

Towards for the Creation of International Investment Rules and Improvement of the Japanese Investment Environment

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Need for International Investment Rules

Accelerating globalization Cross-border investment becomes as essential to the international business of Japanese companies as trade in goods and services.
 (1) No multilateral investment rules exist in the Doha Development Agenda (DDA). Discussion at the Working Group on the Relationship between Trade and Investment toward negotiations on investment rules
 (2) Rapid increase in BITs (Bilateral Investment Treaties), which amount to 1941 as at the end of 2000, and investment-inclusive FTAs. Japan has only 10 BITs and 1 FTA. Japanese companies disadvantaged against other countries' companies in terms of protection and liberalization of investment in host nations

International Investment Rules sought by Japanese Business

Multi-Faceted Approach
(Utilization of All Available Channels)

Creation of WTO investment rules in the new round

We strongly urge that investment rule negotiations be launched at the Fifth Ministerial in September 2003 on the basis of explicit consensus, and completed by the deadline for the DDA (January 1, 2005). To encourage participation by all members, due account should be taken of the development policies of developing members and priority placed on *transparency* and *liberalization acceptable to developing countries*.

Active conclusion of bilateral and regional investment agreements

(1) ASEAN: Japan should conclude BITs with all 10 ASEAN nations as soon as possible. Over the medium-term, conclude wide-ranging Economic Partnership Agreements (EPAs) which encompass investment.
 (2) China: The current BIT with China, which entered into force in 1989, should be revised up to a higher level.
 (3) Other regions: Japan urgently needs to form investment-inclusive FTAs with the Republic of Korea and Mexico. Should also consider FTAs or other cooperative frameworks with the US, Canada, Australia, the EU, etc.

Model Agreement

(1) Investment definition and scope (2) Transparency
 (3) Investment protection (expropriation, compensation, freedom of remittance)
 (4) Liberalization (MFN treatment, national treatment *, market access *)
 (5) Exceptions (6) Development provisions
 (7) Dispute settlement procedures (8) Relation to BITs

(1) Investment definition and scope (2) Transparency
 (3) Investment protection (expropriation, compensation, freedom of remittance)
 (4) MFN treatment (5) National treatment
 (6) Performance requirements (7) Key personnel
 (8) Dispute settlement procedures

* GATS-type positive list commitment

Improvement of the Japanese Investment Environment

The Japanese Government should improve the domestic investment environment to secure the freedom of corporate business activities.

→ Resulting increase in plant and equipment investment by Japanese companies, as well as encouragement of investment from abroad, will stimulate the Japanese economy.

Specific measures: (1) lower costs for energy, distribution, logistics and telecommunications, and formation of social capital; (2) tax reforms, including a lower effective corporate tax rate; (3) simpler and swifter administrative procedures; (4) support for local government efforts, including special regulatory reform zones; (5) simplification of customs clearance procedures; and (6) expansion of external PR activities.

Also important to facilitate movement of key personnel accompanying investment. → Simpler and swifter entry and sojourn procedures.

Ratio of foreign direct investment to GDP

