

Abstract

The concept of legitimate expectations plays a significant role in international investment law. Although it is only in the past roughly fifteen years that the concept has come to the spotlight, its importance and utilization is on the rise. Generally speaking, the concept of legitimate expectations, under certain conditions, allows a foreign investor to claim compensation in situations where the conduct of a host State creates a legitimate and reasonable expectation that the investor may rely on such conduct, and consequently the host State fails to fulfill those expectations, causing damages to the investor.

However, the concept of protection of legitimate expectations has stirred up debates as to the legitimacy of its use in investment law and raised concerns due to its imprecise boundaries and excessively extensive interpretation. Accordingly, it is the goal of this thesis to either confirm or refute two main propositions. The first proposition suggests that the principle of protection of legitimate expectations is an established principle of investment law with traceable origins in both domestic law and general international law. The examination of the first proposition addresses theoretical roots of the concept of legitimate expectations justifying its application in investment law together with related criticism. Do legitimate expectations hold a rightful position in investment law or has there been a misapplication of the concept?

The second proposition addresses the increasing warning voices drawing attention to the ever growing role of legitimate expectations in investment claims and related allegedly excessively extensive interpretation adopted by arbitral tribunals. Frustration of legitimate expectations is most frequently claimed within the violation of the fair and equitable treatment standard, a flexible standard of protection which itself is not seldom subject to criticism due to its unclear contours. Thus, the second proposition asks the following: Does the concept of legitimate expectations due to its vagueness provide unjustifiably broad protection to investors?

This thesis uses as a primary type of utilized sources investment case law, formulated both by institutional and *ad hoc* tribunals. Secondary sources employed in research for this thesis include academic literature embracing all the set out topics. With regard to both propositions, the aim of this thesis is to either confirm or refute the given statements and formulate a general conclusion

which is best achieved through evaluation of the current status and preceding historical evolution. Accordingly, this thesis employs the synthetic and analytic method as the most suitable approaches. The second part of this thesis partially uses the method of diachronic comparison addressing the evolution of interpretation of the concept of legitimate expectations by arbitral tribunals.