

AGREEMENT BETWEEN  
JAPAN AND THE STATE OF ISRAEL  
FOR THE LIBERALIZATION,  
PROMOTION AND PROTECTION OF INVESTMENT

The Government of Japan and the Government of the State of Israel respectively on behalf of Japan and the State of Israel (hereinafter referred to as "the Contracting Parties"),

Desiring to further promote investment in order to strengthen the economic relationship between the Contracting Parties;

Intending to further create stable, equitable, favorable and transparent conditions for greater investment by investors of one Contracting Party in the Territory of the other Contracting Party;

Recognizing the growing importance of the progressive liberalization of investment for stimulating initiative of investors and for promoting prosperity in both Contracting Parties; and

Recognizing that these objectives can be achieved without relaxing health, safety and environmental measures of general application;

Have agreed as follows:

SECTION I  
INVESTMENT

Article 1  
Definitions

For the purposes of this Agreement:

- (a) the term "investment" means every kind of asset made in accordance with applicable laws and regulations, owned or controlled, directly or indirectly, by an investor, including:
  - (i) an enterprise and a branch of an enterprise;
  - (ii) shares, stocks or other forms of equity participation in an enterprise;

- (iii) bonds, debentures, loans and other forms of debt;
- (iv) futures, options and other derivatives;
- (v) rights under contracts, including turnkey, construction, management, production or revenue-sharing contracts;
- (vi) claims to money and to any performance under contract having a financial value;
- (vii) intellectual property rights and goodwill;
- (viii) concessions, licenses, authorizations, permits and similar rights conferred by laws and regulations or under contracts, including those for the exploration and exploitation of natural resources; and
- (ix) any other movable and immovable property, and any related property rights, such as leases, mortgages, liens and pledges;

An investment includes the amounts yielded by an investment, in particular, profit, interest, capital gains, dividends, royalties and fees. A change in the form in which assets are invested does not affect their character as an investment.

Note: For the avoidance of doubt in this Article, an investment does not include:

- (i) public debt; or
- (ii) claims to money arising solely from:
  - (A) commercial contracts for the sale of goods or services by a national or an enterprise in the Territory of a Contracting Party to a national or an enterprise in the Territory of the other Contracting Party; or
  - (B) credits granted in relation with a commercial transaction under a contract referred to in (ii)(A) of this note;

- (b) the term "investment agreement" means a written agreement between the central or local government or authority of a Contracting Party and an investor of the other Contracting Party or its investment that is an enterprise in the Territory of the former Contracting Party, on which the investor or the investment relies in establishing or acquiring an investment in the former Contracting Party;

Note: Written agreement refers to an agreement in writing, executed by both parties, whether in a single instrument or in multiple instruments, that creates an exchange of rights and obligations, binding on both parties.

For greater certainty:

- (i) a unilateral act of an administrative or judicial authority, such as a permit, license, concession or authorization issued by a Contracting Party solely in its regulatory capacity, or a decree, order, or judgment, standing alone; and
- (ii) an administrative or judicial consent decree or order,

shall not be considered a written agreement.

- (c) the term "investor of a Contracting Party" means:

- (i) (A) with respect to Japan: a natural person who is a national of Japan and who is not also a national of the State of Israel; and
- (B) with respect to the State of Israel: a natural person who is a national or permanent resident of the State of Israel and who is not also a national of Japan; or

- (ii) an enterprise of that Contracting Party,

that seeks to make, is making or has made investments in the Territory of the other Contracting Party;

- (iii) notwithstanding subparagraph (c) (i) (A), a natural person who is a national of Japan and who is also a permanent resident of the State of Israel shall not be a claimant;
- (d) the term "enterprise" means any legal person or any other entity duly constituted or organized under the applicable laws and regulations, whether or not for profit, and whether private or government owned or controlled, including any corporation, trust, partnership, sole proprietorship, joint venture, association, organization or company;
- (e) the term "enterprise of a Contracting Party" means an enterprise:
  - (i) duly constituted or organized under the applicable laws and regulations of that Contracting Party; and
  - (ii) carrying out substantial business activities in the Territory of the Contracting Party;
- (f) the term "investment activities" means establishment, acquisition, expansion, operation, management, maintenance, use, enjoyment and sale or other disposal of investments;
- (g) the term "Territory" means:
  - (i) with respect to Japan: the territory of Japan, and the exclusive economic zone and the continental shelf with respect to which Japan exercises sovereign rights or jurisdiction in accordance with international law; and
  - (ii) with respect to the State of Israel: the territory of the State of Israel including the territorial sea as well as the continental shelf and the exclusive economic zone, over which the State of Israel exercises sovereignty, sovereign rights or jurisdiction in accordance with international law and the laws of the State of Israel;
- (h) the term "existing" means being in effect on the date of entry into force of this Agreement;

- (i) the term "freely usable currency" means freely usable currency as defined under the Articles of Agreement of the International Monetary Fund;
- (j) the term "the WTO Agreement" means the Marrakesh Agreement Establishing the World Trade Organization, done at Marrakesh, April 15, 1994;
- (k) the term "the TRIPS Agreement" means the Agreement on Trade-Related Aspects of Intellectual Property Rights in Annex 1C to the WTO Agreement;
- (l) the term "claimant" means an investor of a Contracting Party that is a party to an investment dispute with the other Contracting Party;
- (m) the term "disputing party" means either the claimant or the respondent;
- (n) the term "disputing parties" means the claimant and the respondent;
- (o) the term "ICSID" means the International Center for Settlement of Investment Disputes;
- (p) the term "ICSID Additional Facility Rules" means the Rules Governing the Additional Facility for the Administration of Proceedings by the Secretariat of the International Center for Settlement of Investment Disputes;
- (q) the term "ICSID Convention" means the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, done at Washington, March 18, 1965;
- (r) the term "New York Convention" means the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, done at New York, June 10, 1958;
- (s) the term "respondent" means the Contracting Party that is a party to an investment dispute; and
- (t) the term "UNCITRAL Arbitration Rules" means the Arbitration Rules of the United Nations Commission on International Trade Law, as revised in 2010.

Article 2  
National Treatment

Each Contracting Party shall in its Territory accord to investors of the other Contracting Party and to their investments treatment no less favorable than the treatment it accords in like circumstances to its own investors and to their investments with respect to investment activities.

Article 3  
Most-Favored-Nation Treatment

1. Each Contracting Party shall in its Territory accord to investors of the other Contracting Party and to their investments treatment no less favorable than the treatment it accords in like circumstances to investors of a non-Contracting Party and to their investments with respect to investment activities.

2. For greater certainty, the treatment referred to in this Article does not encompass definitions and international dispute settlement procedures or mechanisms under any international agreement or any written agreement between a Contracting Party and an investor of a non-Contracting Party or its investment that is an enterprise in the Territory of the former Contracting Party.

3. The provisions of paragraph 1 shall not be construed so as to oblige a Contracting Party to extend to the investors of the other Contracting Party and to their investments the benefits of any treatment under any bilateral or multilateral international agreement which was in force prior to the date of entry into force of this Agreement.

4. The provisions of paragraph 1 shall not be construed so as to oblige a Contracting Party to extend to investors of the other Contracting Party and to their investments any preferential treatment by virtue of any existing or future customs union, economic or monetary union, free trade area or similar international agreements to which the former Contracting Party is a party or may become a party in the future.

Article 4  
General Treatment

Each Contracting Party shall in its Territory accord to investments of investors of the other Contracting Party treatment in accordance with customary international law, including fair and equitable treatment and full protection and security.

Article 5  
Access to the Courts of Justice

Each Contracting Party shall in its Territory accord to investors of the other Contracting Party treatment no less favorable than the treatment which it accords in like circumstances to its own investors or investors of a non-Contracting Party with respect to access to the courts of justice and administrative tribunals and agencies in all degrees of jurisdiction, both in pursuit and in defense of such investors' rights.

Article 6  
Prohibition of Performance Requirements

1. Neither Contracting Party may impose or enforce any of the following requirements, or enforce any commitment or undertaking, in connection with an investment or investment activities of an investor of the other Contracting Party in its Territory:

- (a) to achieve a given level or percentage of domestic content;
- (b) to purchase, use or accord a preference to goods produced or services provided in its Territory, or to purchase goods or services from a natural person or an enterprise in its Territory;
- (c) to relate in any way the volume or value of imports to the volume or value of exports or to the amount of foreign exchange inflows associated with an investment of the investor;
- (d) to restrict sales of goods or services in its Territory that an investment of the investor produces or provides by relating such sales in any way to the volume or value of its exports or foreign exchange earnings;
- (e) to restrict the exportation or sale for export;

- (f) to export a given level or percentage of goods or services;
- (g) to transfer technology, a production process or other proprietary knowledge to a natural person or an enterprise in its Territory, except those undertaken in a manner not inconsistent with the TRIPS Agreement;
- (h) to adopt:
  - (i) a given rate or amount of royalty under a license contract; or
  - (ii) a given duration of the term of a license contract,

in regard to any license contract freely entered into between the investor and a natural person or an enterprise in its Territory, whether it has been entered into or not, provided that the requirement is imposed or the commitment or undertaking is enforced by an exercise of governmental authority of the Contracting Party;

Note: A "license contract" referred to in this subparagraph means any license contract concerning transfer of technology, a production process, or other proprietary knowledge.

- (i) to locate the headquarters of the investor for a specific region or the world market in its Territory;
- (j) to hire a given number or percentage of its nationals;
- (k) to achieve a given level or value of research and development in its Territory; or
- (l) to supply one or more of the goods that the investor produces or the services that the investor provides to a specific region or the world market, exclusively from its Territory.

2. The provisions of paragraph 1 do not preclude either Contracting Party from conditioning the receipt or continued receipt of an advantage, in connection with an investment or investment activities of an investor of the other Contracting Party in its Territory, on compliance with:



- (a) any requirement other than the requirements set forth in subparagraphs 1(a) through 1(e);
- (b) a requirement to locate production, supply or acquire a service, train or employ workers, construct or expand particular facilities, or carry out research and development, in its Territory; or
- (c) the requirements set forth in subparagraphs 1(a) and 1(b), when the requirements relating to the content of goods necessary to qualify for preferential tariffs or preferential quotas are imposed by an importing Contracting Party.

3. Subparagraphs 1(g) and 1(h) shall not apply when the requirement is imposed or the commitment or undertaking is enforced by a court of justice, administrative tribunal or competition authority to remedy an alleged violation of competition laws.

4. This Article does not preclude enforcement of any commitment, undertaking or requirement between private parties, where a Contracting Party did not impose or require the commitment, undertaking or requirement.

#### Article 7 Senior Management and Board of Directors

1. Neither Contracting Party may require that an enterprise of that Contracting Party that is an investment of an investor of the other Contracting Party appoint to senior management positions, or as senior executives, a natural person of any particular nationality.

2. Without prejudice to paragraph 1, a Contracting Party may require that a majority or less of the board of directors, or any committee thereof, of an enterprise of that Contracting Party that is an investment of an investor of the other Contracting Party be of a particular nationality, or a resident in the Territory of the former Contracting Party, provided that:

- (a) the requirement does not materially impair the ability of the investor to exercise control over its investment; and
- (b) the nationality of members of the board or committee required thereunder is not of any non-Contracting Party which does not maintain diplomatic relations with the latter Contracting Party.

Article 8  
Non-Conforming Measures

1. Articles 2, 3, 6 and 7 shall not apply to:
  - (a) any existing non-conforming measure that is maintained by the central government of a Contracting Party, as set out in the Schedule of each Contracting Party in Annex I;
  - (b) any existing non-conforming measure that is maintained by a local government of a Contracting Party;
  - (c) the continuation or prompt renewal of any non-conforming measure referred to in subparagraphs (a) and (b); or
  - (d) an amendment or modification to any non-conforming measure referred to in subparagraphs (a) and (b), provided that the amendment or modification does not decrease the conformity of the measure, as it existed at the date of the entry into force of this Agreement, with Articles 2, 3, 6 and 7.
2. Articles 2, 3, 6 and 7 shall not apply to any measure that a Contracting Party adopts or maintains with respect to sectors, sub-sectors or activities set out in its Schedule in Annex II.
3. Neither Contracting Party shall, under any measure adopted after the date of entry into force of this Agreement and covered by its Schedule in Annex II, require an investor of the other Contracting Party, by reason of its nationality, to sell or otherwise dispose of an investment that exists at the time the measure becomes effective.
4. In cases where a Contracting Party makes an amendment or a modification to any existing non-conforming measure set out in its Schedule in Annex I or where a Contracting Party adopts any new or more restrictive measure with respect to sectors, sub-sectors or activities set out in its Schedule in Annex II after the date of entry into force of this Agreement, the Contracting Party shall upon request by the other Contracting Party, as soon as possible thereafter, provide characteristics of the measure to the other Contracting Party and hold discussions in good faith with the other Contracting Party with a view to achieving mutual satisfaction.

5. Each Contracting Party recognizes the importance of reviewing from time to time the non-conforming measures specified in its Schedules in Annexes I and II exploring the possibility for the reduction or elimination of the non-conforming measures.

6. Articles 2 and 3 shall not apply to any measure covered by the exceptions to, or derogations from, obligations under Articles 3 and 4 of the TRIPS Agreement, as specifically provided in Articles 3 through 5 of the TRIPS Agreement.

7. Articles 2, 3, 6 and 7 shall not apply to any measure that a Contracting Party adopts or maintains with respect to government procurement.

8. The Contracting Parties confirm their understanding that, when a new sector, which does not exist at the time of the entry into force of this Agreement, emerges in a Contracting Party after the entry into force of this Agreement and that Contracting Party, therefore, wishes to amend the Annexes to this Agreement, the Contracting Parties shall, upon request by that Contracting Party, enter immediately into discussion with a view to amending the Annexes.

9. When considering an amendment to the Annexes to this Agreement, in accordance with paragraph 3 of Article 28, the Contracting Parties shall take into account the effect of the amendment with regard to investments of investors of the Contracting Parties. In the case of the absence of such effect, the Contracting Parties will enter immediately into discussions with a view to amending the Annexes.

10. The Contracting Parties confirm their understanding that any requirement for nationality or residency imposed or enforced through non-discriminatory application of their laws with regard to junior or middle-level employees shall not be regarded as a non-conforming measure to Article 2, 3 or 7.

11. The Contracting Parties confirm their understanding that this Agreement does not apply to immigration or migration matters, to measures that regulate the entry of natural persons of a Contracting Party into, or their temporary stay in, the Territory of the other Contracting Party, or to movement of natural persons.

Article 9  
Transparency

1. Each Contracting Party shall promptly publish, or otherwise make publicly available, its laws, regulations, administrative procedures, administrative rulings and court decisions of general application as well as international agreements which pertain to or affect the implementation and operation of this Agreement.

2. Each Contracting Party shall, upon request by the other Contracting Party, promptly respond to specific questions and provide that other Contracting Party with information on matters set out in paragraph 1.

3. Paragraphs 1 and 2 shall not be construed so as to oblige either Contracting Party to disclose confidential information, the disclosure of which would impede law enforcement or otherwise be contrary to the public interest, or which would prejudice privacy or legitimate commercial interests.

Article 10  
Special Formalities and Information Requirements

1. Nothing in Article 2 shall be construed to prevent a Contracting Party from adopting or maintaining a measure that prescribes special formalities in connection with investment activities of investors of the other Contracting Party in its Territory, such as compliance with registration requirements or requirements that investors be residents of the former Contracting Party, provided that such special formalities do not impair the substance of the rights of such investors under this Agreement.

2. Notwithstanding Articles 2 and 3, a Contracting Party may require an investor of the other Contracting Party or its investments to provide information concerning its investments solely for informational or statistical purposes. The Contracting Party shall protect such information that is confidential from any disclosure that would prejudice the competitive position of the investor of the latter Contracting Party or its investments. Nothing in this paragraph shall be construed so as to prevent a Contracting Party from otherwise obtaining or disclosing information in connection with the equitable and good-faith application of its law.

Article 11  
Expropriation and Compensation

1. Neither Contracting Party shall expropriate or nationalize an investment in its Territory of an investor of the other Contracting Party or take any measure equivalent to expropriation or nationalization (hereinafter referred to as "expropriation"), except:

- (a) for a public purpose;
- (b) in a non-discriminatory manner;
- (c) upon payment of prompt, adequate and effective compensation in accordance with paragraphs 2, 3 and 4;
- (d) in accordance with procedures established in national legislation of either Contracting Party and fundamental internationally recognized rules; and
- (e) provided that the investors affected have a right, under the law of the Contracting Party making the expropriation, to prompt review, by a judicial or other independent authority of that Contracting Party, of the legality of the expropriation and of the valuation of their investment, in accordance with the principles set out in this Article.

2. The compensation shall be equivalent to the fair market value of the expropriated investment immediately before the expropriation was publicly announced or immediately before the expropriation occurred, whichever is earlier. The fair market value shall not reflect any change in value occurring because the expropriation had become publicly known earlier.

3. The compensation shall be paid without delay and shall include interest at a commercially reasonable rate accrued from the date of expropriation until the date of payment and shall be effectively realizable and freely transferable.

4. Payments shall be made in a freely usable currency, and the compensation paid shall include interest, at a commercially reasonable rate for that currency, accrued from the date of expropriation until the date of payment.

5. This Article does not apply to authorization of a Contracting Party for use of intellectual property rights in accordance with the TRIPS Agreement.

Article 12  
Compensation for Losses or Damages

1. Each Contracting Party shall accord to investors of the other Contracting Party that have suffered loss or damage relating to their investments in the Territory of the former Contracting Party due to armed conflict or a state of emergency such as a revolution, insurrection, civil disturbance or any other similar event in the Territory of that former Contracting Party, treatment, as regards restitution, indemnification, compensation or any other settlement, that is no less favorable than that which it accords to its own investors or to investors of a non-Contracting Party, whichever is more favorable to the investors of the other Contracting Party.

2. Any payment as a means of settlement referred to in paragraph 1 shall be effectively realizable, freely transferable and freely convertible at the market exchange rate into freely usable currencies.

3. Neither Contracting Party shall be derogated from its obligation under paragraph 1 by reason of its measures taken pursuant to paragraph 2 of Article 15.

Article 13  
Subrogation

1. If a Contracting Party or its designated agency makes a payment to an investor of the Contracting Party pursuant to an indemnity, guarantee or insurance contract pertaining to an investment of that investor within the Territory of the other Contracting Party, that other Contracting Party shall recognize:

- (a) the assignment, to the former Contracting Party or its designated agency, of any right or claim of the investor in respect of such investment, that formed the basis of such payment; and
- (b) the right of the former Contracting Party or its designated agency to exercise by virtue of subrogation such right or claim to the same extent as the original right or claim of the investor.

2. The former Contracting Party or its designated agency shall be entitled in all circumstances to:

- (a) the same treatment in respect of the rights and claims acquired by it by virtue of the assignment referred to in paragraph 1; and
- (b) the same payments due pursuant to those rights and claims,

as the investor referred to in paragraph 1 was entitled to receive by virtue of this Agreement in respect of the investment.

#### Article 14 Transfers

1. Each Contracting Party shall allow all transfers relating to investments in its Territory of an investor of the other Contracting Party to be made freely into and out of its Territory without delay. Such transfers shall include, in particular, though not exclusively:

- (a) the initial capital and additional amounts to maintain or increase investments;
- (b) profits, interest, capital gains, dividends, royalties, fees or other current incomes accruing from investments;
- (c) payments made under a contract including loan payments in connection with investments;
- (d) proceeds of the total or partial sale or liquidation of investments;
- (e) earnings and remuneration of personnel from abroad who work in connection with investments in the Territory of the former Contracting Party;
- (f) payments made in accordance with Articles 11 and 12; and
- (g) payments arising out of a dispute.

2. Each Contracting Party shall further ensure that such transfers may be made without delay in freely usable currencies at the market exchange rate prevailing on the date of the transfer.

3. Notwithstanding paragraphs 1 and 2, a Contracting Party may delay or prevent a transfer through the equitable, non-discriminatory and good-faith application of its laws and regulations relating to:

- (a) bankruptcy, insolvency or the protection of the rights of creditors;
- (b) issuing, trading or dealing in securities, futures, options or derivatives;
- (c) criminal or penal offenses;
- (d) reporting or record keeping of transfers of currency or other monetary instruments when necessary to assist law enforcement or financial regulatory authorities; or
- (e) ensuring compliance with orders or judgments in adjudicatory proceedings.

Article 15  
General and Security Exceptions

1. Subject to the requirement that such measures are not applied by a Contracting Party in a manner which would constitute a means of arbitrary or unjustifiable discrimination against, or a disguised restriction on investors of the other Contracting Party and their investments in the Territory of the former Contracting Party, nothing in this Agreement shall be construed so as to prevent the former Contracting Party from adopting or enforcing measures:

- (a) necessary to protect human, animal or plant life or health;

Note: This exception includes environmental measures necessary to protect human, animal or plant life or health.

- (b) necessary to protect public morals or to maintain public order, provided that the public order exception may only be invoked where a genuine and sufficiently serious threat is posed to one of the fundamental interests of society;
- (c) necessary to secure compliance with the laws or regulations which are not inconsistent with the provisions of this Agreement including those relating to:
  - (i) the prevention of deceptive and fraudulent practices or to deal with the effects of a default on contract;



- (ii) the protection of the privacy of the individual in relation to the processing and dissemination of personal data and the protection of confidentiality of personal records and accounts; or
- (iii) safety;
- (d) imposed for the protection of national treasures of artistic, historic or archaeological value; or
- (e) relating to the conservation of living or non-living exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption.

2. Subject to paragraph 3 of Article 12, nothing in this Agreement shall be construed to prevent a Contracting Party from adopting or enforcing measures:

- (a) which it considers necessary for the protection of its essential security interests:
  - (i) taken in time of international or non-international armed conflict, or other emergency in that Contracting Party or in international relations; or
  - (ii) relating to the implementation of national policies or international agreements respecting the non-proliferation of weapons; or
- (b) in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.

#### Article 16 Temporary Safeguard Measures

1. A Contracting Party may adopt or maintain restrictive measures with regard to cross-border capital transactions as well as payments or transfers for transactions related to investments:

- (a) in the event of serious balance-of-payments and the external financial difficulties or threat thereof; or

- (b) in exceptional cases where movements of capital cause or threaten to cause serious difficulties for macroeconomic management, in particular monetary and exchange rate policies.
2. Restrictive measures referred to in paragraph 1 shall:
- (a) be applied in such a manner that the other Contracting Party is treated no less favorably than any non-Contracting Party;
  - (b) be consistent with the Articles of Agreement of the International Monetary Fund;
  - (c) not exceed those necessary to deal with the circumstances set out in paragraph 1;
  - (d) be temporary and be phased out progressively as the situation specified in paragraph 1 improves;
  - (e) be promptly notified to the other Contracting Party; and
  - (f) avoid unnecessary damages to the commercial, economic and financial interests of the other Contracting Party.
3. The Contracting Party which has adopted any measures under paragraph 1 shall, upon request, commence consultations with the other Contracting Party in order to review the restrictions adopted by it.

#### Article 17 Prudential Measures

1. Notwithstanding any other provisions of this Agreement, a Contracting Party shall not be prevented from taking measures relating to financial services for prudential reasons, including measures for the protection of investors, depositors, policy holders or persons to whom a fiduciary duty is owed by an enterprise supplying financial services, or to ensure the integrity and stability of its financial system.
2. Where the measures taken by a Contracting Party pursuant to paragraph 1 do not conform with this Agreement, they shall not be used as a means of avoiding the obligations of the Contracting Party under this Agreement.

Article 18  
Intellectual Property Rights

1. The Contracting Parties recognize their rights and obligations under the TRIPS Agreement, and promote efficiency and transparency in intellectual property protection system. For this purpose, the Contracting Parties shall promptly consult with each other at the request of either Contracting Party. Depending on the results of the consultation, each Contracting Party shall, in accordance with its laws and regulations, take appropriate measures to remove the factors which are recognized in the consultation as having adverse effects to the investments of investors of the other Contracting Party.

2. Nothing in this Agreement shall affect the rights and obligations of the Contracting Parties under multilateral agreements in respect of protection of intellectual property rights to which the Contracting Parties are parties.

3. Nothing in this Agreement shall be construed so as to oblige either Contracting Party to extend to investors of the other Contracting Party and to their investments treatment accorded to investors of a non-Contracting Party and to their investments by virtue of any existing or future bilateral or multilateral agreements in respect of protection of intellectual property rights, to which the former Contracting Party is a party, provided that the former Contracting Party complies with the TRIPS Agreement.

Article 19  
Taxation Measures

1. Nothing in this Section shall impose obligations with respect to taxation measures except as expressly provided in paragraph 3.

2. Nothing in this Agreement shall affect the rights and obligations of either Contracting Party under any tax convention. In the event of any inconsistency between this Agreement and any such convention, that convention shall prevail to the extent of the inconsistency.

3. Articles 4, 5, 9 and 11 shall apply to taxation measures.

Article 20  
Health, Safety and Environmental Measures  
and Labor Standards

Each Contracting Party recognizes that it is inappropriate to encourage investment activities of investors of the other Contracting Party and of a non-Contracting Party by relaxing its domestic health, safety, environmental and labor standards legislation.

Article 21  
Denial of Benefits

1. A Contracting Party may deny the benefits of this Agreement to an investor of the other Contracting Party that is an enterprise of such other Contracting Party and to investments of that investor if persons of a non-Contracting Party own or control the enterprise and the denying Contracting Party:

- (a) does not maintain diplomatic relations with the non-Contracting Party; or
- (b) adopts or maintains measures with respect to the non-Contracting Party or a person of the non-Contracting Party that prohibit transactions with the enterprise or that would be violated or circumvented if the benefits of this Agreement were accorded to the enterprise or to its investments.

2. For the purpose of this Article, an enterprise is:

- (a) "owned" by an investor if more than 50 percent of the equity interest in it is beneficially owned by the investor; and
- (b) "controlled" by an investor if the investor has the power to name a majority of its directors or otherwise to legally direct its actions.

Article 22  
Non Derogation

Nothing in this Agreement shall be construed so as to derogate from:

- (a) laws and regulations, administrative practices or procedures, or administrative or judicial decisions of either Contracting Party;

- (b) obligations under the international agreements which are in force between the Contracting Parties; or
- (c) obligations which either Contracting Party may have entered into with regard to investments made by an investor of the other Contracting Party,

that entitle investments and investment activities of investors of the Contracting Parties to treatment more favorable than that accorded by this Agreement.

## SECTION II DISPUTE SETTLEMENT

### Article 23

#### Settlement of Dispute between the Contracting Parties

1. Each Contracting Party shall afford adequate opportunity for consultation, through diplomatic channels, regarding any dispute with the other Contracting Party concerning the interpretation or application of this Agreement.
2. Any dispute between the Contracting Parties as to the interpretation and application of this Agreement, not satisfactorily adjusted by diplomacy in accordance with paragraph 1 within a period of six months from notification of the dispute, shall upon request by either Contracting Party be referred for decision to an arbitration board.
3. Unless otherwise provided for in this Article, or in the absence of an agreement between the Contracting Parties to the contrary, the UNCITRAL Arbitration Rules shall apply *mutatis mutandis* to the proceedings of the arbitration board. However, these rules may be modified by the Contracting Parties or modified by the arbitrators appointed pursuant to paragraph 4, provided that both Contracting Parties agree to the modification. The arbitration board may, for its part, determine its own rules and procedures.

4. Within 60 days from the date of receipt by either Contracting Party from the other Contracting Party of a note requesting arbitration of the dispute, each disputing party shall appoint an arbitrator. The two arbitrators shall select a third arbitrator who, upon approval by both Contracting Parties, shall be appointed as the Chairperson, provided that the third arbitrator shall not be a national of either Contracting Party. The Chairperson shall be appointed within 60 days from the date of appointment of the other two arbitrators. All arbitrators shall be nationals of States having diplomatic relations with both Contracting Parties. The UNCITRAL Arbitration Rules applicable to appointing members of three-member panels shall apply *mutatis mutandis* to other matters relating to the appointment of the arbitrators of the arbitration board provided that the appointing authority referenced in those rules shall be the Secretary-General of the Permanent Court of Arbitration at The Hague. If the Secretary-General is a national of either Contracting Party or otherwise prevented from discharging the said function, the Deputy Secretary-General shall be invited to make the appointment.

5. Unless otherwise agreed by the Contracting Parties, all submissions of documents shall be made and all hearings shall be completed within a period of 180 days from the date of selection of the third arbitrator. The arbitration board shall decide the dispute by a majority of votes in accordance with this Agreement and the rules of international law applicable to the subject matter, within 60 days from the date of the final submissions of documents or the date of the closing of the hearings, whichever is the later. Such decision shall be final and binding.

6. Each Contracting Party shall bear the cost of the arbitrator of its choice and its representation in the arbitral proceedings. The cost of the Chairperson of the arbitration board in discharging his or her duties and the remaining costs of the arbitration board shall be borne equally by the Contracting Parties.

Article 24  
Settlement of Investment Disputes  
between a Contracting Party and an Investor  
of the Other Contracting Party

1. In the event of an investment dispute between the claimant and the respondent, they should initially seek to resolve the dispute through consultation and negotiation, which may include the use of non-binding, third-party procedures.

2. In the event that an investment dispute cannot be settled by consultation and negotiation within six months from the date on which the claimant requested in writing the respondent for consultation and negotiation, the claimant may submit to arbitration under this Article a claim:

- (a) that the respondent has breached an obligation under Section I, except an obligation under Articles 9, 18 and 20; and
- (b) that the claimant has incurred loss or damage by reason of, or arising out of, that breach.

3. At least 90 days before submitting any claim to arbitration under this Article, a claimant shall deliver to the respondent a written notice of its intention to submit the claim to arbitration (hereinafter referred to as "notice of intent"). The notice of intent shall specify:

- (a) the name and address of the claimant;
- (b) for each claim, the provision of Section I alleged to have been breached and any other relevant provisions;
- (c) the legal and factual basis for each claim; and
- (d) the relief sought and the approximate amount of damages claimed.

4. Provided that six months have elapsed since the claimant requested in writing the respondent for consultation and negotiation, the claimant may submit a claim referred to in paragraph 2 to the arbitration:

- (a) under the ICSID Convention, provided that both Contracting Parties are parties to the ICSID Convention;
- (b) under the ICSID Additional Facility Rules, provided that either Contracting Party, but not both, is a party to the ICSID Convention;
- (c) under the UNCITRAL Arbitration Rules; or
- (d) if the disputing parties agree, under any other arbitration institution or arbitration rules.

5. A claim shall be deemed submitted to arbitration under this Article when the claimant's notice of or request for arbitration:

- (a) referred to in paragraph 1 of Article 36 of the ICSID Convention is received by the Secretary-General of ICSID;
- (b) referred to in Article 2 of Schedule C of the ICSID Additional Facility Rules is received by the Secretary-General of ICSID;
- (c) referred to Article 3 of the UNCITRAL Arbitration Rules, together with the statement of claim referred to in Article 20 of the UNCITRAL Arbitration Rules, is received by the respondent; or
- (d) under any other arbitration institution or arbitration rules selected under subparagraph 4(d) is received by the respondent, unless otherwise specified by such institution or in such rules.

6. (a) Each Contracting Party hereby consents to the submission of a claim to arbitration under this Article in accordance with this Agreement.

(b) The consent under subparagraph (a) and the submission of a claim to arbitration under this Article shall satisfy the requirements of:

- (i) Chapter II of the ICSID Convention or the ICSID Additional Facility Rules for written consent of the parties; and
- (ii) Article II of the New York Convention for an agreement in writing.

7. Notwithstanding paragraph 6, no claim may be submitted to arbitration under this Article if more than three years have elapsed from the date on which the claimant first acquired, or should have first acquired, knowledge of the breach alleged under paragraph 2 and knowledge that the claimant has incurred loss or damage.

8. No claim may be submitted to arbitration under this Article unless the claimant:

- (a) consents in writing to arbitration in accordance with the procedures set out in this Article; and



- (b) waives in writing any right to initiate or continue before any administrative tribunal or court of justice under the law of either Contracting Party, or other dispute settlement procedures, any proceedings with respect to any measure alleged to constitute a breach referred to in subparagraph 2(a) before any judgment or award has been delivered on the subject matter of the dispute under the abovementioned mechanisms.

9. The waiver provided pursuant to subparagraph 8(b) shall cease to apply where the arbitral tribunal rejects the claim on the basis of a failure to meet the requirements of paragraph 3, 4, 7 or 8, or on any other procedural or jurisdictional grounds.

10. Notwithstanding subparagraph 8(b), the claimant may initiate or continue an action that seeks interim injunctive relief that does not involve the payment of monetary damages before an administrative tribunal or court of justice under the law of the respondent.

11. An arbitral tribunal established under paragraph 4 shall decide the issues in dispute in accordance with this Agreement and applicable rules of international law.

12. In an arbitration under this Article, the respondent shall not assert, as a defense, counterclaim, right of setoff or otherwise, that the claimant has received or will receive indemnification or other compensation for all or part of the alleged damages pursuant to an insurance or guarantee contract.

13. The arbitral tribunal may award only:

- (a) a judgment whether or not there has been a breach by the respondent of any obligation under Section I with respect to the claimant and its investments; and
- (b) one or both of the following remedies, only if there has been such a breach:
  - (i) monetary damages and applicable interest; and
  - (ii) restitution of property, in which case the award shall provide that the respondent may pay monetary damages and any applicable interest, in lieu of restitution.

Without prejudice to the competence of the tribunal referred to in subparagraph (a), the arbitral tribunal shall not award a decision whether or not there has been a breach by the respondent of any obligation under the legislation of the respondent with respect to the claimant and its investments.

The arbitral tribunal may also award cost and attorney's fees in accordance with applicable arbitration rules.

14. The respondent may make available to the public in a timely manner all documents, including an award, submitted to, or issued by, an arbitral tribunal established under paragraph 4, subject to redaction of:

- (a) confidential business information;
- (b) information which is privileged or otherwise protected from disclosure under the laws and regulations of either Contracting Party;
- (c) information which shall be withheld pursuant to the relevant arbitration rules;
- (d) information the disclosure of which would impede law enforcement; and
- (e) information the disclosure of which it considers to be contrary to its essential security interests.

15. Unless the disputing parties agree otherwise, the place of arbitration shall be in a country that is a party to the New York Convention.

16. The award rendered by the arbitral tribunal shall be final and binding upon the disputing parties. This award shall be executed in accordance with the applicable laws and regulations, as well as relevant international law including the ICSID Convention and the New York Convention, concerning the execution of award in force in the country where such execution is sought.

## Article 25 Service of Documents

1. Notices and other documents relating to arbitration under this Section shall be served on a Contracting Party by delivery to:

- (a) with respect to Japan, Economic Affairs Bureau, the Ministry of Foreign Affairs; and
- (b) with respect to the State of Israel, International Affairs Department, the Ministry of Finance or its successors.

2. A Contracting Party shall promptly make publicly available and notify to the other Contracting Party any change to the name of the authority referred to in paragraph 1.

3. Each Contracting Party shall make publicly available the address of its authority referred to in paragraphs 1 and 2.

### SECTION III JOINT COMMITTEE

#### Article 26 Joint Committee

1. The Contracting Parties shall establish a Joint Committee (hereinafter referred to as "the Committee") with a view to accomplishing the objectives of this Agreement. The functions of the Committee shall be:

- (a) to discuss and review the implementation and operation of this Agreement;
- (b) to review the non-conforming measures maintained, amended or modified pursuant to paragraph 1 of Article 8 for the purpose of contributing to the reduction or elimination of such non-conforming measures;
- (c) to discuss the non-conforming measures adopted or maintained pursuant to paragraph 2 of Article 8 for the purpose of encouraging favorable conditions for investors of the Contracting Parties;
- (d) to exchange information on and to discuss investment-related matters within the scope of this Agreement which relate to improvement of investment environment;
- (e) to consider any issues raised by either Contracting Party concerning investment agreements; and

(f) to discuss any other investment-related matters concerning this Agreement.

2. The Committee may, as necessary, make appropriate recommendations by consensus to the Contracting Parties for the more effective functioning or the attainment of the objectives of this Agreement.

3. The Committee shall be composed of representatives of the Contracting Parties. The Committee may, upon mutual consent of the Contracting Parties, invite representatives of relevant entities other than the Governments of the Contracting Parties with the necessary expertise relevant to the issues to be discussed, and hold joint meetings with the private sectors.

4. The Committee shall determine its own rules of procedure to carry out its functions.

5. The Committee may establish sub-committees and delegate specific tasks to such sub-committees.

6. The Committee shall meet upon the request of either Contracting Party.

#### SECTION IV FINAL PROVISIONS

##### Article 27 Headings

The headings of the Sections and Articles of this Agreement are inserted for convenience of reference only and shall not affect the interpretation of this Agreement.

##### Article 28 Final Provisions

1. The Contracting Parties shall notify each other, in writing through diplomatic channels, of the completion of their respective internal procedures necessary for the entry into force of this Agreement. This Agreement shall enter into force on the 30th day after the latter of the dates of receipt of the notifications. It shall remain in force for a period of 10 years after its entry into force and shall continue in force unless terminated as provided for in paragraph 2.

2. A Contracting Party may, by giving one year's advance notice in writing to the other Contracting Party, through diplomatic channels, terminate this Agreement at the end of the initial 10 year period or at any time thereafter.

3. Upon the request of either Contracting Party, the Contracting Parties may agree on any amendment to this Agreement. Any amendment shall be approved by the Contracting Parties in accordance with their respective internal procedures and shall enter into force on such date as the Contracting Parties may agree, and shall thereafter constitute an integral part of this Agreement.

4. This Agreement shall also apply to all investments of investors of either Contracting Party made in the Territory of the other Contracting Party in accordance with the laws and regulations of that other Contracting Party prior to the entry into force of this Agreement.

5. In respect of investments made prior to the date of termination of this Agreement, the provisions of this Agreement shall continue to be effective for a period of 10 years from the date of termination of this Agreement.

6. This Agreement shall not apply to disputes arising out of events which occurred prior to its entry into force.

7. The Annexes to this Agreement shall form an integral part of this Agreement.

IN WITNESS WHEREOF, the undersigned, being duly authorized by their respective Governments, have signed this Agreement.

DONE, in duplicate at Tokyo, on this first day of February, 2017 in the English language.

FOR THE GOVERNMENT  
OF JAPAN ON BEHALF  
OF JAPAN:

FOR THE GOVERNMENT  
OF THE STATE OF ISRAEL  
ON BEHALF OF THE STATE  
OF ISRAEL:

岸田文雄

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