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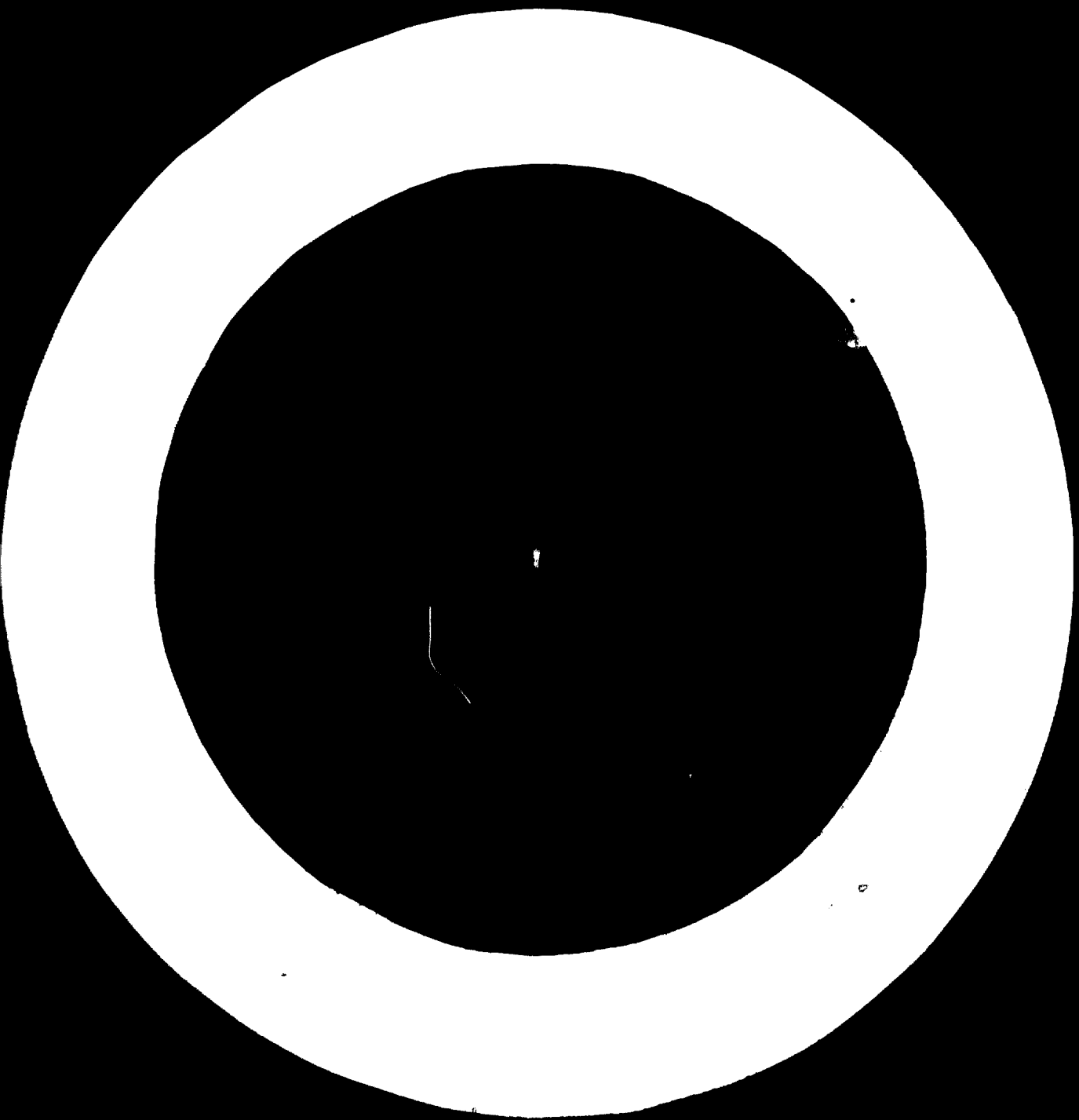
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THE CARTAGENA AGREEMENT

SUBREGIONAL INTEGRATION AGREEMENT

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THE CARTAGENA AGREEMENT

SUBREGIONAL INTEGRATION AGREEMENT

THE GOVERNMENTS OF Colombia, Bolivia, Chile, Ecuador and Perú,

INSPIRED in the Declaration of Bogota and in the Declaration of the Presidents of the Americas; and

BASED on the Treaty of Montevideo and Resolutions 202 and 203 (CM-II/VI-E) of the Council of Ministers of Foreign Affairs of the Latin American Free Trade Association (LAFTA) - Asociación Latinoamericana de Libre Comercio (ALALC);

AGREE, through their duly authorized plenipotentiary representatives, to celebrate the following:

SUBREGIONAL INTEGRATION AGREEMENT

CHAPTER I

OBJECTIVES AND MECHANISMS

Article 1.- The objectives of the present Agreement are to promote and encourage the balanced and harmonious development of the Member Countries, accelerate their development through economic integration, promote their participation in the process of integration as stipulated in the Treaty of Montevideo and to establish favourable conditions for the conversion of the LAFTA (ALALC) into a common market, with the aim of improving the living conditions and standards of the inhabitants of the Subregion.

Article 2.- The balanced and harmonious development should convey to an equitable distribution of the benefits derived from the integration of the Member Countries in order to reduce the differences existing between them. The results of said process should be evaluated periodically, taking into account, among other factors, its effects on the expansion of the total exports of each country, the status of its trade balance with the Subregion, the evolution of its gross territorial product, the creation of new working opportunities and the generation of capital.

**Article 3.-** In order to achieve the objectives of the present Agreement the following mechanisms and procedures will be used:

- a) The harmonization of economic and social policies and approximation of national legislations in the pertinent matters;
- b) The joint planification, the intensification of the industrial process of the Subregion and the execution of Sectorial Programs of Industrial Development;
- c) A program for the Liberation of Customs Tariffs more expeditious than the one to be adopted by LAFTA (ALALC);
- d) A Common Customs Tariff, which in its initial stage will be the adoption of a Common Minimum Customs Tariff;
- e) Programs prepared to expedite the development of the agrarian sector;
- f) The channeling of resources within and outside the Subregion in order to obtain the financial resources necessary in the process of integration;
- g) Physical integration; and
- h) Preferential treatment in favour of Bolivia and Ecuador.

**Article 4.-** For the better execution of the present Agreement the Member Countries will exert the necessary efforts with the aim of obtaining the best solutions to the problem of Bolivia's mediterranean status.

## CHAPTER II

### INSTRUMENTS OF THE AGREEMENT

**Article 5.-** The Commission and the Board are the principal instruments of the Agreement.

The auxiliary instruments are the Committees mentioned under Section C of this Chapter.

#### Section A - The Commission

**Article 6.-** The Commission is the maximum instrument of the Agreement and is constituted by a plenipotentiary representative of each Member Country

Each Government will appoint a nominal representative and an alternate representative.

The Commission will express its will through Decisions.

Article 7.- The Commission will be responsible for:

- a) Formulating the general policy of the Agreement and adoption of the necessary measures for the accomplishment of its objectives;
- b) Approval of the standards necessary to make possible the coordination of development plans and the harmonization of economic policies of the Member Countries;
- c) Nomination and replacement of Members of the Board;
- d) Issuing instructions to the Board;
- e) Delegate its responsibilities to the Board when considered convenient;
- f) Approve, disapprove or amend the proposals of the Board.
- g) Ensure the harmonious compliance of the obligations derived from the Agreement and from the Montevideo Treaty;
- h) Approve the Annual Budget of the Board and establish the contributions of each of the Member Countries;
- i) Dictate its own regulations and those of the Committees and approve the regulations and amendments of the Board;
- j) Propose to the Member Countries modifications to this Agreement; and
- k) To be acquainted with and solve all other matters of common interest.

In the fulfillment of its functions the Commission will give special consideration to the status of Bolivia and Ecuador in accordance with the objectives of the Agreement and of the preferential treatments established in their favor.

Article 8.- The Commission should promote the joint action of the Subregional Countries in connection with problems derived from international trade which may affect any one of them, and their participation in meetings or international organizations of economic nature.

Article 9 - The Commission will have a President who will remain in office for one year. Said office will be performed successively by each one of the Representatives, in accordance with the alphabetical order of their countries.

**Article 10.-** The Commission will meet three times a year. Extraordinary meetings will be held when convened by the President in compliance with petitions from any of the Member Countries or from the Board.

The meetings will be held at the Board's Headquarters or elsewhere. To be able to have a meeting the Commission must count with an attendance of at least two thirds of its Member Countries.

Attendance to the Commission's meetings is compulsory and non-attendance will be considered an abstention.

**Article 11.-** The Commission shall adopt its decisions with the affirmative vote of two thirds of the Member Countries. The following is excepted from this general rule:

- a) The matters included in Annex I of the present Agreement, on which the Commission shall adopt its Decisions by two thirds affirmative votes and without negative vote.

The Commission may incorporate new matters in the aforesaid Annex with the affirmative vote of two thirds of the Member Countries.

- b) In the cases enumerated in Annex II, the proposals of the Board must be approved by the favorable vote of at least two thirds of the Member Countries and with no negative vote. If a proposal receives the affirmative votes of two thirds of the Member Countries, but is subject to a negative vote, it should be returned to the Board for consideration of the causes that may have given rise to such negative vote. Within a period of not less than two months and not more than six, the Board will submit the proposal again to the consideration of the Commission, with the modifications it may deem opportuna, and this time the modified proposal will be considered approved if it receives the favourable vote of two thirds of the Member Countries and no negative vote, but not computing the negative vote of the Country that voted negatively on the previous occasion.
- c) Matters related to the special regime for Bolivia and Ecuador, which are enumerated in Annex III. In this case, the Decisions of the Commission shall be adopted by two thirds affirmative votes, so long as one of them shall be that of Bolivia or Ecuador; and
- d) The designation of the members of the Board, which shall be made unanimously.

**Article 12.-** The Commission must consider the propositions of the Board in all cases, and when taking a decision, it shall proceed in conformity with the rules established in Article 11.



Section 3 - The Board

Article 13.- The Board is the technical organ of the Agreement, shall be integrated by three members, and will act only in accordance with the interests of the Subregion as a whole. Each of its members shall remain in office for three years and may be reelected. In case of vacancy, the Commission shall proceed immediately to designate a replacement, who will also remain in office for three years.

Article 14.- The members of the Board must be nationals of any Latin American country, shall be responsible for their acts to the Commission; shall act in subjection to the common interests, shall abstain from any action incompatible with the character of their functions; may not undertake during their term in office any other professional activity, remunerated or not; and shall not solicit nor accept instructions from any Government, nor from any national or international entity.

Article 15.- It concerns the Board to:

- a) Supervise the application of the Agreement and the fulfillment of the Decisions of the Commission;
- b) Fulfill the commands of the Commission;
- c) Formulate to the Commission propositions destined to facilitate or accelerate the fulfillment of the Agreement, aiming towards achieving its objectives in the shortest possible time;
- d) Carry out the studies and propose the measures necessary for the application of the special treatments in favor of Bolivia and Ecuador, and in general, measures concerning the participation of these two countries in the Agreement;
- e) Participate in the meetings of the Commission, except when the latter considers it convenient to hold private meetings. However, the Board shall have the right to take part in the discussion of all its proposals in the Commission, and in particular in those referred to in letters c) and d);
- f) Evaluate annually the results of the application of the Agreement and the achievement of its objectives, paying special attention to the fulfillment of the principle of equitable distribution of the benefits of integration, and to propose to the Commission pertinent corrective measures of positive character;
- g) Carry out the technical studies which the Commission entrusts it and others which in its judgement may be necessary;
- h) Exercise the attributions which the Commission delegates to it;

- i) Perform the functions of Permanent Secretariat of the Agreement and maintain direct contact with the Governments of the Member Countries through the organism which each of them designates for this purpose;
- j) Draft its regulations and submit them or their modifications to the Commission for approval;
- k) Present to the Commission a draft of the annual budget;
- l) Prepare its annual work program, which shall include, preferential<sup>ly</sup>, the tasks which the Commission entrusts with;
- m) Present to the Commission an annual report of its activities;
- n) Propose to the Commission the organic structure of its technical departments and the modifications which it deems convenient;
- o) Contract and remove its technical and administrative personnel;
- p) Assign the execution of specific work to experts in these specific matters;
- q) Promote periodic meetings of the national organisms in charge of the formulation or execution of economic policy, and especially of those in charge of planning; and
- r) Exercise the other attributions which this Agreement expressly confers on it;

Article 16.- In contracting its technical and administrative personnel, who may be of any nationality, the Board shall take into account solely the suitability, competence and honorability of the candidates, and it shall endeavour to achieve, insofar as is compatible with these criteria, as wide a geographic distribution within the Subregion as possible in filling the posts.

Article 17.- The Board shall express itself by unanimity in all its acts, but it may bring to the consideration of the Commission alternative proposals, also approved by unanimity.

Article 18.- The Board shall function permanently and its headquarters will be designated by the Governments of Member Countries, at the time they deem convenient, upon the signature of the present Agreement.

#### Section C - The Committees

Article 19.- The Consulting Committee is the organ through which the Member Countries shall maintain a close connection with the Board. It will

be integrated by representatives of all Member Countries, who may attend the meetings accompanied by their advisors.

Article 20.- The Consulting Committee shall meet at the headquarters of the Board, when convened by the latter or by the President of the Commission at the request of any Member Country.

Article 21.- It shall correspond to the Consulting Committee to:

- a) Advise the Board and collaborate in the fulfillment of its tasks when the latter so requires; and
- b) Analyze the proposals of the Board before their consideration by the Commission, when the latter so requests.

The opinions of the members of the Committee shall be stated in reports which shall be submitted to the consideration of the Commission and the Board.

Article 22.- There shall be an Economic and Social Advisory Committee integrated by representatives of the entrepreneurs and workers of the Member Countries. The Commission, within the first year of the Agreement, shall establish its composition, the procedure for integrating it, and set its functions.

#### Section D - Solution of Controversies

Article 23.- It shall correspond to the Commission to carry out the procedures of negotiation, good will mediation and conciliation that may be necessary when discrepancies arise over the interpretation or execution of the present Agreement or over the Decisions of the Commission. If no agreement is reached, the Member Countries shall subject themselves to the procedures established in the "Protocol for the Solution of Controversies" signed in Asuncion on September 2, 1967, by the Foreign Ministers of the Contracting Parties of the Treaty of Montevideo.

For the purposes contemplated in the third clause of Article 16 of that Protocol, the Member Countries declare that it shall cover all matters included in the present Agreement and in the Decisions of the Commission.

For the purposes of Article 36 of the said Protocol, the Member Countries commit themselves to take steps to attain its ratification as rapidly as possible.

#### Section E - Coordination with the Andean Development Corporation

Article 24.- In addition to the functions indicated in Articles 7 and

15, it shall concern the Commission and the Board to maintain close contact with the Directory and Executive President of the Andean Development Corporation, in order to establish adequate coordination with the activities of the latter, and to facilitate in this way the achievement of the objectives of the present Agreement.

### CHAPTER III

#### HARMONIZATION OF ECONOMIC POLICIES AND COORDINATION OF DEVELOPMENT PLANS

Article 25.- The Member Countries shall adopt a strategy for the development of the Subregion with the following fundamental goals:

- a) To accelerate economic development of the Member Countries in conditions of equity;
- b) To increase the employment opportunities;
- c) To improve the position of the Member Countries and of the Subregion as a whole from the viewpoint of foreign trade and the balance of payments;
- d) To overcome the problems of infrastructure which presently limit economic development;
- e) To reduce the existing disparities of development among the Member Countries and
- f) To obtain greater benefits from scientific and technical achievements and to promote research in these fields.

Article 26.- The Member Countries shall initiate immediately a process of coordination of their development plans in specific fields, and to harmonize their economic and social policies, with an aim to achieve a regime of joint planning for the integrated development of the area.

This process shall be fulfilled parallelly and in coordination with the formation of the subregional market, through the following mechanisms, among others:

- a) A regime of industrial programming;
- b) A special regime for agriculture;
- c) Planning of physical and social infrastructure;

- d) Harmonization of exchange, monetary, financial and fiscal policies, including the treatment of subregional or outside capitals
- e) A common commercial policy confronting their countries; and
- f) Harmonization of planning methods and techniques.

Article 27.- Before December 31, 1970, the Commission, at the proposal of the Board, shall approve and submit for consideration of the Member Countries a common regime for treatment of foreign capital, and, among other things, for trademarks, patents, licenses and royalties. The Member Countries commit themselves to adopt the provisions that may be necessary in order to put this regime into practice within six months following its approval by the Commission.

Article 28.- Before December 31, 1971, the Commission, at the proposal of the Board, shall approve and propose to the Member Countries a uniform system governing multinational enterprises.

Within the same term the Commission, at the proposal of the Board, shall approve the directives that will serve as a basis for the harmonization of the Member Countries' legislations on industrial promotion.

The Member Countries commit themselves to adopt the provisions that may be necessary in order to put into practice this harmonization within six months following its approval by the Commission.

Article 29.- The Commission, at the proposal of the Board and by December 31, 1970, at the latest, shall establish the procedure and mechanisms of permanent character which may be necessary to achieve the coordination and harmonization dealt with in Article 26.

Article 30.- The Commission, at the proposal of the Board, shall agree on a program of harmonization of the Member Countries' instruments and mechanisms for regulation of foreign trade, which shall be put into effect by them before December 31, 1972. Excepted from this is the Common external Tariff, which will be governed by the provisions of Chapter VI.

Article 31.- In their national development plans and in the formulation of their economic policies, the Member Countries shall include the measures necessary to ensure fulfillment of the preceding articles.

#### CHAPTER IV

#### INDUSTRIAL PROGRAMMING

Article 32.- The Member Countries commit themselves to undertake a process of industrial development of the Subregion, through joint programming in order to achieve the following objectives, among others:

- a) A greater expansion, specialization and diversification of industrial production;
- b) Maximum utilization of the resources available in the area;
- c) The improvement of productivity and the effective use of the production factors;
- d) The advantageous use of scale economics; and
- e) The equitable distribution of benefits.

Article 33.- For the purposes indicated in the preceding Article, the Commission, at the proposal of the Board, shall approve Sectorial Programs of Industrial Development which shall be carried out jointly by the Member Countries.

Article 34.- The Sectorial Programs of Industrial Development should contain clauses on:

- a) Determination of the products covered by the Program;
- b) Joint programming of new investments on a subregional scale and measures to assure their financing;
- c) Location of plants in the countries of the Subregion;
- d) Harmonization of policies in the aspects that bear directly on the Program;
- e) Programs of trade liberation, which may contain different rhythms for different countries or products, and which in any case assure free access of the respective products to the subregional market;
- f) Common external tariff; and
- g) The periods during which the rights and obligations emanating from the Program should be maintained in the event of denunciation of the Agreement.

Article 35. The Board should propose to the Commission, in each case, the complementary measures that may be indispensable to facilitate the fulfillment of the respective Program, and in particular those that are necessary to assure the installation of the plants that are assigned in accordance with letter c) of the preceding article and the effective exploitation of the subregional market by such plants.

Article 36.- For the existing industries in the Subregion whose products are not incorporated in Sectorial Programs of Industrial Development, the Commission, at the proposal of the Board, shall promote programs directed towards rationalizing the production of goods on the basis of the

criteria indicated in Article 32, in the cases in which, in its judgement, this may be possible and convenient for the objectives of the Agreement.

The Board shall present to the Commission, at least once a year, proposals concerning the Programs referred to in this Article.

Article 37.- For the purposes of the preceding article, the Board shall take into account the following factors, among others:

- a) The installed capacities of the existing plants;
- b) The necessities of financial and technical assistance for the installation, expansion, modernization or conversion of industrial plants;
- c) The requirements of training of manpower;
- d) The possibilities of agreements for horizontal specialization among enterprises of the same industrial branch; and
- e) The perspectives for the establishment of joint systems of commercialization, technological research, or other forms of cooperation, among similar enterprises.

The Member Countries will hold systematic consultations within the Commission, with the participation of the Board, concerning their investment programs in the industries to which this article refers.

Article 38.- The Commission, at the proposal of the Board, may recommend the establishment of multinational enterprises for the installation, expansion or complementation of certain industries. Such enterprises, among other ends, should tend toward a more effective exploitation of the investment opportunities afforded by the enlarged market, a better ordering and utilization of the productive resources of the Subregion, and the strengthening of its capacity to negotiate for the collaboration of external capital and the transfer of technology.

Article 39.- When the Board deems it convenient, and always in its annual evaluations, it shall propose to the Commission the measures it considers indispensable to assure the equitable participation of the Member Countries in the Sectorial Programs, and in the fulfillment of their objectives.

Article 40.- It shall correspond to the Commission to maintain an adequate coordination with the Andean Development Corporation and to arrange the collaboration of any other national or international institutions whose technical and financial contribution it deems convenient in order to:

- a) Expedite the coordination of policies and the joint programming of investments;
- b) Channel a growing volume of financial resources toward the solution

of the problems which confronts the integration process of the Member Countries;

- c) Promote the financing of specific projects which are adopted in fulfillment of the Sectorial Programs of Industrial Development; and
- d) Expand, modernize or convert industrial plants which may be adversely affected by the liberation of trade.

#### CHAPTER V

#### PROGRAM OF TRADE LIBERATION

Article 41.- The object of the Program of Trade Liberation is to eliminate the charges and restrictions of all types which fall on the importations of products originating in the territory of any Member Country.

Article 42.- By charges is meant customs duties and any other charges of equivalent effect, whether of a fiscal, monetary or exchange character, which affect imports. Not included in this concept are fees and similar charges that correspond to the approximate cost of services performed. By "restrictions of all types" it is meant any measure of administrative, financial or exchange character, through which a Member Country hinders or makes imports difficult, by unilateral decision. Not included in this concept are the situations provided for in Article 53 of the Treaty of Montevideo.

Article 43.- For the purpose of the preceding article, the Board, either officially or at the request of a party, shall determine, the cases in which it may be necessary, whether a measure adopted unilaterally by a Member Country constitutes a "charge" or a "restriction".

Article 44.- In matters of taxes, fees and other internal charges, the provisions of Article 21 of the Treaty of Montevideo shall apply.

Article 45.- The liberation Program shall be automatic and irrevocable and shall include the universality of products, to arrive at their total liberation by December 31, 1980, at the latest.

This program shall apply in its different forms to:

- a) Products covered by Sectorial Programs of Industrial Development;
- b) Products included or which may be included in the Common List described in Article 4 of the Treaty of Montevideo;
- c) Products which are not produced in any country of the Subregion, included in the corresponding list; and



d) Products not included in the preceding letters.

Article 46.- Restrictions of all types will be eliminated by December 31, 1970, at the latest.

Excepted from the preceding norm are the restrictions applying to products reserved for Sectorial Programs of Industrial Development, which shall be eliminated when their liberation is initiated in conformance with the respective program or according to the provisions of Article 53.

Bolivia and Ecuador will eliminate their restrictions of all types at the moment when they initiate the fulfillment of the Program of Liberation for each product, in accordance of the Program of Liberation for each product, in accordance with the procedures established in Article 100, but they may replace these with charges that do not exceed the lowest level indicated in Article 52 a) in which case they will do so for imports both from the subregion and from outside it.

Article 47.- Within the period indicated in the preceding article, the Commission, at the proposal of the Board, shall determine the products which will be reserved for Sectorial Programs of Industrial Development. Before December 31, 1973, the Commission, at the proposal of the Board, shall approve Sectorial Programs of Industrial Development with respect to the products reserved in concurrence with the preceding paragraph.

If at the expiration of the said period the Board finds it possible to propose Programs with respect to products reserved but not yet included in the Programs already adopted, the period mentioned shall be extended until December 31, 1975.

Article 48.- The Commission, at the proposal of the Board and at any time, shall adopt new Sectorial Programs of Industrial Development and shall determine the pertinent norms, taking into account the experience obtained in the application of Chapter IV and considering the importance of industrial programming as a fundamental mechanism of the Agreement.

Article 49.- The products included in the first section of Common List, dealt with in Article 4 of the Treaty of Montevideo, shall be totally exempted from charges and restrictions of all types, 180 days upon effectiveness of this Agreement.

Before December 31, 1971, the Commission, at the proposal of the Board, shall establish the Liberation Program applicable to the products which may be included in the remaining sections of the Common List.

Article 50.- Before December 31, 1970, the Commission, at the proposal of the Board, shall prepare a list of products which are not produced by any country of the Subregion and which have not been reserved for Sectorial Programs of Industrial Development, and will select those which should be reserved to be produced by Bolivia and Ecuador, establishing with respect to the

latter the conditions and time of reservation.

The products included in this list shall be totally exempted from charges on February 28, 1971. The liberation of the products reserved to be produced in Bolivia or Ecuador will benefit exclusively these countries.

Notwithstanding the above, the Board, within the period indicated in the first paragraph of this article, may propose to the Commission the assignment of some products, of the said list, in favor of Colombia, Chile and Peru. The country benefited by the assignment, will liberate the concerning products in the manner established in Article 52.

If, after four years from the date on which the assignment was made, the Board finds that the country favored with it has not initiated the corresponding production, or that the project is not in the course of execution, the effects of the assignment will cease from that moment and the benefited country will proceed to liberate immediately the respective product.

Article 51.- At any moment after the end of the period indicated in the second paragraph of the preceding article, the Commission, at the proposal of the Board, may include new products in the list to which the first paragraph of the preceding article refers. Such products shall be liberated from charges 60 days after the date in which their inclusion in the list is approved.

When the Board considers it technically and economically feasible, it shall propose to the Commission the reservation of part of the new products to be produced in Bolivia and Ecuador, and shall establish with respect to them the terms and conditions of the reservation.

Article 52.- The products not included in Articles 47, 49 and 50 will be liberated of charges in the following manner:

- a) The starting basis will be the lowest charge in force for each product in any of the national customs tariffs of Colombia, Chile and Perú or in their National Lists on the date of signature of the Agreement. The aforesaid charge may not exceed 100% ad-valorem on the c.i.f. price of the goods.
- b) On December 31, 1970, all charges which are above the level indicated in the preceding point shall be reduced to the said level; and
- c) The remaining charges shall be eliminated through annual reductions of 10% in order to reach total liberation by December 31, 1980.

Article 53.- The products which having been selected for sectorial Programs of Industrial Development, had not been included in them within the terms contemplated in Article 47, will meet the requirements of the Liberation Program in the following manner:

- a) In the case of products which are not produced in any country of the Subregion, they will be tax relieved on December 31, 1973, or Decem-

ber 31, 1975, as the case may be. Notwithstanding this the Commission, at the proposal of the Board, should select some of these products to be produced in Bolivia and Ecuador, establishing the conditions and terms of the reservation; and

- b) In the case of products covered by the regime of Article 52, which should be tax relieved on December 31, 1973, the percentage of reduction of charges shall be adjusted to the time remaining to complete the period stipulated in Article 45; those which should begin their liberation on December 31, 1975, shall do so through five annual reductions of 5%, 10%, 15%, 30% and 40%, respectively.

In any case, the Member Countries may agree to a selective removal of charges on these products, should this be more expeditious.

If the Board excludes some products from the mentioned reserve before December 31, 1975, they will be from that moment subject to the Liberation Program which corresponds to them in accordance with indentures a) and b) of this article.

Article 54.- The Member Countries shall abstain from modifying the levels of charges and from introducing new restrictions of any type on imports of products originating from the Subregion, if such action would signify a situation less favorable than that existing upon the effectiveness of this Agreement.

Excepted from this norm are the modifications which Bolivia and Ecuador would introduce in their customs tariffs to rationalize their instruments of commercial policy, with the aim of assuring the initiation or expansion of certain productive activities in their territories. These exceptions will be qualified by the Board and authorized by the Commission.

Also excepted from this norm are the alterations in charges that may result from the replacement of restrictions by charges referred to in Article 46.

Article 55.- Until December 31, 1970, each of the Member Countries may present to the Board a list of products which are presently produced in the Subregion, in order to except them from the Liberation Program and from the process of establishing an External Tariff. Such lists may not contain products of the Common List; those of Colombia and Chile may not cover products that are included in more than 250 items of the NABALALC; that of Peru may not exceed 450 items. If any country has not delivered its lists to the Board within the period indicated, it will be understood to renounce the right conferred in this article.

Until November 30, 1970, the Commission, at the proposal of the Board, may modify the number of items to which the preceding paragraph refers.

The products included in the lists of exceptions shall be totally exempted of charges and other restrictions, and supported by a Common External

Tariff, by December 31, 1985, at the latest.

Notwithstanding the aforesaid, Peru shall reduce the number of items on its exceptions list to 350 on December 31, 1974, and to 250 on December 31, 1979. The products that Peru eliminates from its exceptions list in conformance to this article shall enter the Liberation Program and adopt the External Tariff at the levels corresponding on the dates mentioned above.

In any case the Board may authorize the maintenance of some exceptions beyond the term of 16 years referred to above, with respect to very qualified cases, establishing the period of postponement and the conditions of their future liberation. This postponement may not exceed four years, nor may the number of exceptions be more than 20 items.

Article 56.- The incorporation of a product by a Member Country into its lists of exceptions will prevent it from enjoying for that product the advantages derived from the Agreement.

A Member Country may withdraw products from its list of exceptions at any moment. In such a case, it will be adjusted immediately to the Liberation Program and the External Tariff in force for such products, at the levels which correspond to it, and will simultaneously enter into the enjoyment of the respective advantages.

In duly qualified cases, the Board may authorize a Member Country to incorporate into its exceptions list products which, having been reserved for Sectorial Programs of Industrial Development, were not programmed.

In no case may this incorporation signify an increase in the number of corresponding items.

Article 57.- The Board should contemplate the possibility of incorporating the products which the Member Countries have on their exception lists into the Sectorial Programs of Industrial Development.

Similarly, in the programs which may be adopted in fulfillment of Articles 36 and 37, in relation to existing industries, priority will be given to those industries whose products figure on the exception lists, with the aim of preparing them as soon as possible to face Subregional competition.

For the purposes contemplated in the preceding clauses, the interested countries shall communicate to the Board their intention to participate and shall withdraw the product from their exceptions list in accordance with what is established in the respective program.

During the second half of 1974, the Member Countries shall hold negotiations with the aim of seeking formulas that permit the gradual liberation of the products included in the exception lists within the period terminating December 31, 1985.

Article 58.- The inclusion of products in the exception lists shall not affect exports of products originating in Bolivia or Ecuador which have been the object of significant trade between the respective country and Bolivia or Ecuador during the last three years, or which have assured prospects of significant trade in the immediate future.

The same shall apply to the future, in relation to those products originating in Bolivia or Ecuador which are included in the exceptions list of any Member Country, and with respect to which, assured and immediate prospect develop for exports from Bolivia or Ecuador to the country which has excepted them from the liberation of trade.

It shall correspond to the Board to determine when significant trade has existed or if there are assured prospects that they may be exported from Bolivia or Ecuador to the countries which have excepted them from the liberation of trade.

It shall correspond to the Board to determine when significant trade has existed or that there are assured prospects that it may exist.

Article 59.- The Member Countries will endeavor to concert jointly Complementation Agreements with the other Contracting Parties of LAFTA in their production sectors which may be so inclined, in conformance with the provisions of the Treaty of Montevideo and their respective provisions.

Article 60.- The commitments which may be adopted in conformance with the Treaty of Montevideo in fulfillment of the Program of Trade Liberation of LAFTA, will prevail over the provisions of the present Chapter, insofar as they may be more advanced than the latter.

## CHAPTER VI

### COMMON EXTERNAL TARIFF

Article 61.- The Member Countries commit themselves to enforce a Common External Tariff by December 31, 1980, at the latest.

Article 62.- Before December 31, 1973, the Board shall draft a project of Common External Tariff and submit it within the two following years.

On December 31, 1976, the Member Countries will begin an approaching process to the Common External Tariff charges on imports outside the Subregion, on their national customs tariffs, in an annual, automatic and lineal manner, reaching full effectiveness on December 31, 1980.

Article 63.- Before December 31, 1970, the Commission shall approve, at the proposal of the Board, a Common Minimum External Tariff, whose main objectives will be to:

- a) Establish an adequate protection for subregional production;
- b) Create progressively a subregional margin of preference;
- c) Facilitate the adoption of the Common External Tariff; and
- d) Stimulate the efficiency of subregional production.

Article 64.- On December 31, 1971, the Member Countries will begin approaching the charges levied to imports from outside the Subregion to those established in the Common Minimum External Tariff, in those cases where they are inferior to the latter, and will complete this process through annual, lineal and automatic adjustments reaching full application on December 31, 1975.

Article 65.- Notwithstanding the provisions of Articles 62 and 64, the following rules will be applied:

- a) With respect to products which are the object of Sectorial Programs of Industrial Development, the rules governing the Common External Tariff will be established in the said Programs;
- b) At whatever moment in which, in compliance to the Liberation Program, a product becomes exempted of charges and other restrictions, the charges established for it in the Common External Tariff or the Common Minimum External Tariff, as the case may be, will be fully and simultaneously applicable.

In the case of products which are not produced in the Subregion, each country may defer the application of the common charges until the moment when the Board verifies that their production in the Subregion has begun. If the Board judges that the new production is insufficient to satisfy the normal supply of the Subregion, it shall propose to the Commission the measures necessary to reconcile the need to protect the subregional production with that of assuring normal supply.

Article 66.- The Commission, at the proposal of the Board, may modify the common tariff levels in the measure and the opportunity it deems convenient, in order to:

- a) Adequate them to the needs of the Subregion;
- b) Contemplate the special situation of Bolivia and Ecuador; and
- c) Adjust them to those that may be set in the Common External Tariff of LAFTA.

Article 67.- The Board may propose to the Commission the measures it considers necessary to secure normal conditions of subregional supply.

To meet temporary shortages in supply affecting any Member Country, the latter may bring the problem before the Board, in a time suitable to the urgency of the case. Once the Board has confirmed the existence of the problem and has communicated its findings to the affected country, the latter may take such measures as the transitory reduction or suspension of the charges of the External Tariff within the limits indispensable to correct the perturbation.

In the cases the preceding paragraph refers to, the Board shall ask for an extraordinary meeting of the Commission, if appropriate, or shall report to it at its next ordinary meeting on the action taken.

Article 68.- The Member Countries commit themselves not to alter unilaterally the charges which are established in the various phases of the External Tariff. They also commit themselves to hold the necessary consultations within the Commission before acquiring compromises of changes in the matter of tariffs with countries not belonging to the Subregion.

The Member Countries will accommodate the commitments of this Chapter with the obligations of the Treaty of Montevideo.

## CHAPTER VII

### AGRICULTURAL REGIME

Article 69.- With the aim of arriving at the adoption of a common policy and the formulation of a directive plan for the agricultural sector, the Member Countries shall accommodate their national policies and coordinate their agricultural development plans, taking into consideration the following objectives, among others:

- a) The improvement of the standard of living of the rural population;
- b) The increase of production and of productivity;
- c) Specialization, in accordance with the best use of the factors of production;
- d) Subregional substitution of imports, diversification and increase of exports; and
- e) The opportune and adequate supply of the subregional market.

Article 70.- To achieve the objectives mentioned in the preceding article, the Commission will periodically, at the proposal of the Board, take the following measures, among others:

- a) Joint programs of agricultural development, for products or groups of products;
- b) Common systems of commercialization, and agreements between the respective state organizations on the supply of agricultural products;
- c) Promotion of agreements among the national organizations on the supply of agricultural products;
- d) Initiatives on promotion of exports;
- e) Joint programs of applied research and of technical and financial assistance to agriculture; and
- f) Common rules and programs on vegetable and animal health.

Article 71.- The Commission and the Board shall prescribe the measures to accelerate the agricultural development of Bolivia and Ecuador and their participation in the enlarged market.

Article 72.- The trade in agricultural products included in the Liberation Program of the Agreement will be fully subject, even after the period indicated in Article 2 of the Treaty of Montevideo, to the provisions of article 28 of the same, the Resolutions which complement it, and the provisions which in the future may modify or replace them.

Article 73.- The Country which imposes the measures to which the preceding article refers to shall give immediate account of them to the Board, accompanied by a report on the reasons on which it has based its application.

Any Member Country which considers itself harmed by the aforesaid measures may present its observations to the Board. The Board shall analyze the case and propose to the Commission the measures of a positive character that it judges convenient in the light of the objectives indicated in Article 69.

The Commission shall decide upon the restrictions applied and the measures proposed by the Board.

Article 74.- Before December 31, 1970, the Commission, at the proposal of the Board, shall determine the list of agricultural products to which Articles 72 and 73 will apply. This list may be modified by the Commission, at the proposal of the Board.

#### CHAPTER VIII

#### COMMERCIAL COMPETITION

Article 75.- Before December 31, 1971, the Commission shall adopt, at the proposal of the Board, the indispensable rules to prevent or correct prac



tices that may distort competition within the Subregion, such as 'dumping', undue manipulation of prices, maneuvers aimed at disturbing the normal supply of raw materials, and other practices of equivalent effect. In this order of ideas, the Commission shall contemplate the problems that may be derived from the application of charges or other restrictions on exports.

It shall correspond to the Board to watch over the application of the aforesaid norms in particular cases which may be denounced, for that purpose it will take into account the necessity of coordinating such norms with the provisions of Resolution 65 (II) of the Conference of Contracting Parties of LAFTA and those which may complement or replace it.

Article 76.- While the Commission has not adopted the rules treated in the preceding article, a Country which considers itself adversely affected should resort to the Board for the application of Resolution 65 (II).

Article 77.- The Member Countries may not adopt corrective measures without previous authorization by the Board. The Commission shall regulate the procedures for application of the norms of the present Chapter.

#### CHAPTER IX

##### SAFEGUARD CLAUSES

Article 78.- If a Member Country finds itself in the situations foreseen in Chapter VI of the Treaty of Montevideo, caused by factors apart from the Liberation Program of the Agreement, it may adopt safeguard measures in consonance with the provisions of the aforesaid Chapter and of pertinent Resolutions.

Article 79.- If the fulfillment of the Liberation Program of the Agreement causes or threatens to cause serious damages to the economy of a Member Country or to a significant sector of its economic activity, such country may, with previous authorization by the Board, apply corrective measures of transitory and nondiscriminatory character. When necessary, the Board should propose to the Commission measures of collective cooperation destined to overcome the inconveniences that have arisen.

The Board should analyze periodically the evolution of the situation with the object of avoiding that the restrictive measures are prolonged beyond what is strictly necessary, or consider new formulas of cooperation if this is suitable.

Article 80.- If a monetary devaluation effected by one of the Member Countries alters the normal conditions of competition, the Country which considers itself harmed may bring the case before the Board, which should pronounce on it briefly and promptly. When the perturbation is verified by the Board, the injured country may adopt corrective measures of transitory charac

ter so long as the alteration persists, within the recommendations of the Board. In any case, such measures may not signify a decrease in the level of imports existing before the devaluation.

Without detriment to the application of the transitory measures referred to, any of the Member Countries may ask the Commission for a definitive decision on the matter.

The devaluating Member Country may ask the Board at any time to revise the situation, in order to lessen or suppress the mentioned corrective measures. A board's decision may be amended by the Commission.

Article 81.- Safeguard clauses of no type shall be applied to imports of products originating in the Subregion included in Sectorial Programs of Industrial Development.

Neither shall Articles 79 and 80 be applied to the importation of products originating in other LAFTA countries, when such products have been incorporated into the Liberation Program of the Treaty of Montevideo.

## CHAPTER X

### ORIGIN

Article 82.- The Commission, at the proposal of the Board, shall adopt the special rules that may be necessary for qualifying the origin of goods. Such norms should constitute a dynamic instrument for the development of the Subregion and should be adequate to facilitate the achievement of the objectives of the Agreement.

Article 83.- It shall correspond to the Board to set specific origin requirements for products that need them. When the setting of specific requirements is necessary in a Sectorial Program of Industrial Development, the Board should establish them simultaneously with the approval of the corresponding Program.

Within the year following the setting of a specific requirement, the Member Countries may ask its revision by the Board, which should pronounce itself promptly.

If a Member Country so requests, the Commission should examine the aforesaid requirements and adopt a definite decision, within a period from six to 12 months from the date they were set by the Board.

The Board may at any moment, officially or at the request of a party, modify the requirements set according to this article, in order to adapt them to the economic and technological advance of the Subregion.

Article 84.- The Commission and the Board, in adopting and setting special norms or specific requirements of origin, as the case may be, shall ensure that they do not constitute an obstacle to Bolivia and Ecuador to take advantage of the benefits derived from the application of the Agreement.

Article 85.- The Board shall watch over the fulfillment of the norms and requirements of origin within subregional trade. Also, it should propose the measures that may be necessary to solve problems of origin which hinder the achievement of the objectives of this Agreement.

## CHAPTER XI

### PHYSICAL INTEGRATION

Article 86.- The Member Countries shall undertake a joint action to solve the problems of infrastructure that bear unfavorably upon the process of economic integration of the Subregion. This action shall be exercised principally in the fields of energy, transportation and communications, and shall include, in particular, the measures necessary to facilitate border traffic between the Member Countries.

For this purpose, the Member Countries shall encourage the establishment of entities or enterprises of multinational character, when this is possible and convenient in order to facilitate the execution and administration of the aforesaid projects.

Article 87.- Before December 31, 1972, the Board shall elaborate initial programs in the fields indicated in the preceding article, and present them to the consideration of the Commission. These programs shall include, insofar as possible:

- a) The identification of specific projects in order to be incorporated into national development plans, and the order or priority in which they should be executed;
- b) The measures indispensable to finance the necessary preinvestment studies;
- c) The necessities of technical and financial assistance to assure the execution of the projects; and
- d) The forms of joint action before international credit institutions, and in particular before the Andean Development Corporation, to assure the provision of the financial resources that cannot be obtained in the Subregion.

The implementation of these initial programs shall mark the beginning of a continuous process, destined to expand and modernize the physical infrastructure of the Subregion.

Article 88. The programs described in the preceding article, as well as the Sectorial Programs of Industrial Development, should include measures of collective cooperation to satisfy adequately the requirements of infrastructure indispensable for their execution, and shall contemplate in a special manner the situation of Ecuador and the territorial characteristics and landlocked position of Bolivia.

## CHAPTER XII

### FINANCIAL MATTERS

Article 89. The Member Countries shall coordinate their national policies in matters of finance and payments to the extent necessary to facilitate the achievement of the objectives of the Agreement.

For this purpose, the Board shall present to the Commission proposals on the following matters, among others:

- a) Channeling of public and private savings of the Subregion for the financing of investments destined to the development of industry, agriculture and infrastructure in the context of the broadened market;
- b) Financing of trade among the Member Countries and with those outside the Subregion;
- c) Measures to facilitate the movement of capital within the Subregion, and in particular of capital destined to the development of industry, services and commerce in accordance with the broadened market;
- d) Strengthening of the system of multilateral compensation of bilateral balances now in force among the Central Banks of LAFTA, in accordance with the needs of subregional trade, and future creation of Subregional Chamber of Payments Compensation and a system of reciprocal credits;
- e) Norms destined to solve the problems which may result from double taxation and
- f) Creation of a common reserve fund.

Article 90. If as a consequence of the fulfillment of the Liberation Program of the Agreement, a Member Country endures difficulties related to

its fiscal revenues, the Board may propose to the Commission, at the petition of the affected country, measures to resolve such problems.

In its proposals, the Board shall take into account the degrees of relative economic development of the Member Countries.

### CHAPTER XIII

#### PREFERENTIAL TREATMENT FOR BOLIVIA AND ECUADOR

Article 91.- With the aim of diminishing gradually the differences of development presently existing in the Subregion, Bolivia and Ecuador shall enjoy a special regime that will permit them to achieve an accelerated rhythm of economic development through their effective and immediate participation in the benefits of the industrialization of the area and the liberation of trade.

To achieve the purpose enunciated in this article, the agencies of the Agreement shall propose and adopt the necessary measures in conformance with the rules of the Agreement.

#### Section A - Harmonisation of Economic Policies and Coordination of Development Plans

Article 92.- In the harmonization of economic and social policies and the coordination of plans discussed in Chapter III, differential treatments and sufficient incentives should be established in order to compensate for the structural deficiencies of Bolivia and Ecuador and assure the mobilization and assignment of resources indispensable for the achievement of the objectives which the Agreement contemplates in their favor.

#### Section B - Industrial Policy

Article 93.- The industrial policy of the Subregion shall give special consideration to the situation of Bolivia and Ecuador for the preferential assignment of productions in their favor and the consequent location of plants in their territories, specially through their participation in the Sectorial Programs of Industrial Development.

Article 94.- The Sectorial Programs of Industrial Development shall contemplate exclusive advantages and effective preferential treatments in

favor of Bolivia and Ecuador, in order to facilitate their taking effective advantage of the subregional market.

Article 95.- The Board, in proposing to the Commission the complementary measures foreseen in Article 35, should contemplate exclusive advantages and preferential treatments in favor of Bolivia and Ecuador, in the cases in which this may be necessary.

### Section C - Commercial Policy

Article 96.- With the object of permitting the immediate participation of Bolivia and Ecuador in the benefits of the broadened market, the Member Countries shall extend to them, in an irrevocable and nonextensive manner, the elimination of charges and restrictions of all types on the importation of products originating from their territories, under the provisions of Articles 97 and 98.

Article 97.- For the purposes indicated in the preceding article, the products originating in Bolivia and Ecuador shall be governed by the following norms:

- a) By December 31, 1973, at the latest, the products considered in letter d) of Article 45 shall have free and definitive access to the subregional market. For this purpose, the charges will be eliminated automatically through three annual and successive reductions of 40%, 30% and 30% respectively, the first of which shall take place December 31, 1971, taking as a basis the levels indicated in letter a) of Article 52;
- b) The Commission, at the proposal of the Board, and before December 31, 1970, shall approve lists of products which will be liberated in favor of Bolivia and Ecuador on January 1, 1971;
- c) The products referred to in Article 53 shall be totally exempted from levies in favor of Bolivia and Ecuador on January 1, 1974, or January 1, 1976, according to whether or not they have been the object of an extension under the provisions of Article 47;
- d) Before March 31, 1971, the Commission, at the proposal of the Board shall set margins of preference in favor of separate lists of products, of special interest, for Bolivia and Ecuador, and shall determine the periods during which these margins shall be maintained. They shall be put in force April 1, 1971.

The lists to which this indenture refers to shall be formed of products included in letter d) of Article 45; and

- e) The same procedure indicated in letter d) shall be observed in re-

lation to a list of products of those, which having been reserved for Sectorial Programs of Industrial Development, have not been included in such programs within the periods set in Article 47.

**Article 98.-** The liberation of Common List products for which the Member Countries have granted nonextensive advantages in favor of Bolivia and Ecuador shall apply exclusively in their advantage. Such exclusivity is limited to the country which has granted the respective advantage.

**Article 99.-** The corrective measures referred to in Articles 72 and 79 shall extend to imports originating in Bolivia and Ecuador only in duly qualified cases, and confirmed by the Board, that the serious damages come substantially from said imports. The Board shall observe, in this matter, the procedures mentioned in Articles 79 and 4th of the Resolution 173 (CM-I/III-E) of LAFTA.

**Article 100.-** Bolivia and Ecuador shall accomplish the Liberation Program in the following manner:

- a) They shall liberate the products incorporated in Sectorial Programs of Industrial Development in the manner established in each of these;
- b) They shall liberate the products which, having been reserved for said Programs were not included in them, in the form and within the period which the Commission shall rule at proposal of the Board. To take such a determination the Commission and the Board shall take into consideration fundamentally the benefits which are derived from the programming and assignment of location referred to in Article 93;
- c) The period set by the Commission may not exceed by more than five years that established in Article 52:c;
- d) They shall liberate the products incorporated or to be incorporated in the Common List in the manner and the periods foreseen in the Treaty of Montevideo and in the pertinent Resolutions of the Conference;
- e) They shall liberate the products which are not yet produced in the Subregion, and which do not form part of the reserve foreseen in Article 50, 60 days after the Commission has approved such reservation.

However, they may except from this treatment the products which the Board, officially or at the petition of Bolivia or Ecuador, qualify for this purpose as luxury or nonessential goods. The subsequent liberation of these products shall be subject to the procedure established in letter (f) of the present article; and

- f) They shall liberate the products not covered by the preceding letters

through annual and successive reductions of 10% each, starting from the levels in their national customs tariffs, the first of such reductions to be made on December 31, 1976. Nevertheless, Bolivia and Ecuador may initiate the liberation of these products in the course of the first six years of effectiveness of the Agreement.

Article 101.- The Board shall evaluate periodically the results which Bolivia and Ecuador obtain in their trade with the other Member Countries and the measure in which they are effectively taking advantage of the benefits of the broadened market. On the basis of these evaluations, the Commission may revise the periods indicated in letters (c) and (f) of the preceding article.

Article 102.- Bolivia's list of exceptions may cover products included in not more than 350 items plus 50 Sub-positions of the NABALALC. Ecuador's list may not cover more than 600 items. This number may be modified by the Commission under the conditions of the second paragraph of Article 55.

The products included by Bolivia and Ecuador in their lists of exceptions shall be totally exempted of charges and other restrictions by December 31, 1990 at the latest. This period may be extended in cases duly qualified by the Board. Articles 55, 56 and 57 will be applicable in all other respects to the exception lists of Bolivia and Ecuador. The rule established in the first paragraph of Article 54 shall not apply to the products included by Bolivia and Ecuador, in their exceptions lists.

Article 103.- In the preparation of the Programs referred to in Articles 36 and 37, the Commission and the Board shall give special attention and priority to the industries of Bolivia and Ecuador whose products are excepted by these countries from the Liberation Program, with the aim of contributing to prepare these industries as soon as possible to participate in the subregional market.

#### Section D - The Common External Tariff

Article 104.- Bolivia and Ecuador shall initiate their process of adoption of the Common External Tariff in an annual, automatic and lineal manner, on December 31, 1976, and shall complete it on December 31, 1985.

Bolivia and Ecuador shall be obliged to adopt the Common Minimum External Tariff only with respect to the products not produced in the Subregion as referred to in Article 50. With respect to these products they shall adopt the minimum charges through an automatic and lineal process that shall be completed in three years from the date on which their production in the Subregion begins.

Notwithstanding what is provided in the first paragraph of this article, the Commission, at the proposal of the Board, may determine that Bolivia and Ecuador shall adopt the minimum tariff levels with respect to products that



are of interest to the other Member Countries, so long as the application of these levels does not cause disturbances to Bolivia and Ecuador.

The Commission may also, at the proposal of the Board, determine the adoption of the minimum tariff levels on the part of Bolivia and Ecuador with respect to products whose importation from outside the Subregion may cause serious disturbance to the latter.

Article 105.- Bolivia and Ecuador may establish such exceptions as are authorized by the Commission, at the proposal of the Board, to the process of approximating their national tariffs to the Common External Tariff, which permits them to apply their existing laws on Industrial Promotion principally with respect to imports of capital goods, intermediate products and raw materials necessary for their development.

These exception cannot be applied, in any case, beyond December 31, 1985.

#### Section E - Financial Cooperation and Technical Assistance

Article 106.- The Member Countries commit themselves to act jointly before the Andean Development Corporation and other subregional, national or international bodies, with the aim of securing technical and financial assistance for the priority installation of plants and industrial complexes for Bolivia and Ecuador.

In addition, the Member Countries shall act jointly before the Andean Development Corporation so that it may assign its ordinary and extraordinary resources in such a way that Bolivia and Ecuador receive a proportion substantially superior to that which would result from a distribution of such resources in proportion to their subscriptions to the capital of the Corporation.

#### Section F - General Provisions

Article 107.- In its periodic evaluation and annual reports, the Board shall consider, in a special and separate manner, the situation of Bolivia and Ecuador within the process of subregional integration, and shall propose to the Commission the measures it may judge adequate to improve substantially their possibilities of development and to activate progressively their participation in the industrialization of the area.

Article 108.- In all matters not contemplated in this Agreement, the special regime for Bolivia and Ecuador shall incorporate fully the principles and provisions of the Montevideo Treaty, as well as those of LAFTA Resolutions in favor of the Countries of Lesser Economic Development.

CHAPTER XIV

ADHESION, EFFECTIVENESS AND DENUNCIATION

Article 109.- The present Agreement may not be subscribed with reservations and shall remain open to the adhesion of the other Contracting Parties of the Treaty of Montevideo. The Countries of Lesser Economic Development which adhere to it will have the right to a treatment similar to that which is agreed to in Chapter XIII for Bolivia and Ecuador.

The conditions of adhesion shall be defined by the Commission, for which purpose it shall take into account that the incorporation of new members should be adjusted to the objectives of the Agreement.

Article 110.- The present Agreement shall be submitted to the consideration of the Permanent Executive Committee of LAFTA, and once the Committee has declared it compatible with the principles and objectives of the Montevideo Treaty and with Resolution 203 (CM-II/VI-E), each of the Member Countries shall approve it in conformance with its respective legal procedures and shall communicate the corresponding act of approval to the Executive Secretariat of LAFTA.

The Agreement shall come into force when three countries have communicated their approval to the Executive Secretariat of LAFTA.

For the other countries, the date of coming into force shall be that on which they communicate the respective instrument of approval according to the procedure indicated in the first indenture of this article.

The present Agreement shall remain in force while the commitments that may be acquired in the general framework of the Treaty of Montevideo do not exceed those established herein.

Article 111.- The Member Country that desires to denounce this Agreement must communicate this to the Commission. From that moment on, the rights and obligations derived from its conditions of member will cease for it, except for the advantages received and extended in conformance with the Liberation Program of the Subregion, which shall remain in effect for a period of five years after the denunciation.

The period indicated in the preceding paragraph may be diminished, in cases duly founded, by decision of the Commission and at the request of the interested Member Country.

In relation to the Sectorial Programs of Industrial Development, the provisions of letter (g) of Article 34 will apply.

CHAPTER XV

FINAL PROVISIONS

Article 112.- The Commission, at the proposal of the Board, and on the basis of the periodic reports and evaluations of the latter, shall adopt by December 31, 1980, the mechanisms necessary to assure the achievement of the objectives of the Agreement after the conclusion of the process of liberation of trade and establishment of a Common External Tariff. Such mechanisms should contemplate special treatments in favor of Bolivia and Ecuador so long as the presently existing differences in degrees of development continue.

Article 113.- The advantages established in this Agreement shall not be extensive to nonparticipating countries nor create obligations for them.

Article 114.- The dispositions of this Agreement shall not affect the rights and obligations resulting from the Treaty of Montevideo and the Resolutions of LAFTA, which shall be applied in a suppletory manner.

Transitory Provision.- The variations of levels resulting from the conversion made by Ecuador in its Customs National Tariff, as a consequence of their adoption of the Brussels Nomenclature, are excepted from the provisions set forth in Article 54.

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ANNEX I

List of Matters on which Decisions of the Commission will be  
Subject to Veto, as Prescribed in Article 11:a

1. To delegate to the Board those attributions which it deems convenient.
2. To approve modifications to the present Agreement.
3. To amend the propositions of the Board.
4. To approve the norms which may be necessary to make possible the coordination of development plans and the harmonization of the economic policies of the Member Countries.
5. To approve the program of harmonization of the instruments of regulation of foreign trade of the Member Countries.
6. To approve the programs of physical integration.
7. To accelerate the Program of Liberation for products or groups of products.
8. To approve the joint programs of agricultural development.
9. To approve the measures of joint cooperation established in Article 74.
10. To approve and modify the list of agricultural products referred to in Article 79.
11. To modify the number of items referred to in Articles 55 and 102.
12. To reduce the number of matters included in the present Annex.
13. To establish the conditions of adhesion to the present Agreement.

ANNEX II

List of Matters on which Decisions of the Commission will be Subject  
to Veto in the First Round Only, as Described in Article 11:b

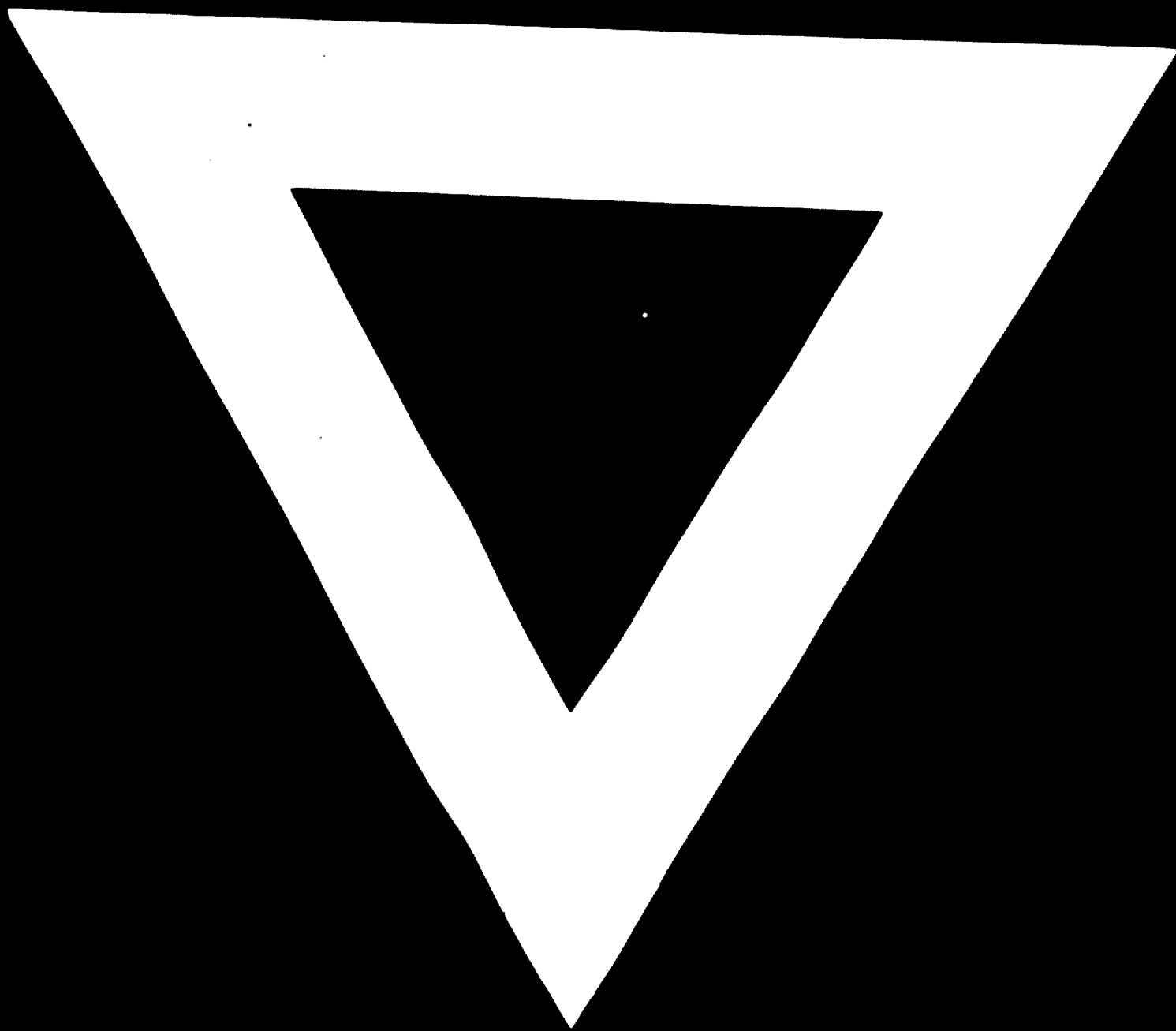
1. To approve the list of products reserved for Sectorial Programs of Industrial Development.
2. To approve the Sectorial Programs of Industrial Development.

3. To approve the programs of rationalization and specialisation referred to in Article 36.
4. To approve the Common Minimum External Tariff and the Common External Tariff in accordance with the formalities set forth in Chapter VI, to establish the conditions of its application, and to modify the common tariff levels.
5. To approve the list of products that are not produced in any country of the Subregion.
6. To approve special norms of origin.

ANNEX III

List of Matters on which the Commission shall Decide by two  
Thirds Majority Vote Including Bolivia or Ecuador, as set forth  
in Article 11:c

1. To approve the list of products for immediate liberation in conformance with Article 97:b
2. To set margins of preference and indicate periods of effectiveness for the lists of products of special interest for Bolivia and Ecuador (Article 97:d-e)
3. To determine the manner and period in which Bolivia and Ecuador shall liberate the products reserved for Sectorial Programs of Industrial Development and not included in them (Article 100:b)
4. To revise the deadlines for liberation of the products referred to in Article 100:c and f.
5. To determine the minimum tariff levels that Bolivia and Ecuador shall adopt for products of interest to the other Member Countries (Article 104)
6. To approve the list of products not produced, to be reserved for production in Bolivia and Ecuador, and to set the conditions and periods of the reservation (Article 50).



**10. 8. 73**