

Changes in the international legal status of the state in light of investment contracts and the effects of globalization on them

Hachemi Amar^{1*}, Mme Iglouli Ouled Rabah Safia²

^{1,2} University mouloud maamri tizi ouazou (Algeria)

* hachemiamar08@gmail.com

Received:29/07/2024• Published: 26/10/2024

ABSTRACT

The investment regime and globalization are responsible for much of the evolution in the international legal status of states. Investment contracts, typically concluded between host-states and multinational corporations, now erode traditional conceptions of state sovereignty by embedding states within international arbitration institutions. Globalization amplifies this, creating an intricate tapestry of international legal commitments, which each state must manage to balance national interests with international standards. When global trade agreements and international financial institutions are added, they further shape state policies, sometimes restricting state autonomy. As a result, states are pressured to adjust their legal regimes to suit external investor interests while preserving sovereignty and societal welfare.

This Article will examine how investment contracts and globalization have changed the status of states in international law, moving away from the traditional concept of self-determination through a network of legal relations.

Keywords

Sovereignty, investment contracts, globalization, international arbitration, legal framework.

Introduction

1.1. Overview of the international legal status of states

States have found their international legal status significantly altered by globalization and the proliferation of investment agreements in recent years. Before World War II, nations were almost equally sovereign within their boundaries. However, the traditional Westphalian model of statehood has evolved with the emergence of an international society, structured through institutional arrangements like the UN Charter, which are mutually entered into by states.

Legal frameworks, such as international human rights law and international criminal law, have shifted focus to broader humanitarian issues. The creation of international criminal tribunals has also undermined traditional understandings of state sovereignty, as they legally require states and UN members to comply with tribunal decisions.

Yet, traditional notions of state sovereignty remain influential in political identity. States retain significant military power and use existing administrative infrastructure to control their populations. National ideologies continue to shape

social dynamics and individual identities within state borders.

The dynamics of globalization have created complex relationships between states and international economic forces, raising questions about the adequacy of current legal mechanisms for regulating international business transactions. Enforcing decisions related to investment agreements and disputes is a critical concern for states navigating these evolving legal landscapes. For states to adjust to the international legal norms shaped by globalization and investment agreements, they must balance national interests with accountability to international obligations. (Ip, 2010).

1.2. Importance of investment contracts in shaping state sovereignty

The imperative of globalization means that investment agreements are the battleground for state sovereignty. Contracts between countries and multinational corporations profoundly affect their legal status, often challenging domestic sovereignty by introducing external pressures on national policies. This rise is taking place as investors push for soft law contract concurrency—agreements that, while not legally binding, can

clarify international investment treaties, offering certainty for long-term projects.

Recent debates center on how these treaties may constrain a state's regulatory autonomy, especially in vital areas like environmental policy, human rights, and corporate social responsibility. While dispute resolution mechanisms between states and investors offer ways to resolve conflicts, they also highlight the difficulty of balancing national priorities with international standards.

Transforming natural resources into commodities through investment agreements complicates the relationship between national regulations and international obligations. As countries seek foreign investment, they face pressure to modify legal frameworks to suit foreign investor demands. States must balance these pressures by maintaining policy flexibility to honor human rights commitments while pursuing business goals through international agreements.

Investment contracts shape state sovereignty by influencing the legal frameworks governing economic activities within national borders. The evolving landscape of international law underscores the need for states to find a balance between attracting investments and preserving their sovereign rights in an increasingly global economy. (Cotula, 2020), (Baltag et al., 2023) and (The Fletcher School, 2024).

1.3. Impact of globalization on state legal frameworks

Globalization has eroded state legal systems and challenged traditional understandings of sovereignty, reshaping the global legal order. The mobility of global capital and the rise of markets present nations with the challenge of regulating public goods while enforcing property rights. Non-governmental entities—multinational corporations, international organizations, and transnational networks—now play a dominant role in shaping legal frameworks.

Global and local actors no longer operate in opposition but mutually reinforce one another. States share power with new actors in complex political dynamics. Economic interdependence, trade, technology, and culture blur the lines between national regulation and global governance.

This shift has influenced international law, compelling states to acknowledge new legal responsibilities arising from complex governance structures. As a result, legal studies now accommodate multiple legal systems operating within societies.

The rise of global institutions like the World Trade Organization and the United Nations Security Council has led to international law that transcends national boundaries, influencing state policies and enforcing agreements. Globalization has significantly reworked state legal systems by shifting power relations beyond states. States must now balance domestic priorities with global norms, updating their legal frameworks for a borderless world. (Ip, 2010).

Evolution of International Legal Status of States

2.1. Historical background on state sovereignty

Since the seventeenth century, the global system of sovereign states has been the legal infrastructure of political governance and economic exchanges. Domestically, state sovereignty is preserved by national constitutions, symbolizing a people's right to self-determination. Internationally, public international law emphasizes the equal rights of sovereign states to maintain their constitutional identity and self-governing capacities. However, recent developments have challenged the notion of absolute sovereignty in law.

The rise of non-state entities has led to the internationalization of legal standards and a weakening of individual state sovereignty. Globalization has blurred the lines between state-centric norms and international standards, giving rise to specialized regulatory frameworks enforced by non-state actors. This transformation raises questions about the relevance of traditional state-centric laws in a globally interconnected world where Westphalian sovereignty is no longer sufficient.

International law has become more complex with the inclusion of third parties playing significant roles. States must now balance national interests with international norms, adapting to legal terrains

shaped by investment agreements and globalization. (Cotula, 2020) and (Ip, 2010).

2.2. Emergence of investment contracts as a factor in international law

In recent decades, the proliferation of investment agreements in international law has transformed legal systems at the level of many nation-states. With increasing globalization, relations between states and private investors have become more complex, resulting in a complicated legal landscape. The absence of any universally applicable standard for these agreements creates difficulties in interpreting legal concepts related to international investment agreements.

The UNIDROIT project on International Investment Contracts (IICs) seeks to address this gap by offering guidance on how to modernize and standardize these agreements. The project aims to engage recent developments in international investment law, examining common clauses in such contracts and aligning them with the UNIDROIT Principles of International Commercial Contracts. Issues related to corporate social responsibility and sustainability are also considered.

The collaboration between UNIDROIT and the ICC Institute highlights the dynamic nature of investment agreements and their challenge to state sovereignty in a world of increasing economic globalization. Initiatives like the IIC project are essential in clarifying this complex legal terrain, helping states navigate the intricate web of legal commitments arising from investment contracts and globalization-inspired laws. (Cotula, 2017) and UNIDROIT. (2024).

2.3. Influence of globalization on changing state legal status

Globalization has significantly affected international law, diluting the traditional concept of state sovereignty. The rapid movement of capital, development of large markets, and emergence of non-state actors have all altered the legal frameworks within states. As entities operate across national borders, the focus has shifted from state-centric regulation to global interconnectedness.

Today, multinational corporations are central to the global economy, often operating beyond the control of national regulations. Increased

interactions in trade, migration, technology, and culture have fostered greater interdependence among nations. The relationship between global and local dynamics is not zero-sum, as reflected in the development of international norms.

Organizations like the International Labor Organization and the United Nations influence states domestically, extending beyond national jurisdiction and creating areas of supranational law. The rise of international governmental organizations (IGOs) has generated autonomous legal systems with significant law-making authority. This shift towards global governance has crucial implications for state sovereignty and existing legal systems.

Despite the challenges globalization brings, state law remains flexible and important. Rather than converging on a single standard, states cooperate with and leverage multiple normative systems while influencing international law. National laws continue to govern populations with more attention than the complexities introduced by globalization.

The relationship between global influences and national legal systems is nuanced and ambiguous. While transnational norms may sometimes contradict national legal frameworks, no single legal order is supreme. The selective integration of local practices with international norms demonstrates that state laws remain relevant in a world of constant change. (Ip, 2010).

Investment Contracts and State Sovereignty

3.1. Analysis of investment agreements between states and multinational corporations

In the modern era, international law is heavily influenced by investment agreements negotiated between states and multinational corporations. These agreements have a major impact on global legal frameworks. The treatment of foreign nationals and investments under international law has provided a basis for investment contracts as a tool for resolving disputes.

Multilateral and bilateral investment treaties grant foreign investors the right to arbitration, establishing a framework for their interactions with states. Key elements of investor-state

arbitration include tribunal composition, jurisdiction issues, evidence presentation, awards, and challenge procedures. By allowing third parties to adjudicate disputes arising from sovereign state decisions, these agreements challenge traditional concepts of state sovereignty. The standards applied in investment arbitration are crucial for determining breaches of treaty obligations. As globalization influences state legal systems, finding a balance between national interests and international norms becomes increasingly difficult. Future challenges in investor-state arbitration include environmental protection, free trade restrictions on sovereignty, and the establishment of international investment jurisprudence.

Analyzing investment agreements shows a delicate balance between protecting foreign investments and promoting public welfare. International arbitration mechanisms have resolved disputes arising from these agreements. Studying successful cases where states navigated legal changes provides insights into how to adapt to international legal developments. (Baltag et al., 2023), (Sacerdoti, 2021) and (Georgetown Law, 2024).

3.2. Challenges to traditional notions of state sovereignty

The rise of investment treaties has disrupted traditional notions of sovereignty, particularly in international economic law, where obligations favor foreign investors' rights. These agreements often overlook human rights impacts on local communities in host countries. Another issue is the broad definitions of investment and investor, bringing various foreign economic activities and local legal frameworks under international scrutiny.

Many investment treaties contain vague language that requires arbitrators to interpret, leading to new standards of state behavior that may not align with domestic political processes. Stabilization clauses in investor-state agreements can lock in legal rules for decades, potentially undermining legal and commercial stability in host countries. The principle of legitimate expectations can also create conflicts between local resource rights and investor expectations, disrupting the balance between these competing interests.

As nations strive to balance globalization and regulatory frameworks while attracting foreign investment, careful consideration must be given to the impact on sovereignty and existing legal systems in light of evolving international standards (Hlr, 2016) and (Gehne & Brillo, 2024).

3.3. Role of international arbitration mechanisms in resolving disputes

International dispute resolution mechanisms play a crucial role in settling conflicts between states and foreign investors. The International Centre for Settlement of Investment Disputes (ICSID) is a significant platform for arbitration, based on international agreements, providing impartial forums to resolve disputes independently of national judicial systems.

International business arbitration is governed by the New York Convention and the European Geneva Convention, enabling parties to follow procedures under recognized arbitral organizations like the International Chamber of Commerce or UNCITRAL rules. These mechanisms are essential for addressing violations of obligations by foreign contractual partners, ensuring fair outcomes in disputes.

Moreover, the World Bank's Washington Convention promotes amicable resolutions for conflicts related to international investments. By allowing arbitration without requiring contractual provisions, it ensures accessible and efficient dispute resolution, balancing the interests of host states and foreign investors.

In conclusion, international arbitration mechanisms offer a structured and impartial approach to settling investment conflicts, protecting the rights of all parties involved. These mechanisms promote stability in international relations and build trust in cross-border investments. (Sacerdoti, 2021)

Globalization and Legal Obligations

4.1. Examination of the complex web of legal obligations faced by states

In the face of globalization and significant influences of investment agreements, states navigate a complex web of international legal

obligations. States have a primary duty to prevent human rights violations within their territories, whether committed by private actors like companies or others. They are expected to develop policies, laws, and regulations to prevent such violations, while state-owned or supported entities must also respect human rights, which requires careful assessments when necessary.

Managing privatized services is another area where states must ensure that private companies comply with human rights obligations. Failure to monitor these responsibilities can lead to legal and reputational damage. States also engage in commercial relationships with businesses, offering

opportunities to incorporate human rights considerations into contracts. In conflict-affected areas, this becomes critical as the risk of rights violations increases, and states must work closely with corporations to mitigate these risks and avoid complicity.

States face the challenge of balancing national interests while adhering to international human rights norms across various sectors. By implementing proactive strategies and establishing accountability mechanisms, states can address challenges posed by globalization and investment agreements. (United Nations Human Rights Office, 2011)

Table 1: Open in new tab Environment: Frequency of approaches (2018-20) (Baltag et al., 2023)

Approach .	2018 (%) .	2019 (%) .	2020 (%) .
A	13.33	0	33.33
B	13.33	25	33.33
C	20	12.5	0
D	13.33	62.5	0
E	20	0	0
F	20	0	33.33

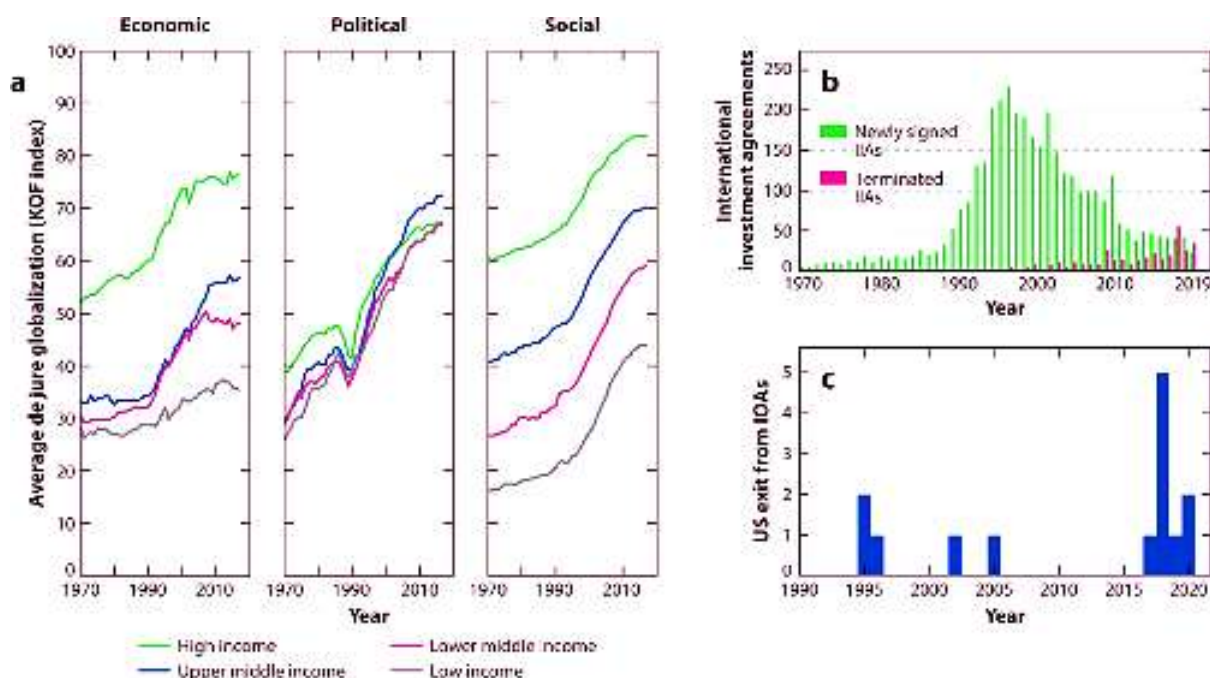


Figure 1: Globalization-related policies: developments over time. (Walter, 2021)

4.2. Balancing national interests with international standards

International investment law exists in a complex environment where states balance national sovereignty with international obligations. The

case of *SAUR International v. Argentina* illustrates how foreign investors challenge state regulations aimed at public welfare. This case shows the need for states to balance human rights obligations, such as access to water, with commitments under investment treaties.

In response, various strategies have been developed to help states retain their regulatory autonomy without incurring liability when enforcing policies on health and environmental regulations. Preamble clauses, non-precluded measures, and exemption language are tools used to this end.

Discussions at UNCITRAL Working Group III on ISDS reform demonstrate growing recognition of states' roles in dispute resolution. Many states are incorporating provisions in international investment agreements (IIAs) to protect their regulatory capacity while still attracting foreign investments.

The evolution of international investment law demands a nuanced approach that balances national interests with global standards. By adopting innovative strategies and promoting policy flexibility, states can navigate the complexities of globalization while safeguarding their sovereignty. (Baltag et al., 2023).

Global Trade Agreements and State Policies

5.1. Effect of Global Trade Agreements on State Policies

International trade agreements have a significant impact on national policies and the economies of member states. Agreements like the United States-

Mexico-Canada Agreement (USMCA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) set rules and standards that shape how trade operates. These agreements can boost foreign investment by widening market access and offering preferential treatment to participating countries, thereby shifting foreign direct investment (FDI) towards specific sectors or regions.

To promote a liberalized trading environment, these agreements harmonize rules on investment, trade, and competition policy. Research typically explores whether trade agreements and FDI serve as substitutes or complements, without establishing direct causation. Concerns around protectionism and favoritism towards specific industries also arise.

In the modern global economy, sustainable development goals (SDGs) are increasingly shaping international economic governance. Policies focused on sustainability, such as regional Green Deals and carbon-border adjustments, are transforming production structures. As social and environmental standards gain importance, the inclusion of sustainability requirements in trade agreements is expected to have significant effects on global production patterns.

In conclusion, trade agreements play a dual role: they shape state policies while influencing investment and sustainability initiatives. By balancing economic objectives with social and environmental considerations, these agreements pave the way for a more interconnected and sustainable future in international trade. (Guterres, 2020), (Georgetown Law, 2024) and (Sacerdoti, 2021).

Table 2: Sources and Destination of FDI (Bolivia - USDS, 2023)

Direct Investment from/in Counterpart Economy Data 2021	From Top Five Sources/To Top Five Destinations (US Dollars, Millions)	Inward Direct Investment			Outward Direct Investment
Total Inward	Amount	100%	Total Outward	Amount	100%
Spain	2467	24.9%	The Netherlands	419	46.7%
Peru	1415	13.3%	Peru	74	8.2%
Sweden	1386	13.0%	Brazil	71	7.9%

The Netherlands	883	8.3%	Panama	67	7.5%
France	521	4.9%	Canada	38	3.1%
“0” reflects amounts rounded to +/- USD 500,000.					

5.2. Influence of international financial institutions on state decision-making

Global financial entities, particularly the International Monetary Fund (IMF) and the World Bank, play a significant role in shaping nations' decisions regarding investment agreements and globalization. These institutions provide financial support and assistance to countries, but often impose conditions that influence national policies. Their influence stems from the loans and aid packages they offer, accompanied by policy recommendations aimed at fostering economic stability and development. These conditions can involve changes to legal frameworks on investments, trade agreements, and regulatory structures. Countries that depend on these financial institutions may feel compelled to align

their legal systems with global standards to attract foreign investment.

Moreover, these institutions shape national policies by offering technical support and guidance on economic growth strategies. They influence national decision-making, including policies related to investments, while countries must navigate these requirements and safeguard their own interests.

In conclusion, international financial institutions profoundly affect how countries manage investment agreements and globalization, extending beyond financial aid to influence legal structures and national policies. Countries must balance the advantages of aligning with these institutions against maintaining their autonomy. (Guterres, 2020) and International Labour Organization (ILO, 2016).

Table 3: Studies of RTAs and health meeting inclusion criteria (Barlow et al., 2017)

Source	Countries studied	Years studied	Analysis	Category
Bozorgmehr and San Sebastian 2014	22 high TB-burden countries	1990–2010	Multivariate	Health outcomes (TB and HIV incidence)
Chaloupka and Laixuthai 1996	10 Asian countries	1970–1991	Multivariate	Cigarettes
Chatterjee et al., 2011	India	1990–2006	Bivariate	Food
Vogli RD et al. 2014	127 low-, middle- and high-income countries	1980–2008	Multivariate	BMI
Drope and Chavez, 2014	9 Southeast Asian countries	1999–2012	Bivariate	Cigarettes
Goryakin et al., 2015	56 low- and middle-income countries	1991–2009	Multivariate	BMI
Hawkes 2007	Central America (Honduras, El Salvador, Nicaragua, Costa Rica, Guatemala), India, South Africa, Bangladesh, Uganda	various	Bivariate	Food
Hawkes 2010	Brazil, Argentina, Indonesia, Malaysia, China and India	1990–2005	Bivariate	Food
Schram et al. 2013	48 Sub-Saharan African countries	1995–2012	Bivariate	Food and beverages
Schram et al. 2015	Vietnam and The Philippines	1999–2013	Natural experiment	Beverages
Sharif et al. 2008	Pakistan	1993–2005	Multivariate	Health outcomes (mortality)

Stuckler et al. 2012	80 low- and middle- income countries	1997–2010	Multivariate	Food and beverages
Tausch 2015	99 low-, middle- and high-income countries	1970–2005	Multivariate	Health outcomes (mortality)
Thow and Hawkes 2009	Honduras, Costa Rica, Guatemala, El Salvador, Nicaragua	1990–2006	Bivariate	Food
Thow and Snowdon 2010	10 Pacific Island countries	1961–2005	Bivariate	Food
Umana-Pena et al. 2014	WTO member countries	1995–2010	Multivariate	Health outcomes (mortality)
Yamabhai et al. 2011	Thailand	2006–2013	Bivariate	Medicines and medical technologies

Pressures Faced by States in Adapting Legal Frameworks

6.1. Demands from foreign investors for legal security

Foreign investors significantly contribute to the global economy, spurring growth in recipient countries. However, this influx of foreign capital raises the need for legal certainty to protect these investments. Clear and enforceable investment agreements are essential, defining the rights and responsibilities of all parties involved, ensuring investment security, and providing legal recourse in case of disputes or violations.

To meet these demands, investment contracts often include clauses related to labor regulations, environmental protections, and human rights. These provisions establish guidelines for behavior and accountability, creating a framework for dispute resolution.

Host countries can use these agreements to defend their sovereignty and public welfare by invoking defenses related to liability or labor standards if investors breach contract terms. This approach not only protects national interests but also reinforces international legal norms governing investor-state relations.

The demand for legal protection by foreign investors underscores the importance of well-structured investment treaties in navigating globalization. These agreements play a vital role in balancing the interests of investors and host nations, promoting cooperation while maintaining sovereignty and safeguarding public welfare.

(Gehne & Brillo, 2024), (International Labour Organization (ILO), 2016) and (Sacerdoti, 2021).

6.2. Necessity for states to protect public welfare while attracting foreign investment

Governments face the challenging task of balancing public welfare with the need to attract foreign investment. Stabilization clauses in investment agreements create legally protected expectations for investors, potentially leading to compensation claims and inducing a "regulatory chill effect." This phenomenon discourages governments from enacting regulations to protect human rights and environmental standards out of fear of legal repercussions from investors.

While stabilization clauses aim to compensate for regulatory changes, they can hinder governments from fulfilling their international law obligations, raising concerns about their impact on essential regulations for public welfare. The complexity increases as arbitration processes between governments and investors often prioritize financial compensation over regulatory standards, which can strain government budgets and deter proactive measures to protect public welfare.

To navigate these challenges, governments should consider incorporating labor exemptions or liability defenses in investment agreements to safeguard public policy goals. Ensuring that investments align with domestic laws on human rights, environmental protections, and labor standards is crucial for balancing investment attraction with public welfare.

In conclusion, governments must find strategies to fulfill their international legal obligations while fostering an environment conducive to foreign

investment. Achieving this delicate balance requires careful consideration of stabilization clauses and arbitration mechanisms' effects on public welfare and regulatory frameworks. (Cotula, 2017), (Gehne & Brillo, 2024, pages 16-20) and (International Labour Organization (ILO), 2016).

Strategies for States to Navigate Legal Challenges

7.1. Case studies on successful adaptation to changing legal frameworks

The changing legal landscape shaped by globalization, particularly in the area of natural resource investments, highlights how low- and middle-income countries adapt to new legal environments. These nations rely heavily on attracting international capital and expertise for resource extraction, resulting in contractual investment agreements between foreign investors and government authorities. Initially, the power dynamics often favor investors, pressuring states to accept terms that may limit their sovereignty.

Once investments begin, investors become vulnerable to state actions, such as legislative changes that could negatively affect their operations. Simultaneously, governments face public scrutiny and economic pressures, which

may compel them to reassess agreements or tighten regulations. This situation underscores the need for a balance between protecting foreign investments and safeguarding national interests.

Natural resource projects require significant upfront costs and long timelines, prompting investors to seek legal safeguards through contracts to protect against unexpected national law changes that might harm profitability. Conversely, states aim to attract foreign investments while ensuring that local populations benefit from resource extraction.

Fluctuations in commodity prices and changes in project circumstances often lead to renegotiations, legislative amendments, and disputes between investors and states. This dynamic between international investors and governments illustrates how legal frameworks evolve due to globalization and investment treaties.

Successful adaptation requires states to manage complex legal obligations while balancing foreign investments with public welfare. Analyzing case studies in natural resource investments, particularly in developing countries, provides valuable insights into how states can respond effectively to shifting legal frameworks shaped by globalization and investment contracts.

(Cotula, 2017), (Cotula, 2020) and (Sacerdoti, 2021).

Table 4: Key Macroeconomic Data, U.S. FDI in Host Country/Economy (Bolivia - USDS, 2023)

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2021	\$63,605	2021	\$63,605	Panama: Development news, research, data World Bank www.worldbank.org/en/country
U.S. FDI in partner country (\$M USD, stock positions)	2021	\$10,945	2021	\$3,460	BEA data available at https://apps.bea.gov/international/factsheet/
Host country's FDI in the United States (\$M USD, stock positions)	N/A	N/A	2021	\$1,872	BEA data available at https://www.bea.gov/international/direct-investment-and-multinational-enterprises-comprehensive-data
Total inbound stock of FDI as % host GDP	N/A	N/A	2021	94.1%	UNCTAD data available at FactSheet_2021_new (unctad.org)

Table 5: Sources and Destination of FDI (source: Bolivia - USDS, 2023)

Direct Investment from/in Economy Data 2021	Investment Counterpart	From Top Five Sources/To Top Five Destinations (US Dollars, Millions)	Inward Direct Investment			Outward Direct Investment
Total Inward		59,039	100%	Total Outward	N/A	100%
United States		10,945	18.5%	Country #1	N/A	X%
Colombia		10,329	17.5%	Country #2	N/A	X%
Barbados		6,471	11.0%	Country #3	N/A	X%
Switzerland		3,925	6.6%	Country #4	N/A	X%
United Kingdom		2,654	4.5%	Country #5	N/A	X%

“0” reflects amounts rounded to +/- USD 500,000.

Conclusion

8.1. Recapitulation the key points discussed in the report.

The transformation of state sovereignty due to investment agreements and globalization represents a fundamental shift in international law. Investment agreements challenge traditional views of sovereignty, requiring states to navigate a complex legal landscape where domestic preferences must align with international norms. International trade agreements shape state policies and decision-making, while international financial institutions further pressure states to conform to global standards.

States face significant challenges in modifying their legal frameworks to keep up with evolving international laws. The demand for legal certainty from foreign investors forces states to foster a favorable business environment while protecting public welfare. Balancing foreign investment with national interests is a key struggle for states in this changing legal landscape. Case studies highlight how some states have successfully adapted to these shifts, offering strategic insights into how others can proactively respond to the complexities introduced by globalization and investment agreements.

In summary, states must carefully assess how investment treaties and globalization affect their international legal status. By adopting strategic guidance and proactive measures, states can shape international legal developments and maintain their sovereignty.

8.2. Recommendations and Future Considerations.

Globalization and the proliferation of investment agreements present significant challenges for states, particularly when foreign investors' interests seem to override the rights of host states and citizens. As state sovereignty evolves, finding a balance between national priorities and global norms is crucial.

States should adopt comprehensive strategies that prioritize public welfare while attracting foreign investment. Implementing clear regulations that protect local populations is vital. Harmonizing international arbitration mechanisms with domestic legal systems ensures fair dispute resolution. Active participation in forums and educational initiatives, such as investor-state dispute resolution workshops, helps states adapt to evolving legal practices.

Moreover, embedding provisions that require respect for indigenous rights in investment treaties is essential. Ensuring that affected communities have a voice in arbitral proceedings helps represent their interests.

In conclusion, navigating the complexities of international law requires states to adapt their legal systems to globalization and investment agreements. By prioritizing transparency, accountability, and human rights, states can effectively manage these legal challenges.

References

- [1] Baltag, C., Joshi, R., & Duggal, K. (2023). Recent trends in investment arbitration on the right to regulate, environment, health and

corporate social responsibility: Too much or too little?. *ICSID Review - Foreign Investment Law Journal*, 38(2), 381–401. <https://doi.org/10.1093/icsidreview/siad012>

[2] Ip, E. C. (2010). Globalization and the future of the law of the sovereign state. *International Journal of Constitutional Law*, 8(3), 636–668. <https://doi.org/10.1093/icon/moq020>

[3] Georgetown Law. (2024). Certificate in WTO & International Trade Studies. <https://curriculum.law.georgetown.edu/llm/llm-certificate-programs/llm-wto-studies-certificate/>

[4] UNIDROIT. (2024). Investment contracts and UPICC. <https://www.unidroit.org/work-in-progress/investment-contracts-upicc/>

[5] Gehne, K., & Brillo, R. (2024). Stabilization clauses in international investment law: Beyond balancing and fair and equitable treatment. *ICSID World Bank*. https://icsid.worldbank.org/sites/default/files/parties_publications/C6106/2021.01.08%20Parties%27%20Post%20Hearing%20Briefs/Claimants%27%20Post%20Hearing%20Submission/Legal%20Authorities/CL-0281.pdf

[6] Cotula, L. (2017). The state of exception and the law of the global economy: A conceptual and empirico-legal inquiry. *Transnational Legal Theory*, 8(4), 424–460. <https://doi.org/10.1080/20414005.2017.1425811>

[7] International Labour Organization (ILO). (2016). *Assessment of labour provisions in trade and investment arrangements*. https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@dgreports/@inst/documents/publication/wcms_498944.pdf

[8] Harvard Law Review. (2016). The double life of international law: Indigenous peoples and extractive industries. *Harvard Law Review*, 129, 1756–1787. <https://harvardlawreview.org/print/vol-129/the-double-life-of-international-law-indigenous-peoples-and-extractive-industries/>

[9] The Fletcher School. (2024). International law and organization (ILO) courses. <https://fletcher.tufts.edu/programs/courses/international-law-and-organization-ilo-courses>

[10] Sacerdoti, G. (2021). Bilateral treaties and multilateral instruments on investment protection. *ICSID World Bank*. https://icsid.worldbank.org/sites/default/files/parties_publications/C8394/Claimants%27%20documents/CL%20-%20Exhibits/CL-0276.pdf

[11] United Nations Human Rights Office. (2011). *Guiding principles on business and human rights: Implementing the United Nations "Protect, Respect and Remedy" framework*. https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

[12] Cotula, L. (2020). (Dis)integration in global resource governance: Extractivism, human rights, and investment treaties. *Journal of International Economic Law*, 23(2), 431–460. <https://doi.org/10.1093/jiel/jgaa007>

[13] Guterres, A. (2020). *World investment report 2020: International production beyond the pandemic*. United Nations Conference on Trade and Development (UNCTAD). https://unctad.org/system/files/official-document/wir2020_en.pdf

[14] Walter, S. (2021). The backlash against globalization. *Annual Review of Political Science*, 24, 421–440. <https://doi.org/10.1146/annurev-polisci-041719-102405>

[15] U.S. Department of State. (2023). *2023 investment climate statements: Bolivia*. <https://www.state.gov/reports/2023-investment-climate-statements/bolivia/>

[16] Barlow, P., McKee, M., Basu, S., & Stuckler, D. (2017). The health impact of trade and investment agreements: A quantitative systematic review and network co-citation analysis. *Globalization and Health*, 13(1), Article 13. <https://doi.org/10.1186/s12992-017-0240-x>

[17] U.S. Department of State. (2023). *2023 investment climate statements: Panama*. <https://www.state.gov/reports/2023-investment-climate-statements/panama/>