

ANDEAN SUBREGIONAL INTEGRATION AGREEMENT "CARTAGENA AGREEMENT"

THE GOVERNMENTS of Bolivia, Colombia, Ecuador, Peru, and Venezuela,

INSPIRED by the Declaration of Bogotá and by the Declaration of the Presidents of America;

RESOLVED to strengthen the union of their peoples and to lay the foundations for advancing toward the formation of an Andean subregional community;

AWARE that integration constitutes a historical, political, economic, social, and cultural mandate for their countries, in order to preserve their sovereignty and independence;

BASED on the principles of equality, justice, peace, solidarity, and democracy;

DETERMINED to attain such goals by creating an integration and cooperation system that will lead to the balanced, harmonious, and shared economic development of their countries;

AGREE, through their duly authorized plenipotentiary representatives, to enter into the following SUBREGIONAL INTEGRATION AGREEMENT:

CHAPTER I OBJECTIVES AND MECHANISMS

Article 1.- The objectives of this Agreement are to promote the balanced and harmonious development of the Member Countries under equitable conditions, through integration and economic and social cooperation; to accelerate their growth and the rate of creation of employment; and to facilitate their participation in the regional integration process, looking ahead toward the gradual formation of a Latin American Common Market.

This Agreement also seeks to reduce external vulnerability and to improve the positioning of the Member Countries within the international economic context; to strengthen subregional solidarity, and to reduce existing differences in levels of development among the Member Countries.

These objectives are aimed at bringing about an enduring improvement in the standard of living of the subregion's population.

Article 2.- Balanced and harmonious development shall lead to a fair distribution among the Member Countries of the benefits deriving from integration, so that the existing differences among them are reduced. The results of that process shall be evaluated periodically, bearing in mind, among other elements, its effects on the growth of each country's total exports, the performance of its balance of trade with the subregion, the evolution of its gross domestic product, the creation of new jobs, and capital formation.

Article 3.- The following mechanisms and measures shall be used, among others, to fulfill the objectives of this Agreement:

- a) The integration with other economic blocs in the region will be intensified and political, social and economic-trade relations will be established with extra-regional systems.
- b) Economic and social policies will be gradually harmonized and national laws with regard to pertinent matters will be aligned;
- c) Joint programming will be instituted, subregional industrialization will be intensified, industrial programs will be implemented, and other means of industrial integration will be applied;
- d) A more advanced schedule of trade liberalization than the commitments derived from the 1980 Treaty of Montevideo will be instituted;
- e) A Common External Tariff will be adopted;
- f) Programs will be carried out to accelerate the development of the agricultural and agroindustrial sectors;
- g) Resources will be channeled from in and outside the Subregion to finance the investments needed by the integration process;
- h) Programs will be conducted in the areas of services and the liberalization of intra-subregional trade in services;
- i) Physical integration will be pursued; and
- j) Bolivia and Ecuador will receive preferential treatment.

In addition to the mechanisms set out above, the following economic and social cooperation programs and aims shall be carried out in a concerted effort:

- a) Programs to promote scientific and technological development;
- b) Border integration measures;
- c) Programs in the area of tourism;
- d) Activities for the use and preservation of natural resources and the environment;
- e) Social development programs: and
- f) Efforts in the field of social communications.

Article 4.- To carry out this Agreement in the best way possible, Member Countries shall make the necessary efforts to seek adequate solutions to the problems stemming from Bolivia's landlocked condition.

CHAPTER II ON THE ANDEAN COMMUNITY AND THE ANDEAN INTEGRATION SYSTEM

Article 5.- The "Andean Community" is hereby created, composed of the sovereign States of Bolivia, Colombia, Ecuador, Peru, and Venezuela, and of the bodies and institutions of the Andean Integration System, and is established by this Agreement.

Article 6.- The Andean Integration System is made up of the following bodies and institutions:

- The Andean Presidential Council;
- The Andean Council of Foreign Ministers;
- The Andean Community Commission;
- The Andean Community General Secretariat;
- The Andean Community Court of Justice;
- The Andean Parliament;
- The Business Advisory Council;
- The Labor Advisory Council;
- The Andean Development Corporation;
- The Latin American Reserve Fund;
- The Simón Rodríguez Convention, the Social Conventions that join the Andean Integration System, and those that are created within its framework;
- The Simón Bolívar Andean University;
- The Advisory Councils established by the Commission; and,
- All other bodies and institutions that are created within the framework of Andean subregional integration.

Article 7.- The purpose of the System is to allow for effective coordination among its component bodies and institutions, in order to deepen Andean subregional integration,

promote its external influence and consolidate and strengthen actions related to the integration process.

Article 8.- The bodies and institutions of the Andean Integration System are governed by this Agreement and by their respective establishing treaties and amending protocols.

Article 9.- In order to achieve the best possible coordination within the Andean Integration System, the Chairman of the Andean Council of Foreign Ministers will call and chair the Meetings of Representatives of the institutions that comprise the System.

The main tasks of the Meeting shall be:

- a) To exchange information about the actions taken by the respective institutions to carry out the Guidelines issued by the Andean Presidential Council;
- b) To study the possibility and desirability of arranging, among all or some of the institutions, to carry out coordinated actions that will contribute to the achievement of the objectives of the Andean Integration System; and,
- c) To present to the Andean Council of Foreign Ministers meeting in enlarged session, reports about the actions carried out in fulfillment of the Guidelines that have been received.

Article 10.- The Representatives of the institutions comprising the Andean Integration System shall meet in regular session at least once a year and in special session whenever requested to do so by any of the member institutions, at the site agreed upon before the meeting is called.

The Andean Community General Secretariat shall act as the Secretariat for the Meeting.

Section A - On The Andean Presidential Council

Article 11.- The Andean Presidential Council is the highest-level body of the Andean Integration System and is made up of the Heads of State of the Member Countries of the Cartagena Agreement. It issues Guidelines on the different spheres of Andean subregional integration, which are carried out by the System bodies and institutions determined by the Council, in keeping with the responsibilities and mechanisms established in their respective Treaties or establishing Agreements.

The bodies and institutions of the System shall guide their policies in the way directed by the Guidelines issued by the Andean Presidential Council.

Article 12.- It is the Andean Presidential Council's responsibility:

- a) To define Andean subregional integration policy;

- b) To guide and promote action on matters of interest to the Subregion as a whole, as well as on those related to the coordination among the bodies and institutions of the Andean Integration System;
- c) To evaluate the development and results of the Andean subregional integration process;
- d) To consider and issue opinions about reports, initiatives, and recommendations that are submitted by the bodies and institutions of the Andean Integration System; and
- e) To study all issues and matters concerning the course of Andean subregional integration and its external projection.

Article 13.- The Andean Presidential Council shall meet regularly once a year, preferably in the country that chairs it. In this meeting, it shall review the actions taken by the bodies and institutions of the Andean Integration System, as well as their projects, programs, and suggestions. The members of the Andean Council of Foreign Ministers and of the Commission, and representatives of the System bodies and institutions, may attend the meetings of the Andean Presidential Council as observers.

The Andean Presidential Council may meet in special session whenever it considers this advisable, at the place agreed upon before the meeting is called.

Article 14.- The Andean Presidential Council shall have a Chairman who shall be the Andean Community's top political representative, and who shall hold office for a period of one calendar year. That position shall be filled, successively and in alphabetical order, by each of the Member Countries.

The responsibilities of the Chairman of the Andean Presidential Council shall be:

- a) To convene and chair the regular and special meetings of the Council;
- b) To represent the Council and the Andean Community;
- c) To ensure that the Guidelines issued by the Council are carried out by the other bodies and institutions of the Andean Integration System; and,
- d) To carry out all tasks requested by the Council.

Section B - On the Andean Council of Foreign Ministers

Article 15.- The Andean Council of Foreign Ministers is comprised of the Ministers of Foreign Affairs of the Member Countries of the Cartagena Agreement.

Article 16.- The responsibilities of the Andean Council of Foreign Ministers are:

- a) To formulate the Member Countries' foreign policy on matters of subregional interest, as well as to orient and coordinate the external efforts of the different bodies and institutions of the Andean Integration System;
- b) To formulate, carry out, and evaluate general Andean subregional integration policy, in coordination with the Commission;
- c) To carry out the Guidelines given to it by the Andean Presidential Council and to ensure the execution of those that are intended for the other bodies and institutions of the Andean Integration System;
- d) To sign Conventions and Agreements with third countries or groups of countries or with international organizations in regard to global foreign policy and cooperation issues;
- e) To coordinate, within its sphere of responsibility, the joint position of the Member Countries in international forums and negotiations;
- f) To represent the Andean Community, within the sphere of its competence, in matters and acts of common interest, according to the rules and objectives of the Agreement;
- g) To recommend or adopt measures within its area of responsibility that will ensure the accomplishment of the purposes and objectives of the Cartagena Agreement;
- h) To ensure harmonious compliance with the obligations set out in this Agreement and in the 1980 Treaty of Montevideo;
- i) To approve and modify its own regulations;
- j) To approve the General Secretariat's Regulations and all amendments thereto at the proposal of the Commission;
- k) To hear and resolve, within its area of responsibility, all other matters of common interest.

Article 17.- The Andean Council of Foreign Ministers shall express itself through Declarations and Decisions adopted by consensus. The latter shall be a part of Andean Community Law.

Article 18.- The Andean Council of Foreign Ministers shall meet in regular session twice a year, preferably in the country that chairs the Council. It may also meet in special session, when deemed advisable, at the request of any of its members, in the place agreed upon before the meeting is convened.

Article 19.- The Andean Council of Foreign Ministers shall be headed by the Foreign Minister of the country that chairs the Andean Presidential Council, who shall hold office for a period of one calendar year.

The coordination work corresponding to the Chairman of this Council shall be performed by the Foreign Ministry of the country whose Head of State chairs the Andean Presidential Council, acting as the Pro Tempore Secretariat of both bodies and with the technical support of the Andean Community General Secretariat.

Article 20.- The Andean Council of Foreign Ministers shall meet in enlarged session with the delegation representatives to the Commission at least once a year and, at the level of alternative representatives, whenever it considers it necessary, in order to discuss matters related to the Cartagena Agreement that are of interest to both bodies, such as:

- a) To prepare the meetings of the Andean Presidential Council;
- b) To choose and, when suitable, remove the General Secretary of the Andean Community;
- c) To propose to the Andean Presidential Council any amendments to this Agreement;
- d) To evaluate the performance of the General Secretariat;
- e) To consider the initiatives and proposals submitted for its consideration by the Member Countries or the General Secretariat; and,
- f) Any other issues that both bodies decide to address jointly by common agreement.

Section C - The Andean Community Commission

Article 21.- The Andean Community Commission shall be comprised of a plenipotentiary representative from each Member Country's government, which shall accredit a representative and an alternate representative.

The Commission shall express its will through Decisions.

Article 22.- It is the responsibility of the Andean Community Commission:

- a) To formulate, carry out, and evaluate Andean subregional integration policy in the area of trade and investment and, when in order, in coordination with the Andean Council of Foreign Ministers;
- b) To take the necessary measures to accomplish the objectives of the Cartagena Agreement and to implement the Guidelines laid down by the Andean Presidential Council;
- c) To coordinate, within its sphere of responsibility, the joint position of the Member Countries in international forums and negotiations;
- d) To ensure harmonious compliance with the obligations set out in this Agreement and in the 1980 Treaty of Montevideo;
- e) To approve and amend its own regulations;

- f) To approve, reject or amend the proposals submitted to it by the Member Countries, individually or collectively, or by the General Secretariat;
- g) To maintain ongoing relations with the bodies and institutions comprising the Andean Integration System, in order to boost the coordination of programs and measures aimed at accomplishing its common objectives;
- h) To represent the Andean Community, within the sphere of its responsibilities, in matters and acts of common interest, in keeping with the rules and objectives of this Agreement;
- i) To approve the annual budgets and evaluate the budgetary performance of the General Secretariat and the Andean Community Court of Justice, and to set the contributions to be paid by each of the Member Countries; and,
- j) To submit the proposed Regulations of the General Secretariat for consideration by the Andean Council of Foreign Ministers.

In fulfilling its responsibilities, the Commission shall give special consideration to Bolivia and Ecuador's situation in terms of the objectives of this Agreement, the preferential treatment provided in their favor, and Bolivia's landlocked status.

Article 23.- The Commission shall have a Chairman, who shall hold office for one calendar year. That office shall be filled by the representative of the country that is currently chairing the Andean Presidential Council.

Article 24.- The Commission shall meet on a regular basis three times a year and in special session whenever such a meeting is called by its Chairman at the request of any of the Member Countries or the General Secretariat.

Its sessions shall be held at the headquarters of the General Secretariat, but they may also take place elsewhere. The Commission shall meet with the presence of an absolute majority of the Member Countries.

Attendance at Commission meetings is obligatory and failure to attend shall be considered an abstention.

Article 25.- At the request of one or more of the Member Countries or of the General Secretariat, the Commission's Chairman shall summon the Commission to meet as an Enlarged Commission, in order to address sector issues, consider regulations for coordinating the development plans and harmonizing the economic policies of the Member Countries, and hear and resolve all other matters of common interest.

The meetings shall be presided over by the Commission Chairman and shall be jointly comprised of the representatives to the Commission and the Ministers or Secretaries of State of the respective area. Each country is entitled to cast one vote in order to approve Decisions that will become a part of Andean Community Law.

Article 26.- The Commission shall adopt its Decisions by affirmative vote of the absolute majority of the Member Countries. The exceptions to this general rule are:

a) The matters included in Annex 1 to this Agreement, in which case the Commission shall adopt its Decisions by the affirmative vote of the Member Countries with no negative votes being cast.

The Commission may add new matters to that Annex through the affirmative vote of the absolute majority of the Member Countries;

b) For the cases listed in Annex II, General Secretariat proposals shall be approved with the affirmative vote of the absolute majority of the Member Countries, provided that no negative vote is cast. Any proposal that receives the affirmative votes of the absolute majority of the Member Countries, but also a negative vote, shall be returned to the General Secretariat for consideration of the grounds for that negative vote. Within a period of no less than two months or more than six, the General Secretariat shall present the proposal once again for consideration by the Commission, including any modifications it deems appropriate. The amended proposal shall be considered approved if it receives the affirmative vote of the absolute majority of the Member Countries, with no negative vote. In this case, the vote of the country that had dissented previously shall not be counted as a negative vote; and

c) Industrial Development Programs and Projects shall be approved with the affirmative vote of the absolute majority of the Member Countries, provided that no negative vote is cast.

Article 27.- The General Secretariat or the Member Countries shall present their proposals at least fifteen days prior to the corresponding meeting of the Andean Council of Foreign Ministers or of the Commission. Only in duly justified exceptional cases and in accordance with Andean Community Law may the required deadlines be waived, provided that both the proponent and the other Member Countries agree to this.

Proposals that receive the affirmative vote of the absolute majority of the Member Countries, but also a negative vote, shall be returned to the proponent for consideration of the grounds that gave rise to that negative vote.

Within a period of no less than one month or more than three, the proponent shall once again present the proposal for consideration by the corresponding body, incorporating any modifications it considers appropriate. In that case, the amended proposal shall be considered approved if receives the affirmative vote of the absolute majority of the Member Countries.

Article 28.- Any Member Country that falls behind more than four quarters in the payment of its contributions to the General Secretariat or to the Andean Community Court of Justice may not exercise its right to vote in the Commission until it resolves that situation.

In such cases, the quorum for attendance and voting shall be computed according to the number of contributing countries.

Section D - The Andean Community General Secretariat

Article 29.- The General Secretariat is the executive body of the Andean Community and, as such, acts solely in accordance with the interests of the Subregion. The General Secretariat shall give technical support, when appropriate, to the other bodies and institutions of the Andean Integration System.

The General Secretariat shall be headed by the General Secretary. In performing his duties, the General Secretary shall rely on the Directors General, in accordance with the respective regulations. The General Secretary shall also enjoy the services of any technical and administrative staff needed to accomplish his duties. The General Secretariat shall express itself through Resolutions.

Article 30.- The Andean Community General Secretariat's responsibilities are:

- a) To ensure the application of this Agreement and compliance with the provisions that comprise Andean Community Law;
- b) To carry out the tasks assigned to it by the Andean Council of Foreign Ministers and the Commission;
- c) To formulate and put forward draft Decisions to the Andean Council of Foreign Ministers and the Commission, in accordance with their respective spheres of responsibility, and initiatives and suggestions to the enlarged meeting of the Andean Council of Foreign Ministers, aimed at facilitating or hastening the fulfillment of this Agreement, so that its objectives may be achieved within the shortest possible time frame;
- d) To conduct studies and propose the necessary measures for applying the special treatments in benefit of Bolivia and Ecuador and, in general, those regarding the participation of the two countries in this Agreement;
- e) To study and report annually to the Andean Council of Foreign Ministers and the Commission, on the results of the application of this Agreement and the achievement of its objectives, paying special attention to the fulfillment of the principle of fair distribution of the benefits of integration, and to propose pertinent corrective measures;
- f) To perform the technical studies and coordination entrusted to it by other bodies of the Andean Integration System, together with any others it considers necessary;
- g) To maintain permanent working relations with the Member Countries, in coordination with the national integration body appointed by each country for that purpose;
- h) To draw up its annual working program, in which it shall give preference to the tasks assigned to it by other System bodies;

- i) To promote periodic meetings of the national organizations responsible for economic policy formulation or execution and, particularly, those charged with economic planning;
- j) To maintain working relations with the executive bodies of other regional integration and cooperation organizations, in order to strengthen their relationship and reciprocal cooperation;
- k) To keep the records of the enlarged meetings of the Andean Council of Foreign Ministers and of the Commission, and to draw up a tentative agenda of their meetings, in coordination with the chairmen of those bodies;
- l) To be the depository for the records of the meetings and other documents of Andean Integration System bodies and to certify their authenticity;
- m) To publish the Official Gazette of the Cartagena Agreement;
- n) To act as Secretariat for the Meeting of Representatives of the institutions that comprise the Andean Integration System; and,
- ñ) To carry out all other responsibilities expressly assigned to it by Andean Community Law.

Article 31.- The General Secretariat shall operate on a permanent basis and its headquarters shall be located in the city of Lima, Peru.

Article 32.- The General Secretariat shall be headed by a Secretary General who shall be chosen by consensus of the Andean Council of Foreign Ministers for a five-year term of office and may be reelected a single time.

The Secretary General shall be a person with broad representation and acknowledged prestige, and must be a national of one of the Member Countries. He shall act only in the interests of the Subregion as a whole.

The Secretary General may not carry out any other activity during his term of office; nor shall he seek or accept instructions from any government, national institution or international organization.

If the office falls vacant, the Andean Council of Foreign Ministers, meeting in enlarged session, shall immediately proceed to appoint a new Secretary General by consensus. Until that time, the Director-General with the most seniority shall temporarily head the General Secretariat.

Article 33.- The Secretary General may be removed from office by consensus, at the request of a Member Country, only if, in the exercise of his duties, he commits the gross negligence foreseen in the General Secretariat Regulations.

Article 34.- The responsibilities of the Andean Community Secretary General are:

- a) To act as the General Secretariat's legal representative;
- b) To propose initiatives in regard to the General Secretariat Regulations to the Commission or to the Andean Council of Foreign Ministers;
- c) To hire and dismiss technical and administrative staff, in accordance with the General Secretariat Regulations;
- d) To participate with the right to be heard in the sessions of the Andean Council of Foreign Ministers and the Commission and in their respective enlarged meetings, and, when invited to do so, in the meetings of other System bodies;
- e) To present the draft annual budget to the Commission for its approval; and,
- f) To present an annual report of the General Secretariat's activities to the Andean Council of Foreign Ministers meeting in enlarged session.

Article 35.- The Secretary General, in consultation with the Member Countries and in keeping with the General Secretariat's functional and organic structure, shall appoint the Directors-General. These persons shall be top-level professionals, appointed strictly in accordance with their academic background, suitability, reputation, and experience, and they shall each be responsible for a specific technical area.

The Directors-General shall be nationals of Member Countries and the Secretary General shall seek to ensure balanced subregional geographic distribution in their appointment. The appointment and dismissal of the Directors-General shall be governed by the General Secretariat Regulations.

Article 36.- In proceedings where the interests of two or more Member Countries are in dispute, the Secretary General shall enjoy the technical assistance of special experts, whose appointment and method of participation shall be determined according to the General Secretariat Regulations.

Article 37.- The Secretary General, when hiring technical and administrative staff, who may be of any nationality, shall bear in mind strictly the ability, competence, and reputation of the candidates and shall seek to ensure balanced subregional geographic distribution, provided that this is compatible with the preceding criteria.

Personnel shall be appointed and dismissed according to the criteria and grounds established in the General Secretariat Regulations, without prejudice to what the establishing Treaty of the Court of Justice and its amending protocols provide for.

Article 38.- The staff of the General Secretariat shall refrain from taking any action that may be incompatible with the nature of their duties and shall neither seek nor accept instructions from any Government, national institution or international organization.

Article 39.- In the case of proceedings that should conclude with the adoption of a Resolution or Opinion, public or private individuals or legal entities from the Member Countries shall cooperate in such investigations as the General Secretariat may make in carrying out its duties and, in this sense, shall supply any information they are requested for this purpose.

The General Secretariat shall keep any documents and information furnished strictly confidential, in accordance with the rules governing those matters.

Section E - On the Andean Community Court of Justice

Article 40.- The Court of Justice is the judicial authority of the Andean Community.

Article 41.- The Andean Community Court of Justice is governed by its establishing Treaty and its amending protocols and this Agreement.

The Court has its headquarters in the city of Quito, Ecuador.

Section F - On The Andean Parliament

Article 42.- The Andean Parliament is the System's deliberating body. It has a community nature, represents the peoples of the Andean Community and shall be made up of representatives chosen by universal and direct suffrage, according to the procedure that is adopted through an Additional Protocol that shall include adequate criteria for national representation.

Until the Additional Protocol instituting direct elections is signed, the Andean Parliament shall be comprised of representatives of the National Congresses, in accordance with their internal regulations and the General Regulations of the Andean Parliament.

The headquarters of the Andean Parliament shall be in the city of Bogotá, Colombia.

Article 43.- The Andean Parliament's responsibilities are:

- a) To participate in the promotion and guidance of the Andean Subregional integration process, with a view to consolidating Latin American integration;
- b) To examine the progress of the Andean subregional integration process and the fulfillment of its objectives, requesting periodic information from the System bodies and institutions for that purpose;
- c) To formulate recommendations regarding the annual draft budgets of the System bodies and institutions that are financed through the direct contributions of the Member Countries;
- d) To suggest to the System bodies and institutions actions or decisions, whose goal or effect is the adoption of modifications, adjustments, or new general guidelines in relation to the programmed objectives and institutional structure of the System;

e) To participate in the law-making process by suggesting to the System bodies draft provisions on subjects of common interest, for incorporation in Andean Community Law;

f) To promote the harmonization of Member Country legislation; and,

g) To promote cooperative and coordinated relations with Member Country Parliaments, System bodies and institutions, and third country parliamentary integration or cooperation bodies.

Section G - On the Advisory Institutions

Article 44.- The Business Advisory Council and the Labor Advisory Council are the consultative institutions of the Andean Integration System. They are comprised of high-level delegates, who shall be directly elected by the representative organizations in the business and labor sectors of each of the Member Countries, according to their respective regulations, and officially accredited by them.

The responsibilities of the Advisory Councils shall be to express their opinions to the Andean Council of Foreign Ministers, the Commission or the General Secretariat, at the request of these bodies or on their own initiative, with regard to programs or activities of the Andean subregional integration process that are of interest to their respective sectors. They can also be summoned to meetings of working groups and of government experts involved in preparing draft Decisions, and may participate in meetings of the Commission with the right to take part in the discussions.

Section H - On the Financial Institutions

Article 45.- The Andean Development Corporation and the Latin American Reserve Fund are the System's financial institutions and their purpose is to promote the Andean subregional integration process.

Article 46.- The General Secretariat and the executive bodies of the Andean Development Corporation and the Latin American Reserve Fund shall maintain working relations for the purpose of coordinating activities adequately and, thereby, facilitating the achievement of the objectives of this Agreement.

Section I - On Dispute Settlement

Article 47.- The settlement of any disputes that may arise as a result of the application of Andean Community Law shall abide by the provisions of the Treaty establishing the Court of Justice.

Section J - On the International Legal Capacity and the Privileges and Immunities

Article 48.- The Andean Community is a subregional organization with an international legal capacity or status.

Article 49.- The General Secretariat, the Court of Justice, the Andean Parliament, the Andean Development Corporation, the Latin American Reserve Fund, and the Social Conventions that are part of the System shall enjoy, within the territory of each of the Member Countries, the privileges and immunities required for the fulfillment of their objectives. Their representatives and international staff shall, likewise, be given the privileges and immunities required to carry out their duties in relation to this agreement with independence. Their premises are inviolable and their goods and property are immune to all judicial proceedings, unless expressly waived. Nevertheless, such a waiver shall not apply to any judicial measures of execution.

CHAPTER III

FOREIGN RELATIONS

Article 50.- The Andean Council of Foreign Ministers shall formulate the Common Foreign Policy on matters that are of interest to the subregion. To that end, it shall coordinate joint political positions that will enable the Community to participate effectively in international political forums and organizations.

Article 51.- The Andean Council of Foreign Ministers and the Andean Community Commission shall define and undertake to implement a community strategy aimed at deepening integration with other economic blocs in the region and establishing political, social and economic-trade relations with other groups outside the region.

Article 52.- In order to accomplish the objective stated in this Chapter, the Andean Council of Foreign Ministers and the Andean Community Commission shall take the following measures, among others:

- a) Strengthen community participation in international, multilateral, hemispheric and regional economic and trade forums;
- b) Coordinate joint negotiations of the Andean Community with other integration processes or with third countries or groups of countries; and
- c) Entrust the General Secretariat to perform research, studies and activities that will make it possible to achieve the objective and carry out the measures provided for in this Chapter.

CHAPTER IV

HARMONIZATION OF ECONOMIC POLICIES AND COORDINATION OF DEVELOPMENT PLANS

Article 53.- The Member Countries shall progressively adopt a strategy to achieve the subregional development objectives envisaged in this Agreement.

Article 54.- The Member Countries shall coordinate their development plans in specific sectors and shall gradually harmonize their economic and social policies, with a view to achieving the integrated development of the area through planned actions.

This process shall be carried out simultaneously and in coordination with the creation of the subregional market, by means of the following mechanisms, among others:

- a) Industrial Development Programs;
- b) Agricultural and Agroindustrial Development Programs;
- c) Physical Infrastructure Development Programs;
- d) Intra-subregional Programs for the Liberalization of Services;
- e) Harmonization of foreign exchange, monetary, financial, and fiscal policies, including the treatment of subregional or foreign capital;
- f) A common trade policy in relation to third countries; and
- g) Harmonization of planning methods and techniques.

Article 55.- The Andean Community shall have a common system for the treatment of foreign capital and on trademarks, patents, licenses, and royalties, among other things.

Article 56.- The Andean Community shall have a uniform regime that Andean multinational enterprises must abide by.

Article 57.- The Commission, at the General Secretariat's proposal, shall establish the necessary permanent procedures and mechanisms for achieving the coordination and harmonization referred to in Article 54.

Article 58.- The Commission, at the General Secretariat's proposal and taking into account the progress and needs of the subregional integration process, as well as the balanced compliance with the mechanisms of the Agreement, shall approve provisions and define timeframes for the progressive harmonization of economic legislation and the instruments and mechanisms for regulating and promoting the Member Countries' foreign trade that affect the mechanisms provided for in this Agreement for the creation of the subregional market.

Article 59.- The Member Countries shall provide in their national development plans and in the formulation of their economic policies for the necessary measures to ensure compliance with the preceding Articles.

CHAPTER V

INDUSTRIAL DEVELOPMENT PROGRAMS

Article 60.- The Member Countries bind themselves to promote a joint industrial development process in order to attain the following objectives, among others:

- a) Expansion, specialization, diversification, and promotion of industrial activity;

- b) Profitable use of economies of scale;
- c) Optimum utilization of the resources available in the area, particularly by industrializing the natural resources;
- d) Improvement in productivity;
- e) Closer relations, interlinkage and complementarity among the sub region's industrial enterprises;
- f) Equitable distribution of benefits; and
- g) Better international participation by subregional industry.

Article 61.- For purposes of the previous Article, the following shall constitute modes of industrial integration:

- a) Industrial Integration Programs;
- b) Industrial Complementarity Agreements; and
- c) Industrial Integration Projects.

Section A - On Industrial Integration Programs

Article 62.- The Commission, at the General Secretariat's proposal, shall adopt Industrial Integration Programs, preferably to promote new industrial production lines that are sectoral or intersectoral in scope, and in which at least four Member Countries shall participate.

The programs shall include clauses dealing with:

- a) Specific targets;
- b) The determination of what products the Program will target;
- c) The siting of production facilities in the countries of the subregion whenever the characteristics of the sector or sectors involved so require it, in which case, they shall include provisions on the commitment not to encourage such production in countries that are not favored by the allocation;
- d) A Trade Liberalization Program that may provide for different rates of implementation by country and by product;
- e) A Common External Tariff;
- f) Coordination of new subregion-wide investments and measures to ensure their financing;

- g) Harmonization of policies on aspects that affect the Program directly;
- h) Complementary measures that may foster greater industrial linkages and facilitate the fulfillment of Program goals; and
- i) The timeframes during which the rights and obligations arising from the Program shall be maintained in the event the Agreement is denounced.

Article 63.- A country that is not participating in an Industrial Integration Program may request its incorporation at any time, in which case the Commission shall approve the conditions for that incorporation, through the voting system provided for in Article 26 b). Any negotiations that may have been carried out between the participating countries and the non-participant should be considered in the respective proposals.

Section B - On the Industrial Complementarity Agreements

Article 64.- The aim of Industrial Complementarity Agreements shall be to promote industrial specialization among the Member Countries. Such Agreements may be entered into and carried out by two or more Countries and must be approved by the Commission.

For the purposes of the preceding paragraph, the Agreements may include measures such as the distribution of production, joint production, subcontracting of productive capacities, marketing agreements, and joint foreign trade operations, as well as any other measures that may facilitate closer coordination of the production processes and entrepreneurial activity.

Industrial Complementarity Agreements shall be temporary in nature, and in addition to the determination of target products and of the expiration date of the rights and obligations of the participating Member Countries, may include special measures concerning tariff treatment, trade regulation, and the establishment of preferential margins that are not applicable to non-participant countries, provided that such measures represent equal or better conditions than those existing for reciprocal trade. In that case, the duties applicable to third countries shall be determined.

Article 65.- Countries that are not participating in the Complementarity Agreements may request their incorporation at any time, in which case the participating countries shall approve the conditions for that incorporation, which shall be made known to the Commission.

Section C - On Industrial Integration Projects

Article 65.- The Commission shall approve Industrial Integration Projects at the proposal of the General Secretariat. These projects shall be carried out for specific products or product families --preferably new ones--, through policies of collective cooperation and all of the Member Countries shall be involved.

The following measures, among others, shall be taken for the execution of these Projects:

- a) Feasibility and design studies will be prepared;
- b) Equipment, technical assistance, technology, and other goods and services, preferably of subregional origin, will be supplied;
- c) The support of the Andean Development Corporation will be obtained, in the form of either financing or equity investment; and
- d) Joint arrangements and negotiations will be carried out with international entrepreneurs and government agencies to obtain foreign funding or the transfer of technology.

Industrial Integration Projects shall include clauses that deal with the siting of production facilities in the Member Countries whenever the characteristics of the corresponding sector or sectors require it and may include clauses to facilitate the access of products to the subregional market.

In the case of specific projects that are sited in Bolivia or Ecuador, the Commission shall establish temporary and exclusive tariff treatment to improve the terms of access by those products to the subregional market. If products that are not produced in the Subregion are included in this category, the terms of access shall provide for exceptions to the principle of irrevocability stipulated in the first paragraph of Article 76.

Section D - Other Provisions

Article 67.- In applying the modes of industrial integration, the Commission and the General Secretariat shall bear in mind the situation and requirements of small and medium-sized industry, particularly those concerning the following aspects:

- a) The installed capacity of existing enterprises;
- b) Financial and technical needs for the installation, expansion, modernization, or conversion of production facilities;
- c) The prospects for setting up joint marketing and technological research systems and other forms of cooperation among similar enterprises; and
- d) Labor training requirements.

Article 68.- Industrial integration methods may provide for industrial streamlining efforts aimed at making the most of the factors of production and reaching higher levels of productivity and efficiency.

Article 69.- The General Secretariat may carry out or promote cooperation efforts, including those aimed at industrial streamlining and modernization in benefit of any activity in the sector, particularly of small and medium-sized subregional industry, for the purpose of contributing to the industrial development of the Member Countries. Priority shall be given to carrying out these actions in Bolivia and Ecuador.

Article 70.- The General Secretariat, whenever it deems it advisable and, in any case, in the course of its periodic evaluations, shall propose to the Commission the measures it considers essential to ensure the equitable participation of the Member Countries in the modes of industrial integration that are covered in this Chapter, their execution, and the attainment of their aims.

Article 71.- It shall be the responsibility of the Commission and of the General Secretariat to coordinate appropriately 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 policy coordination and joint investment programming;
- b) Channeling a growing volume of funds to resolve problems created for Member Countries by the industrial integration process;
- c) Promoting the financing of investment projects that arise from the execution of the different modes of industrial integration; and
- d) Expanding, modernizing, or converting industrial production facilities that may be adversely affected by trade liberalization.

CHAPTER VI

LIBERALIZATION PROGRAM

Article 72.- The purpose of the Liberalization Program for goods is to eliminate duties and restrictions of all kinds levied on the importation of products originating in the territory of any Member Country.

Article 73.- "Duties" are understood to be the customs duties and any other charges with equivalent effects, whether of a fiscal, monetary or foreign exchange nature, 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 a unilateral decision, obstructs or hinders imports. Not included in this concept are the adoption and enforcement of measures to:

- a) Protect public morals;
- b) Implement laws and regulations on security;
- c) Regulate the import or export of weapons, ammunition, and other war materials, and, under special circumstances, all other military articles, provided that this does not interfere with the provisions of treaties in force between Member Countries relating to the freedom of unrestricted transit;

- d) Protect the life and health of human beings, animals, and plants;
- e) Import and export metallic gold and silver;
- f) Protect national treasures with an artistic, historical, or archaeological value; and
- g) Export, use and consume nuclear materials, radioactive products, or any other material that may be employed for the development and utilization of nuclear energy.

Article 74.- For the purposes of the previous articles, the General Secretariat, on its own initiative or at the request of a party, shall determine, when necessary, whether a measure adopted unilaterally by a Member Country constitutes a "duty" or "restriction."

Article 75.- Products originating in a Member Country shall enjoy, in the territory of another Member Country, treatment that is no less favorable than that accorded to similar domestic products, insofar as taxes, assessments and other domestic duties are concerned.

Article 76.- The Liberalization Program shall be automatic and irrevocable and shall cover the entire product universe, save for the provisions regarding exceptions that are established in this Agreement, so that a total liberalization is achieved within the timeframes and by the methods referred to in this Agreement.

This Program shall apply, in its various forms, to:

- a) Products that are targeted by Industrial Integration Programs;
- b) Products that are included in the Common List referred to in Article 4 of the 1960 Montevideo Treaty;
- c) Products on the corresponding list that are not produced in any of the subregion's countries; and
- d) Products that are not covered in the above-cited sections.

Article 77.- Member Countries shall refrain from levying customs duties and introducing restrictions of any kind on the importation of goods that originated in the subregion.

Article 78.- Member Countries shall seek to jointly reach partial-scope trade agreements, economic complementarity agreements, agricultural agreements, and trade promotion agreements, with the other Latin American countries in sectors where this is feasible, according to the provisions of Article 86 of this Agreement and of the 1980 Montevideo Treaty.

CHAPTER VII

INTRA-SUBREGIONAL TRADE IN SERVICES

Article 79.- The Andean Community Commission, at the proposal of the General Secretariat, shall approve a general framework of principles and provisions for liberalizing the intra-subregional trade in services.

Article 80.- The general framework provided for in the previous article shall be applied to the trade in services provided in the following ways:

- a) From the territory of one Member Country to the territory of another Member Country;
- b) Within the territory of a Member Country to a consumer from another Member Country;
- c) Through the commercial presence of service enterprises of one Member Country in the territory of another Member Country; and,
- d) By individuals from one Member Country in the territory of another Member Country.

CHAPTER VIII

COMMON EXTERNAL TARIFF

Article 81.- The Member Countries commit themselves to put a Common External Tariff into effect within the timeframes and according to the modes the Commission may establish.

Article 82.- The Commission, at the General Secretariat's proposal, shall approve the Common External Tariff, which must provide for adequate levels of protection for subregional products, considering the Agreement objective of gradually harmonizing the different economic policies of the Member Countries.

On the date indicated by the Commission, Colombia, Peru, and Venezuela shall begin the process of aligning the customs duties that are applicable under their national tariff schedules to the importation of products that did not originate in the subregion, with the Common External Tariff in an annual, automatic, and linear way.

Article 83.- The stipulations of Article 82 notwithstanding, the following provisions shall be applied:

- a) With respect to products that are targeted by Industrial Integration Programs, the rules established by those Programs regarding the Common External Tariff shall govern; and with respect to products that are targeted by Industrial Integration Projects, the Commission, whenever appropriate, may specify, when approving the respective Decision, the levels of customs duties that shall apply to third countries and the corresponding terms; and

b) Whenever, in fulfilling the Liberalization Program, a product is freed from customs duties and other restrictions, it shall be subject to the full and simultaneous application of the customs duties established in the Minimum Common External Tariff or in the Common External Tariff, as the case may be.

In the case of goods that are not produced in the subregion, each country may defer the application of the common customs duties until the General Secretariat verifies that their production has begun in the subregion. Even so, if in the General Secretariat's judgment the new production is insufficient to meet the normal needs of the subregion, it shall propose to the Commission that it adopt the necessary measures to reconcile the need to protect subregional production with that of ensuring a normal supply.

Article 84.- The Commission, at the proposal of the General Secretariat, may modify the common tariff levels to the extent and at the time it deems advisable, in order to:

- a) Adjust them to the subregion's needs; and
- b) Provide for the special situations of Bolivia and Ecuador.

Article 85.- The General Secretariat may propose to the Commission the measures it considers essential to ensure normal supply conditions in the subregion.

Any Member Country undergoing temporary supply shortages may report the problem to the General Secretariat, which shall verify the situation within a period commensurate with the urgency of the case. Once the General Secretariat verifies the existence of the problem in question and so informs the country adversely affected, the latter may take steps, such as to temporarily reduce or suspend the External Tariff duties within the necessary limits to correct the disturbance.

In the cases referred to in the previous section, the General Secretariat shall call a special meeting of the Commission, if such is in order, or shall inform it at its following regular meeting regarding the action that has been taken.

Article 86.- The Member Countries commit themselves not to unilaterally alter the customs duties set in the Common External Tariff. They also agree to hold the necessary consultations within the Commission before assuming tariff obligations with countries outside the subregion. The Commission, at the General Secretariat's proposal and through a Decision, shall state its opinion regarding those consultations and shall establish the terms with which tariff commitments must comply.

CHAPTER IX

AGRICULTURAL DEVELOPMENT PROGRAMS

Article 87.- In order to boost common agricultural and agroindustrial development and attain greater subregional food security, the Member Countries shall carry out an Agricultural and Agroindustrial Development Program, harmonize their policies, and coordinate their national plans in this sector, bearing in mind the following objectives, among others:

- a) To improve the standard of living of the rural population;
- b) To take care to meet the food and nutritional requirements of the population satisfactorily, in order to reduce to the utmost dependence on supplies from outside the subregion;
- c) To ensure the timely and adequate supply of the subregional market and protect against the risk of food shortages;
- d) To increase the production of staple foods and raise productivity levels;
- e) To ensure the complementarity and specialization of the subregion's production, with a view to improving the use of its inputs and increasing the trade in agricultural and agroindustrial products; and
- f) To replace the subregion's imports and diversify and increase its exports.

Article 88.- The Commission, at the proposal of the General Secretariat, shall take the following steps, among others, to fulfill the objectives stated in the previous article:

- a) Create an Andean and National Food Security Systems;
- b) Carry out joint agricultural and agroindustrial development programs, by products or product groups;
- c) Implement joint agricultural and agroindustrial technological development programs that include technological research, training, and transfer activities;
- d) Promote intra-subregional agricultural and agroindustrial trade and sign agreements to supply agricultural products;
- e) Conduct joint programs and activities with regard to agricultural and agroindustrial trade with third countries;
- f) Establish and execute common provisions and programs on plant and animal health;
- g) Create subregional funding mechanisms for the agricultural and agroindustrial sector;

h) Execute joint programs for the profitable use and conservation of the sector's natural resources; and

i) Implement joint cooperative technological research and transfer programs in areas of common interest to the Member Countries, such as genetics, floriculture, fishing, forestry, and any others the Commission may decide upon in the future.

Article 89.- The Commission and the General Secretariat shall take the necessary measures to step up the agricultural and agroindustrial development of Bolivia and Ecuador, as well as their participation in the enlarged market.

Article 90.- Any Member Country may apply non-discriminatory measures to trade in the products added to the list referred to in Article 92, for the purpose of:

a) Restricting imports to the absolute minimum needed to cover shortages in domestic production; and

b) Bringing the prices of imported products into line with those of the domestic products.

In order to implement such measures, the Member Countries shall, when appropriate, take steps to supply agricultural and agroindustrial food products through existing national agencies.

Article 91.- The country that imposes the measures referred to in the previous article shall immediately notify the General Secretariat, enclosing a report substantiating its action.

These measures shall be applied to Bolivia and Ecuador only in duly qualified cases and after the General Secretariat has confirmed that the damage is due essentially to their imports. The General Secretariat is obliged to express its views within fifteen days after receiving the report and may authorize the measures to be applied.

Any Member Country that considers itself affected by those measures may present its objections to the General Secretariat.

The General Secretariat shall study the case and propose to the Commission the positive measures it deems advisable in the light of the objectives indicated in Article 87.

The Commission shall decide with respect to the restrictions that were applied and the measures that are proposed by the General Secretariat.

Article 92.- The Commission, at the proposal of the General Secretariat, shall decide upon the list of agricultural products to which Articles 90 and 91 may be applied, before December 31, 1970. The Commission may modify that list at the proposal of the General Secretariat.

CHAPTER X

TRADE COMPETITION

Article 93.- the Commission, before December 31, 1971 and at the General Secretariat's proposal, shall adopt the essential provisions to guard against or correct practices that may distort competition within the subregion, such as dumping, improper price manipulations, maneuvers to upset the normal supply of raw materials, and others with a like effect. In this respect, the Commission shall consider the problems that could be created by imposing duties and other restrictions on exports.

It shall be the General Secretariat's responsibility to ensure the application of those provisions to the particular cases that are reported.

Article 94.- The Member Countries may not take corrective measures without prior authorization from the General Secretariat. The Commission shall regulate the procedures for implementing the provisions contained in this Chapter.

CHAPTER XI

SAFEGUARD CLAUSES

Article 95.- Any Member Country that has taken measures to correct an external imbalance may extend those measures, when authorized to do so by the General Secretariat, temporarily and in a non-discriminatory way, to intra-subregional trade in the products included in the Liberalization Program.

The Member Countries shall seek to ensure that the imposition of restrictions due to an adverse balance of payments situation does not affect trade within the subregion in the products incorporated in the Liberalization Program.

If the situation envisaged in this Article requires an immediate response, the Member Country involved may apply the foreseen measures on an emergency basis. It shall report that action immediately to the General Secretariat, which shall hand down its decision within the following thirty days, either authorizing, modifying, or suspending those measures.

If the application of the measures provided for in this Article continues for a period of over one year, the General Secretariat, on its own initiative or at the request of any of the Member Countries, shall propose to the Commission that negotiations be immediately initiated to seek the removal of those restrictions.

Article 96.- If the implementation of the Agreement's Liberalization Program causes or threatens to cause serious economic damage to a Member Country or to one of its key economic sectors, that country may, with the prior authorization of the General Secretariat, take temporary and non-discriminatory corrective steps. If necessary, the General Secretariat may propose to the Commission that measures of collective cooperation be taken to surmount the problems that have arisen.

The General Secretariat shall periodically study the evolution of the situation to keep the restrictive measures from being imposed any longer than is strictly necessary or to study new formulas for cooperation, if appropriate.

If the damages dealt with in this Article are so serious that they require immediate steps to be taken, the injured Member Country may apply corrective measures temporarily, on an emergency basis, subject to the subsequent decision of the General Secretariat.

Those measures should damage the Liberalization Program as little as possible and, so long as they are implemented unilaterally, may not involve reducing imports of the product or products in question to below the average for the preceding twelve months.

Any Member Country that takes those measures shall immediately report them to the General Secretariat and the latter shall issue its decision within the following thirty days, either authorizing, modifying, or suspending them.

Article 97.- If products that originated in the Subregion are imported in such quantities or conditions as to disrupt a Member Country's production of specific products, that Country may take non-discriminatory and temporary corrective measures, subject to the subsequent decision of the General Secretariat.

A Member Country that takes corrective measures must notify the General Secretariat within no more than sixty days and present a report substantiating their application. The General Secretariat, within sixty days after receiving that report, shall verify the existence of the disruption and the origin of the imports that caused it and shall issue its decision, either suspending, modifying, or authorizing those measures, which may be applied only to the products of the Member Country where the disturbance originated. The corrective measures that are taken shall guarantee the access of a volume of trade amounting to no less than the average for the previous three years.

Article 98.- If a currency devaluation made by one of the Member Countries alters the normal conditions of competition, the country that considers itself to be adversely affected may bring the case before the General Secretariat, which should hand down its decision briefly and summarily. Once the General Secretariat has verified the existence of the disturbance, the country that is adversely affected may take temporary corrective measures so long as the condition exists, while abiding by the General Secretariat's recommendations. In any case, those measures may not involve reducing imports to levels below those that existed prior to the devaluation.

The application of the temporary measures referred to notwithstanding, any Member Country may request the Commission to hand down a final decision on the matter.

The Member Country that devalued its currency may ask the General Secretariat to review the situation at any time, with a view to easing or eliminating the cited corrective measures. The Commission may amend the General Secretariat's decision.

In the situation referred to in this Article, the country which considers itself to be adversely affected may, in presenting the case to the General Secretariat, propose protective measures that are commensurate with the magnitude of the alleged disturbance, accompanied by the technical substantiation of its proposal. The General Secretariat may request any supplementary information it deems advisable.

The General Secretariat shall hand down its brief and summary decision within a period of one month after receiving the request. If it fails to do so within the stipulated period and the requesting country feels that the delay may be harmful to its interests, it may take the initial measures it had proposed; this action shall be immediately reported to the General Secretariat, which shall decide whether the measures that have been applied should be maintained, modified, or suspended.

In communicating its decision, the General Secretariat shall bear in mind, among other criteria, the economic indicators regarding the conditions of trade competition in the subregion adopted in general by the Commission, at the General Secretariat's proposal, the individual characteristics of the Member Countries' foreign exchange systems and any studies which the Monetary and Foreign Exchange Council may have made on the subject.

The General Secretariat shall proceed according to its own criteria until the Commission adopts the system of economic indicators.

Notwithstanding the foregoing, if, during the period between the presentation in question and the General Secretariat's decision, in the opinion of the applicant Member Country, there are background elements which give reasonable grounds to fear that the devaluation may cause immediate harmful effects that may have serious implications for its economy that will require the adoption of protective measures on an emergency basis, it may present the situation to the General Secretariat; the latter, if it finds the request to be well-grounded, shall have a period of seven continuous days in which to authorize suitable measures to be taken. The General Secretariat's final decision regarding the disruption of the normal conditions of competition shall, in any case, determine whether the authorized emergency measures shall be maintained, modified, or suspended.

Measures that are adopted pursuant to this Article may not involve reducing trade to levels below those that existed prior to the devaluation.

The second and third paragraphs of this Article shall be fully applicable to all of these measures.

Article 99.- No safeguard clauses of any kind shall be applied to the importation of products originating in the subregion and included in the Industrial Integration Programs and Projects.

CHAPTER XII

ORIGIN

Article 100.- The Commission, at the General Secretariat's proposal, shall adopt any special provisions that may be needed to determine the origin of goods. Those rules shall constitute a dynamic instrument for the subregion's development and shall be appropriate for helping to attain the Agreement's objectives.

Article 101.- It shall be the General Secretariat's responsibility to establish the specific requirements of origin for the products that require them. If an Industrial Integration Program necessitates the establishment of specific requirements, the General Secretariat shall determine those requirements as the corresponding program is being approved.

The Member Countries may request the General Secretariat to review a specific requirement within a year after its establishment and its decision must be communicated summarily.

If a Member Country so requests, the Commission shall examine the requirements and hand down a final decision within six to twelve months after their establishment by the General Secretariat.

The stipulation of the first paragraph of this article notwithstanding, the General Secretariat may, at any time, either on its own initiative or at the request of a party, establish or modify those requirements in order to adjust them to the subregion's economic and technological progress.

Article 102.- In adopting and establishing the special provisions or specific requirements of origin, as the case may be, the Commission and the General Secretariat shall seek to ensure that they do not hinder Bolivia and Ecuador from taking advantage of the benefits stemming from the Agreement's implementation.

Article 103.- The General Secretariat shall ensure compliance with the rules and requirements of origin in subregional trade. It shall, moreover, propose any measures that are necessary to resolve problems of origin that obstruct the attainment of the objectives of this Agreement.

CHAPTER XIII

PHYSICAL INTEGRATION

Article 104.- The Member Countries shall make a joint effort to improve the use of the physical space and reinforce the infrastructure and services that are needed to advance the subregion's economic integration. This effort shall be made primarily in the fields of energy, transportation, and communications and shall cover the necessary measures for facilitating cross-border traffic between the Member Countries.

To this end, the Member Countries shall seek to establish multinational entities or enterprises whenever possible and desirable to facilitate the execution and administration of those projects.

Article 105.- The Commission, at the General Secretariat's proposal, shall adopt programs in the fields cited to in the preceding Article in order to promote a continuous process aimed at expanding and modernizing the physical infrastructure and the transportation and communications services of the subregion. These programs shall encompass the following, insofar as possible:

- a) The identification of specific projects for incorporation in the national development plans and an indication of the order of priority for their execution;
- b) The essential measures for financing the necessary preinvestment studies;
- c) The technical and financial assistance needs to ensure the execution of the projects; and
- d) The joint action to be taken with the Andean Development Corporation and the international lending institutions to ensure that the required financial resources are provided.

Article 106.- The programs referred to in the foregoing Article, as well as the Industrial Integration Programs and Projects, shall include measures of collective cooperation to adequately cover the essential infrastructure required for their execution and shall give special consideration to the situation of Ecuador and Bolivia's territorial and landlocked status.

CHAPTER XIV

FINANCIAL MATTERS

Article 107.- The Member Countries shall take action and coordinate their policies on financial matters and payments to the extent necessary to facilitate the attainment of the Agreement's objectives.

For that purpose, the Commission, at the General Secretariat's proposal, shall provide for the following actions:

- a) Recommendations to channel the financial resources through the appropriate bodies in order to meet the subregion's development requirements;
- b) Promotion of investments for the Andean integration programs;
- c) Financing of trade among the Member Countries and between them and countries outside the subregion;
- d) Measures to facilitate the movement of capital within the subregion and particularly the promotion of Andean multinational enterprises;

e) Coordination of positions to strengthen the reciprocal payments and lending mechanisms within the framework of ALADI;

f) Establishment of an Andean financing and payments system that would encompass the Latin American Reserve Fund, a common unit of account, trade credit lines, a subregional clearinghouse, and a system of reciprocal credits;

g) Cooperation and the coordination of positions to handle the Member Countries' external financing problems; and

h) Coordination with the Andean Development Corporation and the Latin American Reserve Fund for the purposes described in the preceding items.

Article 108.- If a Member Country experiences problems with its fiscal revenues as a result of the fulfillment of the Agreement's Liberalization Program, the General Secretariat may propose to the Commission, at the request of the affected country, measures for resolving those difficulties. The General Secretariat shall take into account in its proposals the degrees of relative economic development of the Member Countries.

CHAPTER XV

SPECIAL REGIME FOR BOLIVIA AND ECUADOR

Article 109.- Bolivia and Ecuador shall enjoy a special regime, with a view toward gradually reducing the differences in development that currently exist in the subregion. This system shall enable them to attain more rapid economic growth through effective and immediate participation in the benefits of the area's industrialization and the liberalization of trade.

The bodies of the Agreement shall propose and take the necessary measures to fulfill the aim of this Article, in accordance with its rules.

Section A - On the Harmonization of Economic Policies and the Coordination of Development Plans

Article 110.- In harmonizing the economic and social policies and coordinating the plans referred to in Chapter IV, differential treatments and sufficient incentives shall be established to compensate for Bolivia and Ecuador's structural weaknesses and ensure the mobilization and allocation of the essential resources for attaining the objectives envisaged in the Agreement for their benefit.

Section B - On Industrial Policy

Article 111.- The Industrial Development Programs shall give special consideration to the situations of Bolivia and Ecuador in assigning, on a priority basis, the production for their benefit and the consequent siting of the production facilities in their territories, particularly through their participation in the modes of industrial integration stipulated in Article 58. It

shall also provide for the implementation of a program for the comprehensive industrialization of the two countries' natural resources.

Article 112.- The Industrial Integration Programs and Projects shall provide for exclusive benefits and effective preferential treatment for Bolivia and Ecuador to help them take effective advantage of the subregional market.

Article 113.- The General Secretariat, in proposing to the Commission the complementary measures envisaged in Article 69, shall provide for exclusive advantages and preferential treatment for Bolivia and Ecuador, when necessary.

The Commission, at the General Secretariat's proposal, shall take the measures that are necessary to ensure that the allocations granted to Bolivia and Ecuador are effective and fully utilized, particularly those aimed at strengthening commitments in respect to the allocations made to those countries, to the extension of the time periods for maintaining the allocations, and to the execution of the projects assigned to them under the Industrial Development Programs.

Section C - On Trade Policy

Article 114.- The corrective measures referred to in Articles 90 and 96 shall be extended to imports from Bolivia and Ecuador only in duly qualified cases and when the General Secretariat has been able to ascertain that the serious adverse effects stem substantially from those imports. In this case, the General Secretariat shall observe the procedures stipulated in Articles 91 and 96 and the regulations adopted by the Commission at the General Secretariat's proposal with respect to the corresponding safeguard provisions.

Article 115.- The General Secretariat shall give special and priority attention, in the cooperation efforts to which Article 69 refers, to the industries of Bolivia and Ecuador whose products are excluded by those countries from their Liberalization Programs, in order to help equip them to participate in the subregional market as rapidly as possible.

Section D - On The Common External Tariff

Article 116.- Bolivia and Ecuador shall begin the process of adopting the Common External Tariff on an annual, automatic, and linear basis, on the date set by the Commission.

Bolivia and Ecuador shall be required to adopt the Common Minimum External Tariff for products that are not produced in the Subregion, as referred to in Article 80. They shall adopt the minimum customs duties for those products through a linear and automatic process that shall be completed three years after the date on which these products are first produced in the Subregion.

The stipulations of the first paragraph of this Article notwithstanding, the Commission, at the proposal of the General Secretariat, may determine that Bolivia and Ecuador should adopt the minimum tariff levels for products of interest to the other Member Countries, provided that the application of those levels is not detrimental to Bolivia or Ecuador.

The Commission, based on the evaluations referred to in Article 131, shall determine the procedure and timeframe for the adoption of the Common Minimum External Tariff by Bolivia and Ecuador. In any case, the Commission shall bear in mind the problems deriving from Bolivia's landlocked situation referred to in Article 4 of this Agreement.

The Commission may also, at the General Secretariat's proposal, determine that Bolivia and Ecuador should adopt the minimum tariff levels for products whose importation from outside of the subregion may cause serious problems for the Subregion.

In drawing up its proposals on the Common External Tariff, the General Secretariat shall bear in mind the provisions of Article 4 benefiting Bolivia.

Article 117.- Bolivia and Ecuador may establish the exceptions authorized by the Commission, at the General Secretariat's proposal, to the alignment of their national tariff schedules with the Common External Tariff, to enable them to apply their existing industrial development laws, mainly with respect to the importation of the capital goods, intermediate goods, and raw materials they need for their development.

Those exceptions may not be applied in any case more than two years before the Common External Tariff is fully implemented.

Section E - On Financial Cooperation and Technical Assistance

Article 118.- The Member Countries commit themselves to act jointly to secure technical assistance and financing for Bolivia and Ecuador's development needs, particularly for projects related to the integration process, from the Andean Development Corporation and any other subregional, national, or international organizations.

The resources for those projects shall be allocated in accordance with the basic objective of reducing the existing differences in development among the countries by making an attempt to favor Bolivia and Ecuador markedly.

The Member Countries, moreover, shall jointly request the Andean Development Corporation to allocate its regular and special resources in such a way that Bolivia and Ecuador are given a substantially larger share than they would receive if the distribution were to be proportional to their contribution to the Corporation's capital.

Section F - General Provisions

Article 119.- In its periodic evaluations and annual reports, the General Secretariat shall give separate and special consideration to Bolivia and Ecuador's situation in the subregional integration effort and shall propose to the Commission the measures that it deems appropriate to substantially improve their possibilities for development and increasingly expedite their participation in the area's industrialization.

Article 120.- The Commission may establish, for the benefit of any of the relatively less developed countries, more favorable conditions and procedures than those considered in this Chapter, in the light of the degree of development attained and the conditions for taking advantage of the benefits of integration.

CHAPTER XVI

ECONOMIC AND SOCIAL COOPERATION

Article 121.- Member Countries may undertake programs and measures in the area of economic and social cooperation, which shall be coordinated within the Commission and shall be limited to the spheres of competence established in this Agreement.

Article 122.- Member Countries shall undertake external efforts on matters of common interest, for the purpose of improving their participation in the international economy.

Article 123.- With respect to the provisions of the previous Article, the Andean Council of Foreign Ministers and the Commission shall, within their respective areas of jurisdiction, adopt programs to direct the joint external actions of the Member Countries, particularly as regards the negotiations with third countries and groups of countries in the political, social and economic and trade spheres, as well as their participation in forums and organizations specialized in international economic matters.

Article 124.- Member Countries shall promote a joint scientific and technological development process to attain the following objectives:

- a) The creation of a subregional capacity to respond to the challenges of the scientific-technological revolution that is underway;
- b) The contribution of science and technology to the conception and execution of Andean development strategies and programs; and
- c) The utilization of economic integration mechanisms to incentivize technological innovation and the modernization of production.

Article 125.- For purposes of the previous Article, the Member Countries shall adopt in the fields where there is a community interest:

- a) Programs of cooperation and coordinated efforts in science and technology in areas where it is more effective to train human resources and to obtain results from research at the subregional level;
- b) Technological development programs that shall help to obtain solutions to common problems in the production sectors, particularly those aimed at enhancing the competitiveness of the different production sectors; and

c) Programs for taking advantage of the enlarged market and of joint physical, human, and financial capacities, in order to boost technological development in sectors of community interest.

Article 126.- The Member Countries shall undertake actions to promote the comprehensive development of border regions and their effective incorporation in the national and subregional Andean economies.

Article 127.- The Member Countries shall conduct joint tourism programs designed to gain a better understanding of the subregion and to encourage economic activities connected with this sector.

Article 128.- The Member Countries shall undertake joint actions to make better use of their renewable and non-renewable natural resources and ensure the conservation and improvement of the environment.

Article 129.- The Member Countries shall make joint cooperative efforts to help attain the following social development objectives of the Andean people:

- a) Elimination of poverty among the marginalized classes, in order to achieve social justice;
- b) Strengthening of the cultural identity and formation of citizenship values for the integration of the Andean subregion;
- c) Full participation by the subregion's inhabitants in the integration process; and
- d) Attention to the needs of the predominantly rural depressed areas.

Programs and projects shall be carried out in the areas of health, social security, low-cost housing, education, and culture, in order to attain such objectives.

The various organizations of the Andean system shall coordinate the actions that are taken pursuant to this Article.

Article 130.- For the purposes indicated in the previous article, the respective Ministers of the social areas, meeting as an Enlarged Commission, shall adopt the following in the fields of community interest:

- a) Educational programs aimed at renewing and improving the quality of basic education;
- b) Programs that seek to diversify and improve the technical level and coverage of the professional training and job training systems;
- c) Programs aimed at securing the recognition of higher educational degrees at the Andean level, in order to facilitate the provision of professional services in the subregion;

d) People's participation programs oriented toward bringing about the full incorporation of the rural and semi-rural areas in the development process.

e) Programs to promote social support systems and projects, aimed at promoting the participation of small enterprises and of networks of microenterprises and associative enterprises, interlinked within the enlarged economic space;

f) Programs for promoting initiatives aimed at the protection and well-being of the working population; and

g) Policy harmonization programs in the fields of women's participation in economic activity; of child and family protection and support; and of attention to the ethnic groups and local communities.

Article 131.- The Member Countries shall take measures in the area of social communication and action oriented toward disseminating a fuller understanding of the subregion's cultural, historical, and geographic heritage, the economic and social situation of the subregion, and the Andean integration process.

Article 132.- The projects, measures, and programs to which this Chapter refers shall be carried out simultaneously and in coordination with the perfecting of the other mechanisms of the subregional integration process.

CHAPTER XVII

ADHERENCE, EFFECTIVE DATE AND DENOUNCEMENT

Article 133.- This Agreement may not be signed with reservations and shall remain open to the adherence of the rest of the Latin American countries. The relatively less economically developed countries that adhere to the Agreement shall be entitled to a treatment similar to that agreed upon in Chapter XV for Bolivia and Ecuador.

The Commission shall define the terms of adherence, bearing in mind that the incorporation of new members must comply with the objectives of the Agreement.

Article 134.- This Agreement shall become effective when all of the Member Countries that sign it have deposited their respective instruments of ratification with the Andean Community General Secretariat.

This Agreement may not be signed with reservations and shall have an indefinite duration.

Article 135.- Any Member Country wishing to denounce this Agreement shall so inform the Commission. From that moment on it shall cease to enjoy the rights and have the obligations deriving from its status as a Member, with the exception of the benefits received and granted in accordance with the Subregional Liberalization Program, which shall remain effective for a period of five years after the date of the denouncement.

The time period stipulated in the paragraph above may be shortened in duly substantiated cases by decision of the Commission and at the request of the interested Member Country.

Insofar as the Industrial Integration Programs are concerned, the stipulation of Article 62 paragraph i) shall be applied.

CHAPTER XVIII

ASSOCIATE MEMBERS

Article 136.- The Andean Council of Foreign Ministers meeting in enlarged session may, at the proposal of the Andean Commission, with the interested country having expressed its will, confer the status of Associate Member on a country that has entered into a free trade agreement with the Andean Community Member Countries.

Article 137.- Upon granting a country the status of Associate Member, the Andean Council of Foreign Ministers and the Andean Community Commission shall, in keeping with their respective spheres of competence and after having heard the opinion of the General Secretariat, define the following through the adoption of a Decision:

- a) The bodies and institutions of the Andean Integration System to which the Associate Country shall belong, together with the terms for its participation;
- b) The mechanisms and measures of the Cartagena Agreement in which the Associate Member Country shall participate; and
- c) The provisions that shall be applied to the relations between the Associate Member Country and the rest of the Member Countries, as well as the way those relations shall be administered.

The aspects provided for in this article may be revised at any time, in keeping with the procedures and spheres of competence stipulated herein.

CHAPTER XIX

FINAL PROVISIONS

Article 138.-The Commission, at the proposal of the General Secretariat, and based upon the latter's periodic reports and evaluations, shall adopt the necessary mechanisms to ensure the attainment of the objectives of the Agreement once the process of trade liberalization and establishment of the Common External Tariff has concluded. Those mechanisms must provide for special treatment favoring Bolivia and Ecuador so long as the present differences in degree of development continue to exist.

Article 139.- Any advantage, favor, exemption, immunity, or privilege that is applied by a Member Country to a product originating in or destined for any other country, shall be immediately and unconditionally extended to the similar product originating in or destined for the territory of the other Member Countries.

Advantages, favors, exemptions, immunities, and privileges already granted or to be granted by virtue of agreements among Member Countries or between Member Countries and third countries, for the purpose of facilitating border traffic, shall be excepted from the treatment referred to in the previous paragraph.

CHAPTER XX

TEMPORARY PROVISIONS

First.- The stipulations of Article 76 of the Cartagena Agreement notwithstanding, the Andean Community Commission shall define the terms of the Liberalization Program to be applied to the trade between Peru and the rest of the Member Countries, with a view to having the Andean Free Trade Area fully operational by December 31, 2005 at the latest. Peru shall not be obliged to apply the Common External Tariff until the Commission decides on the timeframes and ways and means for Peru's incorporation in this mechanism.

Second.- The Member Countries shall provisionally apply the stipulations of the Chapter on Associate Members and the First Temporary Provision until the ratification procedures required by their respective national laws have been completed.

Third.- The Andean Community Commission may establish an arbitral mechanism to settle disputes among Member Countries that extend beyond the General Secretariat's decision.

Fourth.- Alterations in the tariff level resulting from Ecuador's conversion of its National Customs Tariff due to the adoption of the Brussels Tariff Nomenclature, are excepted from the stipulations of Article 77.

Fifth.- The Commission may situate the products covered by Decision 120, once it has been derogated, in any of the modes of the Liberalization Program; it may also add them to the new reserve list referred to in the Second Temporary Provision.

ANNEX I

1. To delegate to the General Secretariat the attributions it deems advisable.
2. To approve the draft amendments to this Agreement.
3. To amend the General Secretariat's proposals.
4. To approve the provisions that are needed to make it possible to coordinate the development plans and harmonize the economic policies of the Member Countries.
5. To approve the provisions and define the timeframes for gradually harmonizing the Member Countries' instruments to regulate foreign trade.
6. To approve the physical integration programs.

7. To accelerate the Liberalization Program, by products or product groups.
8. To approve the joint agricultural and agroindustrial development programs, by products or product groups.
9. To approve and modify the list of agricultural products to which Article 92 refers.
10. To approve the measures for joint cooperation established in Article 96.
11. To approve, not approve, or amend Member Country proposals.
12. To reduce the number of subject matters included in this Annex.
13. To establish the terms for adherence to this Agreement.
14. To approve the Common External Tariff in accordance with the modes provided for in Chapter VIII, establish the terms for its application and modify the common tariff levels.
15. To approve the measures referred to in the last paragraph of Article 91.

ANNEX II

1. To approve the terms for the incorporation for non-participant Member Countries in the Industrial Integration Programs.
2. To approve the list of products that are not produced in any country of the Subregion.
3. To approve the special rules of origin.