

Table 1: Evolution of Laws and Regulations on FDI in China and India

	CHINA	INDIA
1979	Law on Chinese-foreign equity joint ventures	
1986	Law on foreign capital enterprises: China permits foreign enterprises, other foreign economic organizations and individuals to set up enterprises with foreign capital in China and protects the lawful rights and interests of such enterprises.	
1988	Law on Chinese-foreign contractual joint ventures	
1990	Interim provisions for the duration of Chinese-foreign equity joint ventures Regulations of the state council for encouraging investment from overseas Chinese and compatriots from Hong Kong and Macao: to encourage investment within the territory of mainland from overseas Chinese and compatriots from Hong Kong and Macao Regulations for contracted operation of Chinese-foreign equity joint ventures. Rules for the implementation of the law on foreign-capital enterprises	
1991	Rules for the implementation of the income tax law for enterprises with foreign investment and foreign enterprises Income tax law for enterprises with foreign investment and foreign enterprises	A new industrial policy provided: Automatic approval for projects with foreign equity participation up to 51% in 35 high priority sectors. All other proposals up to US\$ 171 million and 100% equity approved by Foreign Investment Promotion Board (FIPB) or Secretariat of Industrial Approvals (SIA) on a case by case basis. Proposals for investment in excess of the above amount to be approved by the Cabinet Committee on Foreign Investment. Automatic approval of foreign technology agreements up to a lump-sum payment of US\$ 2 million net of taxes with 5% royalty on domestic sales and 8% for exports. Foreign investment up to 100% permitted in approved domestic venture capital funds/companies, with FIPB approval and for establishing asset management companies. Liberalization of the Foreign

		Exchange Regulation Act Reduced list of industries requiring industrial licensing Dilution of MRTP Reduction in the number of industries reserved for the public sector Liberalization of imports and reduction in tariffs Convertibility of the Rupee on current account Opening up of the capital market to foreign investors
ENote11 1992		
1994	<p>Law of the People's Republic of China on the protection of investment of Taiwan compatriots: to protect and encourage investment of Taiwan compatriots, and to promote the economic development on both sides of the Straits.</p> <p>Regulations on labor management in enterprises involving overseas investment: to protect the legitimate rights and interests of both foreign-invested enterprises and the employees working in these enterprises and to establish, maintain and develop stable and harmonious work relationship between the enterprises and their staff.</p>	
1995	<p>Detailed rules for the implementation of the law on Chinese-foreign cooperative joint ventures</p> <p>Provisional regulations on the establishment of foreign-funded joint stock companies limited: foreign companies, enterprises and other economic entities or individuals are allowed to jointly set up foreign funded joint stock companies limited in China jointly with Chinese companies, enterprises and other economic entities or individuals, under the principle of mutual benefit.</p> <p>Provisional regulations on investment companies established by foreign investors: foreign investors are permitted to establish investment companies in China in accordance with relevant Chinese laws and regulations concerning foreign investment.</p> <p>Provisions on the establishment of foreign-funded construction enterprises: to meet the needs of opening up, strengthening the management of foreign-funded construction enterprises, and to safeguard the order of the construction market.</p> <p>Implementation measures for the administration on</p>	

	<p>import by foreign-funded enterprises Catalogue for the guidance of foreign investment industries recognizing encouraged projects for foreign investment Interim provisions on guidance for foreign investment: to guide foreign investment, adapt foreign investment to China's national economic and social development programs, and adequately protect the legal rights and interests of investors. Rules on the approval and control of resident representative offices of foreign enterprises: foreign enterprises, when applying to set up resident representative offices within the territory of People's Republic of China, must have the approval of the MOFTEC or its empowered foreign trade and economic cooperation commissions. Detailed Rules on the Implementation of the Law on Sino-Foreign Joint Cooperative Ventures Urgent Notice on Issues Relating to Current Examination and Approval of Enterprises with Foreign Investment</p>	
1996	<p>Regulations on the examination and approval of foreign-funded enterprises serving as agents for international cargo transport: to standardize the work to examine and approve foreign-funded enterprises serving as agents for international cargo transport, and in accordance with State laws and regulations concerning foreign-funded enterprises and the provisions of China on the management of international cargo transport agency business. Procedures for Liquidation of Foreign-Funded Enterprises: to ensure the smooth progress of the process of liquidation of the foreign-funded enterprises(FFEs),protect the rights and interests of the creditors and investors and safeguard the social and economic order related to the liquidation. Circular of the State Council Concerning the Extension of the Limits of Power Vested with the Inland Provinces, Autonomous Regions, Cities Separately Listed in the State Plan and the Departments Concerned Under the State Council in Examining and Approving Direct Foreign Investment Projects Provisional Measures on the Establishment of Sino-Foreign Joint Venture Trading Companies on A Pilot Basis Regulations Concerning the Examination and</p>	

	Approval of International Freight Forwarding Agencies With Foreign Investment: for standardizing the examination and approval of international freight forwarding agencies with foreign investment.	
1997		
1998	Preferential taxation policies for FDI included exemptions from tariffs and import value-added tax for imports of capital goods by foreign-funded high-tech projects and 50% reduction of tariffs and import value-added tax for imports of capital goods by sectors where foreign investment is encouraged.	ENote2 Indian companies no longer require prior clearances from the Reserve Bank of India for inward remittances of foreign exchange or for the issuance of shares to foreign investors. ENote3

Notes:

1) Information on rules, regulations and laws for China are obtained from Ministry of Foreign Trade and Economic Cooperation (MOFTEC)

(http://www.moftec.gov.cn/moftec/official/html/laws_and_regulations/foreign_investment.html).

2) Information on rules, regulations and laws for India is from:

<http://www.docuweb.ca/India/news/9612.html#S0135>

<http://www.linktochina.com/Invest/indexinvest.html>

<http://strategis.ic.gc.ca/SSG/da90887e.html> (U.S. Department of Commerce)