

Title:

Economic and legal aspects of foreign direct investments on example of India

Key words:

International taxation, Protection of investments, Foreign direct investments (Mezinárodní zdanění, Ochrana investic, Přímé zahraniční investice)

Abstract:

The main goal of this paper is to look into economic and legal aspects of foreign direct (hereafter FDI) on the example of India as one of the most important global players in this field.

The paper is composed of three chapters, each of them dealing with different aspects of FDI. Chapter one is introductory. It examines basic facts of FDI on general level as well as the Indian level. It also provides an outline of relevant Indian legislation towards FDI.

Chapter two is subdivided into four parts and provides an answer to this question: How do states try to attract investments? Part one describes legislation of investment protection, part two describes legislation of international taxation, part three focuses on investment incentives and finally, part four gives us an example of institutions founded to support the investments.

If it was not for the economic reforms, India would not be so attractive for the international capital. That is why chapter three concentrates on Indian economic reforms and also provides former evolution of FDI inflows into India and attractive economic sectors. With regard to the fact that Indian reforms have been carried out gradually in the past twenty years, this chapter could also show us the possibilities of evolution of FDI in India.

The main conclusion of the paper is that positive effects of FDI on Indian economy exceed the negative ones. Economic sectors opened to foreign capital develop faster than the protected ones. Indian policy on FDI is very active. It provides modern legislation highly competitive with the rest of the world. The national legal framework is created by Company Act, Foreign Exchange Act and Government provisions on FDI permits. India follows the global mainstream in Investment Protection Agreements and Double Taxation Avoidance Agreements. These create the legal framework for FDI together with the national legislation.

It is true that international investors have countless opportunities in India and

enthusiasm of most of Indians about their booming economy stands on a real base. In spite of the social problems India faces, it is capable of dealing with them in the long run and is one of the more stable countries in the world. The differences between Indian states are enormous from both, general and FDI point of view. When studying India, we should always have in mind that some of the states have over 100 million citizens, so it could be more adequate to study it state by state rather than in its unity.