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**Recent developments in international  
investment agreements  
(2006 – June 2007)**

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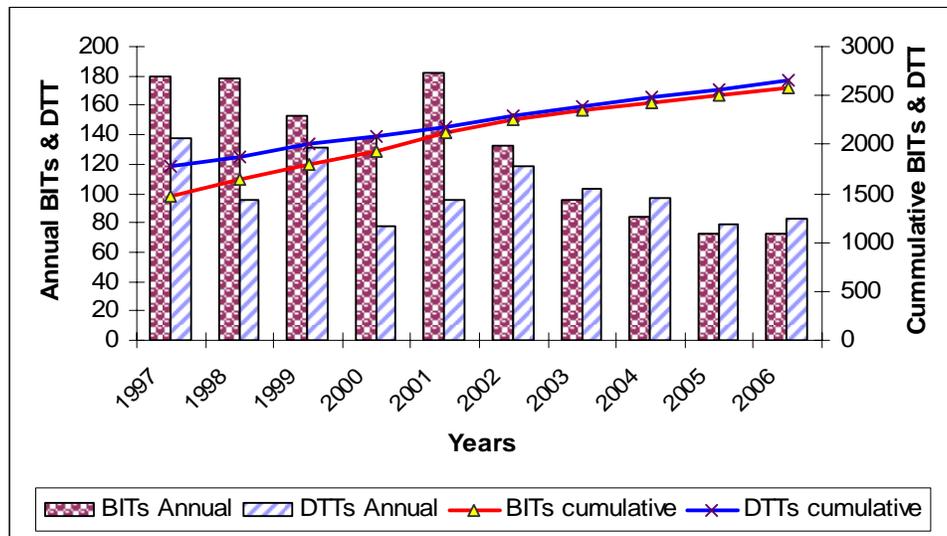
## Recent developments in international investment agreements (2006 – June 2007)<sup>1</sup>

The IIA universe continues to evolve into an increasingly complex and diverse patchwork.

### A. Bilateral investment treaties

Seventy-three new bilateral investment treaties (BITs) were concluded in 2006, bringing the total number of BITs to 2,573 at the end of 2006. The annual increase was similar to that in the previous year. In fact, the annual average increase has stabilized at approximately 75 BITs for the last three years (fig.1). The Republic of Korea leads with eight BITs signed in 2006 alone. Albania, Belgium-Luxembourg, Finland, Saudi Arabia and Spain have signed five BITs each.

**Figure 1. Number of BITs and DTTs concluded (cumulative total), 1997-2006**

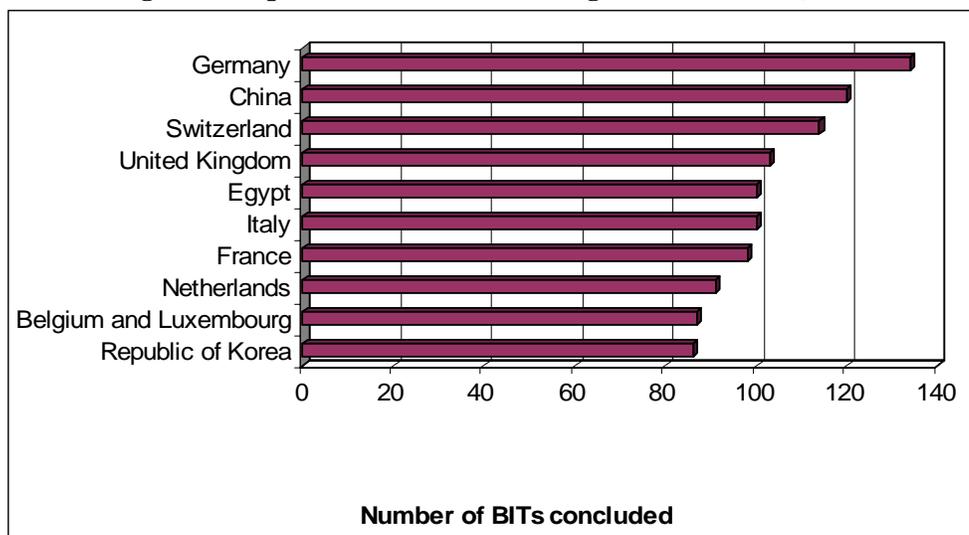


Source: UNCTAD.

Overall, Germany ranks first in terms of the total number of BITs concluded (134), followed by China (120) and Switzerland 114 (fig.2).

<sup>1</sup> This edition of the Monitor updates the information provided in the *World Investment Report 2007: Transnational Corporations, Extractive Industries and Development* (United Nations Sales publications, no. E.07.II.D.9).

**Figure 2. Top 10 economies that are signatories to BITs, end 2006**



Source: UNCTAD.

The participation of developing countries in the network of BITs continued to increase as they were involved in 60 of the 73 new agreements. Twenty-three of these BITs were concluded between developing countries. The total number of South–South agreements thus reached 680 by the end of 2006.

The trend towards the renegotiation of existing treaties gained further momentum with 13 BITs affected in 2006. Albania, Belgium-Luxembourg, Finland, Germany, the Republic of Korea and Romania renegotiated two BITs each in 2006. To date, a total of 109 BITs have been renegotiated. Germany is leading with 13 renegotiated agreements, followed by China and Morocco, with 12 renegotiated BITs each.

As far as geographical coverage is concerned, European countries (excluding South-East Europe and the Commonwealth of Independent States (SEE & CIS)) concluded the highest number of BITs, with 34 new agreements in 2006. With a total of 1,417 BITs concluded at the end of 2006, Europe also has the highest share (31 per cent) of total BITs (fig. 3).

During the same period, African countries concluded 21 BITs, bringing the cumulative number of BITs for the region to 685 –16 per cent of the worldwide total at the end of 2006. The most active African countries were Ethiopia and Morocco, with three new agreements, followed by Algeria and Madagascar, with two new BITs each.

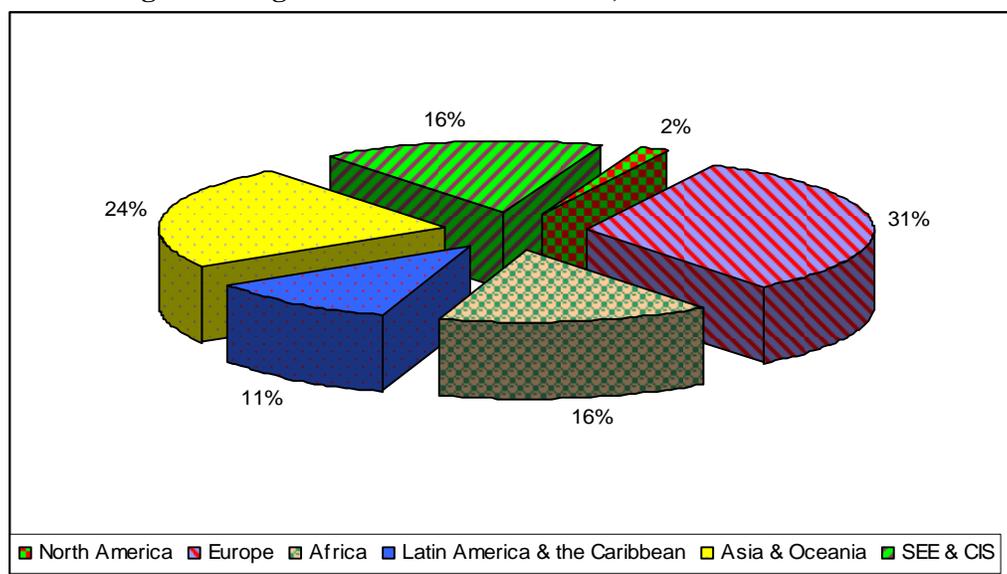
Countries from Asia and Oceania concluded 33 BITs in 2006. This brought the total number of BITs concluded by that region to 1,046 at the end of 2006, representing 24 per cent of the total BITs concluded. The Republic of Korea was the most active in the region, with eight new BITs in 2006. Saudi Arabia and India followed with five and four new BITs respectively in 2006.

Latin American and Caribbean countries concluded 13 new BITs. Guatemala and Mexico were the most active countries in the region, with three new BITs each during 2006. Peru has signed a new BIT with Canada based on the new Canadian model BIT. The number of Latin

American and Caribbean BITs totalled 482, representing 16 per cent of the total by the end of 2006.

The SEE & CIS countries signed 21 BITs during 2006. Albania set the pace in the region by concluding five new agreements, while Azerbaijan and Belarus signed three BITs each. This brought the total number of BITs concluded by SEE & CIS countries to 701, or 16 per cent of the total by the end of 2006.

**Figure 3. Regional distribution of BITs, total at the end of 2006**



Source: UNCTAD

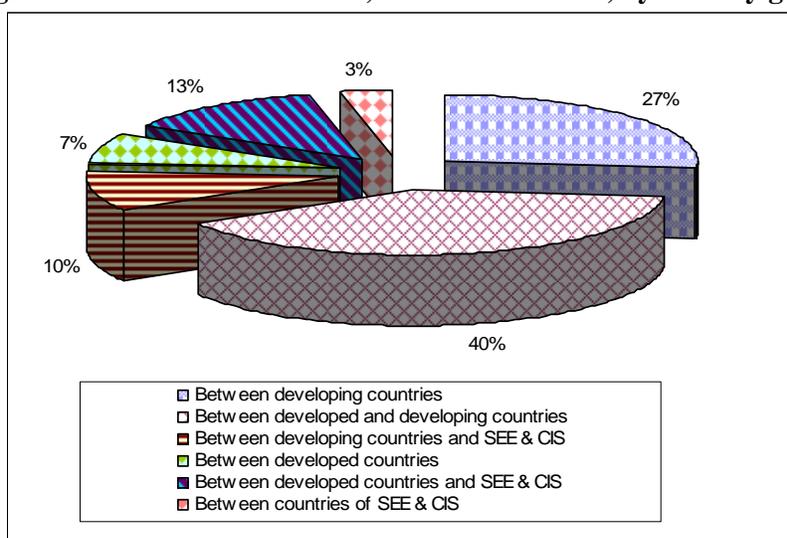
Note: The above figures reflect multiple counting (e.g. BITs concluded between countries from Asia and Africa are included in both regions).

In terms of country groups, the largest number of BITs continues to be concluded between developed and developing countries. While earlier agreements almost exclusively fell into this category, a growing number of BITs now involve two developing countries (fig. 4). In the last five years, the share of such agreements almost doubled (from 14 per cent to 27 per cent).

### ***BITs during the first half of 2007***

A preliminary survey during the first half of 2007 indicates that at least 15 new BITs have been concluded during this period. They involved twelve Asian developing countries, four African countries and two Latin American countries. India alone signed four BITs with African and Latin American countries to ensure conducive investment conditions for its investment abroad, confirming the trend of more South-South BITs. Countries of the Middle East as a group were involved in six of these BITs. With one additional agreement concluded during the period, Germany is still leading with a total of 135 BITs.

**Figure 4. Total BITs concluded, at the end of 2006, by country group**



Source: UNCTAD.

## B. Double taxation treaties

In 2006, 83 new DTTs were concluded, bringing the total number of DTTs to 2,651 by the end of 2006 (figure 1). During this period, the Republic of Korea was the most active country, concluding eight new DTTs, followed by Finland and Morocco, with six new agreements each.

In terms of regional coverage, African countries concluded 13 new DTTs in 2006, bringing the total number of DTTs concluded by the region to 438. South Africa, Egypt and Tunisia are among the most active in terms of the number of DTTs concluded.

Countries from Asian and Oceania were very active during this period, concluding 38 new DTTs. This brought the cumulative number for Asia to 990 by the end of 2006. The Republic of Korea ranked first in the region with eight DTTs, followed by Malaysia and Singapore, with five new DTTs each.

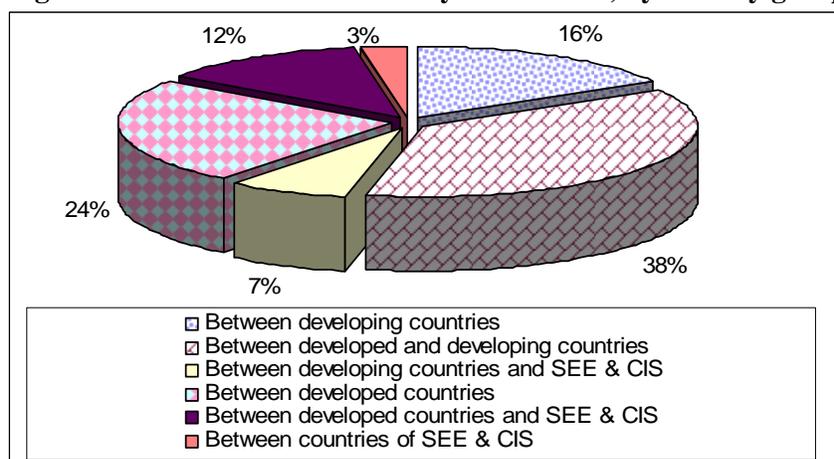
Latin American and Caribbean countries concluded nine new DTTs in 2006, bringing the total number to 316 DTTs by the end of 2006. The Bolivarian Republic of Venezuela was most active in 2006 with three new DTTs while Barbados and Mexico follow with two DTTs each.

SEE & CIS countries concluded 23 DTTs in 2006, bringing the total number of DTTs concluded by this region to 590. The former Yugoslav Republic of Macedonia and Moldova were the most active, concluding four new agreements each.

About 27 per cent of all DTTs concluded in 2006 were between developing countries, while 23 per cent were between developed and developing countries. This is an important development, since in the past DTTs were predominantly concluded between developed and developing countries. DTTs among developed countries accounted for only 20 per cent in 2006 (down from 29 per cent at the end of 2004).

The regional distribution of all DTTs concluded by the end of 2006 (by country group) remained more or less unchanged compared to 2005 (fig. 5). Almost 40 per cent of all DTTs have been concluded between developing and developed countries. However, the share of DTTs between developed countries is significantly higher than in the case of BITs, which may be explained by the fact that double taxation poses a greater threat in these countries than political risk.

**Figure 5. Total DTTs concluded by end of 2006, by country group**



Source: UNCTAD.

### ***Double taxation treaties during the first half of 2007***

According to preliminary data, at least 23 new DTTs were concluded in the first half of 2007. Developed countries dominated the conclusion of DTTs during this period, as they were involved in 18 agreements. Among them were Belgium, France, Japan and Switzerland with two DTTs each. The trend to renegotiate DTTs has been relatively strong with six renegotiated agreements, particularly among developed countries. When DTTs expire, countries often renegotiate the agreements with additional provisions covering broader economic activities.

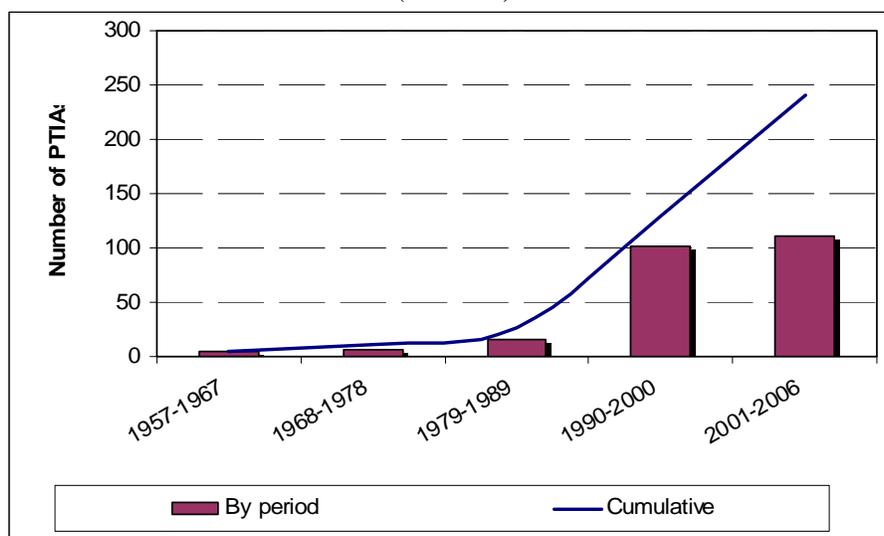
### **C. Preferential trade and investment agreements**

Preferential trade and investment agreements (PTIAs)<sup>2</sup> continue their rapid proliferation. During 2006, 18 new PTIAs were concluded, bringing the total number of these agreements to 241 at the end of 2006 (fig. 6, and annex). Among the developing regions, Asian countries were the most active, with 98 PTIAs concluded at the end of 2006, followed by Latin America with 69 agreements. SEE & CIS and African countries have concluded a total of 37 and 36 agreements respectively. The number of South South PTIAs also increased, to reach 91 agreements at the end of 2006.

<sup>2</sup> These agreements appear under a variety of names, for example free trade agreements (FTAs), closer economic partnership agreements (EPAs), regional economic integration agreements or framework agreements on economic cooperation. For a detailed analysis, see UNCTAD, *Investment Provisions in Economic Integration Agreements* (UNCTAD/ITE/IIT/2005/10).

While the total number of PTIAs is still small compared with the number of BITs (less than 10 per cent), it has nearly doubled over the past five years. In addition, at least 68 agreements involving 106 countries were under negotiation at the end of 2006. The more frequent use of these agreements demonstrates a trend towards a more integrated approach when dealing with interrelated issues in international investment rule-making. Among the treaties of this kind concluded in 2006 were the FTAs between the United States and Colombia, Oman, Panama, and Peru, and the Economic Partnership Agreement between Japan and the Philippines. These agreements establish, inter alia, binding obligations for the contracting parties concerning the admission and protection of foreign investment. The scope of the protection commitments in these FTAs is comparable to that found in BITs, including with regard to dispute settlement. 2006 also saw the conclusion of the new Central European Free Trade Agreement (CEFTA) consolidating more than 30 bilateral FTAs.

**Figure 6. The growth of PTIAs, 1957 – 2006**  
(Number)



Source: UNCTAD.

### *PTIAs during the first half of 2007*

Preliminary data show that between January and June 2007, at least 10 new PTIAs were concluded involving 29 countries (see annex). This brought their total number to 251 by June 2007. Japan has concluded four new comprehensive economic partnership agreements with investment chapters with Brunei Darussalam, Chile, Indonesia and Thailand. This confirms Japan's recent strategy of adopting an integrated approach to international trade and investment. The EFTA states continued to conclude FTAs with third parties, a free trade agreement with Egypt was signed that included provisions on investment promotion. At the same time, the United States has concluded an important free trade agreement with the Republic of Korea, while Costa Rica and Panama have signed a similar agreement. In a move towards strengthening the integration process of countries members of the Common Market for Eastern and Southern Africa (COMESA), the COMESA Common Investment Area was signed, with the objective of establishing a free investment area by 1 January 2010.

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**Annex**  
**Preferential trade and investment agreements concluded 2006 – June 2007**

Agreements signed in 2006	Scope of the investment provisions (a)
Free Trade Agreement between the United States and Oman	Substantive
Free Trade Agreement between the United States and Peru	Substantive
Free Trade Agreement between the United States and Colombia	Substantive
Free Trade Agreement between the United States and Panama	Substantive
Free Trade Agreement between Chile and Peru	Substantive
Free Trade Agreement between Chile and Colombia	Substantive
Free Trade Agreement between Chile and Panama	Substantive
Trade and Investment Framework Agreement between the United States and Rwanda	Framework
Trade and Investment Framework Agreement between the United States and Cambodia	Framework
Trade and Investment Framework Agreement between the United States and ASEAN	Framework
Trade and Investment Framework Agreement between the United States and Mauritius	Framework
Free Trade Agreement between Singapore and Panama	Substantive
Free Trade Agreement between Taiwan (Province of China) and Nicaragua	Substantive
Economic Partnership Agreement between Japan and Philippines	Substantive
Free Trade Agreement between China and Pakistan	Substantive
Association Agreement between the European Community and Albania	Substantive
The Central European Free Trade Agreement (CEFTA) and the Agreement on Amendment of and Accession to the Central European Free Trade Agreement	Substantive
Free Trade Agreement between Turkey and Albania	Investment promotion

Agreements signed January - June 2007	Scope of the investment provisions (a)
Trade and Investment Framework Agreement between the United States and Uruguay	Framework
Free Trade Agreement between EFTA and Egypt	Investment promotion
Agreement between Chile and Japan for a Strategic Economic Partnership	Substantive
Free Trade Agreement between the United States and the Republic of Korea	Substantive
Agreement between Thailand and Japan for a Strategic Economic Partnership	Substantive
Trade and Investment Framework Agreement between the United States and Liberia	Framework
Investment Agreement For the COMESA Common Investment Area	Substantive
Economic Partnership Agreement between Japan and Brunei Darussalam	Substantive
Free Trade Agreement between Costa Rica and Panama	Substantive
Economic Partnership Agreement between Japan and Indonesia	Substantive

(a) An agreement with a substantive scope of investment provisions establishes binding obligations for the contracting parties concerning the admission and protection of foreign investment. A framework scope establishes only a framework for cooperation between the contracting parties, and an investment promotion scope is limited to investment promotion

issues only. See UNCTAD, "International investment rule-setting: trends, emerging issues and implications" (TD/B/COM.2/73).

*Source:* UNCTAD