



Corporate social responsibility and international investment agreements: Balancing investor and host country interests

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Abstract

Focusing on the social dimension of sustainable development, the article highlights the rising significance of Corporate Social Responsibility (CSR), integrated in International Investment Agreements (IIAs) to help counterbalance the rights of investors with the sustainable development objectives. Historically, most IIAs emphasized investor rights -- providing for fair and equitable treatment and protection against expropriation. In reality, these protections have frequently limited the ability of host countries to adopt policies that advance environmental protection, human rights, and social well-being. In reaction to that, CSR clauses are included in the current IIAs in order to promote responsible investment behavior.

This paper investigates the changing role of CSR in international investment law, identifying various legal and regulatory mechanisms aiming to reconcile investment activities with social and environmental objectives. It identifies major challenges, such as the difficulties of enforcing CSR commitments, possible conflicts between investment protections and host state regulations, and a lack of standardized CSR metrics. The paper provides insight into the potential development of CSR obligations within investment agreements through case studies, and assesses the effectiveness of those obligations in creating sustainable investment practices.

Lastly, the paper suggests reform measures to bolster CSR provisions in IIAs, including their mainstreaming through binding obligations, more effective dispute settlement mechanisms, and the creation of standardized reporting and accountability frameworks. Integrating binding CSR obligations into investment treaties will enable International Investment Agreements (IIAs) to promote a fairer, more sustainable global investment landscape, helping to ensure that foreign direct investments generate positive and lasting development results.

Keywords: Corporate Social Responsibility, International Investment Agreements, sustainable development, investment law, responsible investment

Introduction

Globalization of international capital investment is an important driving force of national economic development, which get surplus capital inflows between countries and promote industrial development. Foreign investment can business bring positive economic and technological processing, but at the same time there are also negative social and environmental consequences when FDI occurs. Discussions about the role of investment agreements in promoting responsible corporate behavior have been further entrenched by labour rights abuses, environmental degradation, and even economic exploitation. The difficulty is in reaching an equilibrium between safeguarding investors' rights and providing host countries the room to regulate for social and environment standards.

International Investment Agreements (IIAs), by design, have long been focused on protecting investors (against expropriation, unfair treatment and instability in regulation); Such provisions promote foreign direct investment (FDI), but they have also come under fire for hindering the capacity of host governments to tighten up regulations on corporate behavior. Such concerns have been raised that foreign investors might take advantage of lenient regulatory conditions to the detriment of the sustainable development agenda. As a reaction to such issues, CSR, Corporate Social Responsibility play a pivotal role in facilitating responsible investment and curbing the adverse impacts of foreign investments.

CSR has only recently integrated into IIAs, which marks a turn into a more balanced approach to investment

governance. The inclusion of CSR principles could incentivize investors to comply with international standards on labor rights, environmental sustainability and ethical business practices. This is to be achieved through legally binding obligations, voluntary guidelines, and by combination of both. Some of the modern investment treaties are the EU-Canada Comprehensive Economic and Trade Agreement (CETA) which emphasizing the need for responsible investment practices. However, the effectiveness of these provisions depends on enforceability and extent to which they influence behavior of investor ^[1].

Research Objectives

The objectives of this research are:

1. To explore the role of CSR in international investment agreements.
2. To analyze how CSR provisions in IIAs impact investors and host countries.
3. To evaluate the effectiveness of CSR by ensuring sustainable investment practices.
4. To identify challenges and propose solutions for integrating CSR in investment agreements.

Research Questions

1. How the incorporation of CSR in investment agreements influence investor and host country relationships?
2. What are the challenges in enforcing CSR obligations in IIAs?

3. What are the legal mechanisms exist to balance investment protection with social and environmental responsibilities?
4. How can the host countries and investors collaborate in achieving sustainable investment practices?

Theoretical Framework

The research is based on the following theoretical perspectives:

1. **Stakeholder Theory:** Stakeholder theory suggests that companies need to be responsible for all the interest of stakeholders, including their shareholders, employees, communities and governments, rather than purely making profits. This theory is relevant in terms of investment agreements, where CSR should be dynamic in investment decisions by foreign investors as CSR would create positive partnerships for investment and business.
2. **Social Contract Theory:** This theory asserts that businesses and investors exist within a social contract that involves reciprocal obligations between themselves and society. Host countries offer resources and access to markets, and in return investors need to pay their share of the deal with responsible business conduct that contributes to social well-being. Such investment agreements can be considered an elaboration of this social contract through CSR.
3. **Sustainable Development Framework:** The Sustainable Development Goals (SDGs) highlight the need for economic growth which is environmentally and socially responsible.

By integrating CSR provisions in investment agreements, countries will be able to align foreign investments with sustainable development objectives.

Evolution of International Investment Agreements (IIAs)

International Investment Agreements (IIAs), including Bilateral Investment Treaties (BITs) and multilateral trade agreements, were initially designed to create a stable and predictable environment for foreign investors. They provided guarantees such as fair and equitable treatment, protection against expropriation, and access to investor-state dispute settlement (ISDS) mechanisms. While these protections helped attract foreign investment, they also raised concerns about the extent to which they restricted the regulatory autonomy of host states. Governments often found themselves constrained in their ability to enact policies aimed at protecting public interests, such as environmental regulations, labor rights, and public health measures, for fear of violating investment treaty obligations. Over time, the limitations of these traditional IIAs became evident, particularly in cases where foreign investments led to environmental degradation, displacement of communities, or human rights abuses. High-profile cases, such as disputes over mining projects that polluted local water sources or largescale land acquisitions that harmed indigenous populations, highlighted the need for a more balanced approach^[2]. The growing number of legal disputes in which investors challenged government regulations further

reinforced concerns that IIAs were disproportionately favoring corporate interests at the expense of sustainable development and social welfare.

In response to these challenges, there has been a gradual evolution in the design of IIAs to incorporate broader social and environmental considerations. New-generation investment treaties now include provisions that allow states to regulate in the public interest without facing investor claims. Many modern agreements explicitly recognize the right of governments to implement policies aimed at environmental protection, labor rights, and public health. For example, some treaties now include carve-out clauses that exempt specific regulatory measures from investor claims, ensuring that states retain the authority to enforce sustainability-related policies.

Another key development has been the growing influence of Corporate Social Responsibility (CSR) in investment agreements. Many IIAs now encourage or require investors to adhere to internationally recognized standards of responsible business conduct, such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. By integrating CSR commitments into investment treaties, countries aim to ensure that economic growth does not come at the expense of environmental sustainability and social justice. However, the effectiveness of these provisions depends on their enforceability, as many CSR obligations remain voluntary rather than legally binding^[3].

Overall, the evolution of IIAs reflects a broader shift in global investment governance. While investor protection remains a core objective, modern agreements increasingly seek to balance economic interests with sustainable development goals. Moving forward, strengthening enforcement mechanisms and ensuring greater accountability for investors will be critical in making investment agreements more equitable and aligned with long-term social and environmental well-being.

Emergence of CSR in Investment Agreements

International Investment Agreements (IIAs) form the foundation of global foreign direct investment (FDI) by providing a legal framework that governs the relationship between investors and host countries. These agreements typically include provisions aimed at protecting investors from arbitrary or discriminatory state actions, ensuring legal certainty, and promoting cross-border capital flows. However, early IIAs often neglected the social, environmental, and economic impacts of foreign investments on host countries.

Corporate Social Responsibility (CSR) is an evolving concept that refers to the responsibility of businesses to conduct their operations in a manner that is socially responsible, environmentally sustainable, and ethically sound beyond their financial obligations. It encourages companies to consider environmental sustainability, social welfare, and governance issues when making investment decisions. Over the past two decades, CSR has gained global prominence due to increasing concerns about corporate misconduct, environmental degradation, labor rights violations, community development and the long-term sustainability of business operations. This rise of CSR in investment agreements reflects a growing recognition that investments should not only protect investor rights but also promote broader public interest goals.

CSR principles have been incorporated into various international instruments, including:

Corporate Social Responsibility (CSR) principles have become an integral part of international frameworks that guide business conduct. These principles emphasize ethical business practices, sustainability, and respect for human rights. Various international instruments have incorporated CSR principles to encourage responsible investment, promote labor rights, and ensure environmental protection.

One of the most significant frameworks is the **United Nations Guiding Principles on Business and Human Rights (2011)** ^[4]. These principles establish a global standard for businesses to conduct human rights due diligence in their operations. They emphasize the responsibility of businesses to prevent, mitigate, and address human rights violations within their supply chains. By encouraging transparency and accountability, the UN Guiding Principles provide a foundation for responsible business conduct, particularly in industries prone to labor exploitation and environmental harm.

Another crucial instrument is the **OECD Guidelines for Multinational Enterprises** ^[5], which set standards for responsible business conduct across various sectors. These guidelines encourage corporations to uphold ethical practices, including anti-corruption measures, sustainable resource management, and stakeholder engagement. They also provide a framework for governments to address corporate misconduct through National Contact Points (NCPs), which offer mediation and resolution mechanisms for disputes involving multinational enterprises.

Labor rights form a core aspect of CSR, and the International Labour Organization (ILO) Conventions play a vital role in protecting workers' rights. These conventions set international labor standards, covering issues such as fair wages, safe working conditions, and the elimination of child and forced labor. By ratifying these conventions, countries commit to enforcing labor protections, ensuring that businesses operating within their jurisdictions comply with global labor standards.

Additionally, the Sustainable Development Goals (SDGs) highlight the importance of responsible investment and environmental protection. Goals such as SDG 8 (Decent Work and Economic Growth) and SDG 12 (Responsible Consumption and Production) urge businesses to integrate sustainability into their operations ^[6]. By aligning business strategies with the SDGs, corporations can contribute to long-term social and environmental well-being while maintaining economic growth.

Collectively, these international instruments provide a comprehensive framework for embedding CSR principles in global business operations. However, their effectiveness depends on strong enforcement mechanisms and corporate commitment to ethical practices. Governments, businesses, and civil society must work together to ensure that CSR principles translate into tangible actions that promote human rights, labor protections, and environmental sustainability.

Importance of CSR in Investment Agreements

The integration of Corporate Social Responsibility (CSR) in investment agreements plays a crucial role in fostering responsible investment practices that balance economic growth with environmental and social sustainability. CSR ensures that foreign investments contribute positively to the host country, aligning business interests with broader

societal goals. By embedding CSR principles in investment treaties, both investors and host countries can benefit from sustainable economic development, enhanced cooperation, and reduced investment risks.

One of the primary advantages of incorporating CSR in investment agreements is its role in promoting sustainable development. Investments that adhere to CSR principles contribute to environmental protection, fair labor practices, and community well-being. By prioritizing sustainability, businesses help protect natural resources, reduce carbon footprints, and support social initiatives that improve the quality of life in local communities. This approach ensures that economic benefits extend beyond financial returns to investors, fostering long-term, inclusive growth.

CSR also enhances investor-host country relations by fostering trust and cooperation. When investors demonstrate a commitment to ethical business practices and community welfare, they build stronger relationships with local governments, regulators, and stakeholders. This trust helps to prevent disputes, facilitates smoother regulatory approvals, and reduces the likelihood of government intervention or expropriation. By prioritizing CSR, investors can create a more stable and predictable business environment, ultimately benefiting both parties.

Another key benefit of CSR integration is risk mitigation for investors. Businesses that neglect social and environmental responsibilities may face reputational damage, legal liabilities, and financial losses due to environmental degradation, human rights violations, or social unrest. By proactively implementing CSR policies, investors can minimize these risks and ensure long-term profitability. Responsible investment practices not only safeguard business interests but also contribute to the overall stability of the host country's economy and society.

Furthermore, embedding CSR in investment agreements strengthens regulatory frameworks by encouraging host countries to implement policies that promote responsible investment without discouraging Foreign Direct Investment (FDI). When CSR obligations are clearly outlined in treaties, governments are incentivized to establish and enforce regulations that align with international sustainability standards. This creates a level playing field for investors, ensuring that businesses operate ethically while contributing to national development goals.

In conclusion, the integration of CSR in investment agreements is essential for fostering responsible and sustainable investment practices. By promoting sustainable development, enhancing investor-host country relations, mitigating risks, and strengthening regulatory frameworks, CSR ensures that foreign investments generate long-term benefits for both investors and local communities. As global investment trends increasingly prioritize ethical business conduct, embedding CSR principles in investment treaties will play a pivotal role in shaping the future of responsible economic growth.

Challenges in Achieving Balance in CSR and Investment Protection

Despite the growing recognition of Corporate Social Responsibility (CSR) in investment agreements, achieving a fair balance between investor protection and host country regulatory autonomy remains a significant challenge. While investment treaties are increasingly incorporating CSR provisions, their practical impact is often limited due to

weak enforcement mechanisms, asymmetry in legal protections, and conflicts between investment protections and CSR objectives. Addressing these challenges is crucial to ensuring that foreign investments contribute positively to environmental, social, and governance (ESG) goals while still maintaining a stable and attractive investment environment.

One of the primary challenges is the lack of binding obligations in investment agreements. Many CSR provisions in International Investment Agreements (IIAs) are framed as voluntary commitments rather than legally enforceable obligations^[7]. This voluntary nature allows investors to selectively adhere to CSR principles without facing legal consequences for non-compliance. As a result, while treaties may encourage responsible investment practices, they often lack the necessary enforcement mechanisms to ensure that investors genuinely integrate CSR into their business operations.

Another significant issue is the conflict between investment protections and CSR regulations.

Many investment treaties grant investors strong legal safeguards, such as fair and equitable treatment (FET) and protection against expropriation. While these provisions are designed to create a stable investment climate, they can sometimes limit the ability of host states to introduce or strengthen CSR-related regulations, such as environmental protection laws or labor rights policies. When new regulations impose additional costs or obligations on investors, they may challenge them under investment treaties, arguing that such measures violate their investment protections. This conflict creates a dilemma for host countries, as they must balance their sovereign right to regulate in the public interest with their obligations to protect foreign investments.

Moreover, the lack of a universal CSR framework across investment agreements leads to inconsistencies in implementation. Different treaties and jurisdictions adopt varying approaches to CSR, creating uncertainty for both investors and host countries. While some agreements include explicit CSR references, others merely acknowledge sustainability concerns without clear guidelines. This variability makes it challenging to establish a coherent and predictable investment environment that aligns with international sustainability standards. The absence of standardized CSR obligations means that some investors may exploit regulatory gaps, operating in jurisdictions with weaker CSR enforcement.

The limitations of the Investor-State Dispute Settlement (ISDS) mechanism further complicate the integration of CSR in investment agreements. ISDS allows investors to directly challenge host countries in arbitration tribunals, often prioritizing investor rights over state sovereignty. In cases where a state enacts regulations aimed at promoting social and environmental responsibility, investors may file claims asserting that these measures undermine their expected returns. The high costs and lengthy nature of ISDS proceedings deter states from implementing CSR-driven policies, thereby weakening the effectiveness of CSR provisions in investment treaties.

Finally, the lack of monitoring and accountability mechanisms in investment agreements hampers the enforcement of CSR commitments. Many treaties do not include robust mechanisms for tracking investor compliance with CSR principles. Without independent monitoring

bodies, periodic reporting requirements, or public disclosure obligations, CSR provisions often remain symbolic rather than substantive. This lack of accountability enables companies to claim adherence to sustainability goals while continuing business practices that may have adverse social and environmental impacts.

To address these challenges, investment agreements must move beyond voluntary commitments and incorporate legally binding CSR obligations with clear enforcement mechanisms. States should also retain regulatory flexibility to enforce CSR standards without fear of investor retaliation through ISDS. Establishing standardized CSR frameworks across investment treaties can reduce regulatory inconsistencies and create a more predictable environment for investors and host countries alike. Additionally, improving monitoring and reporting mechanisms can enhance transparency and ensure that CSR commitments translate into meaningful action.

Ultimately, while the inclusion of CSR in investment agreements is a positive development, its effectiveness depends on stronger enforcement, greater regulatory autonomy for host states, and more balanced dispute resolution mechanisms. Without these reforms, CSR provisions risk being mere aspirational clauses rather than transformative tools for responsible and sustainable investment.

CSR Provisions in IIAs

International Investment Agreements (IIAs) have increasingly incorporated Corporate Social Responsibility (CSR) provisions to align foreign investment with broader social and environmental objectives. These provisions take different forms, ranging from binding obligations to voluntary guidelines, reflecting varying levels of commitment to responsible business conduct. The integration of CSR into IIAs is crucial in ensuring that foreign investors contribute positively to the sustainable development of host countries rather than solely prioritizing financial returns.

One approach to embedding CSR in IIAs is through direct CSR obligations, where treaties explicitly require investors to comply with certain social and environmental standards. These binding provisions make CSR an enforceable responsibility rather than an optional commitment. Investors must adhere to labor rights, environmental regulations, and ethical business practices, often in line with internationally recognized frameworks such as the UN Guiding Principles on Business and Human Rights. While such provisions provide clarity and accountability, their effectiveness depends on robust enforcement mechanisms and the willingness of states to uphold these obligations.

Another common approach is encouraging voluntary CSR commitments through non-binding clauses. These provisions promote responsible business practices without imposing strict legal obligations. Treaties may recommend that investors follow internationally accepted CSR standards, such as those established by the OECD Guidelines for Multinational Enterprises or the UN Global Compact. While voluntary commitments offer flexibility, their impact is often limited, as businesses are not legally required to implement them. This approach relies on corporate goodwill and market incentives to drive compliance, which may not be sufficient in cases where profit motives conflict with ethical considerations.

Some IIAs also emphasize national policy space for CSR implementation, allowing host states to regulate investments in line with their social and environmental priorities. This approach recognizes that governments should retain the authority to impose CSR-related regulations without facing legal challenges from investors. By safeguarding regulatory space, states can set stricter environmental protections, labor laws, and corporate governance standards without the risk of violating investment treaty obligations. This flexibility is particularly important for developing countries, where national priorities often focus on sustainable development and inclusive economic growth.

A notable example of CSR integration in IIAs is Brazil's Cooperation and Facilitation Investment Agreements (CFIAs)^[8], which place a strong emphasis on responsible business conduct. Unlike traditional investment treaties, CFIAs prioritize cooperation between investors and host states, ensuring that foreign investment aligns with local development goals. These agreements require investors to respect human rights, labor laws, and environmental sustainability principles, reflecting Brazil's broader commitment to sustainable development. By embedding CSR in investment governance, CFIAs serve as a model for balancing investor interests with social and environmental responsibilities.

Ultimately, the inclusion of CSR provisions in IIAs represents a shift toward more responsible and sustainable investment practices. However, the effectiveness of these provisions depends on their design and enforcement. Binding obligations offer stronger accountability, while voluntary commitments rely on corporate ethics and market incentives. Ensuring that host states have the policy space to regulate CSR effectively is crucial in maintaining a fair balance between investment protection and sustainable development.

Case Studies

1. **Unilever in India:** Unilever's operations in India provide a successful example of CSR integration into investment agreements. The company has focused on sustainable sourcing, waste reduction, and community development. By aligning its investment practices with social and environmental goals, Unilever has strengthened its relationship with the host country and mitigated regulatory risks.
2. **Chevron in Ecuador:** The Chevron case highlights the challenges of enforcing CSR obligations. Chevron was sued by local communities in Ecuador over environmental pollution caused by oil extraction. The legal battle exposed the difficulties of holding multinational corporations accountable under international investment agreements that prioritize investor protections.
3. **Rana Plaza Disaster in Bangladesh:** The collapse of the Rana Plaza building^[9], which housed garment factories producing for international brands, revealed the weaknesses of CSR enforcement in global supply chains. Many foreign investors had no direct legal responsibility for labor violations, highlighting the need for stronger CSR provisions in trade and investment agreements.

Another example is the case of *Vedanta Resources v. Lungowe*, where local communities in Zambia successfully held a foreign mining company accountable for environmental damage. This case underscores the need for stronger CSR enforcement mechanisms within investment treaties to prevent corporations from evading responsibility through legal loopholes. Furthermore, cases involving labor rights abuses highlight the importance of embedding social protections within investment agreements.

Embedding Sustainability in Investment Treaties

The inclusion of sustainability provisions in investment treaties marks a significant step toward aligning foreign investment with environmental and social objectives. However, the actual impact of these provisions largely depends on their enforceability. Many treaties use broad and aspirational language, such as commitments to "promote" sustainable development or "encourage" responsible business practices. These non-binding commitments can be difficult to enforce, allowing investors to bypass sustainability obligations without facing significant consequences.

One of the key challenges is the lack of binding commitments. Many treaties rely on voluntary guidelines rather than enforceable legal obligations, which means investors may prioritize profit-driven objectives over sustainability concerns. Without concrete mandates, sustainability provisions may serve as symbolic gestures rather than effective regulatory tools^[10].

Another major issue lies in dispute resolution mechanisms. Traditional investor-state dispute settlement (ISDS) systems often favor investor protection, sometimes at the expense of state regulatory autonomy. If sustainability clauses are not explicitly enforceable, host states may struggle to hold investors accountable for environmental and social harm. This can create a situation where investment protections take precedence over sustainability goals, weakening the overall effectiveness of such provisions.

Additionally, regulatory inconsistencies across different jurisdictions make enforcement more complex. Each country has its own set of environmental laws and standards, leading to uneven application of sustainability provisions. Investors may take advantage of these inconsistencies by shifting operations to jurisdictions with weaker enforcement mechanisms, thereby avoiding compliance with stricter sustainability requirements.

To address these challenges, investment treaties should incorporate stronger, legally binding sustainability clauses that establish clear obligations for investors. States should also maintain the regulatory flexibility to enforce sustainability standards without fear of investor claims under ISDS. Additionally, robust monitoring mechanisms, such as independent assessments and regular reporting, can help track compliance. Public participation in dispute resolution, including input from civil society and environmental organizations, could further enhance transparency and accountability.

Ultimately, while sustainability provisions in investment treaties represent a positive shift, their true effectiveness depends on strong enforcement mechanisms. Without meaningful legal consequences for non-compliance, these provisions risk being more symbolic than transformative.

Strengthening CSR in Investment Agreements

Corporate Social Responsibility (CSR) plays a crucial role in balancing investor rights with sustainable and ethical business practices. To ensure that CSR principles are effectively integrated into international investment agreements (IIAs), various legal and regulatory mechanisms have been proposed. Strengthening these mechanisms can enhance investor accountability while safeguarding environmental and social interests in host countries.

One of the key steps in reinforcing CSR in IIAs is clarifying treaty language. Many investment agreements contain vague CSR references, making it difficult to enforce investor responsibilities. By explicitly defining CSR obligations, treaties can eliminate ambiguities and ensure that investors clearly understand their environmental, social, and governance (ESG) commitments. Precise language would also help tribunals interpret CSR provisions consistently in disputes.

Another essential reform is strengthening dispute resolution mechanisms by incorporating CSR considerations into investor-state dispute settlement (ISDS). Traditionally, ISDS mechanisms focus on protecting investor rights, often overlooking social and environmental concerns. Integrating CSR into dispute resolution would ensure that sustainability and ethical business practices are considered when resolving conflicts between investors and host states. This could help prevent cases where host states face legal challenges for implementing regulations that promote public welfare.

Additionally, host state regulatory rights must be explicitly protected within investment agreements. Many IIAs prioritize investor protections, limiting the ability of host states to regulate investments in the public interest. Including provisions that safeguard the right of governments to enforce environmental and social regulations without violating investor protections would empower states to implement necessary CSR measures without fear of legal retaliation.

To ensure investor accountability, making CSR provisions legally binding is a crucial step. Many treaties include CSR as a voluntary commitment rather than a mandatory obligation. By incorporating binding clauses that require investors to adhere to ESG standards, investment agreements can hold corporations accountable for their social and environmental impact^[11]. Mandatory CSR provisions would strengthen compliance mechanisms, ensuring that investors contribute positively to sustainable development.

Reforming ISDS to include CSR considerations is another critical measure. The ISDS system should allow host countries to defend CSR-related regulations without being penalized for prioritizing sustainability. Investment tribunals should assess disputes by considering social and environmental responsibilities, ensuring that corporate actions align with internationally recognized sustainability goals. This would create a fairer system where states are not discouraged from enforcing CSR-related policies.

To enhance transparency and accountability, establishing monitoring and reporting mechanisms is essential. Investment agreements should require investors to conduct periodic CSR reporting and undergo independent third-party audits. Regular disclosures on ESG compliance would provide oversight and allow governments, civil society, and stakeholders to track corporate adherence to sustainability commitments. This would create a culture of responsibility

and discourage companies from engaging in exploitative practices.

Promoting public-private partnerships (PPPs) can also facilitate effective CSR implementation. Collaboration between governments, businesses, and civil society organizations can drive sustainable investment practices. PPPs can support capacity-building initiatives in host countries, helping local businesses adopt CSR strategies and improve labor and environmental standards. Governments can also use PPPs to provide incentives for responsible investment, encouraging businesses to align with sustainability objectives.

Finally, developing global CSR standards for investment agreements can create consistency and predictability in international investment. A universal framework aligned with global guidelines such as the UN Global Compact and OECD Guidelines for Multinational Enterprises would help standardize CSR obligations across different treaties. Establishing internationally recognized CSR benchmarks would ensure that investors operate under clear and uniform sustainability expectations, reducing regulatory uncertainty and enhancing global accountability.

By embedding these mechanisms into investment agreements, CSR can become a fundamental pillar of foreign investment governance. Strengthening legal and regulatory frameworks would ensure that corporate investments contribute to long-term economic, social, and environmental well-being, fostering a more sustainable global economy.

Conclusion

The integration of CSR into IIAs is essential for balancing investor protection with sustainable development. While progress has been made, further reforms are needed to ensure enforceability, transparency, and a fair distribution of benefits. Case studies from the extractive, infrastructure, and manufacturing sectors highlight the risks of neglecting CSR in investment agreements and emphasize the need for stronger regulatory frameworks^[12].

Future research should focus on assessing the impact of CSR provisions in IIAs, exploring sectorspecific strategies for CSR integration, and evaluating the role of technology in enhancing corporate accountability. By fostering responsible investment, international investment law can contribute to economic growth while upholding environmental and social standards.

In conclusion, balancing the interests of investors and host countries requires a multifaceted approach that includes clearer treaty language, stronger enforcement mechanisms, and a commitment to sustainable development principles. Through continued dialogue and cooperation, stakeholders can work toward a more equitable global investment framework that benefits all parties involved.

Final Thoughts

The evolution of international investment law must reflect the changing landscape of global business. Integrating CSR into investment agreements is not just a legal necessity—it is an economic and moral imperative. Policymakers, investors, and host governments must collaborate to ensure that foreign investments serve both economic and social progress.

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