

## **Abstract**

The year 1989 marked the beginning of major changes. The fundamental one represents the transformation of state economy into a market economy. Czechoslovakia according to a model experience of developed countries but also of states in transition used the greatest opportunity for its economic growth and opened up to foreign capital inflow. States, that had intended to attract foreign investors, had to eliminate the socialist label, left after the period of nationalization and political arbitrariness in the relations between state and private person. At the beginning of a new era, priority was to overcome mistrust and legal uncertainty, which the turn of the 90th had given rise to. The aim of efforts of former Czechoslovakia and afterwards of Czech Republic was particularly to create a favorable legal climate for foreign investment and to stir the frozen domestic economy. In this effort, and contrary to the past practice, Czech Republic decided to cooperate at international level and become part of developing, but already functioning system of protection and support of foreign investment. Important first steps were made by concluding bilateral agreements on reciprocal promotion and protection of investments and ratification of multilateral conventions. Time period during the nineties happened to be the highlight of liberalization of foreign investment. The source of such expansion has been found particularly in foreign direct investments and Czech Republic currently ranks among the states with their highest inflow. Rise of international investment is undoubtedly part of our time. Not only it brings economic benefits for state and its development, but for a steady and dynamic development of investment, also includes its countervalue in the form of investment protection and liability for breach of obligations arising from this protection. It represents state's responsibility to protect foreign investments within its territory and to ensure the protection of its own investors in doing business abroad. The thesis aims to provide a valuable overview of the current system of protection and support. The work focuses on the interpretation of legislation and provides a basis for understanding the evolution of investment law. Emphasis is placed on presentation of host country treatment of international investment, which constitutes the

basis for their protection and the most common source of investment disputes. The first part deals with defining the term "investment" as the subject of protection and support. It is derived from well established economic definition, as well as from the definitions made up by practice of International Centre for Settlement of Investment Disputes, also from the definitions of other multilateral treaties and, ultimately from the definitions incorporated in the bilateral agreements.

This chapter includes the definition of foreign investor, too. The second part focuses on the interpretation and understanding of the core of investment protection, arising from approach of states to the standards of treatment with foreign investments. The third part deals with the meaning and content of bilateral investment treaties. It focuses on the protection system from the point of view of contracting states and outlines specific means of protection. Following the previous section and consequently in the second half of my thesis, I draw my attention to the issue most vivid, concerning foreign investment. It is the settlement of investment disputes that brings to life the whole system of protection and undeniably has an influence on shaping international investment law. This section provides an overview of the ways of settlement and their actual application by the means of clauses in bilateral and multilateral treaties. Also emphasizes the differences among the investment disputes and their corresponding settlements.

The same section afterwards, explains the procedures of investment claims application in the arbitration. At the end it is a perfect place to mention practical cases involving Czech Republic and evaluate its actual position in the field of investment protection.

#### KEY WORDS

BIT, Bilateral investment treaties, ICSID, foreign investments, standards of protection, international arbitration