, the impact of expeditious enforcement on reducing legal risks, and the limits of judicial review in the enforcement of arbitral awards.

2.3.1. The Role of the New York Convention in Enhancing Investor Confidence

The 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention) constitutes the fundamental pillar of the international system for the enforcement of arbitral awards. It requires Contracting States to recognize and enforce arbitral awards, while limiting the grounds for refusing enforcement to specified exceptional circumstances (New York Convention, Arts. III-V).

This legal framework has had a direct impact on the investment environment, as it provides investors with a safeguard extending beyond the borders of the State

in which the award was rendered, enabling them to enforce the award in any Contracting State in which assets of the award debtor are located. For this reason, legal scholarship has described the New York Convention as the “cornerstone of international commercial arbitration,” given the stability it has brought to cross-border trade and investment (van den Berg, 1981, pp. 1-12).

Accordingly, a State’s accession to the Convention and its effective implementation in practice constitute an important indicator of its commitment to protecting investment rights, thereby enhancing investor confidence in its legal environment.

2.3.2. The Impact of Expeditious Enforcement of Arbitral Awards on Reducing Legal Risks

The success of an enforcement regime is not confined to the recognition of an award; rather, it also depends on the speed with which the award is enforced. Unjustified delays in enforcement increase dispute-related costs, impede the recovery of rights, and undermine one of the principal advantages of arbitration as an expeditious and effective means of dispute resolution (Redfern & Hunter, 2023, pp. 561-569).

From an investment perspective, the speed of enforcement is directly linked to the level of legal risk. The clearer the enforcement procedures and the more clearly defined their timeframes, the lower the degree of uncertainty and the greater the investor’s ability to assess the risks associated with the investment. Conversely, slow or complex enforcement procedures increase the cost of investment, even where an award has been rendered in the investor’s favor.

Empirical scholarship also supports treating arbitration as one factor that may facilitate foreign direct investment, while cautioning against attributing investment flows to arbitration alone, Myburgh and Paniagua (2016), for example, identify a positive association between access to international commercial arbitration and FDI within an empirical gravity framework.

For this reason, many modern legal systems have moved toward simplifying procedures for the enforcement of arbitral awards and limiting the grounds for refusing enforcement to those provided for under the New York Convention, thereby achieving a balance between respect for public policy and ensuring the effectiveness of arbitration (United Nations Commission on International Trade Law, 2006; Born, 2021, pp. 3420-3448).

2.3.3. The Limits of Judicial Review in the Enforcement of Arbitral Awards

Defining the scope of judicial review in the enforcement of arbitral awards constitutes one of the most important elements of the arbitration environment, because excessive judicial review deprives an arbitral award of its finality, whereas the complete absence of judicial review may undermine the fundamental safeguards of justice.

Accordingly, legal scholarship and comparative legislation have established that judicial review at the enforcement stage should be confined to verifying the exist-

ence of the grounds prescribed by law, without reopening the merits of the dispute or reassessing the evidence relied upon by the arbitral tribunal (United Nations Commission on International Trade Law, 2006, Art. 36; New York Convention, Art. V).

Courts in a number of international arbitration centers have affirmed that proceedings for the enforcement of an arbitral award do not constitute a means of challenging the merits of the award, but rather a mechanism for verifying that the award satisfies the legal requirements for enforcement. This approach has contributed to consolidating the principle of finality of arbitral awards and strengthening confidence in arbitration as an independent and effective means of dispute resolution (Born, 2021, pp. 3448-3476).

Accordingly, the success of the arbitration environment does not depend merely on the issuance of a valid award, but also on the existence of a judicial system that respects the finality of arbitral awards and confines its review to the limits prescribed by law, thereby achieving legal security and enhancing the stability of investment transactions.

The foregoing demonstrates that the enforcement of arbitral awards constitutes the final link in completing the arbitration environment and is the link with the greatest impact on an investor's decision. The more effectively a State complies with the New York Convention, facilitates enforcement procedures, and confines judicial review within its legally prescribed limits, the more effective its arbitration environment becomes and the greater the level of investor confidence. It has also been established that the legislative, judicial, institutional, and enforcement dimensions of the arbitration environment constitute an integrated system that directly influences the building of investor confidence and the achievement of legal security for investors.

3. Assessment of the Arbitration Environment in Light of International Conventions and National Legislation

The preceding Section concluded that the arbitration environment plays a pivotal role in building investor confidence and achieving legal security for investors. However, the effectiveness of this environment cannot be assessed solely through national legislation in isolation from the international legal framework. The development of international trade has led to the emergence of a body of conventions and model laws that have established common standards for the regulation of arbitration and have become a reference point for assessing the efficiency of national legal systems and their capacity to attract investment (United Nations Commission on International Trade Law, 2006; Born, 2021, pp. 157-169).

Accordingly, this Section seeks to assess the arbitration environment through three dimensions: first, identifying the international standards governing the arbitration environment; second, conducting a comparison among a number of leading legislative experiences; and third, presenting a legal framework for developing the arbitration environment in a manner that enhances investment attrac-

tiveness.

3.1. International Standards for Assessing the Quality of the Arbitration Environment

The quality of the arbitration environment is no longer subject solely to each State's own assessment; rather, it is measured against established international legal standards derived from multilateral conventions, model laws, and comparative judicial and arbitral practice. This has contributed to the convergence of legal systems and provided investors with a greater degree of legal certainty when assessing different investment environments (Redfern & Hunter, 2023, pp. 34-41).

The most important of these standards include compliance with international conventions, alignment of national legislation with the UNCITRAL Model Law, safeguarding the independence of arbitration, and ensuring the effective enforcement of arbitral awards.

3.1.1. Compliance with International Conventions Governing Arbitration

A State's accession to international conventions governing arbitration constitutes one of the most prominent indicators of the quality of its arbitration environment, given the resulting harmonization of legal rules and enhancement of investor confidence in the possibility of protecting their rights across borders.

The 1958 New York Convention stands foremost among these conventions, as it established the principle of international recognition of foreign arbitral awards and restricted the grounds upon which their enforcement may be refused, thereby providing investors with a legal safeguard extending beyond the territorial boundaries of the State (New York Convention, Arts. III-V). The 1965 Washington Convention likewise contributed to the establishment of a specialized institutional framework for the settlement of investment disputes between States and foreign investors, thereby strengthening confidence in investment arbitration as an independent mechanism for dispute resolution (ICSID Convention, 1965, Arts. 25, 53-54).

A State's practical compliance with these conventions, rather than its mere accession to them, constitutes an indicator of its respect for the rule of law and its readiness to provide a stable legal environment for investment.

3.1.2. Alignment of National Legislation with the UNCITRAL Model Law

The UNCITRAL Model Law on International Commercial Arbitration has become the most influential legislative reference in the development of modern arbitration laws, as it incorporates principles that strike a balance between the autonomy of arbitration and judicial supervision within the limits necessary to safeguard the integrity of the process (United Nations Commission on International Trade Law, 2006).

The alignment of national legislation with the Model Law is reflected in several indicators, most notably recognition of the independence of the arbitration agreement, adoption of the principle of Kompetenz-Kompetenz, restriction of the

grounds for setting aside arbitral awards, and limitation of judicial intervention. Such alignment enhances the predictability of the legal framework governing arbitration, which constitutes an essential element in an investor's assessment of legal risks (Born, 2021, pp. 1094-1138).

Alignment does not require national laws to be identical; rather, it requires consistency with the fundamental principles established in international practice, while allowing each State to retain its legislative particularities within the limits of public policy.

3.1.3. Effective Enforcement of Arbitral Awards and Respect for the Autonomy of the Arbitral Process

The quality of the arbitration environment is not complete merely through the adoption of legislation consistent with international standards; rather, it also depends on the extent to which the State respects the autonomy of the arbitral process and ensures the expeditious enforcement of arbitral awards.

Accordingly, the effectiveness of enforcement, the narrow scope of judicial review, and the consistency of judicial jurisprudence in arbitration-related matters are among the most important indicators relied upon by international institutions and investors when assessing the legal environments of States (van den Berg, 1981, pp. 265-312).

International practice has demonstrated that States whose courts adopt an arbitration-supportive approach and respect the finality of arbitral awards enjoy a stronger position as seats of international arbitration, which positively affects their capacity to attract investment and protect international commercial transactions (Born, 2021, pp. 3403-3458).

The foregoing demonstrates that the assessment of the arbitration environment no longer depends upon a single criterion; rather, it is based on an integrated framework encompassing compliance with international conventions, alignment of national legislation with the UNCITRAL Model Law, effective enforcement of arbitral awards, and respect for the autonomy of arbitration. These standards provide an objective framework through which a State's capacity to provide a legal environment conducive to investment may be assessed.

3.2. A Comparative Study of Legislative Experiences in Building the Arbitration Environment

Comparative analysis assumes particular importance in the field of arbitration because the success of an arbitration environment is not measured solely by the modernity of its legislation, but rather by the effectiveness of the legal and institutional framework in practice. International experience has demonstrated that States that have succeeded in making arbitration an instrument for promoting investment have not relied solely on legislative reform; rather, they have developed an integrated framework encompassing the judiciary, arbitral institutions, mechanisms for the enforcement of arbitral awards, and compliance with international conventions (Born, 2021, pp. 91-105).

From this perspective, this study focuses on a number of experiences that represent advanced models in building an arbitration environment, while identifying the lessons that may be drawn from them for the development of national legislation.

The legal systems included in the comparative analysis were selected purposively and methodologically to represent diverse legal environments and traditions, rather than on a statistical basis. This approach enables the study to examine the constituent elements of the arbitration environment across models that differ in their legal foundations and legislative, judicial, and institutional frameworks. In this context, the Kingdom of Saudi Arabia was selected as representing a legal environment whose fundamental normative framework is grounded in Islamic sharia, while at the same time undergoing an accelerated process of legislative and institutional reform and modernisation. This process has been clearly reflected in the development of its arbitration environment and its increasing alignment with international standards and practices. Saudi Arabia also constitutes the principle regional focus of the study. Singapore, by contrast, represents one of Asia's leading arbitral seats, supported by a legislative framework based on the UNCITRAL Model Law on international Commercial Arbitration and an advanced institutional environment. England represent a well-established legal system rooted in the common-law tradition, with a distinctive statutory framework governing arbitration, whereas France represents a civil-law jurisdiction characterised by a long-standing judicial tradition and well-established arbitration-supportive jurisprudence.

The comparison does not merely present these legal systems as separate models or illustrations. Rather, the study assesses them against a common set of analytical criteria, including: the legislative framework governing arbitration and its alignment with international standards; the judiciary's approach to arbitration, including the extent of judicial support for the arbitral process and restraint in judicial intervention; the efficiency of the institutional framework for the administration of arbitral disputes; the effectiveness of the recognition and enforcement of arbitral awards; and the degree of integration into, and compliance with, the international arbitration framework and its standards. The consistent application of these criteria makes it possible to identify similarities and differences among the jurisdictions under examination and to determine the legal and institutional factors affecting the effectiveness of their respective arbitration environments.

Accordingly, the selection of these legal system is not intended to rank them, establish a hierarchy among them, or determine their relative superiority. Rather, it is designed to facilitate an analytical comparison across different legal traditions and environments thereby enabling the study to identify both common elements and the distinctive legislative, judicial, and institutional features of each model, and to assess the extent to which those features contribute to the development of an effective arbitration environment that supports legal security and strengthens investor confidence.

3.2.1. The Saudi Experience in Developing the Arbitration Environment

Over the past decade, the Kingdom of Saudi Arabia has witnessed a qualitative development in its arbitration environment, associated with legislative and institutional reform programs aimed at enhancing investment attractiveness and improving the business environment within the framework of Saudi Vision 2030. One of the most significant manifestations of this development was the enactment of the Arbitration Law of 1433 AH, whose general structure draws upon the UNCITRAL Model Law and which strengthens the independence of the arbitration agreement, recognizes the principle of Kompetenz-Kompetenz, and restricts the grounds for setting aside arbitral awards (Kingdom of Saudi Arabia, 1433 AH; United Nations Commission on International Trade Law, 2006).

The establishment of the Saudi Center for Commercial Arbitration has also contributed to providing a specialized institutional framework for the administration of commercial disputes under rules consistent with international best practices, thereby strengthening confidence among parties in the Saudi arbitration environment, particularly in commercial disputes involving a foreign element.

On judicial posture and enforcement Saudi courts apply the limited grounds for setting aside awards specified in the arbitration law and the kingdom's accession on the New York convention subjects the enforcement of foreign arbitral awards to the same general framework applied in the comparator jurisdiction discussed below.

The significance of the Saudi experience lies in the fact that it has not been confined to updating statutory provisions; rather, it has sought to build an integrated framework linking arbitration, judicial reform, and improvement of the investment environment, making it an advanced model at the regional level.

3.2.2. Leading International Experiences in Building the Arbitration Environment

Singapore, England, and France represent prominent examples of States that have succeeded in transforming their arbitration environments into an element of their economic competitiveness.

In Singapore, the success of the arbitration environment has been associated with legislative stability, judicial independence, and the institutional support provided by the Singapore International Arbitration Centre (SIAC), together with the courts' adoption of an arbitration-supportive approach and restraint in intervening in arbitral proceedings (Born, 2021, pp. 164-169). Singapore's enforcement record under the New York Convention, to which it is party, is widely regarded as consistent with a pro-enforcement approach, reinforcing the effect of its legislative and institutional framework.

In England, the English Arbitration Act 1996 contributed to consolidating the principle of minimal judicial intervention while granting the parties broad autonomy in determining arbitral procedures, which has made London one of the most frequently selected seats of arbitration in international commercial disputes (English Arbitration Act, 1996; Redfern & Hunter, 2023, pp. 537-556). Institutionally,

London hosts several major arbitral institutions, including the LCIA, and English court's enforcement practice under the New York Convention, to which the United Kingdom is a party, has likewise been characterized as supportive of the finality of awards.

In France, the judiciary adopted an arbitration-supportive approach at an early stage and established the principles of the autonomy of the arbitration clause and broad recognition of foreign arbitral awards, thereby contributing to the consolidation of Paris as an international center for commercial arbitration (Born, 2021, pp. 683-701). On the legislative side, the arbitration provisions of the French code of civil procedure, together with the availability of institutional administration through the ICC, whose International Court of Arbitration is seated in Paris, complete the four elements of the comparative framework applied to the other jurisdictions.

What these experiences have in common is that their success has not resulted from a single factor; rather, it has been the product of the integration of legislation, the judiciary, institutions, and consistency in practical application.

As previously explained, the standing of a jurisdiction as a preferred seat of commercial arbitration should be distinguished from the selection of a state as an investment destination, since the two decisions involve different, albeit sometimes overlapping, legal and institutional considerations. The present comparison therefore examines Singapore, England and France primarily as mature arbitration environments rather than treating their prominence as arbitral seats, in itself, as evidence of their attractiveness as investment destinations. This distinction does not, however, diminish the relevance of the arbitration environment to investment attractiveness. Where a host State combines a mature arbitration framework with legal and institutional stability, effective judicial support, efficient arbitral institutions, and reliable enforcement of arbitral awards, these elements from part of broader legal-security environment assessed by investors and may accordingly strengthen investor confidence and support the State's attractiveness to cross-border investment.

3.2.3. Lessons Learned and Their Impact on the Development of National Legislation

The comparative study demonstrates that building an arbitration environment conducive to investment requires the adoption of an integrated legislative and institutional policy based on four principal pillars.

First, national legislation should be aligned with established principles of international commercial law in a manner that strikes a balance between respect for the particularities of the national legal system and compliance with international standards.

Second, the judiciary should support arbitration by limiting the scope of judicial intervention and harmonizing judicial principles governing the recognition and enforcement of arbitral awards.

Third, national arbitral institutions should be developed and their independ-

ence and efficiency strengthened in a manner that enhances confidence in their administration of commercial disputes.

Fourth, legislative stability should be enhanced, because investors assess the legal environment on the basis of the continuity of legal rules and the predictability of their application more than on the substantive content of the provisions themselves (OECD, 2015; UNCTAD, 2023).

These findings confirm that a successful arbitration environment is not merely the product of advanced legislation, but rather the result of integration among legislation, the judiciary, institutions, and international commitments. This should therefore constitute the foundation of any legislative reform aimed at enhancing investment attractiveness.

Comparative experiences demonstrate that States that have succeeded in attracting investment through the development of their arbitration environments share a common approach based on an integrated framework comprising modern legislation, an arbitration-supportive judiciary, efficient arbitral institutions, and effective compliance with international standards. This finding confirms that the development of the arbitration environment cannot be achieved through partial reform, but rather requires a comprehensive institutional approach.

3.3. A Proposed Framework for Strengthening the Arbitration Environment and Supporting Investment Attractiveness

The study has demonstrated that the arbitration environment has become one of the principal indicators for assessing the investment climate and that its efficiency is closely linked to the level of investor confidence and legal security. However, achieving this objective does not depend solely on modernizing legislation; rather, it requires the adoption of an integrated institutional approach that extends beyond legislative reform to the development of the judicial, institutional, and regulatory infrastructure of arbitration, in a manner consistent with international standards and the requirements of contemporary investment (OECD, 2015).

In light of the findings of the comparative study, a number of foundations may be proposed to strengthen the arbitration environment and enhance its capacity to support investment.

3.3.1. Completing Legislative Reform in Line with International Practices

Maintaining the competitiveness of the arbitration environment requires periodic review of legislation to ensure its continued alignment with developments in international commercial and investment arbitration. Digital transformation, the increasing prevalence of multi-party disputes, and the expanding use of electronic means are all matters that require the continuous modernization of the rules governing arbitration in order to preserve the stability of the legal environment and enhance its predictability (United Nations Commission on International Trade Law, 2006; Born, 2021, pp. 157-169).

Legislative reform does not mean introducing frequent amendments; rather, it

entails developing legal provisions in a manner that eliminates ambiguity, reduces conflicting interpretations, and strikes an appropriate balance between the protection of public policy and respect for the autonomy of the arbitral process.

3.3.2. Strengthening Integration between the Judiciary and Arbitral Institutions

Comparative experience has demonstrated that the success of the arbitration environment is associated with the existence of a complementary relationship between national courts and arbitral institutions, based on supporting arbitral proceedings and respecting the finality of arbitral awards without compromising the safeguards of justice.

Accordingly, developing judicial training programs in arbitration disputes, harmonizing judicial principles relating to the recognition and enforcement of arbitral awards, and strengthening institutional cooperation between courts and arbitration centers contribute to enhancing legal security and reducing inconsistencies in application, which positively affects investor confidence (Blackaby et al., 2023, pp. 309-327).

The development of institutional personnel and the continuous modernization of arbitration center rules are also among the fundamental requirements for maintaining the competitiveness of the arbitration environment amid competition among regional and international arbitration centers.

3.3.3. Adopting the Arbitration Environment as a Legislative Indicator for Measuring Investment Attractiveness

This study concludes that the arbitration environment is no longer merely a mechanism for dispute resolution; rather, it has become one of the components of the legal infrastructure of investment. Accordingly, it may be regarded as an independent legislative indicator for assessing the attractiveness of the investment environment.

This indicator is based on a set of criteria, including the conformity of legislation with international standards, the independence of the judiciary supporting arbitration, the efficiency of arbitral institutions, the effectiveness of the enforcement of arbitral awards, and the extent of the State's compliance with international conventions. The adoption of these criteria allows for a more precise assessment of the legal environment than reliance solely on traditional economic indicators.

To render this indicator capable of consistent application across jurisdictions, each constituent criterion requires an operational measure. The legislative criterion may be measured by the degree of alignment between national arbitration statutes and the UNCITRAL Model Law provisions on separability and Kompetenz-Kompetenz. The judicial criterion may be measured by the average duration of set-aside proceedings and the proportion of applications to set aside arbitral awards that succeed. The intuitional criterion may be measured by the case-management standards published by the relevant arbitral institution, including average time-to-award and the disclosure and challenge procedures applicable to ar-

bitrators. The enforcement criterion may be measured by the average duration between the rendering of an award and its recognition or enforcement by national courts. The international-compliance criterion may be assessed by reference to the State's participation in the New York Convention and the ICSID Convention, while distinguishing the different legal functions of the two regimes, together with its documented practice in fulfilling the obligations arising under each applicable Convention. Defining the indicator in these operational terms is intended to allow it to be applied consistently across jurisdiction rather than functioning as a purely descriptive label. These measures are proposed as legal assessment framework rather than as a statistically validated index and would require empirical testing and appropriate weighting before being used as a quantitative indicator of investment attractiveness.

The added value of this proposal lies in linking the quality of the legal system to its capacity to attract investment and transforming the arbitration environment from a procedural mechanism into an instrument of the State's legislative and economic policy. This indicator may also provide a basis for developing legislative reform policies and serve as a reference for institutions concerned with measuring States' competitiveness in the field of investment (UNCTAD, 2023; World Bank, 2023).

The foregoing demonstrates that developing the arbitration environment requires a comprehensive approach based on the continuity of legislative reform, strengthening integration between the judiciary and arbitral institutions, and regarding the arbitration environment as an independent legal indicator of investment attractiveness. This approach confirms the principal hypothesis of the study, namely that the effects of an efficient arbitration environment are not confined to dispute resolution but extend to building investor confidence, enhancing legal security, and improving the State's competitiveness in attracting domestic and foreign investment.

4. Conclusion

This study has analyzed the relationship between the arbitration environment, the building of investor confidence, and the enhancement of legal security for investors, proceeding from the hypothesis that arbitration is no longer merely an alternative means of dispute resolution, but has become one of the fundamental components of a legal environment conducive to investment. In order to test this hypothesis, the study examined the conceptual framework of the arbitration environment, then analyzed its impact on enhancing investor confidence and achieving legal security, before assessing it in light of international conventions and comparative legislative experiences.

The study demonstrated that the arbitration environment constitutes an integrated legal and institutional system comprising legislation, the judiciary, arbitral institutions, mechanisms for the enforcement of arbitral awards, and compliance with international conventions. The effectiveness of this system is not measured solely by the existence of modern arbitration legislation, but rather by the degree

of integration among its components and their capacity to provide a stable legal framework within which investors can anticipate how their rights will be protected and their disputes resolved (Born, 2021; United Nations Commission on International Trade Law, 2006).

The study further demonstrated that investor confidence does not arise solely from economic incentives, but is closely linked to the degree of legal security provided by the State. The existence of an effective arbitration environment constitutes one of the most important factors in strengthening such security through respect for party autonomy, the independence of the arbitration agreement, judicial support for the arbitral process, and the expeditious enforcement of arbitral awards, thereby reducing the legal risks associated with investment (OECD, 2015).

The comparative analysis revealed that leading experiences, such as those of the Kingdom of Saudi Arabia, Singapore, England, and France, share the adoption of an integrated institutional approach to arbitration based on modernizing legislation, developing institutions, harmonizing judicial principles, and ensuring effective compliance with international conventions. This is consistent with their strong legal competitiveness and may contribute to their attractiveness to investors.

The study concluded that the arbitration environment should not be viewed as a procedural system separate from the investment environment, but rather as one of its principal components. Accordingly, developing the arbitration environment constitutes, in essence, an investment in the State's legal infrastructure and an instrument for strengthening confidence in its legal system, thereby positively affecting its capacity to attract domestic and foreign investment.

In light of the foregoing, the study proposes adopting the concept of the "arbitration environment" as an independent legal indicator when assessing investment attractiveness, alongside traditional economic indicators. This indicator would be based on a set of integrated elements, including the quality of legislation, judicial independence, the efficiency of arbitral institutions, the effectiveness of the enforcement of arbitral awards, and the extent of compliance with international conventions. The study considers that adopting such an indicator would provide a more precise instrument for assessing the quality of the legal environment for investment and would contribute to directing legislative and institutional reforms toward enhancing legal security and investor confidence.

The study thus confirms its principal hypothesis, namely that the relationship between the arbitration environment and investment is not procedural in nature, but structural: the quality of the arbitration environment enhances legal security; legal security, in turn, builds investor confidence; and this ultimately increases the State's competitiveness in attracting and sustaining investment. The study thus confirms its principal hypothesis, namely that the relationship between the arbitration environment and investment is not merely procedural in nature, but structural: the quality of the arbitration environment enhances legal security; legal security, in turn, strengthens investor confidence; and this may, together with other economic and institutional factors, strengthen the State's competitiveness in at-

tracting and sustaining investment. This hypothesis is established as a doctrinal relationship through legal and comparative analysis and is not presented as an empirically measured causal effect on actual investment flows, which would require quantitative testing beyond the scope of this study.

The findings and recommendations that follow set out, respectively, the study's principal scholarly conclusions and the measures proposed in light of those conclusions.

5. Findings

1) The study concluded that the arbitration environment constitutes an integrated legal and institutional system and is not confined to the existence of legislation governing arbitration. Rather, it encompasses legislation, the judiciary, arbitral institutions, mechanisms for the enforcement of arbitral awards, and the extent of compliance with international conventions, making it one of the fundamental components of the legal environment for investment.

2) The study established a positive relationship between the quality of the arbitration environment and the level of investor confidence, as the development of the arbitration environment reduces legal risks and increases the predictability of legal outcomes, thereby strengthening investor confidence in the host State.

3) The study demonstrated that legal security constitutes the intermediate link between the arbitration environment and investment attractiveness. The higher the level of legal security resulting from an efficient arbitration environment, the greater the level of investor confidence, which in turn positively affects investment decisions.

4) The study demonstrated that the conformity of national legislation with the established principles of the UNCITRAL Model Law, together with the State's compliance with the New York Convention and the Washington Convention, constitutes one of the most important legal indicators relied upon by investors in assessing the investment environment.

5) The study concluded that respect for party autonomy, the independence of the arbitration agreement, and the principle of Kompetenz-Kompetenz constitute fundamental legal safeguards for the stability of investment relationships and contribute to reducing disputes relating to jurisdiction and procedure.

6) The study confirmed that the role of the judiciary within the arbitration environment is no longer confined to supervision, but has evolved toward the concept of a judiciary supportive of arbitration, which strikes a balance between respecting the autonomy of the arbitral process and safeguarding the fundamental guarantees of due process.

7) The study demonstrated that the independence and efficiency of arbitral institutions and the impartiality of arbitrators are relevant to confidence in dispute-resolution mechanisms and may influence the choice of an arbitral seat; their relevance to the separate decision to select an investment destination forms only one element within a broader assessment of legal, economic, and regulatory risk.

8) The study concluded that the expeditious enforcement of arbitral awards constitutes one of the most important indicators of the effectiveness of the arbitration environment, and that delays in enforcement or an expansive approach to refusing recognition of awards increase legal risks and weaken investment attractiveness.

9) The comparative study demonstrated that the success of leading experiences in the Kingdom of Saudi Arabia, Singapore, England, and France did not result solely from the modernization of legislation, but rather from the integration of legislative reform with judicial support, the efficiency of arbitral institutions, and effective compliance with international standards.

10) The study concluded that reliance solely on traditional economic indicators is insufficient for assessing the attractiveness of the investment environment, because the quality of the legal environment has become a decisive factor in investment decisions, particularly in cross-border investment.

11) The study concluded that the arbitration environment performs a preventive function in addition to its remedial function. It is not confined to resolving disputes after they arise, but also contributes to preventing disputes by providing a stable and predictable legal environment.

12) The study concluded that developing the arbitration environment constitutes an instrument of the State's legislative and economic policy, given its direct impact on improving international competitiveness and enhancing the State's capacity to attract and sustain investment.

13) The study reached a conclusion that constitutes the principal scholarly contribution of this research, namely that the arbitration environment may be regarded as an independent legal indicator for measuring investment attractiveness, based on an assessment of the quality of legislation, the effectiveness of the judiciary, the efficiency of arbitral institutions, the expeditious enforcement of arbitral awards, and compliance with international conventions, thereby allowing for a more precise assessment of the investment environment than reliance on economic indicators alone.

6. Recommendations

1) The study recommends that States, when developing their investment legislation, adopt the concept of the arbitration environment as one of the principal components of the legal environment for investment, and that reform should not be confined to modernizing investment laws in isolation from the development of the arbitration framework.

2) The study recommends continued alignment of national arbitration legislation with the established principles of the UNCITRAL Model Law and relevant international conventions, thereby enhancing legal certainty and reducing legislative divergence in international commercial transactions.

3) The study recommends strengthening the role of a judiciary supportive of arbitration through the harmonization of judicial principles governing the recog-

dition and enforcement of arbitral awards and the development of specialized judicial training programs in commercial and investment arbitration disputes.

4) The study recommends supporting the independence of national arbitral institutions, developing their procedural rules, and enhancing the competence of their technical and administrative personnel, thereby increasing confidence in their services and strengthening their capacity to compete regionally and internationally.

5) The study recommends developing procedures for the enforcement of arbitral awards in a manner that ensures speed and effectiveness, while limiting the grounds for refusing enforcement or setting aside awards to those prescribed by international conventions and national legislation, in order to preserve the stability of investment transactions.

6) The study recommends enhancing the use of digital means in the administration and conduct of arbitral proceedings, thereby reducing time and cost and increasing the efficiency of the arbitration environment, particularly in cross-border commercial and investment disputes.

7) The study recommends incorporating specific arbitration-environment indicators into national and international reports assessing the investment climate, including indicators relating to the quality of legislation, judicial effectiveness, the efficiency of arbitral institutions, and the speed of enforcement of arbitral awards.

8) The study recommends that authorities responsible for investment adopt an integrated approach when developing legislative reform plans, linking investment laws, arbitration, enforcement, and judicial procedures as interconnected elements that collectively affect investors' legal security.

9) The study recommends encouraging cooperation among universities, arbitration centers, and judicial authorities to conduct periodic studies measuring the impact of the arbitration environment on attracting investment and to utilize their findings in the development of public policy.

10) The study recommends conducting further comparative studies examining the relationship between the arbitration environment and international indicators for measuring States' competitiveness, as well as exploring the possibility of developing a standardized model for assessing the quality of the arbitration environment and its impact on attracting investment.

11) The study further recommends, as one of its principal scholarly outcomes, that legislative authorities and international organizations concerned with investment work toward developing an Arbitration Environment Index, based on objective criteria encompassing the quality of the legislative framework, judicial independence, the efficiency of arbitral institutions, the effectiveness of the enforcement of arbitral awards, and the extent of compliance with international conventions, to be used alongside traditional economic indicators when assessing the attractiveness of the investment environment.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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