

- d. Employee training requirements.

Article 67

The modes of industrial integration may foresee industrial rationalization actions with the intention of achieving an optimum utilization of the factors of production and to reach higher levels of productivity and efficiency.

Article 68

The General Secretariat may carry out or promote cooperation actions, including those for industrial rationalization and modernization, in favor of any activity of the sector and, particularly, of Subregional small and medium-sized industry, with the purpose of contributing to the industrial development of the Member Countries. These actions shall be carried out with priority in Bolivia and Ecuador.

Article 69

When the General Secretariat deems it advisable and, in any case, in its periodic evaluations, it shall propose to the Commission the measures it considers essential for ensuring the equitable participation of the Member Countries in the modes of industrial integration that are covered under the present Chapter, in their execution, and in the attainment of their objectives.

Article 70

It shall be the Commission and the General Secretariat's responsibility to maintain an adequate coordination with the Andean Development Corporation, and to arrange for the assistance of any other national or international institutions whose technical and financial contribution it considers desirable for:

- a. Facilitating the coordination of policies and the joint programming of investments;
- b. Channeling an increasing volume of funds to the solution of problems created for Member Countries by the process of industrial integration;
- c. Promoting the financing of the investment projects that arise from the execution of the different modes of industrial integration,
- d. Expanding, modernizing, or converting industrial plants that may be adversely affected by trade liberalization.

CHAPTER V: TARIFF REDUCTION PROGRAM

Article 71

The objective of the Tariff Reduction Program is to eliminate the levies and restrictions of all kinds that affect the importation of products originating in the territory of any Member Country.

Article 72

"**Levies**" are understood to mean the customs duties and any other charge with equivalent effect, whether fiscal or monetary in nature or related to foreign exchange, that may affect imports. Not included in this concept are analogous assessments and surcharges that correspond to the approximate cost of the services rendered.

"**Restrictions of all kinds**" are understood to mean any administrative, financial, or foreign exchange measure, whereby a Member Country through an unilateral decision, obstructs or hinders imports. Not included in this concept are the adoption and enforcement of measures for:

- a. The protection of public morality;
- b. The application of laws and regulations related to security;
- c. The regulation of arms, ammunition, and other implements of war, and under exceptional circumstances, of all other military articles, as long as it does not interfere with what is provided in treaties in force between Member Countries relating to the freedom of transit;
- d. The protection of human, animal, or plant life and health;
- e. Import and export of metallic gold and silver;
- f. The protection of national treasures of artistic, historic, or archaeological value; and
- g. The exportation, use, or consumption of nuclear materials, radioactive products, or any other material that may be used in the development and use of nuclear energy.

Article 73

For the purpose of the previous articles, the General Secretariat, on its own initiative or at the request of a party, shall determine, when necessary, if a measure adopted unilaterally by a Member Country constitutes a "levy" or "restriction."

Article 74

As regards taxes, assessments, and other internal charges, products originating in a Member Country shall enjoy in the territory of the other Member Country treatment that is no less favorable than that accorded to similar domestic products.

Article 75

The Tariff Reduction Program shall be automatic and irrevocable and it shall cover the entire product universe, except for the provisions regarding exceptions that are established in this Agreement, so that a total reduction is achieved by the dates and in the modes referred to in this Agreement.

This Program shall apply, in its various forms to:

- a. Products that are the subject matter of Industrial Integration Programs;

- b. Products included in the Common List referred to in Article 4 of the Treaty of Montevideo of 1960;
- c. Products that are not produced in any of the Subregional countries, included in the corresponding list; and
- d. Products not included in the above sections.

Article 76

Every kind of restriction shall be eliminated by December 31, 1970, at the latest. Excepted from the previous rule are restrictions applied to products reserved for Sectorial Programs and modes of industrial integration, which shall be eliminated when the reduction in their tariffs is initiated according to their respective program or mode or as provided in Article 83.

Bolivia and Ecuador shall eliminate every kind of restriction at the moment in which they initiate the Tariff Reduction Program for each product, according to the procedures provided in Articles 130 and 138, but may replace them with levies that do not exceed the lowest level indicated in subsection a) of Article 82, in which case this shall apply to imports from the Subregion as well as from outside of it.

Article 77

The Commission shall, within the time period provided in the preceding Article and at the General Secretariat's proposal, determine which products are to be reserved for Sectorial Programs of Industrial Development.

Before October 31, 1978, the Commission, at the General Secretariat's proposal, shall approve a list of products to be excluded from the list of those reserved for programming and shall reserve from among those not produced two lists of goods to be produced in Bolivia and Ecuador, indicating the conditions and time periods.

On December 31, 1978, Colombia, Peru, and Venezuela, shall adopt for the products on this list the starting point provided in subsection a) of Article 82, and shall eliminate all of their restrictions applicable to the importation of said goods.

The remaining levies shall be removed in five annual and successive reductions of ten, fifteen, twenty, twenty-five, and thirty percent, the first of which shall take place on December 31, 1979.

On December 31, 1978, Colombia, Peru, and Venezuela shall eliminate the levies applicable to imports originating in Bolivia and Ecuador.

Bolivia and Ecuador shall eliminate duties on the importation of these products as foreseen in section b) of Article 130 of this Agreement.

Before December 31, 1995, the Commission shall approve Industrial Integration Programs and Projects with respect to products that had been reserved for that purpose.

Article 78

The Commission and the Member Countries shall, whenever appropriate and at any time, adopt the modes of industrial integration referred to in Article 58 and shall determine the pertinent rules, taking into account that which is provided in Chapter IV and considering the importance of industrial programming as a fundamental mechanism of the Agreement.

Article 79

The products included in the first section of the Common List referred to in Article 4 of the Treaty of Montevideo of 1960, shall be totally freed from all restrictions and levies on April 14, 1970.

Article 80

Before December 31, 1970 the Commission, at the proposal of the General Secretariat, shall draw up a list of the goods not produced in any of the countries of the Subregion and which have not been reserved for Sectorial Programs of Industrial Development. It shall select those that should be reserved for production in Bolivia and Ecuador, establishing, for the latter, the terms and reserve periods.

Products appearing on that list shall be totally freed of levies on February 28, 1971. The elimination of duties on the goods reserved for production in Bolivia and Ecuador, shall benefit those countries exclusively.

Notwithstanding the foregoing, and within the period stipulated in the first paragraph of this Article, the General Secretariat may propose to the Commission that some of the products on that list be allocated to Colombia, Peru, and Venezuela. The country benefiting from the allocation shall remove the duties on the respective goods as provided for in Article 82.

If the General Secretariat is able to confirm that, four years after the date of the allocation, the favored country has not initiated the corresponding production or that the project is not underway, then as of that moment the effects of that allocation shall cease and the country benefited shall immediately proceed to eliminate the tariff on the product in question.

Article 81

At any time after the expiration of the period indicated in the second paragraph of the foregoing Article the Commission, at the General Secretariat's proposal, may add new products to the list referred to in the first paragraph of that same Article. Those goods shall be free from all levies sixty days after the date of approval of their inclusion on the list in question.

Whenever the General Secretariat considers it to be technically and economically feasible, it shall propose to the Commission that some of the new products be reserved for production in Bolivia and Ecuador; in that case it shall stipulate the period and term of the reservation.

Article 82

Products not covered by Articles 77, 79, and 80 shall be freed of levies in the following manner:

- a. The lowest levy for each product in any of the national schedules of customs duties of Colombia and Peru or in their respective National Lists on the date the Agreement is signed, shall be used as the starting point. Said starting point may not be higher than one hundred percent ad valorem of the CIF price of the merchandise;
- b. On December 31, 1970, all of the duties above the level cited in the preceding subsection shall be reduced to that level; and
- c. The remaining levies shall be eliminated in five annual and successive reductions of ten percent each, the first of which shall be made on December 31, 1971; seven annual and successive reductions of six percent each, the first of which shall be made on December 31, 1976, and a final reduction of eight percent, to be made on December 31, 1983.

Article 83

With respect to the products which, having been selected for Sectorial Programs and modes of Industrial Integration and which are maintained in reserve until the expiration of the period specified in the final subsection of Article 77, the Member Countries shall carry out the Tariff Reduction Program in the following way:

- a. The Commission, at the General Secretariat's proposal, shall choose two lists of not produced goods, to be produced in Bolivia and Ecuador, and shall set the periods and terms of the reservation; and
- b. Before December 31, 1995, the Commission, at the General Secretariat's proposal shall adopt a gradual tariff reduction program for the remaining products, which shall be completed by December 31, 1997. Colombia, Peru, and Venezuela shall eliminate the levies applicable to imports from Bolivia and Ecuador at the time said tariff reduction program is initiated.

Article 84

The Member Countries shall refrain from changing the levels of the levies and from introducing any new restrictions on the importation of products which originate in the Subregion, in any way that would create a less favorable situation than that in existence at the time the Agreement comes into effect.

Excluded from the above are the changes which Bolivia and Ecuador must make in their schedules of customs duties to obtain optimum use from their trade policy instruments in order to ensure that certain production activities are initiated or expanded within their territories. These exceptions are to be reviewed by the General Secretariat and authorized by the Commission.

Also excepted from this rule are changes in levies resulting from the replacement of restrictions by levies referred to in Article 46.

Article 85

Up until December 31, 1970, each of the Member Countries may submit to the General Secretariat a list of products currently being produced in the Subregion, in order to exempt them from the Tariff Reduction Program and from the establishment of the External Tariff. Colombia

and Peru's lists of exceptions cannot contain products that are included in more than two hundred and fifty items of the NABALALC.

Within one hundred and twenty days after its Instrument of Accession to the Agreement, Venezuela will present to the General Secretariat a list of exceptions which may not cover products that are already included in more than two hundred and fifty items of the NABALALC.

The products included in the lists of exceptions shall be completely free of levies and other restrictions and covered under the Minimum Common External Tariff or the Common External Tariff, whichever is appropriate, through a process that shall include three stages of 44, 44 and 87 items, the first of which shall be liberalized on December 31, 1993; the second on December 31, 1994, and the final one on December 31, 1995.

Colombia, Peru, and Venezuela may maintain, after December 31, 1995, a set of residual exceptions that shall contain products that are included in no more than 75 items of the NABALALC.

Article 86

A Member Country's incorporation of a product in its list of exceptions shall prevent it from enjoying the benefits deriving from the Agreement for that product.

A Member Country may withdraw products from its list of exceptions at any time. In that case, the products shall comply with the Tariff Reduction Program and the External Tariff in effect for such products, in the ways and levels that are appropriate, and they shall simultaneously begin to enjoy the respective benefits.

In duly qualified cases, the General Secretariat may authorize a Member Country to incorporate in its list of exceptions products that, having been reserved for Industrial Integration Programs and Projects, were not programmed.

In no case shall the incorporation involve an increase in the number of corresponding items.

Article 87

The General Secretariat shall consider the possibility of incorporating the products Member Countries included in their lists of exceptions and in their lists of administered trade, to the Industrial Integration modes.

For purposes of the previous section, interested countries shall inform the General Secretariat of their intention to participate and once the respective mode of industrial integration is agreed upon, shall withdraw the product from its list of exceptions or from its list of administered trade.

Member Countries shall enter into negotiations in order to seek formulas that may allow for the liberalization of the products included in the lists of exceptions or the elimination of quotas on the products incorporated in the lists of administered trade, prior to the expiration of the corresponding deadlines.

Article 88

The inclusion of products in the lists of exceptions shall not affect the exportation of goods originating in Bolivia or Ecuador which have been the subject of significant trade between the respective country and Bolivia or Ecuador over the last three years or which show a strong likelihood of significant trade in the immediate future.

The same shall be the case in the future for those products from Bolivia or Ecuador which appear in the lists of exceptions of any of the Member Countries and which show clear and immediate prospects of being exported from Bolivia or Ecuador to the country which has exempted them from the reduction of trade restrictions.

It shall be the responsibility of the General Secretariat to determine when significant trade exists or when there is a clear likelihood that it will exist.

Article 89

The Member Countries shall seek to jointly reach partial-scope trade agreements, agreements of economic complementation, agricultural agreements, and trade promotion agreements, with the other Latin American countries in those sectors where it is feasible, according to the provisions of Article 98 of this Agreement and of the Montevideo Treaty of 1980.

CHAPTER VI: COMMON EXTERNAL TARIFF

Article 90

Member Countries commit themselves to implementing a Common External Tariff within the time limits and in the manner established by the Commission.

Article 91

The Commission, at the General Secretariat's proposal, shall approve a Common External Tariff that must provide adequate levels of protection in favor of subregional production, taking into account the Agreement's objective of gradually harmonizing the different economic policies of the Member Countries.

On the date indicated by the Commission, Colombia, Peru, and Venezuela will begin the process of approximating their levies, that apply under their national tariff schedules to the importation of products not originating within the Subregion, to the Common External Tariff, in an annual, automatic, and linear manner.

Article 92

Before December 31, 1970, the Commission, at the proposal of the General Secretariat, shall approve a Minimum Common External Tariff, whose objectives shall be primarily the following:

- a. To establish adequate protection for subregional production;