Master thesis: Foreign Direct Investment in legal perspective

Foreign direct investment (FDI) is investment when a foreign company sets up a business in another country. FDI includes the creation of a wholly owned subsidiary, the purchase of majority or minority ownership in a foreign company, or the establishment of a joint venture. FDI plays a crucial role in the global economy, contributing to economic growth, job creation, and technological advancement. Countries often implement policies to attract FDI, such as tax incentives, subsidies, and streamlined regulatory processes. The legal aspects of FDI involve the interplay between national laws and international legal frameworks, including bilateral investment treaties (BITs), the World Trade Organization (WTO) agreements, and the United Nations Convention on the Law of the Non-Navigational seabed (UNCLOS). These legal instruments facilitate FDI by providing certainty and predictability to investors.

One of the key legal aspects of FDI is the protection afforded to foreign investors. International legal frameworks, such as BITs, provide investors with guarantees against expropriation without compensation, and they offer dispute resolution mechanisms, such as arbitration, to resolve conflicts with host countries. BITs also contain provisions on national treatment, which requires the host country to treat foreign investors as favorably as its own investors.

Another critical legal aspect of FDI is the impact of the political and legal systems on investment decisions. Political stability, the rule of law, and effective dispute resolution mechanisms are crucial factors that influence FDI. Countries with well-established legal systems and transparent governance structures are more attractive to foreign investors.

FDI is also subject to competition and regulatory frameworks. Various industries have varying levels of restrictions on FDI, especially sensitive sectors such as healthcare, defense, and infrastructure. Countries may regulate foreign investment to protect local industries or to ensure national security.

In conclusion, the legal aspects of FDI are complex and multifaceted, encompassing both national and international dimensions. Countries must balance the desire to attract foreign investment with the need to protect national interests and maintain economic stability. As the global economy continues to evolve, so too will the legal landscape of FDI.