



The Canadian Chamber of Commerce in Japan
La Chambre de commerce du Canada au Japon
在日カナダ商工会議所

Policy Position Paper

Request for “Prompt Conclusion of a Canada-Japan Pension Agreement”

prepared by the
Social Policy Committee
of
The Canadian Chamber of Commerce in Japan

December 2002

Request for Canada-Japan Pension Reciprocity

Recommendation

The Canadian Chamber of Commerce in Japan (CCCJ) strongly recommends that the Canadian and Japanese governments immediately proceed to negotiate and conclude a bilateral pension reciprocity treaty.

Background

A bilateral pension agreement between Japan and Canada would provide significant benefits for both Japan and Canada in improving the overall bilateral investment climate by reducing some of the costs of investing and facilitating the freer flow of managerial and technical staff between the two countries.

Based on 2001 statistics, there are already more than 1,800 Japanese nationals who are working in Canada (not including some 3,992 working holiday visa holders) and some 2,294 Canadians working in Japan (not including working holiday and JET visas holders). Existence of a bilateral pension agreement would provide an immediate significant cost saving for the Japanese and Canadian firms employing these individuals, making it easier for further investment in both Japan and Canada. Indeed, based on MOF statistics, Canadian direct investment into Japan exceeded Japanese investment into Canada in 2000 and 2001, the first time in more than a decade. Significant Canadian investment is starting to flow into Japan, which could be further encouraged by the existence of a bilateral pension agreement.

To date, Japan has concluded two social security agreements and is reported to be negotiating an agreement with the United States. Given the free trade agreement between Canada and the US and the free flow of goods and people between the two countries, conclusion of a bilateral social security agreement with only the US would not be as beneficial for Japanese investors as having a bilateral agreement with both NAFTA partners. Canada has concluded bilateral social security agreements with over 40 countries and first began official discussions with Japan in April 1995; the CCCJ has been encouraging the conclusion of such an agreement since 1992. In September

1999, the joint Canada-Japan communiqué signed by Prime Ministers Jean Chrétien and Keizo Obuchi on the occasion of the Team Canada visit to Japan encouraged the exchange of information “with a view to considering the possibility of concluding a bilateral social security agreement.”

In May 2002, at the Canada-Japan Business Committee gathering chaired by Toyota chairman Hiroshi Okuda, a joint Canada-Japan private sector statement says: “We recommend that our governments launch strong efforts immediately to facilitate the movement of people between our two countries, of Canadians working in Japan and of Japanese working in Canada, through an equitable arrangement on social security.”

Actual case study shows significant and unnecessary duplicate pension payments, which would be eliminated with a pension reciprocity treaty. For Japanese working in Canada, a typical three-year expatriate assignment would result in about four thousand-dollar payments to the Canada Pension Plan, or about ¥320,000 at October 2002 rates. For Canadians working in Japan, the amount to be paid is greater still. Even taking into consideration the Japanese government’s lump sum foreigner pension refund, a three-year assignment in Japan requires average payment of over ¥2 million (or more than \$25,000) into the Japanese pension system. If a pension reciprocity treaty was in place, each assignee would only have to pay home-country pension payments, which would eliminate corporate costs and reduce administrative paperwork, and thus encouraging further investment and bilateral trade.

Conclusion

The CCCJ feels strongly that the conclusion of a bilateral pension reciprocity agreement between Japan and Canada will play a role in stimulating additional direct investment and technical and managerial personnel exchanges—both from Canada into Japan and from Japan into Canada—to the mutual benefit of both nations.

Attachments

- A: Historical Summary.
- B: Canada-Japan Case Study Example
- C: Statistical Summary
- D: Summary of CCCJ Position Paper

Committee Members

- Chair: Harold Archer
David Iwaasa
Les Lohmann
Neil Moody
Keith Walter

Abbreviations Used in This Paper

- CJBC: Canada-Japan Business Committee
EA: Employment Authorization (under the Immigration Act)
JAWHM: Japan Association of Working Holiday Makers
JEC: Canada-Japan Joint Economic Committee
JET Program: Japan English Teaching Program
JFTC: Japan Fair Trade Commission
HRDC: Human Resources Development Canada
MOFA: Ministry of Foreign Affairs
MHLW: Ministry of Health, Labour and Welfare (Japan)
MOJ: Ministry of Justice

Historical Summary

Pre-negotiations for a Canada-Japan Totalization and Social Security Agreement

- 1992 Apr.** **CCCJ Tax Committee** indicates Canada-Japan Pension reciprocity as key issue.
- 1994 Sept.** **CCCJ seminar** by Les Lohmann: “Social Security Issues for Canadian Expatriates: Canadian, Japanese Social Security and Tax Issues.”
- 1994 Nov.** **Japan pension legislation** change for foreigner lump sum pension refund.
- 1995 Apr.** **Canada-Japan Joint Economic Committee (JEC)**
Canada (HRDC) and Japan (MHLW) general agreement for working-level discussions.
- 1995 June** **Article in *The Canadian*** magazine, “Pension Reform,” by Heather Mackay.
- 1996 Mar.** **Canada (HRDC) visits Senior Minister** in Japanese government (MHLW)
Japan MHLW position for Germany treaty as top priority.
- 1996 Apr.** **Japan Three-year Foreigner Pension Refund Scheme** starts.
- 1998 Apr.** **Japan-Germany Pension Reciprocity Treaty** signed.
- 1998 Sept.** **Canada (HRDC) visit to Japan (MHLW)**
-Japan MHLW concludes Germany treaty
-MHLW puts Canada as No. 15 on priority list
- 1999 (Feb.)** **Japan-UK and Northern Ireland Pension Reciprocity Treaty** signed.
- 1999 Sept.** **Joint Prime Minister Communiqué** on Team Canada visit to Japan by Prime Minister Jean Chrétien and Prime Minister Keizo Obuchi.
- 1999 Sept.** **CCCJ Article** “Paying the Pension” by Jane McDonald.
- 2000 May** **Tokyo: 23rd Canada-Japan Business Committee (CJBC)**
Hiroshi Zaizen issues first CJBC private-sector joint statement on pension reciprocity.
- 2000 June** **USA-Japan Pension Treaty** request by JFTC Chairman Miyahara to US Ambassador Foley.
Source: www.jftc.or.jp/english/news/2001
- 2001 Dec.** **Canada-Japan Joint Economic Committee (JEC)**
Issue raised at JEC by Deputy Minister for Trade Leonard Edwards and model provisions of an agreement were passed to Japan.
- 2002 May** **Sendai: 25th Canada-Japan Business Committee (CJBC) statement**
Point 12: “We recommend that our governments launch strong efforts immediately to facilitate the movement of people between our two countries, of Canadians working in Japan and of Japanese working in Canada, through an equitable arrangement on social security.”
- 2002 Sept.** **Article in *Nikkei News*** on start of US-Japan pension treaty negotiations.

Canada-Japan Case Study Example Expatriate Double Pension Payments

Basic Details

Canada Pension Plan (CPP)	Maximum Contribution \$1,329.90/year (\$111.00/month) (matched employee/employer, 2001 rates) Year's maximum pensionable earnings: \$37,600.00 Less year's basic exemption: \$3,500.00 Maximum Contributory Earnings: \$34,100.00 Contribution Rate: 3.9% Source: www.yorku.ca/hr/ecs-hrms/cpp.html
Koei Nenkin (Japanese Welfare Pension Plan)	Maximum Contribution ¥1,572,564 per year 13.58% of regular wages and bonus payments (as of April 1, 2002)
Kiso Nenkin (Japanese National Pension Plan)	<i>Alternative to Koei Nenkin (not considered in this study)</i>

Example

Corporate Costs	Canada Case (Japanese working in Canada)	Japan Case (Canadian working in Japan)
1-year period	\$1,330 per year	¥1,341,155 per 13 months <¥594,615> lump-sum refund ¥746,540 paid (\$9,400*)
2-year period	\$2,660 per total 2-year assignment	¥2,595,560 per 25 months <¥1,196,800> lump-sum refund ¥1,398,760 paid (\$17,560*)
3-year period	\$3,990 per total 3-year assignment	¥3,605,670 per 34 months <¥1,527,940> lump-sum refund ¥2,077,730 paid (\$26,084*)
Reference: Working Holiday and JET Program	Working Holiday Visa 3,992 Japanese in Canada (2001 data for EA issuance per Canadian Embassy)	Working Holiday Visa 841 Canadians work in Japan (2001 JAWHM figure) JET Program 991 Canadians (2002 figure)** Limited lump sum refund possible

* Exchange rate as of October 28, 2002 = ¥79.65/CS ** Source: www.edmonton.ca.emb-japan.go.jp/english/JET

Notes: EA = Employment Authorization (under the Immigration Act) JAWHM: Japan Association of Working Holiday Makers (The Working Holiday Program is a reciprocal 12-month visa that, since 1986, allows young Japanese and Canadians to experience each other's cultures. JET Program = Japan English Teaching Program, through which English language assistants and coordinators are placed in communities throughout Japan.)

Note: Overseas-assigned employees personally pay "stay-at-home" taxes, pensions, etc. Therefore, the numbers above represent corporate expense and unnecessary extra cost of business only.

Conclusion

Significant duplicate payment pension payments are paid by both Canadians and Japanese.

Statistical Summary

Canadian and Japanese Expatriates as Related to a Totalization and Social Security Agreement

Visa Data		Canada (Japanese working in Canada)		Japan (Canadians working in Japan)	
Total Expatriate (working visa data)		EA Visa	W-Holiday Visa	Work Visas**	W-Holiday Visa*
	2001	1800	3992	2294	841
	2000	1679	4218	2488	772
	1995	1553	3500 (ceiling)	2340	896
	1990	1595	2995	1681	1356
Source:		Canadian Embassy (Tokyo EA issuance)		** MOJ summary work visa data * JAWHM (via MOFA)	

EA: Employment Authorization (under the Immigration Act) JAWHM: Japan Association of Working Holiday Makers
MOFA: Ministry of Foreign Affairs MOJ: Ministry of Justice W-Holiday: Working Holiday

International Pension Reciprocity Treaties

Japan Agreements with 2 countries	Canada Agreements with 42 countries (Source:www.hrdcdrhc.gc.ca)	
Germany (1998) UK, Northern Ireland (1999) <ul style="list-style-type: none"> • Negotiations with the US • Early-stage talks with France • Preliminary-stage talks with Belgium 	Antigua Barbuda Australia Austria Barbados Belgium Chile Croatia Cyprus Czech Republic Denmark Dominica Finland France Germany Greece Grenada Guernsey Hungary Iceland Ireland Israel Italy Jamaica Jersey Korea	Luxembourg Malta Mexico Morocco Netherlands New Zealand Norway Philippines Portugal St. Kitts and Nevis Saint Lucia Saint Vincent and the Grenadines Slovakia Slovenia Spain Sweden Switzerland Trinidad and Tobago Turkey UK USA Uruguay

Summary of the CCCJ Policy Position Paper on Canada-Japan Pension Reciprocity

Recommendation

The Canadian Chamber of Commerce in Japan (CCCJ) strongly recommends that the Canadian and Japanese governments immediately proceed to negotiate and conclude a bilateral pension reciprocity treaty.

Background

1. **General government consensus** has been reached for working-level discussions.

➔ **However, no working-level action** has started, and no progress has been made to date.

1995 Apr.	Canada-Japan Joint Economic Committee (JEC) Canada and Japan general agreement for working-level discussions.
1999 Sept.	Joint Prime Minister Communiqué on Team Canada visit to Japan by Prime Minister Jean Chrétien and Prime Minister Keizo Obuchi.

Note: A complete description is provided in Attachment A.

2. **Statistics** show importance of Canada-Japan relationship.

➔ **Important G8 Partners, significant trade, and expatriate assignee exchange**

	Trade	Notes
Canada	2001 Imports*	C\$14.6 billion
	2001 Exports*	C\$8.2 billion
	<ul style="list-style-type: none"> ✓ 1,800 Japanese work in Canada (2001) ✓ 34,085 Japanese live in Canada ✓ 538 Japanese affiliate companies employing about 35,000 people 	
	<ul style="list-style-type: none"> - G8 Partner with Japan - Japan is Canada's No. 2 trading partner - Japan is second-largest overseas assignee base for Cdn. expatriates 	
	Trade	Notes
Japan	2001 Imports**	¥941 billion
	2001 Exports**	¥797 billion
	<ul style="list-style-type: none"> ✓ 2,488 Canadians with working visas (2000) ✓ 8,000 Canadians live in Japan ✓ 60-70 Canadian companies 	
	<ul style="list-style-type: none"> - G8 Partner with Canada. - Canada is Japan's No. 12 trading partner (exports) - Canada is fourth-largest overseas assignee base for Jap. expatriates 	

* Source: Statistics Canada ** Source: MOFA

3. **Business inefficiency** clearly due to lack of Pension Reciprocity Treaty.

➔ **Need to eliminate double pension payments** and reduce administrative paperwork.

Corporate Cost * (dual country payments)	Canada Case (Japanese working in Canada)	Japan Case (Canadian working in Japan)
1-year Period	\$1,330 per year	¥1,341,155 per 13 months <¥594,615> lump sum refund ¥746,540 paid (\$9,400*)
2-year Period	\$2,660 per total 2-year assignment	¥2,595,560 per 25 months <¥1,196,800> lump sum refund ¥1,398,760 paid (\$17,560*)
3-year Period	\$3,990 per total 3-year assignment	¥3,605,670 per 34 months <¥1,527,940> lump sum refund ¥2,077,730 paid (\$26,084*)

* Oct 2002 rate. More detailed data in Attachment B.

4. International Social Security Agreements.

➔ Global standards are established for social security agreements.

Japan **Agreements with only 2 countries:** Germany (1998), UK, Northern Ireland (1999)

Note: Now negotiating with US and others based on a 15-country priority list

Canada **Agreements with 42 countries*:** Long history and smooth procedure established

* A listing of specific countries can be found in Attachment C.

Conclusion

The Canadian Chamber of Commerce in Japan (CCCJ) welcomes and encourages renewed emphasis at the working level on implementation of a Canada-Japan Social Security Agreement, which will be good for business, bilateral investment and trade.