

ICSID in Saudi Arabia, From Legal Institution to Diplomatic Leverage

Saudi Arabia is exploring a novel form of deterrence: legal and institutional prestige rather than military might. Just as nuclear arsenals have long served as ultimate “hard” deterrents, there is growing recognition that international institutions can provide powerful “soft” deterrence. As World Bank officials have observed, “Riyadh is not only a gateway to the region’s transformation, but also a powerful platform for global knowledge exchange and policy innovation.” Saudi leaders see this new World Bank hub as a springboard: they want to leverage Riyadh’s emerging role by hosting ICSID as well – effectively adding a legal marquee to the Kingdom’s diplomatic arsenal.

This article argues that by inviting the World Bank’s arbitration arm (ICSID) to establish a Middle East office in Riyadh, Saudi Arabia can wield law as a form of influence. We will examine ICSID’s mandate and global standing, analyze Saudi Arabia’s legal reforms and readiness, compare this strategy to soft-power models like Qatar and Switzerland, and outline how the Kingdom could persuade ICSID to set up shop. Ultimately, hosting ICSID would elevate Saudi’s international legal status, enhance its image as a neutral arbiter, and deliver concrete benefits to regional dispute resolution.

ICSID’s Mission and Global Relevance

The International Centre for Settlement of Investment Disputes (ICSID), created in 1966

under a World Bank–sponsored convention, is the world’s leading tribunal for investor–State arbitration. It provides a neutral forum where foreign investors and governments agree to resolve contract or treaty disputes outside of domestic courts. By design, ICSID encourages cross-border investment by assuring parties that any disagreements can be settled fairly. For example, one legal source aptly describes ICSID as “an international arbitration institution established in 1966 for legal dispute resolution and conciliation between international investors and States.” The ICSID Convention explicitly provides for “facilities for conciliation and arbitration of international investment disputes,” and its preamble recognizes that arbitration “is an important factor in the stimulation of foreign investment and economic development.” In practice, an ICSID award is directly enforceable as a local court judgment in every member country, giving ICSID real “teeth” in upholding contracts across borders.

ICSID’s global reach underlines its prestige. Today the Centre includes 158 contracting States spanning all continents, and it has administered roughly 70% of all known investor–State arbitrations – far more than any alternative forum. In other words, the majority of treaty-based investment claims worldwide are heard under ICSID rules. This broad participation – from the United States and EU nations to Egypt, India, and Vietnam – has made ICSID the preeminent forum for investment disputes. Its long record of impartial awards and easy enforcement is why hosting even a regional ICSID office is viewed as a mark of prestige.

Investors trust ICSID's processes, and governments respect its authority. In short, ICSID's very name carries weight; having it in Riyadh would instantly boost Saudi Arabia's legal standing on the world stage.

Saudi Arabia's Legal Ecosystem; A Foundation for ICSID

Saudi Arabia has been modernizing its arbitration and investment framework to attract foreign business. The Kingdom ratified the ICSID Convention in 1980 and acceded to the 1958 New York Convention on arbitral award enforcement in 1995. In 2012 it enacted a new Arbitration Law based on international standards, replacing older Sharia-based procedures. These reforms aim to reassure investors that commercial disputes will be resolved predictably under recognized rules. Specialized commercial courts, a new enforcement regime, and continued legal training have followed, all reinforcing Saudi judicial credibility. Each step signals that Riyadh is open to upholding contracts rather than resorting to unilateral power.

Riyadh has also been building arbitration institutions of its own. The Saudi Center for Commercial Arbitration (SCCA) now administers a growing caseload under revamped rules and even an internal "SCCA Court." According to one arbitration analysis, the SCCA's 2023 rule changes "signal the SCCA's intent to become a significant global player in the administration of international arbitrations." (Notably, the SCCA Court's leadership includes prominent international arbitrators like Jan Paulsson.) In early 2024, ICSID signed a cooperation agreement with the SCCA to jointly promote investor-State arbitration and conciliation, further cementing Riyadh's engagement. Even on the dispute front, Saudi

Arabia saw its first ICSID claim resolved in 2021 (the government successfully defended against a \$570 million investment claim by a French company). All told, these developments show the Kingdom positioning itself as a regional dispute-resolution hub. With these foundations in place – modern laws, an active arbitral center, and ICSID membership – Riyadh is ready to elevate its role by hosting a permanent ICSID presence.

Soft Power in Action: Lessons from Qatar and Switzerland

Other relatively small states have demonstrated how hosting institutions and mediating conflicts can greatly amplify global influence. Two examples stand out:

Qatar's Soft Diplomacy: Qatar has combined media outreach and peacemaking to exert influence far beyond its size. Its state-funded news network, Al Jazeera, projects Doha's voice worldwide. At the same time, Qatari leaders routinely host major negotiations – from the US–Taliban talks in Doha (2020) to ceasefire negotiations in Libya and Palestine. As one analyst quipped, "for a thumb-sized nation, Qatar packs an unlikely diplomatic punch." Harvard professor Joseph Nye notes that Qatar "has managed to find an important diplomatic niche between the West and the Arab nationalist mainstream, which it backs up with its considerable financial resources." In practice, Qatar pairs this dialogue role with targeted investments and aid (for example, rebuilding Lebanon after 2006). By offering media platforms and open doors to all parties, Qatar has become a convenor of international discussions, punching above its weight through soft means rather than force.

Switzerland's Neutral Leadership:

Switzerland relies on long-standing neutrality and hosting international organizations to wield soft power. Swiss cities like Geneva and Basel house countless global institutions – the United Nations (WHO, Human Rights Council, etc.), the World Trade Organization, and the Red Cross (founded in Geneva) among them. Swiss diplomacy emphasizes peace, humanitarian law, and strict adherence to treaties. As one Swiss envoy puts it, the country's greatest asset is its "street credibility – what you see is what you get." This consistent neutrality and transparency have allowed Switzerland to facilitate sensitive negotiations (for example, the Iran nuclear talks took place in Swiss cities) and to attract international conferences. In effect, Switzerland's brand of neutrality and hosting law-based institutions has made it a major diplomatic player.

Both examples illustrate a common lesson; hosting respected platforms and championing mediation can greatly enhance a country's international influence. Saudi Arabia can emulate this approach. By inviting ICSID to Riyadh, the Kingdom would be signaling that it is ready to be a convener and neutral arbitrator in the region – transforming Riyadh into a legal-neutral venue in the vein of Doha's media or Geneva's diplomacy.

Symbolic and Functional Gains for Saudi Arabia:

Hosting ICSID in Riyadh would yield both symbolic prestige and practical benefits for the Kingdom. Enhanced International Standing. An ICSID office on Saudi soil would signal that Riyadh is a champion of the rule of law and foreign investment protection. It counters any concern

about arbitrary governance by showing a commitment to impartial dispute settlement. In diplomatic terms, this prestige helps Saudi Arabia present itself as a mature legal partner. It also aligns with Vision 2030's narrative of openness: international audiences would see concrete proof that Saudi Arabia is engaging fully with global legal norms.

Neutral Forum Symbol:

By offering its territory as the seat of a respected global tribunal, Saudi Arabia would portray itself as a neutral arbiter. Analogous to Switzerland's role in Europe, this image of impartiality broadens the Kingdom's diplomatic profile. It tells neighbors and investors that Riyadh is willing to facilitate dialogue and that it stands above sectional interests in dispute resolution. Such symbolism can deter confrontations – parties are more likely to negotiate knowing there is a fair forum at hand.

Alignment with Reform Agenda. Hosting ICSID dovetails neatly with Saudi Arabia's domestic reforms. Under Vision 2030, the Kingdom aims to diversify its economy and modernize governance. Putting a world-class arbitration center in Riyadh is a visible deliverable of that plan. It shows international partners that Saudi Arabia is serious about developing a sophisticated legal and financial sector, and it helps attract foreign capital by demonstrating institutional maturity.

Regional Arbitration Hub:

Functionally, an ICSID presence would make Riyadh a natural venue for investor-State claims in the Middle East. Multinational parties often prefer neutral third countries for hearings; with facilities in Riyadh, Middle Eastern and Asian parties could easily reach the venue.

Local lawyers, translators, and officials would gain experience with high-stakes international cases. This reduces travel time and costs for regional litigants and encourages more cases to be filed through ICSID, benefiting legal transparency.

Capacity-Building and Expertise:

An ICSID office can be a center for knowledge transfer. The Centre regularly runs seminars and training for government attorneys and legal professionals. In Riyadh, ICSID could offer frequent workshops on investment law, train Saudi judges in treaty interpretation, and support university programs. Over time this will raise the local skill level in international law and arbitration, boosting the Kingdom's human capital and making it a go-to destination for legal expertise in the Arab world.

Network Synergies:

Proximity among institutions would foster a robust dispute-resolution ecosystem. For example, investment treaty cases with regional parties might start in Riyadh, while purely commercial disputes could remain with local centers like the SCCA or Dubai's DIAC. The SCCA has already partnered with ICSID, and a permanent ICSID presence would cement those ties. Such integration means Saudi Arabia can offer "one-stop" resolution services, increasing its utility to international businesses.

Investor Confidence:

Importantly, the visible presence of the World Bank's tribunal would reassure foreign investors. Knowing that any dispute arising in Saudi projects can be heard in an impartial, enforceable forum lowers perceived risk. This legal safety net – effectively a "deterrence" against expropriation or contract breach – can attract more FDI.

Under Vision 2030's mega-projects (like NEOM or industrial zones), enhanced investor confidence can translate directly into greater capital inflows for the Kingdom.

A Roadmap for Persuading ICSID to Set Up in Riyadh:

To turn this vision into reality, Saudi Arabia would need to make a compelling offer and build support. Key steps could include:

High-Level Political Commitment.

The initiative must have clear top-level backing. A royal or ministerial invitation (for example at a UN conference) would set the agenda. Coordination among the foreign ministry, justice ministry, and finance ministry is essential to craft a cohesive pitch. Domestic stakeholders – such as the SCCA, legal associations, and the private sector – should publicly endorse the idea to show unified support. Crucially, Saudi diplomats at the World Bank Board and UN should actively lobby other member countries, explaining how a Riyadh ICSID office advances mutual development goals. By assembling a coalition of endorsements, Saudi Arabia would make it politically easy for ICSID's governors to approve the move.

Financial Incentives:

Concrete funding commitments will be persuasive. Saudi Arabia could pledge to finance the establishment and initial operation of the Riyadh office. For instance, the Kingdom might provide an endowment to ICSID's budget and cover the cost of building or leasing a modern arbitration center. It could also sponsor regional programs – such as ICSID's dispute prevention workshops for MENA governments – to

demonstrate investment in the Centre's mission. A multi-million-dollar package (whether a lump sum endowment or annual contribution) would signal seriousness and make hosting attractive from a budgetary perspective.

State-of-the-Art Facilities:

Saudi Arabia should offer a turnkey facility for ICSID's use. A purpose-built office (potentially integrated with the World Bank's new Riyadh hub) would include large hearing rooms, private deliberation chambers, and offices equipped for simultaneous translation and video conferencing. Ensuring modern IT infrastructure, reliable telecommunications, and comfortable amenities would make Riyadh a convenient site for complex hearings. In addition, the Saudi government should simplify logistics for participants – expedited visas, guaranteed security, and transportation support. Presenting a ready-made, world-class venue would be a powerful incentive.

Legal Safeguards:

The host country must guarantee ICSID's independence. Riyadh would negotiate a Host Country Agreement granting ICSID officials and arbitrators the usual privileges and immunities under international law. Saudi legislation would confirm that ICSID awards issued in Riyadh are recognized and enforced by Saudi courts without need for new court proceedings. By embedding ICSID's rights in law, Saudi Arabia would reassure the Centre that its activities will be shielded from political interference. These legal guarantees are standard for international bodies and are crucial for ICSID's confidence.

Arbitration Outreach:

The Kingdom should actively engage the international arbitration community. The SCCA could invite ICSID officials to speak at conferences

in Riyadh and likewise send Saudi experts to ICSID events abroad. Hosting an annual investment arbitration conference or moot court in Riyadh (perhaps alongside ICSID's own arbitration forums) would draw attention to Saudi Arabia's hub ambitions. Building personal ties between Riyadh's judiciary and ICSID's secretariat signals commitment and shows that local professionals are ready to collaborate.

Regional Support:

Saudi Arabia should enlist its neighbors' backing. A joint letter from Gulf Cooperation Council or Arab League justice ministers endorsing an ICSID office would carry weight at the World Bank. If allied countries – especially fellow ICSID member states like the UAE, Egypt, or Qatar – publicly support the move, it demonstrates that the Riyadh project benefits the entire region. This multilateral approach makes it clear that establishing a Riyadh office serves collective interests in stability and investment, not just Saudi prestige.

Vision 2030 Framing:

Finally, the invitation should be tied to Saudi's national agenda. The government can present this initiative as a deliverable of Vision 2030 – a concrete step in building a diversified economy and a financial/legal center. Emphasizing that hosting ICSID will help realize the Kingdom's reform promises will bolster domestic and international buy-in. It shows that this is not an isolated idea but part of a broader transformation strategy.

By combining these elements – political will, funding, infrastructure, legal assurances, and regional diplomacy – Saudi Arabia can make a persuasive case to ICSID.

The aim is to demonstrate that placing a regional office in Riyadh aligns with ICSID's mission and is mutually beneficial for investment in the Middle East.

A Strategic Case for ICSID; Why Riyadh Makes Sense!?

From ICSID's perspective, there are also strong reasons to embrace a Riyadh office:

Proximity to Growth Markets:

The Middle East and North Africa are major growth regions for foreign investment. Saudi Arabia, in particular, is launching huge projects (energy, tourism, infrastructure) with international partners. Many of these projects have arbitration clauses referring to ICSID or similar forums. By situating an office in Riyadh, ICSID brings its services to the heart of these booming markets. It would better serve investors and governments in Asia–Africa–MENA time zones, aligning ICSID's outreach with where capital is actually flowing.

Synergy with the World Bank:

With the World Bank Group's new regional hub in Riyadh, adding ICSID would create an integrated center for development and legal support. World Bank country teams, project consultants, and ICSID staff could collaborate closely on the ground. This clustering would make it efficient for a project financier and a dispute-settler to work side by side. It would also send a message; Riyadh is the World Bank's MENAA headquarters in practice, handling both lending and legal mediation.

Promoting Stability Through Law:

A core goal of ICSID is to encourage governments to respect contracts. In a region that has seen volatility, having a neutral arbitration center reinforces the rule of law and stability. It is akin to having an impartial referee at a competition; all sides know there is a fair mechanism to resolve disputes. This "law as deterrent" helps prevent destructive state actions. In strategic terms, it may be as powerful as traditional security guarantees. For the World Bank's mission, this means facilitating smoother investment flows, which advances development.

Diversifying ICSID's Role:

An office in Riyadh would also symbolize ICSID's universality. Currently all of its staff are in Washington, which can make the Centre seem distant. A Middle East presence would encourage more Arab and Islamic representation in ICSID panels and administration. It could allow for Arabic-language case services and attract talents from MENA to the ICSID Secretariat. Broadening ICSID's physical footprint and personnel would reinforce that it serves all members equally, potentially drawing in more countries to the Convention.

Signaling Commitment:

For the World Bank Group, expanding ICSID into the Middle East is a statement of trust in the region's future. It signals to the MENA countries that the Bank Group is invested in their development and governance. It could help persuade undecided countries to join ICSID, as they see it being integrated locally. Moreover, it counters any perception that international law and finance are Western-centric – it shows that global institutions are stepping into the Arab world on its own terms.

Practicality and Cost:

Advances in technology make this expansion feasible. ICSID already uses teleconferencing for hearings; a regional office would require only modest additional staff. Saudi Arabia's pledge to fund the facilities and possibly some operations means that ICSID's own budget impact would be minimal. Given Riyadh's modern infrastructure and international accessibility, the logistical barriers are low. In short, with Saudi Arabia providing the resources, an ICSID office in Riyadh would be a low-cost, high-impact expansion.

In sum, opening an ICSID regional center in Riyadh advances the Centre's development mission and investment promotion. It brings dispute settlement closer to where new projects are happening, reinforces global trust in the system, and operates in partnership with the World Bank's existing programs. From this angle, a Riyadh hub is a win-win. It supports ICSID's mandate in a vital region while aligning with the Kingdom's initiatives.

Conclusion

Inviting ICSID and the World Bank's arbitration arm to Riyadh would be a milestone in Saudi Arabia's soft-power strategy. Instead of projecting strength solely through military means, the Kingdom would be projecting it through law and diplomacy. By anchoring an international arbitration center on its soil, Saudi Arabia would be saying that it values the rule of law as a pillar of stability. Disputes between investors and states could be managed peacefully in a fair tribunal rather than through force or coercion.

If carefully executed, this initiative could become Riyadh's most sophisticated exercise in soft deterrence. A permanent ICSID office would cement Saudi Arabia's reputation as a neutral legal leader in the Middle East. For regional governments and corporations, knowing that the World Bank's eminent tribunal is literally in their backyard raises the cost of bad-faith behavior. In the new institution with a neutral position, a courtroom may indeed replace a missile – offering the deterrence of legality and dialogue rather than force for entire regional countries.

For any further questions & your specific concerns, contact us at:
zubair@sapilegal.com / info@sapilegal.com

Prepared & Illustrated By: Advocate, Zubair Sapi

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