The Title of Proposed Research:

**The Role of Arbitration in addressing the economic imbalance of investment contracts**

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**Summary:**

The investment thought is used to fear the risks of investment in developing countries due to legal instability (legislation and judicial decisions), the multiplicity of national and sectarian conflicts, the spread of bureaucracy and the stagnation of social structures, and finally the revolutionary movements in many Arab countries. Added to the above are international factors that have had a serious impact on investment projects and the international credit movement, such as globalization, the information revolution and global financial crises. Which reflected the diversity and multiplicity of risks and then the consequences that can be exposed to capital invested from the beginning of non-profit to the liquidation of the project. So, the investor has a legitimate interest in the legal stability when he invests in developing countries. Protecting investor expectations - frustrated by unexpected government decisions - has evolved in recent decades to become an important topic in many countries' laws, as well as in European Union law. The principle of legitimate expectations has also gained importance in arbitration in international investment arising from bilateral investment agreements (BITs). To the extent that legitimate expectations are as important as the principle of rights acquired at the beginning of the twentieth century.

In the same time, the host country has a legitimate interest in legal regulation, especially if circumstances change. Legal stability does not mean inertia and non-amendment of laws. The law requires adaptation to social and
economic needs; it requires continuous development with these needs to achieve legal stability. The persistence of outdated laws that are inconsistent with the needs of society, and therefore difficult to respect, is a legal instability because it will lead to anomalies between an unenforceable law and a new reality for which there is no appropriate law to regulate it. The continuation of laws that were appropriate for the socialist system, after the introduction of the market system, is a stalemate, not stability. Therefore, change and amendment of laws, in line with new needs, is not a departure from the meaning of stability, but may be a respect for it.

On the other hand, the political and economic fluctuations that have been witnessed by many countries worldwide recently (whether due to the global financial crisis or the Arab revolutions) revealed the existence of a kind of economic imbalance in many investment contracts. This imbalance caused the anger of many countries, which felt that these contracts, with their terms and conditions are a heavy burden on them, and represent a serious challenge on their resources and wealth. Therefore, these countries are in search for a mechanism to modify these contracts commensurate with political and economic developments, especially when arbitration is the means agreed upon to resolve all disputes related to such contracts.

The arbitration tribunals have relied on several criteria to proportion the protection of the legitimate expectations of the investor and the right of the state to amend legislation or contracts in cases of hardship, the most important of which are the following:

1- The degree of state interference in obtaining the investor's rights.

2- The seriousness of the reasons that prompted the state to amend its legislation or contracts with the investor.

3- The extent to which the amendments made by the State are incompatible with safeguards to protect the investor's expectations.

4 - The degree of impact of state intervention on the legitimate expectations of the investor.

The problem of this study embodied in trying to reconcile between the right of the host state to organize to achieve its policies and public interests, whether
in terms of legislative amendments or in terms of amending or terminating the contracts to which it is a party with its exceptional powers in the face of the contractor. And the right of the investor to protect his legitimate expectations, especially if the state pledged to cede some aspects of its sovereignty to agree on legislative stability, in the light of the principles laid down by the arbitral tribunals.