

Critical Reasoning Practice

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ANSWERS & EXPLANATION

Question -1) Which of the following can be inferred from the passage about the impact of the Joint Interpretative Notes (JIN) on the India-Bangladesh BIT?

- A) The JIN unequivocally strengthens the investment protection features for Indian companies in Bangladesh.
- B) The JIN was adopted to primarily benefit Indian companies investing abroad.
- C) The JIN has diluted the investment protection features, making it potentially disadvantageous for Indian investors.
- D) The JIN prevents any sovereign actions by Bangladesh that could adversely affect Indian investments.

Answer: C

Explanation: The passage clearly states that the JIN has diluted the investment protection features of the BIT, potentially disadvantaging Indian companies operating in Bangladesh.

Question -2) Which of the following best describes the primary concern of Indian companies in Bangladesh following the political developments mentioned in the passage?

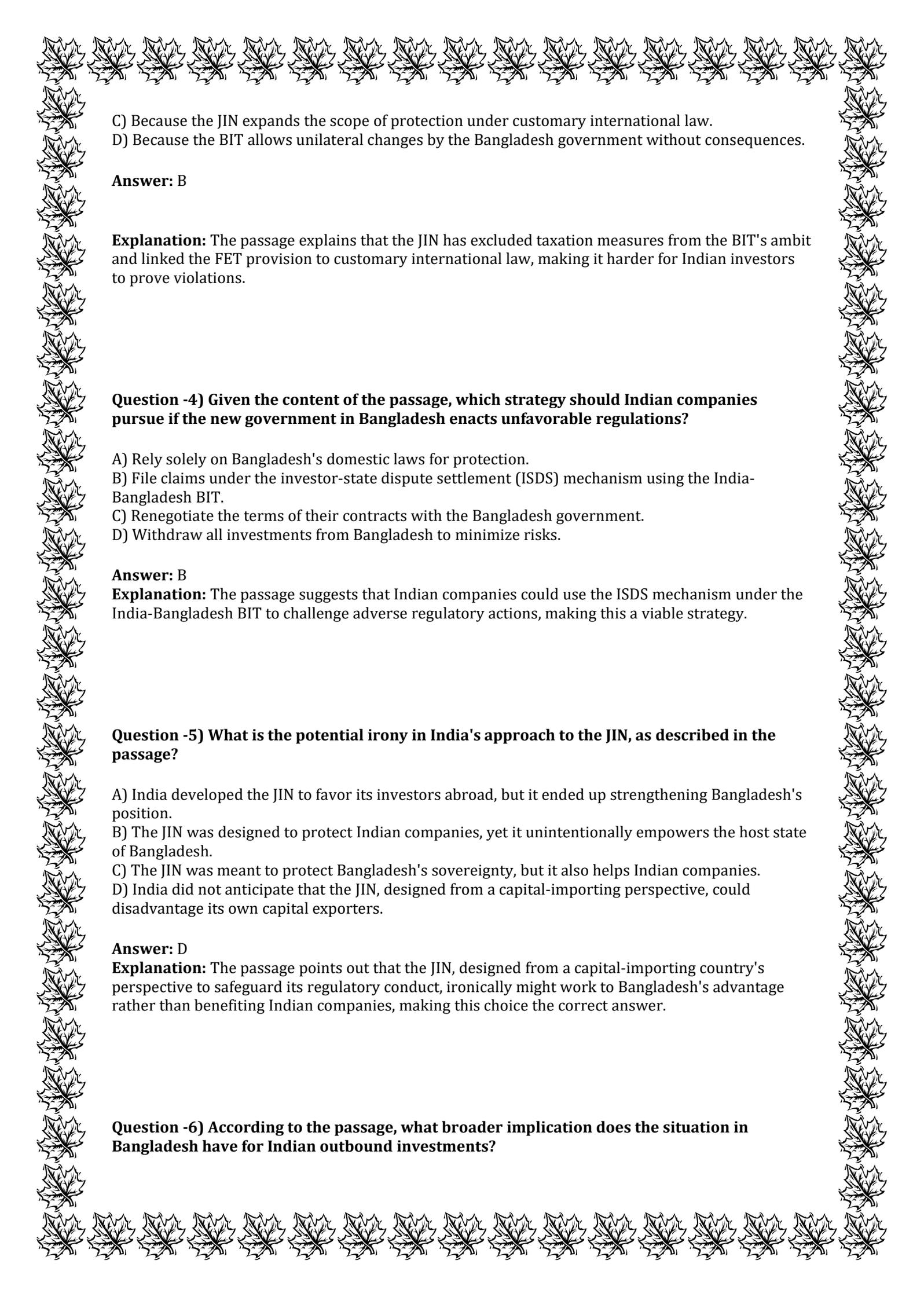
- A) The potential enactment of laws in Bangladesh that could unfavorably impact Indian investments.
- B) The withdrawal of the India-Bangladesh BIT, leaving Indian investments unprotected.
- C) The introduction of stricter international laws governing foreign investments in Bangladesh.
- D) The possibility of Bangladesh unilaterally strengthening its domestic laws to benefit Indian investors.

Answer: A

Explanation: The primary concern is the potential change in laws or regulatory measures by the new government in Bangladesh, which could adversely affect Indian investments.

Question -3) Why might the India-Bangladesh BIT, despite being in place, not offer adequate protection to Indian investors in light of the JIN?

- A) Because the BIT has been completely nullified by the JIN.
- B) Because the JIN excludes taxation measures and raises the threshold for proving FET violations.

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- C) Because the JIN expands the scope of protection under customary international law.
D) Because the BIT allows unilateral changes by the Bangladesh government without consequences.

Answer: B

Explanation: The passage explains that the JIN has excluded taxation measures from the BIT's ambit and linked the FET provision to customary international law, making it harder for Indian investors to prove violations.

Question -4) Given the content of the passage, which strategy should Indian companies pursue if the new government in Bangladesh enacts unfavorable regulations?

- A) Rely solely on Bangladesh's domestic laws for protection.
B) File claims under the investor-state dispute settlement (ISDS) mechanism using the India-Bangladesh BIT.
C) Renegotiate the terms of their contracts with the Bangladesh government.
D) Withdraw all investments from Bangladesh to minimize risks.

Answer: B

Explanation: The passage suggests that Indian companies could use the ISDS mechanism under the India-Bangladesh BIT to challenge adverse regulatory actions, making this a viable strategy.

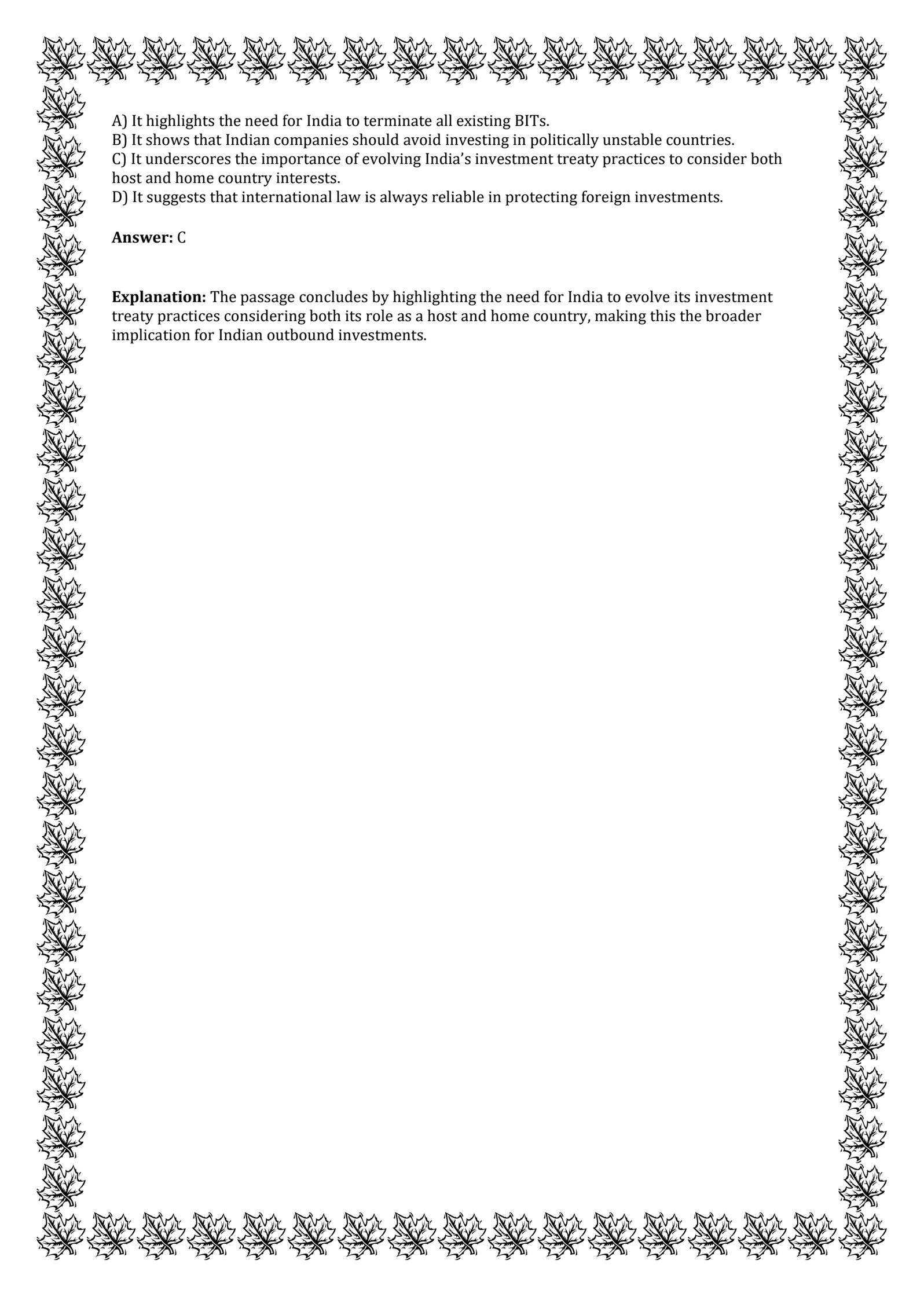
Question -5) What is the potential irony in India's approach to the JIN, as described in the passage?

- A) India developed the JIN to favor its investors abroad, but it ended up strengthening Bangladesh's position.
B) The JIN was designed to protect Indian companies, yet it unintentionally empowers the host state of Bangladesh.
C) The JIN was meant to protect Bangladesh's sovereignty, but it also helps Indian companies.
D) India did not anticipate that the JIN, designed from a capital-importing perspective, could disadvantage its own capital exporters.

Answer: D

Explanation: The passage points out that the JIN, designed from a capital-importing country's perspective to safeguard its regulatory conduct, ironically might work to Bangladesh's advantage rather than benefiting Indian companies, making this choice the correct answer.

Question -6) According to the passage, what broader implication does the situation in Bangladesh have for Indian outbound investments?

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- A) It highlights the need for India to terminate all existing BITs.
B) It shows that Indian companies should avoid investing in politically unstable countries.
C) It underscores the importance of evolving India's investment treaty practices to consider both host and home country interests.
D) It suggests that international law is always reliable in protecting foreign investments.

Answer: C

Explanation: The passage concludes by highlighting the need for India to evolve its investment treaty practices considering both its role as a host and home country, making this the broader implication for Indian outbound investments.