

# The System of International Investment Dispute Settlement in Light of UNCITRAL Initiatives

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The international investment dispute settlement system has undergone significant transformation as a result of the expansion of foreign investment, the proliferation of bilateral and multilateral investment treaties, and the increasing use of investor–State arbitration. Although this system has provided foreign investors with direct access to international remedies and has contributed to the legal protection of cross-border investment, it has also generated substantial concerns regarding consistency, legitimacy, transparency, cost, duration, adjudicator independence, and the regulatory autonomy of States. These concerns have intensified as investment disputes increasingly involve public-interest measures relating to environmental protection, public health, taxation, national security, sustainable development, and the digital economy. This article examines the structure and evolution of international investment dispute settlement with particular emphasis on the reform initiatives developed within the United Nations Commission on International Trade Law. Using a descriptive-analytical legal approach, the study evaluates the principal weaknesses of the traditional investor–State dispute settlement model and analyzes proposed reforms relating to adjudicator conduct, procedural efficiency, transparency, mediation, dispute prevention, appellate review, and the possible establishment of a permanent multilateral investment court. The analysis demonstrates that UNCITRAL initiatives represent a broader shift from a predominantly arbitration-based model toward a more institutionalized, transparent, and balanced dispute settlement architecture. At the same time, the study finds that comprehensive reform must preserve effective investor protection while safeguarding legitimate State regulatory powers. It concludes that the future of international investment dispute settlement is likely to develop through a hybrid framework combining arbitration, institutional adjudication, mediation, and preventive mechanisms. The effectiveness of this framework will depend on its capacity to ensure consistency, independence, accessibility, enforceability, and adaptability to contemporary economic, technological, and geopolitical conditions.

**Keywords:** *International Investment Law; Investor–State Dispute Settlement; UNCITRAL; Investment Arbitration; ISDS Reform; Multilateral Investment Court; State Regulatory Autonomy; International Dispute Resolution*

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## 1. Introduction

International investment has become one of the principal mechanisms through which capital, technology, managerial expertise, infrastructure

development, and transnational economic cooperation are transferred across borders. The expansion of foreign direct investment has consequently been accompanied by the development of a complex body of international investment law designed to regulate relations between



host States and foreign investors. Unlike ordinary commercial transactions between private parties, foreign investment relationships frequently involve the exercise of sovereign authority by the host State and therefore create legal tensions between private economic interests and public regulatory powers. Investment disputes may arise from expropriation, discriminatory treatment, changes in regulatory frameworks, contractual disagreements, licensing decisions, taxation measures, environmental regulations, sanctions, security measures, or alleged failures to provide adequate legal protection. The distinctive character of such disputes gradually encouraged the creation of mechanisms through which foreign investors could bring claims directly against host States without relying exclusively on diplomatic protection by their home States. Arbitration became the dominant institutional mechanism for resolving these disputes because it offered a comparatively neutral forum outside domestic courts and enabled investors to enforce rights derived from investment treaties, national investment legislation, and investment contracts. The increasing use of arbitration in foreign investment disputes has therefore transformed international investment law from a predominantly inter-State system into one in which private investors enjoy procedural standing before international tribunals (Sanjari & Ghaleh-Shakhani, 2022). The widespread acceptance of arbitration has also been associated with the perception that specialized international mechanisms can provide greater legal certainty for cross-border investors than exclusive reliance on domestic judicial systems, particularly where investors are concerned about judicial independence, procedural delays, or changes in governmental policy (Bhattacharjee, 2024).

The institutionalization of investment arbitration was significantly advanced by the Convention on the Settlement of Investment Disputes between States and Nationals of Other States and the establishment of the International Centre for Settlement of Investment Disputes. ICSID created a specialized framework through which consenting States and foreign investors could submit investment disputes to arbitration or conciliation. The Convention represented a major development because it attempted to depoliticize investment disputes by replacing diplomatic confrontation with legal adjudication and by establishing

a system in which arbitral awards could be recognized and enforced through a treaty-based framework (Mansourian, 2022). Over time, however, the international investment regime expanded far beyond ICSID. Thousands of bilateral investment treaties, free trade agreements, regional investment instruments, domestic investment statutes, and individual investment contracts incorporated dispute settlement provisions, many of which allowed investors to initiate arbitration under institutional or ad hoc rules. UNCITRAL arbitration rules became particularly important because they offered flexible procedural standards that could be used independently of any permanent arbitral institution. Arbitration consequently emerged as a central mechanism in foreign investment protection, and the practice of investment tribunals increasingly influenced the interpretation of substantive standards such as fair and equitable treatment, full protection and security, national treatment, most-favoured-nation treatment, and protection against unlawful expropriation (Goodarzi et al., 2025). The growing body of arbitral practice has nevertheless also revealed substantial variation in the interpretation and application of these standards, demonstrating that the decentralized nature of international investment adjudication can generate both flexibility and inconsistency.

The modern international investment dispute settlement system is therefore characterized by a structural paradox. On the one hand, investor-State dispute settlement has been defended as an important instrument for protecting investors against arbitrary governmental conduct, strengthening the credibility of investment commitments, and encouraging international capital flows. On the other hand, the system has faced persistent criticism concerning legitimacy, transparency, consistency, costs, duration, arbitrator independence, regulatory autonomy, and the absence of a comprehensive appellate mechanism. Investment disputes often concern governmental decisions adopted in areas such as public health, environmental protection, taxation, financial regulation, energy policy, national security, or social welfare. Such disputes may therefore affect interests that extend far beyond the immediate relationship between the claimant investor and the respondent State. The increasing intersection between investment arbitration and public regulatory policy has

intensified debates regarding whether a dispute settlement system originally designed around arbitration can adequately address matters involving substantial public interests. The regulatory powers of States must be reconciled with treaty obligations protecting foreign investors, particularly in an era in which sustainable development has become an important dimension of international economic governance (Zamani & Esmailpour, 2021). The tension between investment protection and regulatory sovereignty has consequently become one of the central normative questions confronting contemporary investment law.

The scale of investor-State arbitration has further intensified concerns about the coherence of the regime. The proliferation of treaties and tribunals has created circumstances in which tribunals constituted under different treaties may address similar legal questions without being formally bound by precedent. This decentralized architecture permits interpretative diversity but also creates the possibility of divergent approaches to jurisdiction, treaty interpretation, damages, standards of treatment, procedural questions, and the characterization of governmental measures. The growing database of investment disputes illustrates the breadth and complexity of modern investment litigation and shows that disputes now arise across virtually every major economic sector and geographical region (Unctad, 2024). Information collected through the Investment Dispute Settlement Navigator has contributed to greater empirical understanding of the development of investor-State proceedings, including patterns relating to respondent States, economic sectors, applicable treaties, tribunal outcomes, and procedural characteristics (Navigator, 2024). These developments have made questions of consistency and predictability increasingly significant because States and investors depend on reasonably stable interpretations of legal obligations when making regulatory or investment decisions.

Geopolitical developments have added another layer of complexity to international investment dispute settlement. Investment arbitration does not operate in isolation from wider political and economic relations between States. Strategic competition, economic sanctions, technological restrictions, national security measures, and geopolitical fragmentation can influence both the substance of investment disputes and

perceptions of the legitimacy of adjudicatory institutions. Recent analysis has emphasized the growing politicization of investor-State dispute settlement in contexts where investment relations intersect with geopolitical rivalry and national security considerations (Xiao, 2025). Security exceptions and related treaty provisions have similarly become increasingly relevant in investment disputes, requiring tribunals to assess the scope of State discretion in circumstances involving national security, emergencies, or other exceptional public interests (Reinisch & Tropper, 2026). These developments demonstrate that the investment dispute settlement system must operate within an environment in which legal, economic, and political considerations are closely connected.

Technological change also affects both investment activity and dispute settlement. The digital economy has transformed the forms through which international investment is structured, challenging traditional assumptions regarding territorial presence, asset classification, valuation, jurisdiction, and State regulation. Digital investments, data-driven business models, intellectual property assets, platform economies, and technology infrastructure increasingly raise questions that conventional investment treaties were not necessarily designed to address (Dimitropoulos, 2025). At the same time, soft-law instruments and flexible dispute resolution mechanisms have gained attention as potential means of responding to the diversity of contemporary investment relationships. The experience of investment relations involving Belt and Road Initiative countries illustrates how legal pluralism, soft-law arrangements, negotiation, mediation, and arbitration may interact within broader systems of international economic cooperation (Wang, 2023). Such developments reinforce the need for dispute settlement procedures capable of accommodating both traditional investment claims and emerging forms of international economic activity.

Against this background, the United Nations Commission on International Trade Law has become a central forum for examining reform of investor-State dispute settlement. The UNCITRAL reform process reflects the recognition that the legitimacy and effectiveness of the international investment regime cannot depend solely on incremental adjustments within individual treaties or arbitral institutions. Rather, systemic concerns may

require multilateral coordination concerning procedural standards, adjudicator conduct, consistency, transparency, costs, efficiency, and institutional design. The debate has included both limited procedural reforms and more ambitious proposals for institutional restructuring. Among the most significant ideas has been the establishment of a permanent or multilateral investment court designed to replace or supplement the traditional ad hoc arbitration model. The European Commission has supported the creation of a multilateral investment court as a means of strengthening legitimacy, institutional continuity, and consistency in investment adjudication (European Commission, 2022). At the same time, developing States have emphasized that reform should not merely improve procedural efficiency but should also contribute to sustainable development, investment facilitation, regulatory autonomy, and a more balanced distribution of rights and obligations within the investment regime (Tang, 2022).

The reform debate thus reflects a broader transformation in the philosophy of international investment law. Whereas earlier generations of investment treaties focused primarily on protecting investors against political and regulatory risks, contemporary reform discussions increasingly recognize that investment law must also accommodate public policy objectives, responsible investment, sustainable development, national economic strategies, and legitimate governmental regulation. Some analyses describe this shift as a renewed assertion of the role of the State within the investment regime, reflecting dissatisfaction with models perceived as granting excessive interpretive authority to ad hoc tribunals (Tang & Guo, 2025). The challenge is not simply to choose between investor protection and State sovereignty but to develop dispute settlement arrangements capable of reconciling both interests within a legitimate and predictable legal framework. Alternative methods such as mediation may also contribute to this objective by allowing States and investors to resolve disputes without necessarily engaging in lengthy and adversarial arbitration proceedings (Javadpour & Ghamami, 2022).

This study examines the system of international investment dispute settlement in light of the reform initiatives pursued within UNCITRAL. Its central objective is to analyze the conceptual and legal

foundations of investor-State dispute settlement, identify the principal deficiencies that have generated demands for reform, evaluate the procedural and institutional responses developed through the UNCITRAL process, and assess their potential implications for the future architecture of international investment adjudication. The study adopts a descriptive-analytical legal methodology based on the examination of international investment dispute settlement mechanisms, institutional reform proposals, arbitral practice, and relevant scholarly literature. It proceeds from the premise that meaningful reform must address not only procedural efficiency but also legitimacy, predictability, regulatory autonomy, adjudicator independence, access to justice, and the capacity of the system to respond to emerging economic and geopolitical conditions.

## 2. Foundations and Evolution of the International Investment Dispute Settlement System

The international investment dispute settlement system developed in response to the distinctive risks associated with the movement of capital across national borders. Foreign investors operate within the jurisdiction of host States and are therefore subject to sovereign powers relating to legislation, administration, taxation, licensing, environmental regulation, public security, and judicial enforcement. Historically, disputes arising between foreign investors and host States were primarily addressed through domestic courts or diplomatic protection. Under diplomatic protection, an investor who suffered injury abroad depended on its home State to espouse the claim at the international level. This approach presented several difficulties because the investor had no independent procedural right to compel diplomatic intervention, and the dispute could easily become entangled in broader interstate political relations. The gradual emergence of investment treaties and international arbitration altered this structure by granting foreign investors direct procedural access to international adjudication. Arbitration thereby reduced the investor's dependence on diplomatic protection and transformed investment disputes into disputes that could be adjudicated through legal procedures rather than exclusively through interstate negotiations. The rise of arbitration has consequently been regarded as one of the most important institutional developments in

modern international investment law (Sanjari & Ghaleh-Shakhani, 2022).

ICSID played a foundational role in this transformation. The ICSID Convention established a specialized institutional framework for the settlement of disputes arising directly out of investments between contracting States and nationals of other contracting States. Consent remains fundamental to ICSID jurisdiction, and neither a State nor an investor can ordinarily be compelled to participate in arbitration without an applicable basis of consent. Consent may arise through investment contracts, domestic legislation, bilateral investment treaties, multilateral agreements, or other legal instruments. Once consent has been perfected, however, the ICSID system provides a distinct procedural framework designed to reduce dependence on national courts. The institutional significance of ICSID lies partly in the manner in which the Convention created mechanisms for arbitration, annulment, recognition, and enforcement that differ from ordinary commercial arbitration (Mansourian, 2022). The resulting framework was intended to encourage foreign investment by assuring investors that disputes could be submitted to an international forum while simultaneously assuring host States that the process would be governed by established legal procedures.

The expansion of bilateral investment treaties further accelerated the development of investor-State arbitration. Modern investment treaties typically define protected investments and investors, establish substantive standards of treatment, and provide dispute settlement mechanisms. Substantive protections may include guarantees against unlawful expropriation, obligations of fair and equitable treatment, full protection and security, national treatment, most-favoured-nation treatment, freedom of transfer, and protection against certain discriminatory or arbitrary measures. When these obligations are combined with investor-State arbitration clauses, treaty standards become directly enforceable by investors before international tribunals. Arbitration thus functions as the procedural mechanism through which substantive investment obligations are interpreted and applied. The significance of arbitration within investment law is reflected in the extensive body of disputes decided under treaty-based and contractual frameworks (Goodarzi et al., 2025). Arbitration has also enabled foreign investors

to challenge governmental conduct without first persuading their home States to transform private economic grievances into diplomatic claims.

UNCITRAL arbitration has occupied an important position alongside institutional arbitration. Unlike ICSID, UNCITRAL itself does not function as a permanent investment arbitration institution in the same sense. Rather, its arbitration rules provide a procedural framework that parties may adopt for ad hoc proceedings. This flexibility has made UNCITRAL rules attractive in international disputes involving States and private investors because they allow parties to structure proceedings without requiring them to rely exclusively on a particular institutional system. The coexistence of ICSID, UNCITRAL arbitration, institutional rules, treaty-specific procedures, and other arbitration frameworks has contributed to the pluralistic character of investment dispute settlement. Such plurality offers flexibility but simultaneously complicates efforts to achieve uniformity. Tribunals may operate under different procedural rules while interpreting different but similarly worded treaties, producing an extensive and decentralized body of jurisprudence.

One of the principal strengths traditionally attributed to investment arbitration is neutrality. Investors frequently prefer international arbitration because disputes are removed from the exclusive jurisdiction of the host State's courts. This can be especially important where investors fear political influence, local bias, judicial delay, or inadequate enforcement mechanisms. Arbitration also allows the appointment of adjudicators with expertise in international law, investment law, public law, commercial law, and sector-specific disputes. Comparative assessments of international investment arbitration frequently emphasize flexibility, procedural autonomy, neutrality, and enforceability as major reasons for its continued use (Bhattacharjee, 2024). Arbitration can additionally facilitate the resolution of disputes involving highly technical sectors such as energy, infrastructure, telecommunications, mining, financial services, construction, and digital technologies. Enforcement constitutes another central feature of the investment dispute settlement system. An international adjudicatory mechanism is effective only if its decisions can ultimately be implemented. Investment awards may be enforced under different legal frameworks depending on the nature of the proceeding. ICSID awards benefit

from the special recognition and enforcement regime established by the ICSID Convention, while non-ICSID awards may ordinarily depend on national arbitration legislation and relevant international conventions. Enforcement nevertheless raises complex questions concerning State immunity, public assets, annulment proceedings, competing jurisdictions, and the distinction between recognition of an award and execution against sovereign property. The legal and practical challenges surrounding the enforcement of investment awards demonstrate that dispute settlement does not end when a tribunal renders its decision (Tams, 2021). Effective enforcement remains essential to maintaining confidence in investment arbitration while simultaneously requiring respect for established principles governing sovereign immunity and domestic procedural law.

Despite these advantages, the growth of investment arbitration generated concerns about systemic fragmentation. Investment tribunals are normally constituted for particular disputes and cease to exist after completing their mandate. Unlike permanent courts operating within hierarchical judicial systems, arbitral tribunals do not ordinarily operate under a formal doctrine of binding precedent. Previous awards may be persuasive, and tribunals frequently rely on earlier decisions, but there is generally no centralized authority capable of ensuring uniform interpretation across the entire international investment treaty network. This structural feature has occasionally resulted in different approaches to similar treaty language or comparable factual situations. The proliferation of investment disputes documented in international databases has intensified awareness of the scale of this interpretative challenge (Unctad, 2024). The Investment Dispute Settlement Navigator has made it possible to observe the diversity of treaties, industries, respondent States, and procedural outcomes involved in investor-State disputes (Navigator, 2024). As the number of cases increases, consistency becomes increasingly important to States seeking predictable regulatory obligations and to investors seeking reliable assessments of legal risk.

The legitimacy debate is also closely connected to the public-law dimension of investment arbitration. Traditional commercial arbitration primarily addresses disputes between private parties, whereas investment

arbitration may involve challenges to legislation, environmental measures, public health regulation, taxation policies, emergency measures, judicial decisions, and other exercises of sovereign authority. Tribunals may therefore be asked to determine whether actions adopted for legitimate public purposes are compatible with international investment obligations. The legal obligation to protect foreign investors cannot be analyzed independently of the State's responsibility to pursue public welfare. The relationship between investment protection and sustainable development has become especially significant as governments adopt increasingly complex measures regarding climate policy, natural resources, social welfare, labor regulation, and environmental governance (Zamani & Esmailpour, 2021). The contemporary investment regime must accordingly confront the question of how far treaty commitments constrain regulatory action and how tribunals should distinguish legitimate regulation from compensable interference with investor rights.

National security disputes illustrate this tension in particularly acute form. States may adopt restrictive measures in response to armed conflict, sanctions, terrorism, strategic competition, cyber threats, or economic emergencies. Investment treaties may contain security exceptions intended to preserve governmental discretion in exceptional circumstances, yet the interpretation of these clauses can generate difficult legal controversies. ICSID jurisprudence has demonstrated that questions concerning whether security exceptions are self-judging, what level of review tribunals should exercise, and how other protection standards interact with emergency measures remain legally significant (Reinisch & Tropper, 2026). These questions become more difficult where security claims intersect with geopolitical rivalry. Recent scholarship has observed a tendency toward increasing politicization of investor-State disputes as investment restrictions and regulatory measures become instruments within broader geopolitical competition (Xiao, 2025). Consequently, the traditional understanding of investment disputes as relatively insulated legal controversies is increasingly difficult to maintain.

Changes in the global economy have likewise transformed the object of investment protection. International investment law originally developed largely in relation to tangible assets, industrial

enterprises, concessions, extractive industries, and infrastructure projects. Today, investment increasingly includes digital platforms, data-related assets, algorithms, intellectual property, cloud infrastructure, and technology-based services. These developments complicate questions concerning territoriality, asset location, jurisdiction, valuation, and regulatory authority. The emergence of the digital economy challenges investment law to determine whether conventional treaty concepts adequately address new forms of economic activity (Dimitropoulos, 2025). Digital regulation may itself generate investment disputes where governments adopt data localization requirements, cybersecurity rules, technology restrictions, platform regulations, or digital taxation measures. The investment dispute settlement system must therefore adapt not only to criticism of its existing procedures but also to substantive transformation in the nature of global investment.

Another important development concerns the increasing recognition of alternative dispute resolution. Arbitration is adversarial and may intensify conflict between investors and States, particularly in long-term investments where the parties may benefit from preserving commercial or institutional relationships. Mediation provides a potentially more flexible mechanism through which parties can seek mutually acceptable solutions without obtaining a binding adjudicatory ruling. In investment disputes involving sectors such as oil and gas, where projects are capital-intensive and long-term, mediation can provide opportunities for restructuring contractual arrangements, clarifying obligations, or resolving disputes before they escalate into full arbitration (Javadpour & Ghamami, 2022). The growing interest in mediation reflects a broader movement away from the assumption that investment disputes should invariably culminate in adversarial adjudication.

Soft-law mechanisms may also complement formal dispute settlement systems. The international investment regime consists not only of treaties and binding arbitral awards but also of guidelines, codes of conduct, institutional practices, model provisions, policy frameworks, and other non-binding instruments. Soft law may facilitate gradual convergence where States are reluctant to accept immediately binding obligations. The use of soft-law arrangements in investment relations

involving Belt and Road Initiative countries illustrates how flexible normative instruments may interact with negotiation, mediation, arbitration, and national legal systems (Wang, 2023). Such mechanisms may support dispute prevention, investment facilitation, and procedural cooperation even when they do not directly replace binding adjudication.

These developments demonstrate that the international investment dispute settlement system has evolved from a relatively narrow mechanism for protecting investors against host-State interference into a complex institutional environment operating at the intersection of international law, public law, economic governance, and transnational dispute resolution. Arbitration remains central, but its role is now evaluated against broader standards of legitimacy, transparency, consistency, efficiency, accountability, sustainability, and regulatory balance. The historical success of investment arbitration in providing investors with direct international remedies has therefore created the conditions for its own reform. As investment disputes have become more numerous, more politically sensitive, and more legally complex, expectations regarding the quality and legitimacy of adjudication have increased. The UNCITRAL reform process must be understood against this historical trajectory: it seeks not to address an isolated procedural defect but to reconsider how the entire dispute settlement architecture should respond to the institutional challenges generated by decades of decentralized investor-State arbitration.

### 3. UNCITRAL Initiatives for Reforming International Investment Dispute Settlement

UNCITRAL's involvement in the reform of investor-State dispute settlement reflects growing recognition among States that many criticisms of the existing system possess a systemic rather than merely case-specific character. Concerns relating to divergent interpretations, lengthy proceedings, high litigation costs, arbitrator independence, transparency, repeated appointments, third-party funding, and limited mechanisms for correcting legal errors cannot always be effectively resolved through isolated treaty amendments. A multilateral forum provides States with the opportunity to identify common concerns and develop reforms capable of operating across different treaties and arbitration frameworks. The reform debate

therefore represents an important shift in international investment governance because States have become more active in reconsidering the institutions through which investment obligations are interpreted and enforced. This renewed State involvement has been described as a broader return of governmental authority within international investment law, responding to concerns that the earlier development of the regime granted significant interpretive influence to decentralized arbitral tribunals (Tang & Guo, 2025).

One of the most persistent concerns addressed by reform discussions involves consistency and predictability. International investment treaties frequently contain similar substantive standards, but arbitral tribunals are constituted separately and are not ordinarily subject to a unified appellate hierarchy. Although tribunals regularly consider previous awards, divergent interpretations may emerge regarding jurisdictional requirements, treaty standards, damages, procedural obligations, or the legal consequences of governmental measures. Such inconsistency can undermine predictability for both investors and States. Investors may face difficulty determining the scope of treaty protection, while States may struggle to assess whether legislation or administrative measures will generate international liability. The increasing volume of investor-State cases has made these concerns more visible (Unctad, 2024). Empirical resources cataloguing investment disputes demonstrate that similar legal issues arise across different treaties, sectors, and jurisdictions, reinforcing arguments for mechanisms capable of improving coherence (Navigator, 2024).

Proposals designed to address inconsistency vary considerably in ambition. Some reforms focus on improved procedural coordination, interpretative guidance, treaty-based mechanisms, or increased attention to prior decisions. More transformative proposals advocate the establishment of permanent adjudicatory bodies or appellate mechanisms. A standing institution could potentially provide greater continuity because adjudicators would serve within a stable organizational structure rather than being selected independently for each dispute. A system of appellate review could also create a mechanism for correcting serious legal errors and promoting interpretive consistency. The European Commission has strongly supported the development of a multilateral investment

court, presenting permanent adjudication as a means of enhancing legitimacy, independence, transparency, and coherence (European Commission, 2022). The proposed institutional model represents a significant departure from traditional investor-State arbitration because adjudicators would derive authority from a permanent system rather than appointment by disputing parties for individual cases.

The debate over adjudicator independence and impartiality is closely connected to institutional design. Traditional arbitration permits the parties to participate in selecting arbitrators, a feature often defended as an important expression of procedural autonomy. However, critics have argued that repeated appointments, professional networks, simultaneous roles as counsel and arbitrator, and dependence on future appointments can create actual or perceived conflicts of interest. Even where no improper conduct occurs, perceptions of structural bias may undermine confidence in the system. Reform efforts have therefore emphasized standards of adjudicator conduct, disclosure obligations, restrictions on conflicting professional roles, and ethical rules applicable to individuals participating in investor-State proceedings. The objective is not merely to prevent proven misconduct but also to strengthen public confidence in the independence of international adjudication. This concern is especially important because investment disputes frequently involve the legality of sovereign regulatory measures and may have significant public consequences.

Cost and duration constitute another major area of reform. Investment arbitration can involve complex jurisdictional objections, extensive written submissions, document production, expert evidence, witness testimony, damages analysis, and procedural hearings. Proceedings may therefore continue for several years and generate substantial legal expenses. High costs can create unequal burdens for States with limited administrative resources and for smaller investors unable to finance lengthy litigation. The increasing complexity of investment arbitration has consequently generated interest in procedural mechanisms capable of promoting efficiency without sacrificing fairness. Comparative assessments of investment arbitration recognize that arbitration offers important procedural advantages but also acknowledge that cost and delay can undermine its accessibility and effectiveness

([Bhattacharjee, 2024](#)). Procedural reforms may include stronger case management, expedited procedures, early dismissal of manifestly unmeritorious claims, coordination of related proceedings, limitations on unnecessary procedural steps, and improved allocation of costs.

Third-party funding further complicates questions of cost, transparency, and procedural fairness. Investment claims may be financed by entities that are not formal parties to the dispute but have an economic interest in the outcome. Funding can facilitate access to arbitration for claimants lacking sufficient financial resources, but it may also raise concerns regarding conflicts of interest, security for costs, control over litigation strategy, and disclosure. Reform discussions concerning third-party funding therefore illustrate a broader challenge confronting international investment dispute settlement: procedural innovation may improve access to justice while simultaneously generating new regulatory concerns. Effective reform requires transparency rules capable of identifying relevant conflicts without unnecessarily restricting legitimate financing arrangements.

Transparency itself has become a central principle in contemporary investment adjudication. Traditional arbitration developed partly around confidentiality, but investor-State disputes often concern public measures, public finances, and governmental regulation. A strictly confidential model may therefore be difficult to justify where disputes involve matters of substantial public interest. Greater publication of awards, procedural documents, hearing information, and tribunal decisions can improve accountability and enable States, investors, scholars, and civil society to assess how investment obligations are interpreted. Transparency may also contribute to consistency by making prior decisions more accessible to future tribunals. The movement toward transparency reflects the changing nature of investment arbitration from a process modeled on private commercial dispute resolution toward a system increasingly understood as involving public-law functions.

The reform process must nevertheless balance transparency with legitimate confidentiality. Investment disputes may involve commercially sensitive information, trade secrets, national security material, confidential governmental documents, or personal data.

Procedural rules must therefore distinguish between information that should be publicly accessible and information requiring protection. The increasing importance of national security disputes illustrates the difficulty of achieving this balance. Security-related investment cases may involve sensitive governmental evidence that cannot easily be disclosed publicly, while excessive confidentiality can prevent meaningful scrutiny of tribunal decisions. Recent analysis of security exceptions in investment disputes demonstrates that tribunals are increasingly required to navigate the boundary between sovereign discretion and international legal review ([Reinisch & Tropper, 2026](#)). Reform must therefore develop transparency standards sufficiently flexible to accommodate exceptional situations without allowing confidentiality to become a general barrier to accountability.

Another significant UNCITRAL-related reform direction concerns alternative dispute resolution and dispute prevention. Arbitration is only one method of resolving investment disputes, and many controversies may be addressed more effectively through consultation, negotiation, mediation, or structured settlement procedures. Mediation offers particular advantages where parties have continuing economic relationships or where disputes arise from regulatory changes capable of negotiated accommodation. Experience with investment disputes in sectors such as oil and gas demonstrates the potential value of mediation as a complementary mechanism ([Javadpour & Ghamami, 2022](#)). Unlike arbitration, mediation allows the parties to develop solutions that extend beyond monetary compensation, including contract modification, revised regulatory arrangements, project restructuring, payment schedules, or mutually agreed termination.

Investment facilitation is similarly connected to dispute prevention. Rather than focusing exclusively on how disputes should be adjudicated after they arise, reform can seek to reduce the frequency and intensity of disputes through greater regulatory clarity, administrative coordination, investor information, grievance mechanisms, and early consultation. Developing countries have particular reasons to support reforms that integrate dispute settlement with investment facilitation and sustainable development because costly arbitration may impose substantial fiscal and administrative burdens ([Tang, 2022](#)). A reform

agenda centered solely on improving arbitration procedure might therefore be insufficient if the broader objective is to promote stable and mutually beneficial investment relationships. Effective grievance management at the domestic level can prevent disagreements from escalating into international claims. The relationship between reform and sustainable development also requires careful attention. International investment law increasingly operates alongside environmental commitments, climate policies, labor standards, public health objectives, and development strategies. States may need regulatory flexibility to respond to evolving social and environmental challenges. The protection of foreign investment cannot therefore be separated from the broader policy responsibilities of governments. Analyses emphasizing State regulatory authority in the context of sustainable development demonstrate the importance of ensuring that dispute settlement does not create unjustified constraints on legitimate policymaking (Zamani & Esmailpour, 2021). Reform measures can contribute to this objective through clearer treaty drafting, interpretative mechanisms, procedural safeguards, and adjudicatory structures capable of giving appropriate weight to public interests.

Digitalization presents another emerging dimension of reform. The growth of technology-driven investment may alter both the subject matter of disputes and the procedures through which disputes are resolved. Digital evidence, remote hearings, cybersecurity, data protection, algorithmic systems, platform regulation, and intangible assets increasingly form part of international dispute settlement. The digital economy also challenges traditional concepts of investment because economic value can be generated through data, intellectual property, network effects, and cross-border digital services without the forms of physical presence associated with conventional investment (Dimitropoulos, 2025). UNCITRAL reform must consequently remain sufficiently adaptable to address disputes arising from technological transformations that existing treaties may only partially anticipate.

Soft law may provide additional flexibility in implementing reforms. Not every procedural or ethical standard requires immediate incorporation into binding treaties. Codes of conduct, model clauses, guidelines, recommended practices, and interpretative principles

can shape institutional behavior while allowing States to experiment with new approaches. The use of soft law in international investment relations demonstrates that non-binding instruments may influence expectations and provide frameworks for resolving disputes across diverse legal environments (Wang, 2023). Such instruments may be particularly useful during transitional periods in which States support reform objectives but have not yet agreed on a comprehensive multilateral institutional structure.

The most fundamental question raised by UNCITRAL reform is whether investor-State dispute settlement should remain primarily arbitral or evolve toward a judicialized model. Traditional arbitration emphasizes party autonomy, flexibility, decentralized decision-making, and case-specific adjudication. A permanent court emphasizes institutional continuity, predetermined appointment procedures, appellate review, public accountability, and potentially greater consistency. Each model involves trade-offs. Arbitration may provide specialized and flexible dispute resolution, but its decentralized structure contributes to concerns regarding coherence and perceived conflicts of interest. A court may improve consistency and institutional legitimacy, yet it may be more rigid, expensive to establish, and difficult to integrate with the thousands of existing investment treaties. The reform process must therefore determine not merely which procedural reforms are desirable but how they can be implemented within a highly fragmented treaty network.

For this reason, modular reform has attracted significant attention. Rather than requiring all States to adopt a single institutional model, a flexible multilateral framework could permit participation in different reform components. States might support a code of conduct, mediation mechanisms, appellate review, advisory services, procedural reforms, or a permanent adjudicatory body according to their policy preferences. Such an approach recognizes the diversity of States' legal traditions, levels of development, treaty networks, and experiences with investor-State arbitration. It also acknowledges that international consensus may be easier to achieve around particular procedural reforms than around comprehensive replacement of arbitration. UNCITRAL initiatives thus represent an important attempt to reconcile competing demands within international investment law. Investors require credible

protection against arbitrary or discriminatory conduct, while States require sufficient regulatory space to govern in the public interest. Both sides benefit from predictable procedures, independent adjudicators, enforceable outcomes, and efficient dispute resolution. The reform process consequently seeks to preserve the advantages that made international adjudication attractive while responding to the legitimacy concerns generated by its expansion. The significance of UNCITRAL lies not only in the specific reforms under consideration but also in the creation of a multilateral process through which States collectively reconsider the institutional foundations of investor-State dispute settlement.

#### 4. Legal Analysis of UNCITRAL Reforms and Their Impact on the Future of ISDS

The legal significance of UNCITRAL reform extends beyond procedural modification because the structure of dispute settlement influences the substantive development of international investment law. Adjudicators determine the meaning of treaty obligations, define the limits of State responsibility, calculate compensation, assess jurisdictional requirements, and interpret the relationship between investment protection and sovereign regulation. Reforming the institutions through which these decisions are made may therefore alter the balance of authority within the investment regime. The contemporary reform debate reflects a broader reconsideration of the relationship between States, investors, and adjudicatory institutions. Recent scholarship characterizing the reform movement as a return of the State emphasizes that governments increasingly seek to recover interpretive and regulatory influence within a system that developed substantially through arbitral decision-making (Tang & Guo, 2025). This development does not necessarily signify rejection of international investment protection; rather, it reflects efforts to ensure that investment obligations are interpreted within an institutional framework perceived as legitimate by both public authorities and private investors.

A major legal advantage of increased institutionalization would be the possibility of greater jurisprudential consistency. Ad hoc tribunals are constituted independently and lack a formal hierarchical

relationship. Although arbitrators often consider prior decisions, differences in treaty language, tribunal composition, factual circumstances, and interpretive methodology can produce divergent outcomes. Some degree of variation is unavoidable because international investment treaties are not uniform instruments. Nevertheless, contradictory approaches to materially similar legal provisions can undermine confidence in the predictability of the system. A permanent adjudicatory mechanism or appellate structure could create stronger institutional incentives for consistent interpretation. The proposal for a multilateral investment court is partly grounded in this logic, seeking to replace case-specific adjudicator appointment with a permanent structure capable of developing greater continuity in investment jurisprudence (European Commission, 2022).

Consistency, however, must not be confused with complete uniformity. Investment treaties are negotiated by different States and may intentionally embody different policy choices. A centralized adjudicatory body should therefore not impose a single substantive approach where treaty texts reflect distinct obligations. Excessive pursuit of uniformity could potentially diminish State autonomy by encouraging generalized interpretations detached from specific treaty language. Reform should instead promote consistency in legal methodology while respecting legitimate differences among treaties. Appellate mechanisms could correct serious legal errors and harmonize interpretation where provisions are materially comparable, yet they should remain attentive to treaty-specific context.

The relationship between reform and State regulatory autonomy is particularly important. International investment tribunals may review governmental measures adopted to protect health, the environment, public order, social welfare, national security, and other legitimate interests. If investment protections are interpreted too expansively, States may fear that ordinary regulation will produce international liability. Such concerns can generate regulatory chill, especially where potential damages are significant. Conversely, if States possess unrestricted discretion, treaty protections may lose practical value for investors. International investment law therefore requires a legally coherent distinction between legitimate regulation and unlawful interference with protected investment rights. The importance of preserving regulatory powers in light of

sustainable development objectives has been emphasized in scholarship examining contemporary investment governance (Zamani & Esmailpour, 2021). UNCITRAL procedural reforms cannot independently redefine substantive treaty standards, but institutional changes may influence how carefully and consistently public interests are considered during adjudication. National security presents an especially difficult test for this balance. Governments increasingly regulate foreign investment based on cybersecurity, strategic infrastructure, sanctions compliance, supply-chain resilience, military technology, data protection, and geopolitical risk. Investment treaties may contain security exceptions, yet the scope of these exceptions varies considerably. The interpretation of provisions relating to national security, full protection and security, and exceptional circumstances has become increasingly prominent in investment jurisprudence (Reinisch & Tropper, 2026). Reform should therefore ensure that adjudicatory institutions possess sufficient expertise to distinguish bona fide security measures from protectionist or discriminatory conduct while recognizing that certain security decisions involve information and policy judgments not easily reviewed through ordinary arbitral methods. Geopolitical competition further complicates adjudicatory neutrality. Investor-State arbitration developed partly as a mechanism intended to depoliticize disputes, but investment flows are now increasingly connected to strategic rivalry among States. Restrictions on foreign technology companies, sanctions against investors from particular jurisdictions, screening of strategic acquisitions, export controls, and restrictions on critical infrastructure may all generate disputes with significant geopolitical dimensions. The politicization of ISDS has consequently become an important subject of contemporary analysis (Xiao, 2025). Permanent adjudicatory institutions might strengthen perceptions of independence if appointment procedures are transparent and geographically representative, but institutionalization alone cannot eliminate geopolitical pressure. Governance arrangements must prevent dominant States or regional groups from exercising disproportionate influence over adjudicator selection and institutional administration. The future of investment dispute settlement must also address the changing nature of investment itself. Digital

assets and technology-driven business models challenge traditional assumptions regarding territory and ownership. A foreign investor may generate substantial economic value within a State without maintaining conventional physical infrastructure, while governments may affect digital investment through data regulation, platform rules, algorithmic transparency requirements, cybersecurity obligations, and restrictions on cross-border data transfers. The increasing relationship between international investment law and the digital economy illustrates the need for dispute settlement institutions capable of understanding novel technological and regulatory environments (Dimitropoulos, 2025). Institutional reform should therefore include mechanisms for developing adjudicatory expertise not only in conventional investment law but also in emerging technical domains. Cost efficiency will similarly influence the legitimacy of any future system. A permanent court may reduce certain costs associated with repeated arbitrator appointments and procedural duplication, but it could also create significant institutional expenditures. States would need to determine how the institution should be financed, how adjudicators should be compensated, and whether access costs would remain manageable for smaller investors and developing States. Traditional arbitration allows costs to be concentrated among disputing parties, whereas a standing institution may require sustained public financing. The legitimacy of reform will therefore depend partly on whether it produces tangible procedural improvements rather than merely transferring costs from individual disputes to institutional budgets.

Access to justice is another consideration. Investor-State arbitration is frequently criticized for providing procedural rights to foreign investors that may not be available to domestic businesses or affected communities. At the same time, international adjudication can protect investors against genuine abuses of State authority. Reform should therefore seek procedural equality without eliminating meaningful legal remedies. Advisory support for developing States, simplified procedures for smaller claims, increased mediation, and mechanisms for early settlement may help reduce disparities in resources. Developing countries have emphasized the importance of connecting investment dispute settlement reform with broader

development policy and investment facilitation (Tang, 2022). A system designed exclusively around large-scale arbitration between multinational corporations and States may not adequately address the diversity of contemporary investors.

Mediation may play a more prominent role in the future architecture. The adversarial nature of arbitration can make compromise more difficult once formal proceedings commence. Mediation enables parties to address interests that tribunals cannot easily accommodate, including continued project operation, renegotiation, regulatory adaptation, and structured payment arrangements. Studies of mediation in investment disputes involving complex sectors such as oil and gas demonstrate that consensual procedures can provide practical alternatives to full adjudication (Javadpour & Ghamami, 2022). UNCITRAL reforms that facilitate mediation could therefore reduce costs and preserve long-term economic relationships while leaving arbitration or adjudication available where settlement proves impossible.

The role of soft law should also remain significant. A comprehensive treaty creating a new international court may require extensive negotiations and ratification, whereas non-binding standards can often be implemented more rapidly. Codes of conduct, disclosure requirements, procedural guidelines, model treaty clauses, and best practices can progressively shape the behavior of States, arbitrators, counsel, and institutions. The experience of soft-law mechanisms in investment relations indicates that such instruments can complement binding dispute settlement arrangements, particularly where legal systems and policy preferences differ substantially (Wang, 2023). Soft law can thus function as a laboratory for institutional experimentation, allowing States to evaluate reforms before converting them into binding obligations.

Any reformed system must also remain compatible with existing enforcement structures. One of the principal strengths of investment arbitration is the availability of established mechanisms for enforcing awards. The practical effectiveness of adjudication depends heavily on whether decisions can be recognized and executed across jurisdictions. Investment award enforcement already involves complex interactions among international conventions, national courts, sovereign immunity rules, and annulment procedures (Tams,

2021). If a new permanent court or appellate mechanism is created, States must determine how its decisions will be recognized and enforced within existing legal frameworks. The creation of new institutions without a clear enforcement architecture could reduce rather than enhance legal certainty.

The relationship between UNCITRAL reform and ICSID must therefore be carefully managed. ICSID remains a central institution in investor-State dispute settlement and possesses a well-developed procedural and enforcement system. UNCITRAL reform is unlikely to eliminate the significance of ICSID, especially because many existing treaties expressly provide for ICSID arbitration. The future may instead involve coexistence among multiple systems. States may continue to offer ICSID arbitration while adopting new appellate mechanisms, codes of conduct, mediation procedures, or multilateral institutions. Research on ICSID practice demonstrates the continuing importance of specialized investment arbitration in resolving disputes arising from foreign investment (Goodarzi et al., 2025). Reform should therefore avoid creating unnecessary institutional fragmentation while ensuring that existing mechanisms can interact coherently with newly established procedures.

The existing treaty network poses a substantial implementation challenge. Thousands of investment treaties have been concluded over several decades, and their dispute settlement provisions differ significantly. Replacing existing arbitration mechanisms with a new institutional structure would require legal pathways through which States could modify or supplement treaty obligations. A multilateral instrument could provide a mechanism for consenting States to apply reforms across multiple treaties simultaneously, but participation is unlikely to be universal. This raises the possibility of a transitional period in which traditional arbitration, reformed arbitration, appellate mechanisms, mediation, and permanent adjudicatory bodies coexist. Such pluralism may be unavoidable but could generate additional complexity for investors and States.

UNCITRAL reform must also maintain sufficient flexibility to accommodate differences between developed and developing States. Some States possess extensive legal and financial resources for managing complex investment disputes, while others face substantial capacity constraints. Large multinational

investors may be capable of pursuing lengthy international litigation, whereas smaller investors may lack comparable resources. A legitimate multilateral system should account for these disparities through procedural assistance, predictable fee structures, efficient proceedings, and equitable access to institutional expertise. Investment dispute databases reveal that investor-State arbitration involves a wide range of countries and sectors rather than a limited group of economically comparable participants (Navigator, 2024). A reform model designed around the capacities of the most powerful actors would therefore risk deepening structural inequalities.

The long-term future of ISDS is likely to involve a hybrid rather than purely arbitral or purely judicial architecture. Arbitration possesses institutional advantages that States and investors may be reluctant to abandon completely, including procedural flexibility and specialized adjudicator selection. Permanent adjudication offers potential benefits in consistency, independence, and institutional legitimacy. Mediation and dispute prevention can reduce the need for adjudication altogether. Soft law can facilitate gradual procedural convergence. The most sustainable reform model may therefore combine these approaches rather than treating them as mutually exclusive alternatives.

The broader significance of UNCITRAL reform lies in its attempt to transform investment dispute settlement from a system focused primarily on investor protection into a more balanced framework of international economic governance. The legitimacy of the future regime will depend on whether it can protect investments while preserving regulatory autonomy, ensure adjudicator independence while maintaining expertise, promote transparency while protecting legitimately confidential information, improve consistency without disregarding treaty diversity, and provide enforceable outcomes without imposing excessive costs. UNCITRAL's contribution is therefore best understood not as a single reform proposal but as a multilateral process through which States are reconsidering the fundamental institutional assumptions underlying investor-State dispute settlement.

## 5. Conclusion

The development of international investment dispute settlement reflects a profound transformation in the legal relationship between foreign investors and host States. The traditional system of diplomatic protection gradually gave way to treaty-based mechanisms that enabled investors to initiate proceedings directly against States. Arbitration became the dominant mechanism because it provided neutrality, procedural flexibility, specialization, and a degree of independence from domestic judicial systems. Institutions such as ICSID and procedural frameworks such as the UNCITRAL Arbitration Rules played a decisive role in consolidating this model. Through thousands of bilateral and multilateral investment agreements, investor-State arbitration became one of the defining features of contemporary international investment law.

The expansion of this system nevertheless revealed structural weaknesses that could not be addressed exclusively through case-by-case adjudication. The decentralized nature of investment arbitration created concerns regarding inconsistency and unpredictability. Separately constituted tribunals could interpret comparable treaty provisions differently, while the absence of a comprehensive appellate structure limited opportunities for correcting legal errors and promoting coherent jurisprudence. The appointment of arbitrators by disputing parties, although consistent with traditional arbitration, generated concerns regarding repeated appointments, conflicts of interest, professional role-switching, and perceptions of institutional bias. High litigation costs and lengthy proceedings further reduced the efficiency and accessibility of the system.

The legitimacy problem became more pronounced as investment disputes increasingly concerned matters of public regulation. Investment tribunals are no longer asked only to resolve narrow contractual disputes or determine compensation for direct expropriation. They may review measures concerning environmental protection, public health, taxation, energy policy, financial regulation, national security, digital technology, emergency governance, and sustainable development. The expansion of the subject matter of investment disputes has transformed investor-State adjudication into a mechanism with substantial public-law implications. Decisions rendered by international

tribunals may influence regulatory choices, public budgets, and the interpretation of sovereign policy space. Consequently, the procedural legitimacy of the system has become inseparable from the substantive balance between investor protection and the State's right to regulate.

The UNCITRAL reform process constitutes a direct response to these developments. Its importance lies not merely in individual procedural proposals but in the creation of a multilateral forum through which States can collectively reconsider the architecture of investor-State dispute settlement. The reform agenda addresses several interconnected concerns, including consistency of decisions, independence and impartiality of adjudicators, procedural transparency, cost and duration, third-party funding, mediation, dispute prevention, and possible institutional restructuring. These issues reveal that reform is no longer confined to technical improvements in arbitral procedure. It concerns the deeper question of what form international investment adjudication should take in a legal order characterized by increasingly complex interactions between private investment and public authority.

One of the most significant possibilities emerging from the reform debate is the development of permanent or semi-permanent adjudicatory institutions. A multilateral investment court or comparable standing mechanism could potentially improve institutional continuity, strengthen standards of judicial independence, and facilitate more consistent interpretation of investment obligations. An appellate mechanism could further promote coherence and provide a structured means of correcting serious legal errors. Such reforms would represent a substantial departure from the traditional model of ad hoc arbitration and would move investment dispute settlement toward a more judicialized institutional structure.

Institutionalization, however, should not be treated as a complete solution to the weaknesses of the current regime. A permanent court could itself create challenges concerning financing, appointment procedures, geographical representation, political influence, procedural rigidity, and interaction with existing treaties. The legitimacy of any new institution would depend heavily on the transparency of its governance arrangements and the fairness of its adjudicator selection process. A permanent system dominated by a

limited group of States or legal traditions would merely reproduce existing legitimacy concerns in a different institutional form. Reform must therefore prioritize inclusiveness, representativeness, professional diversity, and equitable participation by both developed and developing States.

The future system should also avoid assuming that every investment dispute requires adjudication. Mediation, consultation, negotiation, domestic grievance mechanisms, and dispute-prevention procedures can often resolve disagreements more efficiently and preserve long-term investment relationships. A comprehensive investment dispute settlement architecture should therefore create incentives for early resolution rather than encouraging parties to move immediately toward adversarial proceedings. This is particularly important for infrastructure, natural-resource, energy, and technology projects in which investors and States may remain economically connected long after a dispute arises.

Sustainable development must occupy a central position within future reform. Investment law should continue to protect investors from genuinely arbitrary, discriminatory, or unlawful State conduct, but such protection cannot require governments to abandon legitimate regulation in areas of public interest. Environmental protection, public health, labor standards, climate policy, digital governance, consumer protection, and national security are indispensable governmental responsibilities. A legitimate dispute settlement system should be capable of distinguishing between disguised discrimination against foreign investors and bona fide measures adopted for legitimate regulatory purposes. Clearer treaty language and institutionally consistent interpretive approaches can contribute to this balance.

The digital transformation of the global economy reinforces the need for adaptable institutions. Investment increasingly involves data, intellectual property, software, platforms, digital infrastructure, algorithms, and other intangible assets. These developments challenge conventional legal concepts that were originally designed around physical investment and territorial presence. Future dispute settlement institutions will therefore need both legal and technical expertise. Procedural rules must also respond to cybersecurity, digital evidence, remote hearings,

confidentiality, and cross-border information flows. Reform that focuses exclusively on the weaknesses of twentieth-century investment arbitration without anticipating twenty-first-century forms of investment would quickly become outdated.

Geopolitical fragmentation presents another major challenge. Investment restrictions increasingly intersect with sanctions, strategic competition, national security screening, supply-chain protection, and technological rivalry. In such circumstances, international investment adjudication may become more politically sensitive. The credibility of the system will depend on its ability to apply legal standards independently while recognizing that States possess legitimate security responsibilities. Transparent appointment systems, carefully defined standards of review, and robust institutional safeguards against political pressure will be essential to maintaining confidence.

The coexistence of multiple mechanisms is likely to remain a defining characteristic of international investment dispute settlement. ICSID arbitration, UNCITRAL arbitration, other institutional procedures, mediation, domestic courts, treaty committees, and possible permanent adjudicatory mechanisms may operate simultaneously for an extended period. Such pluralism is not inherently undesirable, but it requires coordination. States should seek to avoid creating overlapping institutions with incompatible procedural standards or inconsistent enforcement mechanisms. Reform should therefore focus not only on the design of individual mechanisms but also on their interaction within the wider system.

Implementation will ultimately determine whether UNCITRAL reform succeeds. Institutional proposals can influence practice only if States incorporate them into treaties, multilateral instruments, domestic legislation, and dispute settlement clauses. Because the existing investment treaty network is extensive and legally diverse, reform is likely to proceed gradually. Flexible multilateral instruments may enable States to adopt particular reform components without renegotiating every treaty individually. A modular approach may therefore provide a realistic pathway toward progressive transformation while respecting differences in national policy preferences.

The analysis of the international investment dispute settlement system demonstrates that neither complete

preservation of traditional arbitration nor its wholesale replacement offers an uncomplicated solution. Traditional arbitration has provided investors with meaningful international remedies and contributed to the legalization of investment relations, but its expansion exposed weaknesses in consistency, legitimacy, cost, transparency, and institutional accountability. A permanent court could remedy some of these weaknesses but may introduce new challenges of its own. The most appropriate direction is therefore a balanced and flexible model that combines institutional improvements with procedural diversity.

UNCITRAL's greatest contribution may ultimately lie in facilitating this transition. Its reform initiatives represent an opportunity to move international investment dispute settlement toward a system that is more coherent, transparent, independent, accessible, and responsive to contemporary public interests. The success of the reform process should be measured not only by whether disputes are resolved more quickly or consistently, but also by whether the resulting framework commands legitimate confidence from States, investors, and affected societies. International investment law can maintain its relevance only if its dispute settlement institutions reflect the evolving realities of global economic governance.

The future system should therefore protect investors without transforming investment treaties into barriers to legitimate public regulation; preserve State sovereignty without depriving investors of effective remedies; strengthen adjudicator independence without sacrificing technical expertise; promote consistency without eliminating legitimate treaty diversity; and ensure enforceability without creating disproportionate financial and administrative burdens. Achieving these objectives requires sustained multilateral cooperation and careful institutional design.

In this respect, UNCITRAL reform represents a significant stage in the continuing evolution of international investment law. The current debate is not simply about repairing arbitration procedures but about redefining the relationship among investment protection, sovereign authority, adjudicatory legitimacy, and global economic governance. A successful reform framework should transform investor-State dispute settlement from a system frequently criticized for fragmentation and imbalance into a more integrated

architecture capable of reconciling private rights with public responsibilities. Such an architecture would provide a stronger legal foundation for international investment while preserving the regulatory space necessary for States to respond to economic, social, environmental, technological, and security challenges in an increasingly complex international order.

### Authors' Contributions

Authors contributed equally to this article.

### Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

### Transparency Statement

Data are available for research purposes upon reasonable request to the corresponding author.

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In this research, ethical standards including obtaining informed consent, ensuring privacy and confidentiality were observed.

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