CONTENTS

1. Foreign Direct Investment (FDI): Conceptual Framework

1.1 Meaning of FDI
1.2 Superiority of FDI over Other Forms of Capital Inflows
1.3 Resource-seeking, Market-seeking and Efficiency-seeking FDI
1.4 Macroeconomic and Microeconomic Aspects of FDI
1.5 Crowding-in and Crowding-out Impacts of FDI
1.6 Advantages of FDI for the Host Country
    1.6.1 Raising the Level of Investment
    1.6.2 Upgradation of Technology
    1.6.3 Improvement in Export Competitiveness
    1.6.4 Employment Generation
    1.6.5 Benefits to Consumers
    1.6.6 Resilience of FDI during Financial Crises
    1.6.7 Revenue to Government
1.7 Disadvantages of FDI for the Host Country
1.8 Determinants of FDI
    1.8.1 Size of the Market
    1.8.2 Political Stability
    1.8.3 Macroeconomic Environment
    1.8.4 Legal and Regulatory Framework
    1.8.5 Access to Basic Inputs
1.9 World Bank Determinants of FDI
    1.9.1 Policy Framework
    1.9.2 Economic Determinants
    1.9.3 Business Facilitation
1.10 FDI and Corporate Strategies
1.11 Tax Incentives to Attract FDI
    1.11.1 Rationale for Offering Tax Incentives
    1.11.2 Types of Tax Incentives
    1.11.3 Priority Sectors for Tax Incentives
    1.11.4 Costs and Benefits of Tax Incentives
1.12 Interaction between International Taxation and FDI
    1.12.1 Taxes in the Host (Source) Country
    1.12.2 Taxes in the Home (Destination) Country
1.13 Bilateral Tax Treaties
    1.13.1 Issues Involved in Bilateral Tax Treaties
    1.13.2 Features of a Typical Bilateral Tax Treaty
    1.13.3 Benefits of Tax Treaties
1.14 Multilateral Tax Treaties
    1.14.1 Arguments Supporting Bilateral Form
    1.14.2 Arguments Supporting Multilateral Form
    1.14.3 Some Multilateral Tax Agreements
1.15 Tax Treaties and FDI
1.16 International Tax Avoidance and Evasion
    1.16.1 Devices Adopted to Avoid and Evade Taxes
    1.16.2 Methods to Prevent Tax Avoidance and Evasion
    1.16.3 Bilateral Tax Treaties and Tax Avoidance/Evasion
1.17 Fully Consolidated System (FCS) of Direct Investment Statistics

1.17.1 Subsidiary Companies
1.17.2 Associate Companies
1.17.3 Branches

2. India's Foreign Investment Policy: Post-Independence Review

2.1 Foreign Exchange Regulation Act (FERA), 1947
2.2 First Five Year Plan (1951-56) on Foreign Capital
2.3 Fourth Five Year Plan (1969-74) on Foreign Capital
2.4 Foreign Exchange Regulation Act (FERA), 1973
2.5 Sixth Five Year Plan (1980-85) on Foreign Technology/Capital
2.6 Seventh Five Year Plan (1985-90) on Foreign Capital
2.7 Industrial Policy Statement, 1991 on FDI
2.8 Eighth Five Year Plan (1992-97) on Foreign Capital
2.9 Ninth Five Year Plan (1997-02) on Foreign Capital
2.10 Foreign Exchange Management Act (FEMA), 1999
2.10.1 Distinguishing Features of FEMA, 1999
2.11 Tenth Five Year Plan (2002-07) on Foreign Capital
2.12 Report of the Committee on FDI, 2002
2.13 Post-1991 Initiatives to Attract Foreign Investment
2.13.1 Simplification of Procedures

3. Conditions, Legislations, Rules and Regulations Governing FDI

3.1 Entities Eligible to Invest in India
3.2 Entities into Which FDI Can Be Made
3.2.1 FDI in an Indian Company
3.2.2 FDI in Partnership Firm/Proprietary Concern
3.2.3 FDI in Venture Capital Fund (VCF)
3.2.4 FDI in Trusts
3.2.5 FDI in Limited Liability Partnerships (LLPs)
3.2.6 FDI in other Entities
3.3 Types of Instruments
3.4 Issue/Transfer of Shares
3.5 Important Legislations Governing Business in India
3.6 Important Rules/Regulations Governing Foreign Investments in India
3.6.1 Repatriation of Capital
3.6.2 Repatriation of Dividends and Profits
3.6.3 Acquisition of Immovable Property by a Non-resident
3.6.4 Acquisition of Immovable Property by Non-resident Indian (NRI)

4. Entry Routes and Sectoral Caps for FDI

4.1 Prohibited Sectors for FDI
4.2 Entry Routes for FDI
4.2.1 Automatic Route
4.2.2 Government Approval
4.3 Foreign Investment Promotion Board (FIPB)
4.3.1 Levels of Approvals for Cases under Government Route
4.3.2 Cases Which do not Require Fresh Approval
4.4 Sector-Specific Caps and Conditions on FDI for Permitted Sectors
4.5 Post-approval Procedures
4.5.1 Project Clearances

4.5.2 Registration and Inspection
4.5.3 Foreign Exchange Management Act (FEMA), 1999
4.6 Entry Options for Foreign Investors
4.6.1 Incorporation of a Company
4.6.2 Liaison Office/Representative Office
4.6.3 Project Office
4.6.4 Branch Office
4.6.5 Branch Office on Stand-Alone Basis in Special Economic Zones (SEZs)
4.6.6 Investment in a Firm or a Proprietary Concern by NRIs
4.6.7 Investment in a Firm or a Proprietary Concern by Other than NRIs
4.7 Foreign Technology Agreements
4.7.1 Automatic Approval
4.7.2 FIPB Route

5. Mergers, Acquisitions, Takeovers, Competition and Consumer Protection

5.1 Mergers and Acquisitions
5.1.1 Impact of M&As on the Economy
5.1.2 M&A Scenarios Calling for Government Intervention
5.2 Takeover Code of SEBI
5.3 Monopolies and Restrictive Trade Practices (MRTP) Act, 1969
5.4 Competition Act, 2002
5.4.1 Competition Commission of India (CCI)
5.4.2 Competition Appellate Tribunal
5.5 Competition Policy
5.5.1 Positive Effects of Competition
5.5.2 Economic Reforms and Competition
5.5.3 Eleventh Five Year Plan (2007-12) on Competition
5.6 Consumer Protection Act, 1986
5.6.1 Central Consumer Protection Council (CCPC)
5.7 Consumer Protection in India
5.7.1 Need for Consumer Protection
5.7.2 United Nations and Consumer Protection
5.7.3 Role of Standards
5.7.4 Quality Council of India

6. FDI Regulation, Promotion and Facilitation

6.1 Regulatory Framework
6.2 Foreign Investment Promotion Board (FIPB)
6.3 Secretariat for Industrial Assistance (SIA)
6.4 Foreign Investment Implementation Authority (FIIA)
6.5 Foreign Investment Promotion Council (FIPC)
6.6 Investment Commission (IC)
6.7 India Brand Equity Foundation (IBEF)

7. India’s FDI Performance and Concerns

7.1 India as an Investment Destination
7.2 Foreign Investment Trends in India
7.2.1 India's Share in FDI Flows to Developing Countries
7.2.2 Annual Investment Inflows
7.2.3 Top Investing Countries
7.2.4 Sectors Attracting Highest FDI Inflows
7.2.5 FDI Approvals and Actual Inflows

7.3 FDI Performance of India and China: A Comparison
7.4 Issues and Concerns
7.4.1 National Security
7.4.2 Culture and Media
7.4.3 Natural Monopolies
7.4.4 Monopoly Power
7.4.5 Natural Resources
7.4.6 Transition Costs

8. Foreign Portfolio Investment

8.1 Advantages of Portfolio Investment Inflows
8.1.1 Improvement in Corporate Capital Structure
8.1.2 Competition in Financial Markets
8.1.3 Enhanced Efficiency in Capital Markets
8.1.4 Improvement in Corporate Governance
8.2 Disadvantages of Portfolio Investment Inflows
8.2.1 Management Control
8.2.2 Volatility of Portfolio Flows
8.2.3 Pro-cyclical
8.2.4 Hedge Funds
8.3 Liberalisation of Portfolio Investment Flows into India
8.3.1 Investments by FIIs
8.3.2 Equity Capital from Foreign Sources by Indian Corporates
8.4 Eligibility for Registration as FII
8.5 Restrictions on Foreign Portfolio Investments
8.6 Restrictions on Foreign Ownership in Select Asian Countries
8.6.1 India
8.6.2 China
8.6.3 Taiwan
8.6.4 South Korea
8.6.5 Hong Kong
8.6.6 Indonesia
8.6.7 Thailand
8.6.8 Malaysia
8.6.9 Philippines
8.7 Report of the Working Group on Foreign Investment in India

9. Measures to Improve Foreign Investment Climate

9.1 Deterrents to FDI Flows into India
9.1.1 Bureaucratic Controls and Procedures
9.1.2 Infrastructural Bottlenecks
9.1.3 Outmoded Labour Laws
9.1.4 Reservation of Items for Exclusive Production by Small-scale Industries (SSI)
9.1.5 Image and Attitude
9.1.6 Domestic Policy Constraints
9.1.7 State Obstacles
9.1.8 Legal Delays
9.2 Measures to Improve FDI Environment
9.2.1 Attitude to FDI
9.2.2 Privatisation
9.2.3 Revamping Publicity

9.2.4 Other Measures

10. Taxation of Foreign Income and India's Bilateral Tax Treaties

10.1 Post-liberalisation Tax Reforms in India
10.1.1 Income Tax
10.1.2 Wealth Tax
10.1.3 Union Excise Duties
10.1.4 Taxation of Services
10.1.5 Customs Duties
10.1.6 National Level Goods and Services Tax (GST)
10.1.7 Direct Taxes Code (DTC)
10.1.8 Sales Tax/VAT
10.2 Tax Holiday Schemes
10.2.1 Tax Holiday for Newly Established Industrial Undertakings in Free Trade Zones, Electronic Hardware Technology Parks, or Software Technology Parks
10.2.2 Tax Holiday for Newly Established Hundred Per Cent Export-Oriented Undertakings
10.2.3 Tax Holiday for Exporters of Wood-based Handicraft Items
10.3 Income Tax Incentives for Infrastructure Development
10.3.1 Section 80IA
10.3.2 Incentives under Section 35-AC
10.3.3 Tax-free Bonds
10.4 Taxation of Non-residents in India
10.4.1 Rules to Determine Residential Status
10.4.2 Relationship between Residential Status and Tax Incidence
10.5 Indian Law on Double Tax Relief
10.6 Salient Features of Tax Treaties between India and Other Countries
10.7 Double Taxation Relief Where no Tax Treaty Exists
10.8 Issues Relating to Indo-Mauritius Tax Treaty
10.9 India-Singapore Comprehensive Economic Cooperation Agreement (CECA)
10.10 Transfer Pricing Regulations in India
10.11 Assessment and Collection of Tax from Non-residents in India

11. India's Industrial Policy

11.1 Industrial Policy Prior to Economic Reforms (i.e. Pre-1991 Period)
11.1.1 Regulation and Controls of Private Sector
11.1.2 Absence of Internal Competition
11.1.3 Absence of Foreign Competition
11.2 Disillusionment and Rethinking
11.3 New Economic Policy and Industrial Liberalisation, 1985
11.4 Industrial Policy Statement, 1991: The Great U-turn
11.5 Public Sector: Poor Performance and Rethinking
11.5.1 Industrial Policy Statement, 1991 on Public Sector
11.5.2 Public Sector Disinvestment/Privatisation
11.6 Micro, Small, and Medium Enterprises (MSMEs)
11.6.1 Micro, Small and Medium Enterprises Development (MSMED) Act, 2006
11.6.2 Social Face of MSMEs in India
11.6.3 MSMEs and Globalisation
11.6.4 Prime Minister's Task Force on Micro, Small and Medium Enterprises

12. Infrastructure Services in India

12.1 India Infrastructure Finance Company Limited (IIFCL)
12.2 Power Sector Reforms
    12.2.1 Electricity Act, 2003
    12.2.2 National Electricity Policy, 2005
    12.2.3 Private Enterprise in Power Sector
12.3 Transport Sector
    12.3.1 Indian Railways
    12.3.2 Roads and Road Transport
    12.3.3 Shipping and Ports
    12.3.4 Civil Aviation
12.4 Telecommunications
    12.4.1 National Telecom Policy (NTP), 2011 and 2012
12.5 IT and IT-enabled Services
    12.5.1 Strategies of Indian IT-BPO Companies
12.6 Special Economic Zones (SEZs)
    12.6.1 Special Economic Zones Act, 2005
    12.6.2 Criteria for Approval
    12.6.3 Incentives and Facilities Offered to Units in SEZs
    12.6.4 Incentives and Facilities Available to SEZ Developers

13. India's Financial System

13.1 India's Approach to Financial Sector Reforms
13.2 Components of Financial Sector Reforms
    13.2.1 Developing and Strengthening Financial Infrastructure
    13.2.2 Financial Regulation and Supervision
    13.2.3 Financial Openness
    13.2.4 Legal Measures for Strengthening Financial Sector
    13.2.5 International Security Standards
    13.2.6 Migration to Basel III Norms
    13.2.7 Accounting and Auditing Standards
    13.2.8 Technological Solutions for Financial Services
13.3 Committee on Financial Sector Assessment (CFSA), 2009
13.4 Financial Inclusion Efforts
    13.4.1 Financial Exclusion and Financial Inclusion Defined
    13.4.2 Advantages of Financial Inclusion
    13.4.3 Strategy for Building an Inclusive Financial Sector
    13.4.4 Recent Measures for Financial Inclusion
    13.4.5 Recommendations of the Committee on Financial Inclusion
13.5 Achievements of Financial Sector Reforms and Areas of Concern
13.6 Changing Role of RBI in the Financial Sector

14. Foreign Exchange Regulations and Management

14.1 Foreign Exchange Market Reforms
14.2 Introduction of Liberalised Exchange Rate Management System (LERMS)
    14.2.1 Deficiencies of LERMS
    14.2.2 Modified LERMS
14.3 Introduction of Current Account Convertibility
14.4 Foreign Exchange Management Act (FEMA), 1999
14.5 Capital Account Convertibility (CAC)
    14.5.1 Pre-reforms Period
    14.5.2 Liberalisation Measures

14.6 Present Structure of Foreign Exchange Market
14.6.1 Market Segments
14.6.2 Market Players
14.7 Sources of Supply and Demand of Foreign Exchange
14.7.1 Derivative Market Instruments

15. Capital Market in India

15.1 Capital Market in the Pre-reforms (i.e. Pre-1991) Period
15.2 Establishment of Securities and Exchange Board of India (SEBI)
15.3 Capital Market Reforms since 1991
15.3.1 Modernisation of Stock Exchanges
15.3.2 Depository System, Dematerialisation (Demat) and Rematerialisation
15.3.3 Introduction of Free Pricing
15.3.4 Strengthening of Disclosure Norms
15.3.5 Transparency and Efficiency
15.3.6 Shortening of Settlement Cycle
15.3.7 Growth of Service Providers
15.3.8 Protection of Investors

16. India's Foreign Trade Policy

16.1 Foreign Trade (Development and Regulation) Act, 1992
16.2 Post-1991 Reforms in Foreign Trade Policy
16.3 Export Policy
16.4 Import Policy
16.5 India's Look East Policy
16.6 Eleventh Five Year Plan (2007-12) on Trade Liberalisation

17. Labour Related Constitutional Provisions and Legislations

17.1 Protection and Welfare of Labour in the Constitution of India
17.2 Legislations Concerning Conditions of Work
17.2.1 Factories Act, 1948
17.2.2 Contract Labour (Regulation and Abolition) Act, 1970
17.2.3 Plantation Labour Act, 1951
17.2.4 Mines Act, 1952
17.3 Legislations Concerning Wages and Remuneration
17.3.1 Minimum Wages Act, 1948
17.3.2 Payment of Wages Act, 1936
17.4 Legislations Concerning Employment Security and Industrial Relations
17.4.1 Industrial Disputes Act, 1947
17.5 Legislations Concerning Social Security and Welfare of Workers
17.5.1 Employees State Insurance Act, 1948
17.5.2 Employees' Provident Fund Act, 1952
17.5.3 Payment of Gratuity Act, 1972
17.5.4 Workmen's Compensation Act, 1923
17.6 Miscellany of Labour Legislations
17.6.1 Trade Union Act, 1926
17.6.2 Weekly Holidays Act, 1942
17.6.3 Working Journalists and Other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955
17.6.4 Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
17.6.5 Apprenticeship Act, 1961
17.6.6 Motor Transport Workers Act, 1961

17.6.7 Payment of Bonus Act, 1965
17.6.8 Beedi and Cigar Workers (Conditions of Employment) Act, 1966
17.6.9 Sales Promotion Employees (Conditions of Services) Act, 1976
17.6.10 Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979
17.6.11 Emigration Act, 1983
17.6.12 Dangerous Machines (Regulation) Act, 1983
17.6.13 Dock Workers (Safety, Health and Welfare) Act, 1986
17.6.14 Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) Act, 1993
17.6.15 Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996
17.6.16 Other Legislations
17.7 Economic Reforms and Labour Laws

18. Foreign Investment: Global Experiences and Comparisons
18.1 Foreign Investment: New Strategy for Faster Growth
18.2 Global Trends in FDI
18.3 Foreign Investment for Privatisation
18.3.1 Brazil
18.3.2 Central and Eastern Europe
18.3.3 China
18.3.4 India
18.4 Tax Treatment of Companies in Select Asian Economies
18.4.1 Tax Year
18.4.2 Scope of Taxable Income
18.4.3 Rates of Corporate Income Tax
18.4.4 Capital Gains and Losses
18.4.5 Dividends
18.4.6 Foreign Tax Relief
18.5 International Tax Competition to Attract FDI
18.5.1 Pitfalls of Tax Competition
18.6 Attempts towards International Tax Harmonisation
18.6.1 Efforts by OECD
18.6.2 Efforts by European Union
18.6.3 Efforts by WTO, IMF and World Bank

19. Foreign Direct Investment (FDI) Outflows from India

***Appendix*:** Frequently Asked Questions on Mergers, Acquisitions and Takeovers

Statistics of Country-wise and Sector-wise Foreign Direct Investment (FDI) Inflows into India from April 2000 to February 2012

Bibliography
Index