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Regional Industrial Co-operation
Vienna, 6 - 10 December 1971

FOLLOW-UP ACTIVITIES OF THE ANDRAN GROUP

**TEXT OF THE SECTORAL PROGRAMME OF
INDUSTRIAL DEVELOPMENT FOR THE
METAL-TRANSFORMING SECTOR**

adopted by the Commission of the Cartagena Agreement

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United Nations Industrial Development Organization

Distr.
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ID/WG.111/6/Corr.1
7 December 1972

ENGLISH

Expert Group Meeting on
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Vienna, 6-10 December 1971

PROGRAMME OF UNITED FOLLOW-UP ACTIVITIES
DOCUMENTS OF THE ANDRAN GROUP

TEXT OF THE SECTORAL PROGRAMME OF
INDUSTRIAL DEVELOPMENT FOR THE
MINERAL-TRANSFORMING SECTOR

adopted by the Commission of the Cartagena Agreement

Correction:

The title of document ID/WG.111/6 should read as above.

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

DECISION No. 57

Sectoral Programme of Industrial Development
for the Metal-Transforming Sector

The COMMISSION of the CARTAGENA AGREEMENT,

BEARING IN MIND chapter IV and articles 3, 45, 47, 57, 65, 81, 93,
94, 100(a) and 103 of the Cartagena Agreement and proposal 26 of the Board,

CONSIDERING:

That the member countries have undertaken to initiate a process of
industrial development of the Andean Subregion through industrial programming,

That, to this end, the Commission must adopt Sectoral Programmes of
Industrial Development, which will be implemented jointly by the member
countries,

That metal-transforming is a priority sector in programmes for promoting
intensive economic development in the Subregion,

DECIDES:

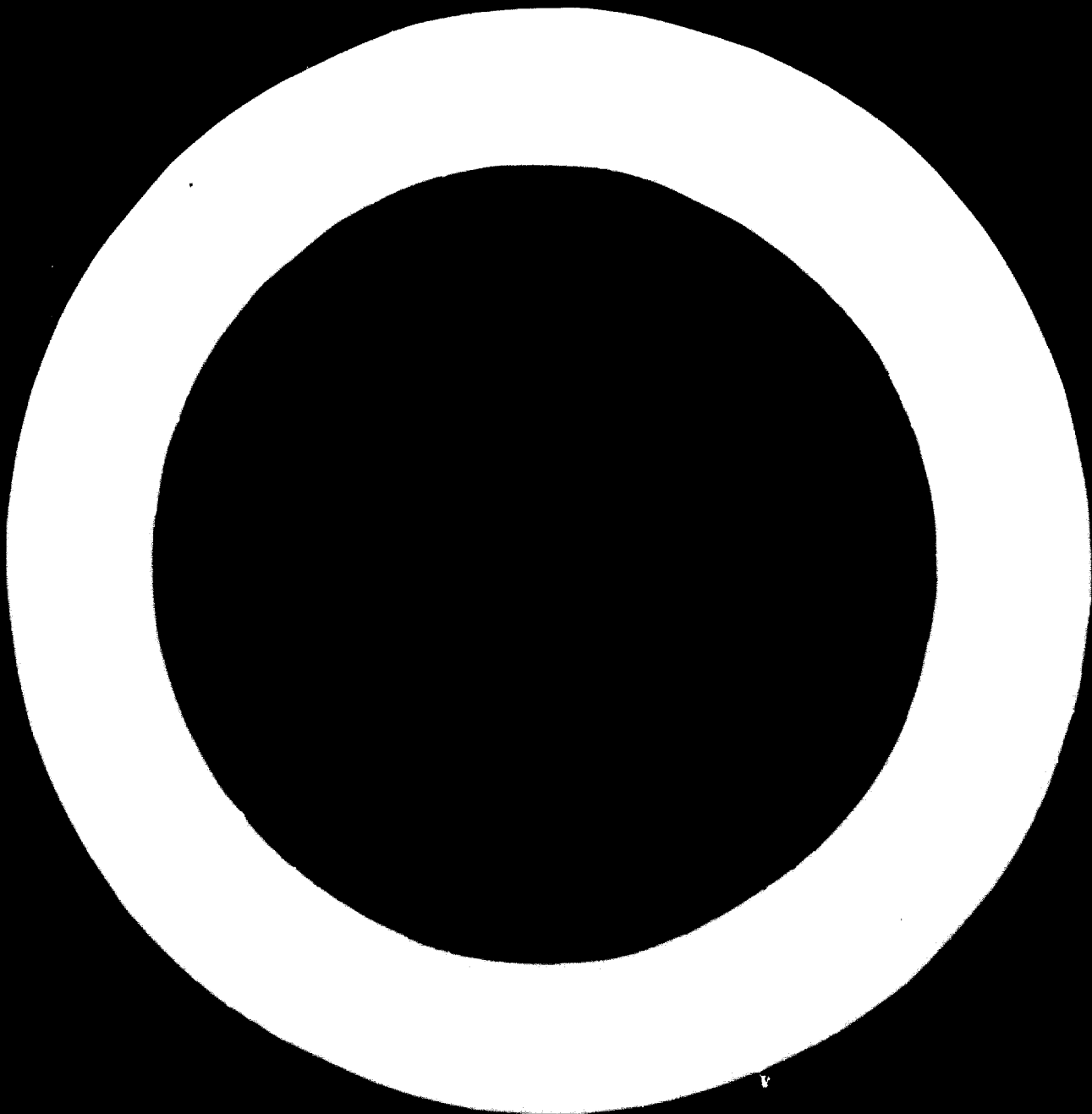
To adopt the Sectoral Programme of Industrial Development for the
Metal-Transforming Sector annexed to the present decision.

SECTORAL PROGRAMME OF INDUSTRIAL DEVELOPMENT
FOR THE METAL-TRANSFORMING SECTOR

I. Purposes of the Programme

Article 1. The member countries undertake to implement the present
Programme in the spirit of article 32 of the Cartagena Agreement, with the
main purpose of promoting the development of an efficient metal-transforming
industry in their territories, through the implantation and consolidation
of the basic technological infrastructure necessary for this end. Such
development must lay the foundations for all the countries to reinforce
the structure of their industrial sector, improve their capacity to adapt
and generate technology and create possibilities for specialization with a
view to trade within the Subregion and with the rest of the world.

This translation has been prepared by UNIDO from the original Spanish text and supplements document IL/WG.111/5 of 16 October 1972 entitled "Some impressions of sub-regional economic co-operation in the Andean Group"



II. Products covered by the Programme

Article 2. The products covered by this Programme are those appearing in annex I, identified by the descriptions therein given in each case and classified in accordance with NABANDINA.

III. Location of plants

Article 3. The products covered by the Programme, grouped in the categories for allocation indicated in annex II and described in annex VII, shall be produced in the plants to be located in the territories of the member countries in accordance with the distribution set forth in annex III.

Article 4. The member countries shall transmit to the Board technico-economic information on existing lines of production or feasibility studies concerning new lines of production, corresponding to the categories which have been allocated to them, on the basis of the outlines transmitted to them by the Board within thirty days from the date of adoption of this decision.

These outlines shall contain the elements necessary for assessing the fulfilment of the purposes of the Programme as set out in article 1 and, in particular, for allowing identification of benefits and costs in relation to production in each allocated category, as affected by variables such as technology, the incorporation of parts of domestic or subregional origin over a period of time, different sizes of plants and the markets which would be supplied.

Article 5. Chile, Colombia and Peru shall make available the information or the feasibility studies mentioned in the preceding article within two years from the entry into force of the present decision.

These countries shall commence production in the lines which have been allocated to them within three years following the submission of the feasibility studies concerned.

In exceptional cases, duly determined to be such by the Board, the latter may extend any of the time limits laid down by up to one year, provided that the total time before production is commenced does not exceed six years from the entry into force of the present decision.

Article 6. Bolivia and Ecuador shall submit the information or feasibility studies mentioned in article 4 within three years following the entry into force of the present decision.

These countries shall commence production in the lines which have been allocated to them within three years following the submission of the studies concerned. This time limit may be extended by the Board in exceptional cases, duly determined to be such.

Article 7. Within sixty days following the date on which the information referred to in article 4 is received, the Board shall:

- (a) Verify the existence of production and, if this is confirmed, communicate the fact to the member countries;
- (b) Lay down conditions of origin for the products allocated, taking into account in particular the need to create or reinforce in each of the member countries the industrial infrastructure referred to in article 1.

Article 8. The following products shall be included automatically in the liberalization programme provided for under the Agreement, in accordance with the corresponding provisions:

- (a) Those regarding which the information referred to in article 4 has not been submitted within the time limits established in articles 5 and 6;
- (b) Those whose production in the country benefiting from the allocation would not be feasible;
- (c) Those whose production has not been commenced within the time limits laid down in articles 5 and 6.

Article 9. Not later than 31 December 1980 and on the basis of the evaluation to be made by the Board of the results achieved in the implementation of the Programme, the member countries undertake to adopt all the necessary measures to ensure that its purposes are fulfilled as effectively as possible and, in particular, to facilitate the carrying out of projects in cases where production has commenced by the end of the period.

IV. The liberalization programme

Article 10. Thirty days after the adoption of the present decision, the member countries other than the one to which a category has been allocated shall totally eliminate duties on the import of the products included in the category concerned originating in or coming from the country of allocation.

From the same date, each of the countries in question shall apply duties in accordance with the requirements set forth in annex IV to imports of products of the same category originating in and coming from the remaining countries, other than the country to which the category has been allocated, and shall eliminate them completely on 31 December 1980.

Article 11. From the date indicated in article 10, the member countries to which a category is allocated shall apply duties not exceeding those indicated in annex IV to imports of the products included in the category concerned originating in and coming from those member countries to which the same category has not been allocated. These duties shall be maintained until 31 December 1980, or 1985 in the case of Bolivia and Ecuador, whereupon they shall be completely eliminated.

Article 12. When a category has been allocated to more than one member country, the elimination of duties on their imports from each other of all the products included in the category concerned shall take place as follows:

- (a) Within 30 days following the adoption of the present decision, they shall take as point of departure the lowest duty indicated for the countries concerned in annex IV;
- (b) They shall eliminate the said duty through three successive annual reductions of 40 per cent, 30 per cent and 30 per cent respectively, as from 31 December of the year in which production is commenced or its existence verified in one of the countries receiving the allocation;
- (c) Those member countries to which one and the same category has been allocated may agree mutually on a faster elimination of duties on imports from each other of the products concerned, in which case they shall inform the Commission and the Board of the terms of such agreement.

When countries which share allocations under the present Programme decide, by mutual agreement, to specialize in particular lines of production within these allocations, they shall communicate the fact to the Board so that the latter may propose to the Commission desirable adjustments in the liberalization programme concerned, so that this will exclusively benefit the country to which the specialized line in question is assigned.

Article 13. Without prejudice to the provisions of the preceding articles, the member countries may not apply tariffs exceeding the levels of the Common External Tariff to imports of products originating in or coming from the other countries.

Article 14. Within 30 days following the adoption of the present decision, the member countries shall eliminate restrictions of any kind on imports of products covered by this Programme originating in and coming from the other member countries.

Article 15. For the purposes of the liberalization programme and the Common External Tariff, the member countries may express and apply the relevant duties in ad valorem terms.

V. The Common External Tariff

Article 16. The member countries undertake to apply the rates of the Common External Tariff appearing in annex V to imports of the products covered by the Programme when they originate in and come from countries outside the Subregion.

Article 17. The member countries shall apply the rates of the Common External Tariff for the products covered by the Programme from 31 December of the year immediately preceding that in which production is to be commenced, as indicated in the information referred to in article 4 and in accordance with the provisions of articles 5 and 6.

On the same occasion, the Board may decide that the rates of the Common External Tariff shall be applied to other products of the same allocated category if it considers that their import from outside the Subregion may seriously prejudice the objectives of the Programme or impair the effectiveness of the allocations granted.

Article 18. If any production exists on the date when the present decision is adopted, the Common External Tariff for the products concerned shall be adopted once the Board verifies the existence of production and communicates the fact to the member countries, under the terms of article 7(a).

Article 19. In all cases when the common external rates must be applied to products covered in the Programme, the rates on parts of these products must also be applied.

Article 20. From 31 December 1976, the member countries shall begin to bring their national tariffs closer in line with the Common External Tariff for those products to which it was not being applied on that date, and shall continue the process automatically, by linear progression, year by year, in such a way that the Common External Tariff is fully applied on 31 December 1980.

Nevertheless, whenever the circumstances indicated in article 17 exist, the common external rates shall be applied in accordance with the provisions of articles 17 and 19.

Article 21. Without prejudice to the provisions of the preceding articles, those member countries whose tariff rates are higher than those of the Common External Tariff may maintain these rates until 31 December 1976, when they shall begin the process of bringing these rates in line with the common external rates automatically, by linear progression, year by year, in such a way as to reach the latter rates on 31 December 1980.

Article 22. The provisions of the Common External Tariff are mandatory for all member countries, who may not postpone their application, unilaterally alter the common rates or adopt any measure modifying their effects. Consequently, those products covered in the Programme may not receive any special treatment which will modify the common tariff rates, and may not benefit from total or partial exemption from or reduction, suspension or reimbursement of the duties concerned.

Article 23. To enable the programme to proceed as effectively as possible, the rates of the Common External Tariff appearing in annex V shall be progressively reduced by the Commission, on the proposal of the Board, in such a way as to reconcile the need to bring about maximum efficiency in the Sub-region with adequate protection for the lines of production allocated.

For the purpose of formulating the relevant proposal, the Board, in its annual evaluations, shall take into account, among other factors, the technico-economic information referred to in article 4, the feasibility studies prepared and the results achieved in the lines of production concerned.

VI. The complementary measures

Article 24. The member countries undertake not to encourage the commencement in their territories of new lines of production which have not been allocated to them and which may affect the allocation granted to another member country or other member countries.

To this end they undertake not to grant State aid, preferential credit treatment, or tariff, tax or exchange privileges of any kind for the commencement of new lines of production similar to those allocated to another member country or other member countries, and not to adopt measures of any nature which will run counter to the purposes pursued.

They further undertake not to grant new privileges of the nature of those mentioned nor to expand those already granted to lines of production existing in their territories on the date of adoption of the present decision.

Article 25. The member countries undertake not to authorize direct foreign investment in their territories in the case of projects which include provision for products belonging to categories allocated to another member country or other member countries.

Article 26. The undertakings set forth in the two preceding articles shall remain in force until 31 December 1982 in the case of lines of production allocated to Colombia, Chile and Peru and until 31 December 1987 in the case of those allocated to Bolivia and Ecuador.

Article 27. Until the Commission approves the programme for harmonization of the machinery regulating foreign trade in the member countries and the subregional machinery for the promotion of exports, the following rules shall apply:

- (a) In the case of allocations made to one country exclusively, the country receiving the allocation may continue to apply exemptions, reductions and reimbursements of duties and other direct aid designed to promote exports to the Subregion or outside it;

- (b) In the case of shared allocations, the countries benefiting from the allocation may continue to utilize the measures indicated in the preceding sub-paragraph only for exports to markets outside the Subregion, unless they agree mutually on their utilization within the subregional market, in which case they shall communicate the content of their agreement to the Commission and the Board.

Article 28. When a member country to which a product category has been allocated is ready to commence production and considers that an accumulation of stocks prejudicial to its interests may occur in the Subregion, it shall communicate the fact to the Board and the latter may recommend to the other member countries the adoption of the measures required to avoid such prejudice.

Article 29. The member countries may not apply safeguard clauses of any kind to imports of the products covered by the present Programme originating in and coming from the other member countries.

Article 30. Until subregional technical standards are adopted, the production of any product included in an allocation shall be subject to technical standards approved by the competent organ of the member country in which production takes place.

Article 31. Those member countries which have products covered by the Programme included in their lists of exceptions declare that they are removing them from the lists concerned on the date of adoption of the present decision. The products referred to are those indicated in annex VI.

Article 32. Until the Commission, on the proposal of the Board, approves general standards on the administration of the sectoral programmes of industrial development, a Committee on Metal-Transforming composed of technical experts appointed by the member countries shall be created to advise the Board on the administration of the present Programme. This Committee shall meet when convened by the Board.

Article 33. Until the Commission fulfils the provisions of article 32 of decision 49, the member countries shall adopt measures to assist sub-regional producers in taking advantage of governmental demand for the products covered in the Programme.

Article 34. The member countries shall make efforts to bring about the establishment of multi-national enterprises governed by the provisions set forth in decision 46 in order to facilitate the implementation of the present Programme. To this end, they shall hold bilateral or multilateral conversations with a view to exploring the possibilities for the establishment of such enterprises.

The member countries further undertake to encourage the formation of multi-national firms of engineers, as a means of promoting the technological development of the metal-transforming industry in the subregions.

DISTRIBUTION OF ALLOCATED CATEGORIES BY COUNTRY

BOLIVIA

CATEGORIES ALLOCATED

Number	Designation
2.1	Compressors of 40 HP or more
2.2	Pneumatic tools
12.2	Tapping tools
12.3	Sintered plates, rods, etc.
19.2	Radial drilling machines and tapping machines
20	Sawing machines
21.2B	"Tricones" without metallic carbide inserts (for the petroleum industry)
21.5	Conical crushers
28.1	Electrical circuit-breaking apparatus of less than 1,000 volts
35.6	Sealed absorption units

COLOMBIA

CATEGORIES ALLOCATED

Number	Designation
1.1	Sprayers
1.2	Cultivators
1.4	Harvesters
3.1	Machinery for filling and closing bottles, etc.
6	Machinery for grain milling
9.1	Machinery for the bakery and cocoa industries
10	Foundry equipment
11	Scissors, razors, etc.
17	Forging machines
18	Surface-finishing machines
22.1	Machinery for the plastics industry
25.1	Centrifugal pumps and turbo pumps
27	Elements for the passage of fluids
30	Light aircraft
31.1	Dental apparatus
31.2	Medical and surgical apparatus
35.2	Hermetically sealed compressor units for refrigeration
35.4	Open compressors for refrigeration
35.7	Dry cleaning machinery
35.8	Sewing machinery
35.9	Manual looms
35.15	Toys
35.16	Machinery for the production of footwear and other leather manufactures

CHILE
CATEGORIES ALLOCATED

Number	Designation
1.1	Sprayers
1.2	Cultivators
1.3	Machinery for mowing grass
2.1	Generators and motors
2.2	Rectifiers
2.3	Transformers
13	Mechanical presses
15	Milling machines for metals
21.1A	Drill bits for mining
21.2A	"Tricones" with metallic carbide inserts (for mining)
21.4	Crushers, etc.
23	Railway equipment
25.1	Centrifugal pumps and turbo-pumps
27	Elements for the passage of fluids
28.2	Electrical circuit-breaking apparatus of more than 1,000 volts
29.2	Measuring or checking instruments, appliances and machines
31.1	Dental apparatus
31.2	Medical and surgical apparatus
35.2	Hermetically sealed compressor units for refrigeration
35.8	Sewing machines
35.9	Manual looms
35.10	Fixed-focus photographic apparatus

ECUADOR

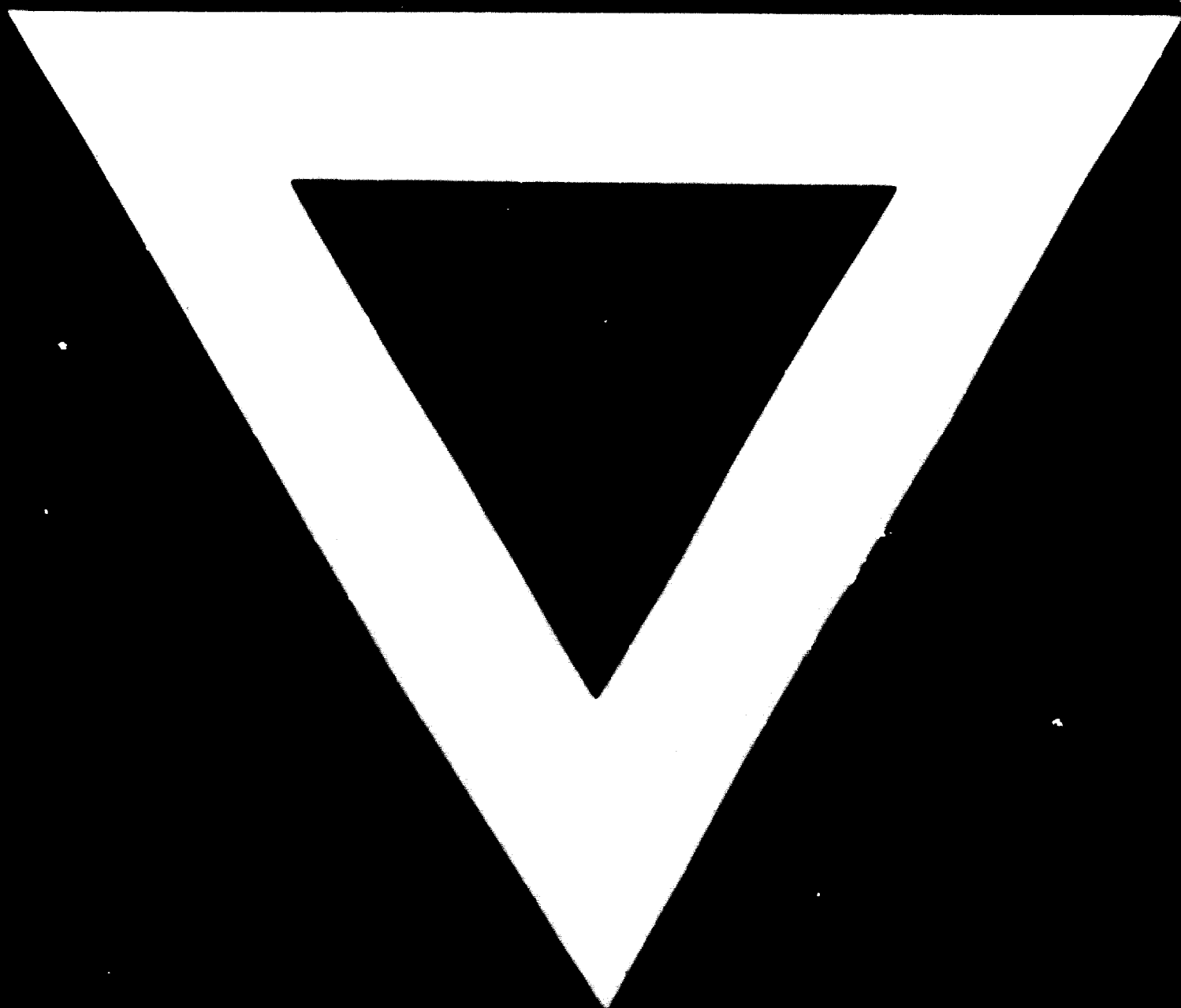
CATEGORIES ALLOCATED

Number	Designation
7	Machinery for the dairy industry
12.1	Drill bits, reamers, etc.
14	Hydraulic presses
16	Reciprocating chip-removal machines
22.2	Forming presses for the plastics industry
24	Measuring and checking instruments (electrical or electronic)
26	Centrifuges
28.1	Electrical circuit-breaking apparatus of less than 1,000 volts
32	Clocks, watches, etc.
34	Hydraulic systems
35.12	Pressure gauges

PERU

CATEGORIES ALLOCATED

Number	Designation
3.2	Packing or wrapping machinery
4	Machinery for the ceramic industry
5.1	Lifting machinery; tackle, hoists and winches
8.1	Generators and motors
8.2	Rectifiers
8.3	Transformers
9.2	Machinery for the production and processing of oils, soap, etc.
13	Mechanical presses
19.1	Drilling machines
21.1A	Drill bits for mining
21.1B	Complete drills
21.3	Boring apparatus
21.4	Crushers, etc.
25.1	Centrifugal pumps and turbo-pumps
25.2	Fuel-dispensing pumps
28.2	Electrical circuit-breaking apparatus of more than 1,000 volts
29.1	Drawing and calculating instruments
33	Variable speed gears
35.1	Gas containers
35.3	Semi-hermetic compressors for refrigeration
35.5	"Roll-bond" evaporators
35.9	Manual looms
35.11	Still projectors
35.13	Thermostats
35.14	Taximeters and parking meters



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