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REPORT ON THE
ASEAN/ANDEAN PACT CONFERENCE AND STUDY TOUR ON
REGIONAL INDUSTRIAL CO-OPERATION
11 - 23 OCTOBER 1982

DP/RAS/81/060

Prepared by the
Regional and Country Studies Branch
Division for Industrial Studies

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I. INTRODUCTION

Industrialization is increasingly being recognized as a potential dynamic force capable of transforming socio-economic structures and initiating a process of self-generating development in the developing countries. Through co-operation between developing countries within regional co-operation schemes, the industrial development in a region can be greatly enhanced. Much valuable experience has been gained during the last decade by such regional economic co-operation groupings - in particular those of the Andean Group and ASEAN - in fostering regional co-operation as an essential step towards achieving rational industrial promotion and expansion.

In order to provide an opportunity for key officials concerned with co-operation in ASEAN and in the Andean Pact to exchange experience and discuss in-depth various issues of mutual concern, such as instruments and mechanisms of regional industrial co-operation, a conference was held at the Secretariat of the Andean Pact (Junta del Acuerdo de Cartagena - JUNAC) in Lima 11-14 October 1982 followed by a 10-day study tour by the ASEAN participants to the capitals of the five Andean Group countries, financed under the UNDP Inter-country Programme for Asia and the Pacific (ASEAN/Andean Pact Conference and Study Tour on Regional Industrial Co-operation - DP/RAS/81/060) and organized by UNIDO in co-operation with JUNAC and the Andean Pact countries concerned. On the ASEAN side the participation was co-ordinated by the ASEAN Committee on Industry, Minerals and Energy (COIME).

It may be useful to note briefly some of the activities preceding the conference and study tour, as follows:

Study work

The Regional and Country Studies Branch of the Division for Industrial Studies, UNIDO which, within its studies and research programme, has been giving particular attention to the potential of co-operation between developing countries in the context of regional co-operation schemes, carried out as part of the programme for 1981-1982, a number of issue-oriented studies or analyses on various aspects of industrial co-operation within the regional co-operation schemes of the Andean Group and ASEAN.
The studies aimed to bring out and analyze critical issues in the industrial co-operation; the various forms of co-operation employed; the methods and modalities used in identifying, preparing and analyzing various factors at the branch or products level as well as at the project level. The studies were not intended to present a chronological expose of the industrial co-operation in the region - the vast experience was to be looked at merely as reference in the analysis of the key issues involved, how further progress may be achieved and of the various measures which may be taken to that effect.

In the case of the Andean Pact scheme detailed analyses were made of policies, instruments and mechanisms of particular importance for the region's industrial development as well as of the quantitative and qualitative impact of integration on industrial development, with particular emphasis on the metal-mechanic, petrochemical and automotive industries. The nature and institutional structure of the 'Acuerdo de Cartagena' was also analyzed. The studies are contained in following two documents (issued both in English and Spanish).

UNIDO/IS.312 General overview of the Andean Group. Study prepared by the Andean Pact secretarial (JUNAC)

UNIDO/IS.313 Economic and industrialization policies in the Andean Group of countries, 1970-1980. Study prepared by Professor Javier Iguiniz, Lima

The specific areas in respect of which issue-oriented analytical studies concerning ASEAN were prepared include:

- ASEAN industrial product or branch co-operation through industrial complementation programmes and preferential trading arrangements;

- regional industrial projects - the present large-scale ASEAN Industrial Projects (AIPs) as well as possible ASEAN joint-venture projects sponsored by the private sector;

- ASEAN co-operation in industrial financing and promotion.

The assessment of the ASEAN experience in these areas is contained in following studies:

UNIDO/IS.282 ASEAN Industrial Complementation. Study prepared by Mr. Vicente T. Paterno, Manila
The findings and results of this study work are reflected in condensed form in document (issued both in English and Spanish):

UNIDO/IS.311 Regional industrial co-operation - the approaches pursued by ASEAN

Conference and study tour preparation

During a meeting in Manila in March 1981 between members of COIME and UNIDO officials agreement was reached on the concept for a conference and study tour by an ASEAN delegation from COIME to the Andean Pact to be recommended for funding under the programme for ASEAN within UNDP Inter-country Programme for Asia and the Pacific for 1982-86.

The issue-oriented analytical studies referred to above would constitute a basis for the preparations for the conference and study tour, whose primary objective would be to provide an opportunity for senior officials of the two groupings to exchange views and build on experience gained in regional industrial co-operation among developing countries in fostering such further co-operation, in general, and to assist the member states of ASEAN and Andean Pact and officials of these groupings of countries in the strengthening of their regional industrial co-operation activities.

Specifically, experience would be expected to be exchanged among the participants on items, such as:
the factors leading to the successful conclusion and implementation of industrial complementation agreements and of regional industrial projects;

- problems and difficulties encountered;

- alternative solutions sought to existing problems of common or similar nature related to regional agreements and projects in industry in the two economic groupings.

On the ASEAN side it was felt that the project would lead to a greater understanding of the problems affecting regional industrial co-operation as met with in an area - the Andean Pact - with relatively long experience of such co-operation. It would enable the ASEAN participants to gain valuable insights for a strengthening of their work towards most effective regional co-operation in the industrial field - to improve the present programmes of co-operation as well as to develop new forms of co-operation - against the background of a long-term perspective of the region's industrial development.

The contacts established at the conference and study tour would also constitute a basis for the development of a continuing exchange of experience between the two regions on matters regarding regional industrial co-operation.

During the Fifteenth Meeting of COIME, in October 1981 in Manila, a preparatory meeting was held between the COIME delegates, one representative of the Andean Pact Secretariat (JUNAC) and a UNIDO staff member, at which agreement was reached regarding tentative programme for the conference and study tour, number of participants, required financial resources, organizational arrangements, etc.

The conference and study tour - programme and participants

The time schedule followed for the conference and study tour was as follows:

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<td>10 Oct 1982</td>
<td>Arrival Lima</td>
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<td>Monday</td>
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<td>Conference at JUNAC</td>
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<td>Tuesday</td>
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Thursday 14 October 1982 Concluding session of Conference at JUNAC. Air travel Lima-La Paz, LB 917, dep. 12.30, arr. 15.05.


Saturday 16 October 1982 Air travel Lima-Quito, EU 082, dep. 13.00, arr. 16.30.

Sunday 17 October 1982 In Quito


Tuesday 19 October 1982 Air travel Quito-Bogota, AV 056, dep. 14.30, arr. 15.55.


Thursday 21 October 1982 Air travel Bogota-Caracas, EU 032, dep. 11.15, arr. 14.00.

Friday 22 October 1982 Discussions with representatives of government organs and industry organizations in Caracas. Visit to Andean Development Corporation (CAF).

Saturday 23 October 1982

Sunday 24 October 1982 Departure from Caracas.

The ASEAN governments, through COIME, nominated two delegates from each of the five member countries for the conference and study tour. One official from the technical secretariat of COIME was also selected for participation.

The Andean Pact governments, through the Andean Pact Secretariat (JUNAC) also nominated two delegates from each of the five countries for the conference at Lima. Furthermore, at the conference a number of senior officials of JUNAC and a representative of the Andean Development Corporation (CAF) took part. Officers of UNIDO also participated in the conference and study tour. The full list of participants is appended as Annex 1 to the report. The conference agenda appears as Annex 2.

The Andean Pact Secretariat (JUNAC) provided stimulating presentations of various issues within the framework of their excellent conference facilities. For the study tour, the governments of each of the five Andean Pact countries arranged for comprehensive and well-balanced programmes which gave opportunities for very valuable discussions, as did the visit to the Andean Development Corporation in Caracas.
II. THE CONFERENCE

(a) Summary report

The following summary report was adopted at the concluding session of the conference on 14 October 1982:

Introduction

1. A conference on regional industrial co-operation took place on 11-12 and 14 October 1982 at the Andean Pact secretariat, the Junta de Acuerdo de Cartagena (JUNAC), in Lima with the participation of the representatives of the Association of Southeast Asian Nations (ASEAN) Committee on Industry, Minerals and Energy (COIME), the Junta del Acuerdo de Cartagena (JUNAC), the member countries of the Andean Pact, UNIDO and the Andean Development Corporation (CAF).

2. The objective of the conference was to provide a forum by which ASEAN and Andean Pact member countries can exchange views and experiences on their respective efforts at regional co-operation within the framework of economic and technical co-operation among developing countries.

3. The list of participants appears as Annex 1.

4. The conference agenda appears as Annex 2.

5. The conference was opened by Dr. Pedro Carmona, Member of the Junta, who underlined the importance of south-south co-operation.

6. Dr. Cesar Peñaranda, Chief, Industrial Development Department of JUNAC acted as co-ordinator of the conference.

7. Mr. N. Sadasivan, Deputy Director General of the Malaysian Industrial Development Authority (MIDA) acted as ASEAN/COIME's spokesman.

8. The conference agreed that a short summary report of the general issues covered during the conference would be prepared at the end of the conference and that UNIDO would prepare the proceedings of the entire conference at an appropriate time for distribution to both groups.

9. Mr. Lieh-Cheng Zhou, Deputy Director, Division for Industrial Studies of UNIDO, explained the goals of the ASEAN/COIME's mission to the Andean Group and the aims of the conference.

10. Representatives of JUNAC described the goals and mechanisms of the Cartagena Agreement (basic treaty) and their results of date. Reference was thus made to the creation of an integrated market, to Joint Industrial Programming and to harmonization of economic and social policies, the latter emphasizing the regimes for foreign capital. The development of economic and industrial policies in the Andean Pact countries during the 1970's was also covered.
11. The ASEAN/COIME spokesman described the objectives and co-operation programmes being pursued within the Association such as those relating to trade, industry, agriculture, finance and transportation among others. Particular emphasis was given to the industrial co-operation schemes presently being undertaken, that is the ASEAN Industrial Projects (ATPs) the ASEAN Industrial Complementation (AIC) programme and the ASEAN Industrial Joint Ventures (AIJVs).

Observations/conclusions/considerations

12. The conference observed that ASEAN's efforts at regional co-operation are more towards economic co-operation schemes while the Andean Group's efforts at regional co-operation are clearly an integration arrangement. In this sense, the Andean Group's experiences at economic integration provides ASEAN with a useful insight to whatever long-term co-operative arrangement ASEAN is leading to.

13. The Joint Industrial Programming of the Andean Group was especially studied because of its advanced integration form in the industrial field. It has as an antecedent in some experiences gathered in the Latin American integration process which was based almost exclusively on the trade liberalization.

14. The Joint Industrial Programming has several specific instruments such as the Sectoral Industrial Development Programmes, the Rationalization Programmes, the Inter-sectoral Programmes of Industrial Development, the Integrated Development Projects and the market reserves and special treatment to Bolivia and Ecuador in view of their relatively lower stage of development.

15. The conference observed that there is a strong political backing behind both ASEAN's economic co-operation programmes and the Andean Group's integration process. In both cases however, there is a need to review past performance with the aim of adding momentum to the ASEAN's efforts at economic co-operation and the Andean Group's integration arrangements.

16. The JUNAC indicated tentatively joint international action, trade in manufactures and the exchange of information as areas in which co-operation between the two regional groupings could be explored.

17. Information of special interest for ASEAN/COIME would be on the following areas: rationalization/restructuring of industries against the background of changing industrial conditions; industrial programming; harmonization of tariffs within the sub-region and imposition of a common external tariff as a means in support of industrial development; methodology of the Andean Group to assess the impact on their industrial development of trade liberalization measures during the last decade; and the computer model used by the Andean Group for industrial sectoral programming with intent of looking into the practicability of its application potential in ASEAN.
18. With respect to reciprocal trade in manufactures, ASEAN/COIME considered that it could be convenient to promote the expansion of such trade given a prior identification of products.

19. ASEAN/COIME indicated that their visit to the Andean Pact member countries from 13 to 23 October 1982 would be expected to further contribute importantly as a first contact with the Andean Group and that it would be fruitful to organize a reciprocal visit by the Andean Group to ASEAN with the possible assistance from UNDP/UNIDO to coincide with a COIME meeting at a convenient time after both groups have carried out their respective own reappraisals as indicated in paragraph 15. The visit should give in-depth attention to selected specific areas as mentioned in paragraphs 17 and 18 above.

20. It was observed that there is a possibility of using the Philippine Embassy in Peru as ASEAN's contact point with the JUNAC Headquarters in Peru and the Embassy of Venezuela in Indonesia as JUNAC/Andean Group's contact point with the ASEAN Secretariat in Indonesia for liaison work/communication link between ASEAN and the Andean Group.

21. Both ASEAN and the Andean Group thanked UNDP and UNIDO for their valuable assistance in organizing the conference. ASEAN expressed as well its appreciation to JUNAC.

(b) Detailed account of the discussions at the conference

In this sub-chapter a detailed account of the discussions during the conference will be given. While owing to the need to limit the size of the report the presentations made of various subjects and the subsequent discussions are being presented in a condensed form, the intention has been to provide the necessary details whenever specific aspects were taken up of possible direct practical interest to the future work within the respective groupings so that the 'lessons of experience' by one grouping might be absorbed also by the other.

Morning session - 11 October 1982

The conference was opened by Dr. Pedro Carmona, Member of the Junta del Acuerdo de Cartagena. In his speech Dr. Carmona underlined the importance of the Junta attached to the meetings within the context of south-south co-operation. He felt that these kinds of meetings are very important for the regional groupings. Especially now in a time of crisis, they may help us understand each other better. We have to look inwards
for our own solutions, and face our problems with our means, and in this context meetings like this become very important for us. We must intensify our efforts towards integration, even with all the problems we now face due to the international economic crisis. We must not only try to improve our relationships with the industrialized world, but also with the third world; the knowledge of our common realities may be helpful for both our groups.

Mr. L.C. Zhou, Deputy Director of the Division for Industrial Studies UNIDO, in an introductory statement, presented the goals and objectives of the ASEAN/COIME mission to the Andean Pact countries, especially those of the conference, namely to provide an opportunity for key officials and industrial representatives concerned with regional industrial co-operation in both ASEAN and the Andean Group to exchange experiences and discuss in-depth various issues of mutual interest, such as instruments and mechanisms of regional industrial co-operation, particularly those related to industrial complementation, sectoral programming for industrial development and industrial rationalization. Through the study tour the participants from ASEAN would be able to meet with officials and industrial representatives in all the Andean Pact countries to review and discuss experiences of industrial co-operation activities in these countries.

Mr. Zhou expressed the hope that the conference deliberations would lead to fruitful exchanges of views and experiences among the participants as to factors leading to successful implementation of regional industrial projects and programmes as well as to problems and difficulties encountered and that special attention may be given to alternative solutions sought to existing problems of common or similar nature related to regional agreements and projects in industry in the two groupings.

Finally, Mr. Zhou, expressed his appreciation to JUNAC and to the Andean Pact countries and also the hope that the conference would contribute to the furthering of effective regional industrial co-operation within the respective groupings and possibly also the identification of potential areas
of co-operation in the field of industrial development between the two groupings.

After the initial statements, the conference discussions started with a presentation by Mr. Oswaldo Davila, Chief, Programming Department of JUNAC, entitled "Long-term goals of the Cartagena Agreement".

The Andean Group of the five countries Bolivia, Colombia, Ecuador, Peru and Venezuela represents an area of 4,700,000 km², more than 73,000,000 inhabitants, and an average per capita income for 1981 of $1,139. Our economically active population must be around 22 million people and 7 million of these are either underemployed or not employed at all. We have 8 million illiterate people, 47 per cent of the urban population do not have a sewage system and only 25 per cent have drinking water (75 per cent for the rural population). We lack 4 million houses and the nutrition conditions are disastrous. If we made projections, we would see that at the end of the decade we will have a population close to 100 million people, 70 per cent of it in urban areas. 30 per cent of the population would be economically active (29 million people), which means the annual incorporation of 780,000 people to the labour market. In 1970 we had a 1.3 million tons food deficit which may become four times more by 1990.

In 1980 we exported goods for almost 30 billion dollars, 90 per cent of it for agricultural or mining products. We have an enormous international debt (close to 49 billion dollars or roughly 17 per cent of all the international debt). The present economic and financial problem would have enormous social effects on our countries. The ability or capacity to satisfy the demands of their populations would require a stable and sustained economic development.

We base our hope for reaching these goals on our participation within the Cartagena Agreement. To reach our integration goals we have several mechanisms which may be listed as follows:

1. Liberalization programme
2. Common external customs tariffs
3. Harmonization and co-ordination of development plans
4. Industrial programming
5. Agricultural regime and physical integration
6. Technological policy
7. Financing
8. External relations policies
9. Special regime for Bolivia and Ecuador.

The various mechanisms all work in a co-ordinated manner. Those applied so far with more intensity have been those connected with industrial development and trade liberalization.

The liberalization programme was started in 1970. It includes all items which are not part of what is called reserves for industrial programming. Bolivia and Ecuador were excluded until December 1981 as part of the preferential treatment given to them. Under this
programme trade has increased from 90 to 1100 million dollars. In respect of the common external customs tariff, we started with the minimum one which included 3,200 items of our nomenclature.

In the agricultural regime, we have achieved a lot in cases related to specific projects. On physical integration, due to the great need of financial resources and geopolitical problems, we have advanced very little.

On the financial side, the Andean Development Corporation (CAF) has worked relatively well, specially for the two less developed countries. A special fund was created for Bolivia which was not, however, used because of various reasons. Nevertheless, CAF has not got enough resources in face of the necessities of our integration process. Account is also to be taken of the Andean Fund of Reserves which helps the countries solve some of their balance of payments problems. This has been so in the case of Peru, Bolivia and, recently, Ecuador.

In the technological policy field we have advanced quite a lot, and are looking forward to the generation of self-developed technology adequately adapted to our development needs. So far we have achieved some results in copper technology and with a project for the utilization of tropical wood.

On foreign relations, attention has been focussed on the development of a more coherent, continuous and consistent common policy. A lot can still be done, specially in our relations with other developing countries or groups of countries.

In respect to the Special Regime for Bolivia and Ecuador, for which our goal is to minimize the development differences with the other countries, significant progress has been achieved.

On the harmonization of policies and development programmes, we have however, met with many problems. Each country has different economic policies and internal regimes which are difficult to co-ordinate as our integration process lacks the dimension to condition national policies. It may be said that Andean economic activity corresponds to only about 5 per cent of all the economic activity of the region. We have not yet achieved the harmonization of policies in several important areas. This makes negotiations difficult and countries, then, resort to non-compliance. There has also been a lack of leadership to guide the process, maybe coming from the integration organs themselves. Our cultural, political and economic dependency also condition our evolution within the process.

With the present world situation our own problem become more and more difficult to solve. We should push ahead with what we have so far reached. We should defend and consolidate our achievements. Maybe we should orientate our development towards trying to solve our social demands, inter alia, within our industrial programming. But what kind of industrialization should we plan for? That is a crucial question.
A second presentation, on "Economic policy and industrialization in the Andean Group in 1970-1980" was made by the UNIDO consultant Professor Javier Iguíñez Echeverría.\textsuperscript{1/}

It is a reality that the impact of the Cartagena Agreement on the countries' policies is still marginal in macro-economic terms. But when the plant is young and weak the weather is critical in its development; we must look at the climate in which our integration process has been developing.

Of the Andean Group's 70 million inhabitants, only 5 million have an income level similar to that of the industrialized world, 71 per cent of the population live at below subsistence levels.

The industrial production in our five countries has a relatively different importance. It depends on (i) length of time in which the import-substitution process has been going on and (ii) on the peculiarities of the natural resources available in each country. Colombia is the country which has had a coherent industrial policy the longest time. It now gives great importance to its agriculture. Peru pays a lot of attention to its mining resources and Venezuela to its oil.

When assessing the 1970's it is important to look at a given characteristic by the time of the energy crisis, namely, that three (Venezuela, Peru and Ecuador) of the five countries are oil-exporters. This fact set the dynamics of the some of Andean Group countries on a relatively accelerating process. Furthermore, Colombia saw this acceleration after 1975, when coffee prices went up in the world market. Peru suffered from the depletion of its fisheries resources affecting their export of fish meal. The international crisis affects the countries differently and, therefore, also their industries. Even so, exports grew during the 1970's, e.g. in Ecuador 11 times, more than 4 times in Colombia and Venezuela and a bit less than 4 times in Bolivia and Peru.

We may look at the dynamics of the decade and divide it into two periods, the first from 1970-1975 characterized by a great relative dynamism and the second 1976-1980 where a slow down on economic growth occurs. During the first period, the increase in the amount of foreign currency the countries had, made it easier for the state to carry-on integration programmes. During the second period when a crisis hit the internal market, a need for increase of exports of manufactured products sprung up for products which became more and more difficult to sell inside.

Our countries have a relatively recent industrial history. It is on an average 20 years since true industry promotion organs and

\textsuperscript{1/} The presentation was based on the study UNIDO/IS.313 "Economic and industrial policies in the Andean Group of countries, 1970-1980" prepared by Professor Iguíñez and included in the pre-conference documentation.
programmes were instituted. However, at the moment of the second period - late 1970s - the policy of the governments had the effect that the state did not any longer fully back these programmes previously supported and gave less impetus to projects.

To understand our integration process it is necessary to understand what happens inside each country, since integration does not yet have a great impact on the countries. We must thus study the countries to see whether or not integration has or has not advanced. Industry has been given a different role in each country. In Colombia - the country with the longest industrial experience - emphasis is given to agriculture while industry sees a reduction of priority. It criticizes import-substitution as a production programme and puts more emphasis on manufactured goods for export; it also gives more emphasis on efficiency than on expansion. Venezuela puts emphasis on its basic industry. It has also seen, thanks to the incomes of the oil exports, an enormous expansion of its internal market and feels the need to accelerate the process of import-substitution. It has to resort to imports to satisfy its internal demand. In Peru, industry has played an important role, and the state plays an active role towards basic industry. This government policy acquires added rationality and justification in face of the possibility of complementation in this types of industries within the Andean Group. What looks isolatedly more difficult to justify, becomes easier for the state to explain and justify on basis of an investment in the context of the Andean Group. Ecuador supports actively its industry, but always selectively, with the help of the Andean Group and it does so by orienting it to the regional market. Bolivia does less in this field.

The Andean Agreement has had certain impact on general economic policies which are not related to industry. There are some important instances, even if always influenced by national economic policies. On labour policies we see some common lines; in all countries but Venezuela salaries and social benefits are negotiated collectively by the company. On foreign exchange policies, thanks to a relative bonanza, fixed exchanged rates predominate, and some policies are actually related. Only Peru has had devaluation up to 80 per cent. On tariffs policies we see that countries continue to differentiate goods and we see lots of exceptions which question the system used. On tax policies, since in most of the countries the most utilized incentive is tax reduction, we have a lot of exemptions or tax reductions which make an overall policy very little recognizable. Only Colombia has tax policy with fiscal goals. The financial policies are usually favourable to industry. There has been a modernization of the financial apparatus and specialization and capacity to act on credits connected with the export activities. On exports policies, we find that subsidies for exports are normally linked with the value added, but in some countries it is proportionate to gross production value. The export promotion mechanisms within the Andean Group have not been the main mechanisms used during the decade; all policies concerned with exports have been subordinated the general industrial policies whose emphasis lies mainly on import-substitution. It should also be noted that the state has often orientated its policies towards basic industry development.
Countries, depending on their internal needs, accentuate their integration policies on different subjects, Colombia puts emphasis on common external tariffs, Peru on industry, etc. Nevertheless the commercial exchange has been relatively dynamic and the Andean market has taken a growing portion of the manufactures of the region. Tariffs policies, thanks to the existence of the Andean Group, have been modernized and homogenized. Also the institutional field has profited from this.

Decision 24 on the treatment of foreign capital has influenced national policies. The modernization of export promotion policy has been enhanced by the necessity of the countries to integrate. The extended market has justified investments on basic industry and has led to a growing role for the state to get involved on programmes of basic industry.

The two presentations were followed by a lively exchange of questions and answers reflected below:

**Questions by Mr. Sadasivan, Malaysia**

I have a couple of very general questions at this stage. The first is, I noticed that in your programme of integration special consideration has been given to the stage of development in Bolivia and Ecuador. What I would like to find out really is whether these special considerations for Bolivia and Ecuador meant that, in terms of programmes in the region, these two countries will get special benefits, if any, or will the other three countries give up something to make up for the less developed stage of Bolivia and Ecuador? This is a very general question at this stage.

The other observations I have at this early stage again is that I get the feeling that there is a fundamental difference between approaches in the Andean Pact and ASEAN, in that here the degree of a integration that is being planned seems to be much higher than the type of integration we are talking about in ASEAN. In ASEAN, it is more an attempt to regional economic co-operation with each ASEAN country maintaining a fairly independent course of action as far as its national development is concerned. In the Andean Pact my impression is that there is much more of an attempt at integrating the development process. I read in the pre-conference documents, for example, about allocation of products for manufacture by certain countries, granting of exclusivity to a particular country to make those products. So, there seems to be a much higher degree of involvement by the central body here in the Andean Pact than would be expected in the ASEAN situation.
The third and the last of my questions for the time being (this being something of special interest to ASEAN) is: While the measures noted today, referred in general to new projects and to new development strategies in the Andean Pact countries, what is really the situation in the case of existing industrial structure in Andean? Are there measures in Andean, for example, to reduce intra-Andean tariffs together with the proposed common external tariffs? Is this an area of difficulty? It is something of immediate interest to ASEAN because we are in the situation where we are looking at the possibility of reducing substantially internal rates of tariffs in ASEAN. We have not got to the stage of looking at a common external tariff out we would like to hear your views on these matters.

Answer by Mr. Iquiniñiz

The cost for the Andean countries of the advantages given to Bolivia and Ecuador are of little significance, due first to the small size of both economies and second because the more developed countries did not accept, at times, given products coming from the less developed countries. As for the benefits derived, I think that Ecuador has gained relatively more.

The ambition of the regional integration projects was in a way an extension of what large national projects were in the 1960's. Later political developments are important to explain what someone previously qualified as a lack of leadership. Also, the conception as to how to deal with the integration process changed. We faced inadequacies between the project's ambition, its complexity and the political will.

There are effective tariffs reduction policies inside the Agreement. These policies are slower in their application for the less developed countries and faster for the more developed ones.

Further answer by Mr. Peñaranda

For Bolivia and Ecuador the Agreement foresees an opening of their markets during a 10 years period, while the three other countries are already open markets applying the common minimum external customs tariffs. We also see that, for example, product X (which is not being produced within the region) is a product reserved for programming and we may give the
opportunity to produce it to either Ecuador or Bolivia. How have these two countries profited from this scheme? I do not have figures now with me, and, if real benefits were less than those thought to be obtained, this was due probably to the fact that we may have overestimated these two countries' capacity or infrastructure to benefit from it. Obviously also external conditions has affected this. The other three countries could also not fully comply with the conditions established under the scheme.

Referring to your last question, I can say that one factor is the Andean feeling of a need for efficiency of the existing and future industry, and more efficiency in resource allocations. This we may see in our tariffs policy, when between higher or lower tariffs, the tendency is to lower them. The second element is whether industry should be accorded more or less importance than that given to other sectors, like agriculture, energy, etc. We try for more equilibrium now, in order to condition our scheme and mechanisms to reality.

Question by Mr. N. Ramm-Ericson, UNIDO

I have listened with great interest to your replies, and the summary we had which was illustrating well the situation and aspirations between 1970 and 1980 and the extent that situation was reflected in the activities of JUNAC. I am thinking of the reply we got about the great importance given (by governments) to planning and programming of industry in the late 1960s which has been reflected in the work programmes of the JUNTA and the activities of the officials working there and the government representatives participating in your meetings. To what extent have you been able, with the fairly strong secretariat, to reconcile this aspect with what perhaps in some of the countries now are less definite approaches to planning and to what extent are you, as secretariat, as flexible as perhaps ASEAN is with their less elaborate established machinery? This question is perhaps central to what you are now in a process of reassessing, in a situation where you need to be fully in tune, of course, with changing approaches of the countries.
Answer by Mr. Iguiniz

In some countries there is politically little interest to go on with the original concept of integration, and in some countries politics and policies are different from the ones the concept originally took into account. The JUNTA has some of these years, sometimes at least, been on hostile territory regarding the difficulties met with to achieve enough consensus to really propel integration, to have enough force to demand the application of legal measures which actually exist.

Further answer by Mr. Peñaranda

We must think of our whole process. If we want to have benefits we must also give in exchange. The big problem has been to find the equilibrium of interests and this has not been easy to solve because of the dynamics involved. Since for the individual countries, the Andean Group is not yet economically very important, problems of certain magnitude are generally faced with relative independence and this of course, creates more difficulties. For instance, in the case of inflation, one country may conceive a solution by rising tariffs and thus entering in conflict with other countries' interests because of this.

Question by Mrs. Farita A. Cabazor, Philippines

I would like confirmation on some observations, I have made. I think that in the Third World, there have evolved three integrative systems, they are firstly the so called laissez-faire integrative system, a second, hybrid one which is fundamentally a laissez-faire system but modified to include elements of compensation through planning and a third one, a dirigist integrative system which links planning to regulation within a regional context. Is it true that the Andean Group belongs to this classification? There are three specific mechanisms used by Andean, which I would like to call 'avoidance mechanisms' which are aimed at delaying the operation of an integrative process and which might bring about an inequitable distribution of costs and benefits and supply to Andean. These are the longer transitional period for the less industrialized partners, more numerous exemptions of products from tariffs, and tariff cuts, and less stringent rules of origin for imports emanating from one of the two less industrially developed countries. Is it, furthermore, so that the Andean Group distinguishes itself for having applied effective corrective
mechanisms, intended to bring about fundamental economic change and that these mechanisms are implemented with a view to avoiding problems of inequitable inter-state gains in the future, by attacking what is believed to be its true costs and even out industrialization?

Answer by Mr. Iguiniz

I would define the first classification differently; I would start by a dirigist one, then a dirigist modified by market and last a laissez-faire one. I think both market and planning are within the integration process, their theoretical weight is similar even if the practical weight favours market.

For the second question, I would prefer if it would be left for later to go into detail on the measures destined to this objective. It requires precise knowledge on what has happened with the countries to be able to know why and where the mechanism failed, if it did fail. It is a fragile mechanism.

Afternoon session - II October 1982

The afternoon session started with a presentation by Dr. Augusto Aninat of the Economic Policy Department, JUNAC, entitled "Issues of economic policy in the Andean Group".

I will try to summarize the economic policy issues in four sub-themes: (i) policies for the formation of an expanded market, (ii) achievements and actual situation, (iii) main causes for the actual state of things and (iv) future alternatives in face of experience and problems.

(i) Our scheme has tried to build an expanded market specially for merchandise transactions for which there are specific clauses within the Agreement and with less emphasis on services factors of transactions. Therefore, I will talk more on trade in goods and less on the other ones. We talk here about the larger market between equal markets, and this larger market is called common external tariff, a protective barrier, goal to promote a more stable and larger economic growth, an adequate distribution of benefits. We do not integration processes, of a free trade zone or customs market. We have a bit of each one of these concepts

Main elements which characterize the conception are: (i) Adoption of a gradual approach, step by step, because a radical change would mean immediate high adjustment costs and benefits would be delayed. All our planning is conceived under this assumption. (ii) The formation
of this market is conceived within a combined action of forces, of free market operation and of a planned instrumentation of economic policy. We use the word planning in order to effectively lead to an efficient allocation of resources and to an equitable distribution of benefits between the countries. Too free an operation would lead to a polarization of benefits and to non-equitable situations, especially in the industrial sector. (iii) The existence of an institutional system having a strong executive power, good technical support and several representatives of different economic sectors of the member countries and of the regional community.

Which are the main mechanisms used in the formation of the expanded market? One is the opening up for commercial exchange between the countries. This we are calling the programme of liberalization for tariffs and restrictions. It is implemented gradually, and automatically, step by step and cannot go backwards and it is different for each country. It is not subject to negotiation. For example, the countries which are relatively less developed take more time to open their markets than the other countries, and the markets of the more developed countries opens more rapidly for those products coming from the less developed ones. The second one, is the common external tariff which deals with the transactions or imports from third countries. It is also implemented step by step and is applied automatically and is also different for countries. The more developed countries must implement it in less time than the less developed ones. The third one refers to sectoral programming and deals with the allocation of resources and the localization of investments. A fourth one refers to the fact that, while with the previous instruments we get to a gradual approach affecting economic policy issues, here there are no deadlines for the adoption of compromises. In this respect we may talk about the treatment of foreign investment, the harmonization of mechanisms and instruments for foreign trade regulations and industrial promotion, and some areas like the monetary, financial, etc.

Other important mechanisms refer to the regulations of competition. It should be noted, firstly, that access to the liberalization programme is for merchandise from the region. Secondly, other instruments are to be used in the case of any non-loyal competition. Thirdly, our reason for setting up a common commercial policy, is the prospects of benefits derived from international trade through the increase of our negotiating power. Other mechanisms deal with the channeling of resources for the financing of investments and they are centralized in institutions such as the Andean Development Corporation (CAF) and other mechanisms. Lastly to be mentioned is the priority given to a joint action-oriented approach to solve problems derived from the physical integration and which may affect the overall process.

The withdrawal of Chile from our Agreement shows to us that too liberal a system is not compatible with our integration process. Also a too centralized system is incompatible with the use of the mechanisms. It is the interplay of mechanisms and político/economic factors which will show us the characteristics the extended market should take.
The Cartagena Agreement involved a liberalization of customs tariffs on a 10-year term, later extended by three more years for the more developed countries, and longer for the less developed ones. We have now attained a certain degree of integration, benefiting mainly the less competitive productive sector. We have clearly stated rules for 70 per cent of all tariffs and the reciprocal trade under customs tariffs is relatively low, around 5 per cent, in face of a 25-30 per cent for the same products of third countries. Due to delays, systems of exceptions and other economic variables we may, however, find that the integration is not so profound. Within the Andean Group, there is not, so far, a common position before transactions and imports from third countries, nor exists the minimum protection already agreed for in respect to customs tariffs. The reasons? Non-compliance in some cases, or non-harmonization of a series of industrial promotion regulations. Our proposals for a common external customs tariffs have not so far been approved, with following aspects taken into consideration as basis (a) preference for industrial goods, (b) protection for labour-intensive activities and (c) protection for those activities with special technology. So far there is little legislation for the treatment of foreign capital and little regional capital circulation. A doubling of impositional taxes has occurred, while some advancement is registered on a common customs terminology. We do not have, for example, common rules for the incentives for exports. Each country is having its own policy on this. Another example is the existing difference on foreign exchange and monetary policies. Also on the application of customs tariffs for exports there is a difference, varying with the concept of each country. In respect to our increased negotiating power, it has been limited, mainly because of the stage of limited confirmation of the extended market at the present. Nevertheless there has been an increase on the inter-regional trade with an increase on the diversification of products. I would say that the extended Andean market is only partially in application with some mechanisms more developed than others. It is somehow unstable and has a number of particular distortions. We do not consider, therefore, that the extended market is greatly affecting the allocation of resources within the region. There are several claims of producers on the inequalities of incentives, be it because of global economic policies or because of the selective and unilateral application of given mechanisms. This makes more difficult a greater integration and shows us how difficult it is to advance on and maintain an integration without a proper harmonization of given instruments of economic policies. Several countries agree that they are not opposed to the establishment of a legislation although they need more time to implement it. Nevertheless, the non-existence of a common legislation makes it difficult to maintain the integration if it creates inequalities.

Maybe we could solve the problem by diminishing the existing compromises or introduce compensatory compromises. We could use the compensatory customs tariff like the Europeans do, but this is not easy to handle. Maybe we should use other instruments which would take over the role of other ones which have proven not possible be used within the region, in order to adopt new compromises to perfect the market.

The Andean capacity to discuss, approve and look for solutions in dealing with instruments of economic policy has been surpassed by the facts. Things have gone much too fast for us to be able to digest, react to and investigate the problems and their effects on the extended market.
Questions by Mr. Sadasivan, Malaysia

I have two specific questions. I heard on two occasions today the phrase 'non-compliance' by certain countries of the Andean Pact in request of certain decisions. Is this non-compliance provided for in the Agreement? I heard in the morning and again now, that in certain tariff matters as a result of non-compliance by some countries, the measures did not take effect as quickly or sufficiently as they could have. I just want to know whether this flexible phrase is provided in the Agreement. For non-compliance by any country of its own national reasons? The second question is, in the process of integration in the industrial sector, what in your experience would be really the most difficult problem encountered so far? Is it inability to have harmonization of policies among the member countries or is there some other very difficult issue which in your experience we may want to look at a bit more closely into, in our own efforts to have a closer economic industrial integration?

Answer by Mr. Aninat

When we use the non-compliance phrase it is because it is not expressed in the Agreement. When we refer to non-compliance we mean that some precise and clear agreements or compromises have not gone into application. On your second question, I think the greatest problem has been incompatibility, that is, the existence of five different policies, even if the intensity of the problem varies from sector to sector. An example could be that a country may feel it absolutely necessary to protect a given industry, whereas another country may think it should not be done at all. Here money exchange policies, credit policies, tariff incentives do play a role, and we must, with the instruments we have, limit this capacity to act one-sidedly and we have sometimes done it.

The Cartagena Agreement provides the mechanisms to avoid non-compliance. First there is the degree of harmonization of policies in order to create a given economic situation and which go hand in hand with non-compliance (even if countries may as well fall into non-compliance with these harmonization policies). The second mechanism which was achieved through the signature of a treaty, is the Andean Tribunal of Justice which makes conflicts go from the field of mere politics to the field of law.
Question by Ms. Cabazor, Philippines

Has there been any case presented to the tribunal? Then, my second question is this. Is it true that the completion of the Andean customs union has been postponed from 1985 to 1989. If so, what are the factors accounting for this postponement?

Clarification by Mr. Montes, Colombia

The Andean Tribunal of Justice is not yet in force because one of the countries has not yet ratified it.

Reply by Mr. Aninat

The problem is how can a tribunal judge on situations for which the rules have not been set?

On the second question, initial deadlines in the Agreement have been postponed for three more years, until 31 December 1983. We must presently decide whether or not we will again be able to meet this new deadline.

Further reply by Mr. Montes, Colombia

True that for the tribunal to work there must before be a harmonization of policies, but while that happens we also have some instruments to use. Take, for instance, the problem of exports incentives and the decision on non-loyal practices. Why do countries not use such instruments as this decision, why do they recur to non-compliance instead?

Further reply by Mr. Aninat

I have myself asked why such instruments are not used and the answer that has been given to me is that, if they do it, then their exports would drop. We have worked on case by case solutions, but it is difficult to do it globally.

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The afternoon session continued with a presentation by Mr. Cesar Peñaranda, Chief, Industrial Development Department of JUNAC, on the subject of "Joint industrial programming of the Andean Group", dealing
with, in particular, the Sectorial Programmes of Industrial Development and the Industrial Rationalization Programmes

We will divide the topic in three parts (i) frame of concepts of Joint Industrial Programming, (ii) what are Sectorial Programmes of Industrial Development and (iii) what is the actual state of the joint industrial programming, going over the three existing programmes.

The Andean countries' markets are, individually, small markets due to the low level of income and thus creating an obstacle for a more dynamic industrialization process. More critical still is that small percentages of the population absorb high percentages of income. This led us to the idea of integration. LAFTA was born this way, but there were incongruencies because of the different development levels of countries like Mexico, Argentina and Brazil on one side and the rest of countries on the other side. The Cartagena Agreement on the other hand was essentially, an industrial one.

The Agreement uses two types of mechanisms in its search for a more dynamic industrialization process for the Andean Pact area, (a) the market mechanisms and (b) the establishment of common external customs tariffs. With these we were trying to make better use of the already existing industries and to promote intra-Andean trade in manufactured products. The Agreement was established with the differences of development of the countries bound by the Agreement clearly taken into account. The Agreement was essentially, an industrial one.

The Sectorial Programmes of Industrial Development aim at (a) distribute new projects equally between the countries (b) improve and increase the already existing capacities. For (a), as a start we do not consider the local markets, concentrating mainly on giving the five countries investment opportunities. The decision to invest would be depending on other elements, like the efforts a given Government puts forward for this opportunity to become reality, the availability of resources and the profitability of the project. To arrive at this distribution we resort to sectorial programmes for industrial development. This allocation of equal opportunities has the disadvantage that the distribution of benefits will also be sectorially analyzed, distorting somehow a better theoretical approach of this distribution under a more global scheme.

We have allocated investment opportunities to the countries whenever their own opportunities to do it were manifested, but then we would face the problem of not being able to see how benefits were being distributed within the area, since it is easy to see that investment opportunities would present themselves easier in those countries with a more developed infrastructure or with a greater capacity to work out more developed projects. Nevertheless, this could have also been a possibility. On the other hand, another possibility was to
focus sectorial programming on a one-programme basis which would have involved all the industrial sectors reserved for programming, trying to rest mainly on comparative advantages. This scheme may have carried us to a better allocation of resources but it did not allow all countries to participate in several industries for which they had manifested their interest and it also created a planning and statistical problem because of the complexities involved. The Agreement opted for a sectorial approach and about 1/3 of the tariffs universe was reserved for this programming. We reserved the most dynamic and important industries and those which, on the Andean level, were either non-existent or had very little development.

The Sectorial Programme is a permanent mechanism on a time basis and it is quite broad on its field of action. Our priorities were those for which we had deadlines to meet; but we may anytime, programme other activities.

There is a basic common structure for the three already approved sectorial programmes, namely allocation of investment opportunities for each of the member countries.

The mechanisms which make the essence of each sectorial programme are:

(A) The liberalization programme for programmed products (the Bolivian and the Ecuador markets are liberalized later than the other markets);

(B) Common external tariffs, intended to maintain certain preference margins for sub-regional production confronted with competition from third countries and to regulate the productivity efficiency of the sector;

(C) Supplementary measures, which in several forms, for example the fact that countries agree not to encourage or to expand productions of products corresponding to allocations granted to the other member countries; that countries should not authorize foreign investment for such production either, etc.

It must be noted that any country may import from third countries the same products as those manufactured within the area, but always paying the established common external tariffs. This means we are establishing competition within the areas as well as before third countries.

At the time of the signature of the Cartagena Agreement, the various countries had an industrial infrastructure with marked differences. At the opening of markets to a given industry, the market would be submitted to intra and external competition because of the common external tariffs. Certain industries such as textile, leather goods, shoes, etc. were very important in that they absorbed more labour than other industries and were developed to a higher or lower degree. The opening of markets may have affected the integration process. Therefore the rationalization programme for industrialization, was established in order to diminish the effects caused by this new competition and to increase efficiency at the same time, in order to be able to go into third markets. We work on a hybrid theory of both production
for substitution of imports and of promotion of manufactured exports. The application of the rationalization programme had to be in agreement also with the other integration mechanisms. The Agreement provides for at least one rationalization programme per year. So far, however, no rationalization programme has been implemented, since more importance was given to sectorial programmes.

I will refer now to the already approved sectorial programmes. The first is the automotive one. It tries to limit the models and brands of vehicles within the Andean Group, with the purpose of increasing production volumes and to increase the production of spare parts of the vehicles. It has to be noticed that the main purpose of the programme is to produce spare parts. This programme is backed by a liberalization programme and by common external tariffs (for commercial vehicles an average of 48 per cent, for cars an average of 135 per cent and for spare parts an average of 49 per cent). As complementary elements to investment opportunities three types of agreements were established in this programme: (a) Assembly agreements: any country may assemble any type of vehicle assigned to other Andean countries, as long as it integrates the spare parts received by the country which previously had the allocation of production; (b) Agreement on co-production, where we seek to specialize in order that one country may produce one or more components and another country one or more other components, in order to achieve better scale-economies; (c) Agreement on complementation, where we look for countries to specialize on parts of a given component of a vehicle. All these are essential elements of this programme. The co-ordination and implementation of the programme has proved very difficult now, due to the events affecting this industry internationally, to the global recession and to the energy crisis.

The second programme is the metal fabrication programme of 1972. This programme was subsequently adjusted due to the retirement of Chile and the joining of Venezuela. We approved Decision 146, which is essentially a programme on capital goods. This programme establishes exclusive allocations for Ecuador and Bolivia (so far 33 are exclusive and 43 comparted allocations). We also established market openings, different for countries and for products. The common external tariffs range from 20-80 per cent with an average of 51 per cent. The programme also fosters the idea of co-production, looking for a greater specialization which has not been as intense as wished. The programme has been distributed to all countries due to their interest to participate in it.

The third programme is the petrochemical programme. This is a vertically integrated programme for it goes from raw-materials over to intermediate products to final products. It was approved at the moment of the world oil crisis, when the situation was very competitive. It was also programmed for export, with 60 per cent for the Andean market. Tariffs were low (20-35 per cent), allocations were to be made rapidly with differences on market openings for countries. Then we faced an excess of supply internationally, and the fact that this industry is very capital intensive. Also, we have now to face the fact that several Andean countries do not have the same projections which they had earlier with respect to their oil resources. Some (Colombia and Bolivia) have even passed to be oil importers, Peru, although it is exporting oil products, it is not at the level as
previously projected when the programme was negotiated. We are therefore revising this programme at the Andean Group.

As far as iron and steel is concerned I would like to mention that there is not such a thing as a programme. There exists so far only an agreement to arrive at a programme as soon as possible. We have a more critical problem here since this industry is partly providing raw material to other industries, like the automotive or the metal mechanical ones, and any added costs to develop it on Andean level would be of great importance for the prospective users. Tariffs are also very important, transport costs as well.

I would like to say that the implementation of sectorial programmes has problems in three of its mechanisms, namely (a) in the allocation of investment opportunities; (b) in the abstention of allocation of opportunities to another country if there is one which has such investment already; (c) tariffs.

When we talk about allocation, we do not talk about obligations neither to take nor to realize the project. All allocations have a period of time within which they must be realized, and they have a market-reserve, so that once products come out the producer has the disposibility of the market – alone, jointly, or in competition with producers from third countries.

In all the three programmes we have several allocations which were not carried out, but there are realizations and new investments also, which emerged thanks to the allocations.

There are several reasons for non-compliance with the allocation, both external and internal reasons. The host country’s own problems; overestimation of capacity; at the beginning the countries were looking for maximum participation in order to derive greater benefits, the countries were looking for more investment opportunities, which affected the allocation of resources and diminished efficiency. There are also non-compliance by other countries: non-application of tariffs, non-opening of markets, over-costs are not accepted, and problems due to the competition of third producers.

In metal fabrication of 76 units assigned, 50 are already in production, with 153 companies producing. In petrochemicals, of 50 units assigned, 20 are producing, with 108 companies participating on it.

On the liberalization programme, we have advanced with significant achievement, since the trade it has generated is very important. Following figures show how it has affected commercial exchange. In metal fabrication intra-Andean trade in 1972 was less than 2 million dollars, and in 1980 it had increased to 25 million dollars. In petrochemicals, of a trade of $10 million in 1976 we increased to $50 million in 1980.

With regard to the common external tariffs, there are more problems. There are still important differences in what the countries are willing to pay for their industrial development in general and for sectorial programming in particular. There are several cases of non-compliance
and thus there is market instability and no clear parameters to allow the countries to decide on investments. All this affects the development of the programmes mainly on industries which are scale-economy intensive and which require high production levels. Forecasted markets have not been found and there has been more competition from third countries than previously expected. All this has created problems in regard to the use of the installed capacity of industries protected by the approved programmes.

There are two important elements which we must consider now namely, (a) the international situation, since the Andean Group cannot isolate itself—due to global recession the more developed countries are more aggressive in their investments to the third world—and (b) the internal national situations which require short-term actions. We must in face of this provide two common elements to our work, (i) more efficiency in resource allocation and (ii) a more homogeneous treatment to countries and industries.

Question by Mr. A.M. Sobrepeña, Philippines

I would like to find out the extent to which the private sector participated in the selection of the products to be promoted in the various programmes and the way they also participated in the process of the identification of problems in the implementation itself. Secondly, from the point of view of long-term industrial development, to what extent does the JUNAC provide some general direction so that the private sector can have some indication of where the Group is going, where it will be in 5 years or 10 years time. This is of course in recognition that the private sector investment necessitates a long time horizon. Also, so they could better plan their involvement in what presumably would be government initiatives in very big projects.

Answer by Mr. Peñaranda

The participation of the private sector on the conception and execution of sectorial programmes has differed from country to country depending on the private sector’s organization and on the government’s readiness to let them participate and also on the type of industry. For example, in the petrochemical sector due to the high investment needed, most of the work has been done by the public sector.

The parameters the private sector needs to invest are market openings and tariffs. Based on the sectorial programmes’ mechanisms the necessary elements are given, and we are constantly revising these as well.
Question by Mr. Lim, Singapore

May I ask for some rough figures in the case of projects in the metal fabrication and petrochemical sectors? Firstly, in terms of actual production level compared to installed capacity, secondly, in terms of investment amount compared to estimated investment, and, thirdly, actual production costs against computed costs at the start of the programme.

Answer by Mr. Peñaranda

It is difficult to give you numbers, but we will provide you with some information the secretariat has.

Mr. Lim, Singapore

Yes, I can see the difficulties. However, may I clarify to take just an example. If you have a project under a sectorial scheme and the production has been verified so that the project will have an "installed capacity" of, say 100 units. Now, in actual production, to supply the market available production may be only 70 units. My question really is, is the actual production measured against installed capacity or maximum production? In that way one can reach the matching of production capacity to predicted market. The other thing is that in the actual evolution of setting up such a project, there may be possible variations against the estimates (and those of the actual competition) of the cost of the production. You can go either way, up or down. I am just trying to assess, what you mentioned earlier on in your presentation on this question of viability of certain of the projects, about certain non-compliance and so on.

Answer by Mr. Peñaranda

We do not make feasibility studies for each of the projects allocated to each country. We primarily deal with international information on the matter, international statistics, and the investment opportunities interesting for the Andean Group. We then prepare industrial profiles, including amount of investment needed, labour needed, and market. We do not, however, calculate how much it would cost to produce and even now we have no information on production costs, only on installed capacity and actual production.
Question by Ms. Cabazor, Philippines

My comments have something to do with the question of technological self-reliance of your petrochemical industry. Undoubtedly the petrochemical industry requires a substantial capital investment. This investment, moreover, is characterized by the fact that the bulk of the investment costs are being borne at the outset of the project. In plant construction machinery and engineering services in the petrochemical industries, for example, are supplied only once at the time of plant design and construction. They are not, as in other industries, spread over the operations of the plant. The size of the investment required thus limits the extent to which national firms can participate in the development of the petrochemical sector, and favours instead the state and foreign multinational corporations; both being capable of marshalling the necessary financial resources. Contributing to the high costs of developing a petrochemical industry are also other characteristics of the sector, its research intensity, it being large-scale voltaic technology with rapid and frequent changes occurring in process and products, with sophisticated needs such as computerized control systems, high pressure and heating techniques and difficulty in dispersing production because voltaic gases are dangerous to transport. Under the petrochemical programme, only as new products and processes are developed and as the number of technologies suppliers for this other products begins to increase, will licensing become alternative to direct foreign investment. But even where direct foreign investment has not been used the multinational corporations have, through their technology monopoly, shaped the structure and contents of many petrochemical industries and are likely to do so. This occurs in part because the import content of the petrochemical programme is high. Ownership by the state does not itself signify control over the choice of technology, knowledge of alternatives or the ability to depackage. Both the state and national private corporations must be prepared to accept the challenge of learning about the technology. My question is, how strong is the research and organizational support extended by the JUNAC to the petrochemical sector to improve the prospects of achieving the self-reliance goal, as far as technology is concerned?

Answer by Mr. Peñaranda

There are two interesting decisions which cover this aspect, one is Decision 24 which regulates foreign investment, and the other one is the
one which regulates the flow of capital within the Andean Group or the Multinational Andean Company. We will discuss both later on.

Question by Mr. Sobrepena, Philippines

Because of the limited time I would just like to request something for tomorrow to be possibly discussed at convenient time. It was mentioned this morning that there was a decision, Decision 24, regarding commomization or making uniform rules for foreign investment. One of the basic issues being discussed in ASEAN is now the issue of national treatment of regional projects. While you do not have here integrated regional projects such as the ones being implemented or contemplated in ASEAN, I would appreciate in getting some information on how you view the flow of investment among yourselves? In the documentation distributed there is no discussion on the flow of investment, of the generation of joint ventures. Perhaps it would be a useful topic tomorrow.

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Morning session - 12 October 1982

The morning session opened with a presentation by the ASEAN/COIME spokesman Mr. N. Sadasivan, Malaysia, on "the long-term goals of the economic co-operation of ASEAN and the promotion of industrialization through ASEAN co-operation mechanisms".

In my presentation I will touch upon some of the major areas of economic co-operation in ASEAN, while focusing specially on areas affecting industrial co-operation. We would then like to spend a little bit more time discussing some common problems and some common experiences that both regional groupings have obtained through these years at efforts to co-operate on a regional basis.

ASEAN was founded in 1967 and comprises the countries of Indonesia, Malaysia, Philippines, Singapore and Thailand with a combined population of some 250 million people, thus about 3 times more than the population of the Andean Pact countries. For the first 8-9 years in ASEAN's history, very little efforts were made to achieve any degree of economic co-operation, simply because both the leaders of ASEAN and the peoples in ASEAN were in the process of trying to understand one another, trying to understand different cultures, the different languages, the different religions in ASEAN; And, therefore, our progress in these initial years was very slow, in fact there was hardly any progress at economic co-operation. In 1976 almost 10 years after ASEAN has formed, the Heads of Government of the five ASEAN nations gathered together for a first Summit Meeting of Heads of Governments in Bali, Indonesia. At this meeting, the five Heads of Governments signed a Treaty of Emnity and Co-operation in Southeast Asia and, much more important, they signed the Declaration of ASEAN Concord. By this action, they renewed the governments' commitments...
to the aims and purpose for the organization of ASEAN itself in 1967. The Declaration of ASEAN Concord, signaled a fresh impetus for economic co-operation in ASEAN. The Declaration of ASEAN Concord, together with the Treaty reconfirmed economic co-operation as one of the principal goals of ASEAN, and a fundamental approach towards the achievement of peace, stability and prosperity in the ASEAN region. These two important documents also provided the basis for the formulation and implementation of future work programmes and the establishment of a suitable institutional machinery for economic co-operation in ASEAN. From 1976 onwards various programmes of co-operation on broad economic sectors were formulated. Some of these programmes have already come into effect, and these programmes now guide both the short- and medium-term direction for economic co-operation in ASEAN.

Major areas of co-operation in some of the more important economic sectors in ASEAN are the following. In the field of trade, ASEAN's aim is to promote development and growth of new production and trade and to improve the trade structures, both for the individual member states and among the ASEAN countries as a whole, conducive to further development and to safeguard and increase foreign exchange earnings and reserves. Another important objective was to expand trade of the member states by improving access to export markets outside of ASEAN for the raw materials and finished products produced by ASEAN. In 1977, the ASEAN countries signed an agreement on ASEAN Preferential Trading Arrangements which had as its main aim the objective to expand intra-regional trade. Under this agreement trade would be expanded through a number of measures in ASEAN. The first would be long-term quantity contracts, ranging from 3-5 years and applying mainly to basic commodities, such as rice and crude oil. Other arrangements include preference in procurement by government entities, extension of tariff preferences and liberalization of non-tariff measures on a preferential basis. As of today, the extension of tariff preferences is the most advanced of these measures taken to liberalize trade amongst ASEAN countries. As of June 1982, a total of 8529 items of interest to ASEAN member countries have been given various degrees of tariff preferences with the margin of preference of 20-25 per cent from an initial tariff cut of 10 per cent. We are also undertaking measures to expand the coverage of items for which tariff preferences are being exchanged through a sectorial approach as opposed to the product by product approach in the earlier years. It is also planned to deepen tariff cuts beyond the current 20-25 per cent.

In the field of industry which is really the area that those of us present from ASEAN are most actively involved in, a number of programmes are being currently pursued. These are expected to contribute towards increasing the flow of investment in the ASEAN countries, to a strengthening and broadening of the base of the industrial sector in the respective economies and to promotion of greater utilization of the industrial capacity and trade. Three major programmes are currently being undertaken. These are basically the ASEAN Industrial Projects, the ASEAN Industrial Complementation programmes and ASEAN Industrial Joint Ventures. The ASEAN Industrial Projects are basically large-scale government undertakings geared in particular, to meet regional requirements for essential products. Priority is given to projects that utilize available resources in the member states, contribute to the increase in food production, increase or save on foreign exchange earnings and create employment opportunities. The
ownership of an ASEAN Industrial Project is distributed on the basis of 60 per cent for the country in which the project is located, with the other four countries taking the remaining 40 per cent equity ownership. While these projects are primarily government-owned projects, the ASEAN private sector and the non-ASEAN private sector may own up to 2/3 of equity allocated to a particular member country. The only reservation is that at any one time, majority ownership of an ASEAN Industrial Project must be held by ASEAN nationals. To encourage and to facilitate the establishment of ASEAN Industrial Projects, the ASEAN Governments signed a basic agreement on ASEAN Industrial Projects in 1980. Today four ASEAN Industrial Projects have been approved. There are two ASEAN urea projects in Indonesia and Malaysia, there is a rock salt/soda ash project in Thailand and the copper fabrication project in the Philippines. Thus four out of the five ASEAN countries have already taken measures to implement these large-scale projects. A fifth project for Singapore is currently under examination. In addition to these large-scale industrial projects which are basically government-owned and government managed, the ASEAN Industrial Complementation programmes were launched in June 1981, again with the signing of the basic agreement on ASEAN Industrial Complementation. Under this agreement the ASEAN member countries undertake complementary trade exchanges of specific processed or manufactured products or components within an ASEAN Industrial Complementation package. Products that form and fall within such package are entitled, among others, to tariff preferences under the ASEAN Preferential Trading Arrangements as well as exclusivity status for periods of 2-3 years. ASEAN member countries also grant to such products additional non-tariff preferences, such as mandatory purchasing of one product by another country and, in some cases, a creditation of local content status for such products. The first ASEAN Industrial Complementation package comprised existing automotive components and this first package was approved for implementation in June 1981. Products in the first package would enjoy a 50 per cent reduction in existing tariffs within ASEAN. We are currently examining the possibility of implementing other complementation packages.

At this stage, I think I would want to touch upon the role of the private sector in ASEAN which would seem to be somewhat different from the private sector's role in the Andean Pact countries. In ASEAN the private sector, in particular the private sector in the trade and industry, is usually active and maintains very close contact with the five ASEAN Governments. In fact the initiative for economic co-operation in industry is very often result of private sector efforts and to facilitate this close contact and exchange of view between ASEAN governments and the private sector the private sectors in the ASEAN countries have organized themselves in a number of ASEAN Regional Industry Clubs. For example, all the manufacturers of rubber products in ASEAN have organized themselves into an ASEAN Rubber Manufacturers Association which has in each of the five ASEAN countries a National Association of Rubber Manufacturers. This ASEAN Regional Industry Club maintains continuous exchange of views with ASEAN governments on how to promote greater exchange of products within ASEAN. There are in total about 20 ASEAN Regional Industry Clubs all of which maintain very close links with the governments.
It is in recognition of the very important role that the private sector would play in ASEAN economic co-operation that the ASEAN governments now are in the process of finalizing a scheme which would enable the private sector to play a very active role in industrial co-operation in ASEAN. This refers to the proposal for the establishment of ASEAN Industrial Joint Ventures. The ASEAN Industrial Joint Ventures are basically the private sector counterpart of ASEAN Industrial Projects. Unlike the ASEAN Industrial Projects where government involvement is very major, the ASEAN Industrial Joint Ventures is a scheme designed almost exclusively for private sector participation. This scheme would enable the private sector in ASEAN to establish large-scale industrial projects and enjoy substantial ASEAN preferences, particularly for the exchange of commodities produced by such large-scale projects. We expect the final agreement on the scheme for the establishment of ASEAN Industrial Joint Ventures will be obtained later this year, when the ASEAN economic ministers are scheduled to meet to finalize this particular agreement. The ASEAN governments' role in establishment of ASEAN Industrial Joint Ventures would be confined, initially, to the granting of substantial tariff preferences, for the products of ASEAN joint ventures. Governments themselves would not be involved in either the equity of the projects or in providing any other form of financial support.

I will now refer briefly to the ASEAN efforts in other major sectors. In the field of energy co-operation, ASEAN attempts at energy co-operation have concentrated on three basic approaches. The long-term approach is directed towards the development of alternative energy sources, particularly, coal and hydro electric power. The medium-term approach is aimed at increasing exploration and development activities in oil and gas in the region. The short-term approach relates to mutual assistance in times of need or emergency, such as is embodied in the Emergency Petroleum Sharing Scheme and the proposal to establish an ASEAN Petroleum Security Reserve. In the Emergency Petroleum Sharing Scheme, ASEAN countries which are in the fortunate position to have oil are expected to give preferences to other ASEAN countries when there is a shortfall in the imports of crude oil. At this point of time Indonesia as a major oil producer in the region has supplied oil on a special terms to both Thailand and Philippines under this emergency petroleum sharing scheme.

In the field of minerals, ASEAN is examining a proposal to facilitate and promote trading in minerals, to promote exploration and full development of mineral resources in the ASEAN countries, to promote the integration of mineral resources development with industrial development and to promote the transfer of technology and expertise in the mining industry within the region. In order to achieve these very broad objectives, ASEAN is currently examining a proposal for the exploration, exploitation and marketing of caoline and low grade cromite deposits. To facilitate this, assistance has been sought for the carrying out of a detailed feasibility study. In an attempt towards industrial integration, in the mineral sector member countries are encouraged to complement each other, in the development of mineral resources which are expected to support industrial integration efforts. ASEAN is also looking into the possibility of joint acquisition of technology, in the mining industry.
In the area of finance and banking, ASEAN's efforts at co-operation have been focused essentially on the following. Arrangements are being made to provide mutual assistance among the member countries on temporary problems on international liquidity, such as through the establishment of a swap arrangement among the Central Banks and Monetary Authorities in the ASEAN countries. This involves an amount of US $100 million. ASEAN efforts in finance have also included joint measures to stabilize the prices of earnings from export commodities and other products of ASEAN member countries; financing for the establishment of ASEAN Industrial Projects; strengthening of the financial infrastructure; and provision of financial support measures to encourage greater investment and facilitate expansion of trade in ASEAN.

ASEAN has also been actively involved in co-operative efforts in transportation and communications. The programmes of co-operation in this area are tied up with the goals of the expanding trade and industrial development by providing the basic infrastructure for the physical transportation of goods and enhancing communications systems to facilitate the conduct of business and promote greater understanding amongst the people of ASEAN. The details of these efforts at encouraging greater co-operation in transportation and communications are available also in some of the documents that have been distributed today.

In the area of agriculture, ASEAN's programmes have focused on achieving self-reliance in basic food stuffs, principally, through the strengthening of the food production base of the member countries. In 1979, the ASEAN common agricultural policy was adopted. This policy would continue to provide the framework for specific co-operative action in agriculture, fishing and forestry, including co-ordination of national policies and programmes in these areas. Some of the major undertakings within the common agricultural policy, include the establishment of an ASEAN Quarantine Centre to provide common plant and animal protection in the region. In July 1980 an agreement on the establishment of an ASEAN Food Security Reserve came into effect, providing for an ASEAN Emergency Rice Reserve of 50,000 mt of rice, from which member countries experiencing problems with importing or obtaining enough rice can draw upon in times acute shortage.

Turning now to ASEAN's long-term perspective, it is almost 10 years since ASEAN began to be much more active at economic co-operation efforts and implemented various programmes to achieve these goals. We are now in the process of something very similar to what we heard yesterday from you. We are in the process of reviewing the various measures we have taken in ASEAN to achieve economic co-operation. We are reviewing principally with the objective to see whether the institutional and legal framework under which these measures have been taken is adequate for the next decade to come. We are also under considerable pressure from the private sector in ASEAN, that the governments are not working fast enough to promote greater co-operation and there are a number of policy measures that are currently being examined in ASEAN. The private sector, sometime at the beginning of this year, I think, proposed that ASEAN governments should enter into a very comprehensive economic treaty providing for various levels of co-operation in ASEAN. The private sector in fact, cited your own
experience in the Andean Pact countries as an example and stressed
the need for the ASEAN countries to draw up an economic treaty amongst
themselves. This is something that the governments in ASEAN are
currently examining. Our own experience, I think, indicates that
an economic treaty (unless it provides so much flexibility that the
treaty is not really very effective) would not give the countries
in our region sufficient flexibility to operate their own national
policies. But having said this, the ASEAN governments are now studying
the matter very carefully to see whether the conclusion of an
economic treaty would lead to greater economic co-operation. Pro­
posals have also been made by the ASEAN private sector, and by some
governments in ASEAN that ASEAN should, ultimately, become a free
trade area. This again is another area that the ASEAN governments
are now studying very carefully.

In summary, I would conclude by saying, that the efforts towards
economic co-operation in ASEAN have taken many forms and shapes, some
of which have succeeded beyond our expectations, while a number of other
measures had to be dropped as a result of our experience gained during
intra-ASEAN meetings. Of overriding importance is, that ASEAN is
committed over a long-term to achieving a greater degree of economic
co-operation amongst the member countries. As to what form this
ultimate degree of co-operation will take we are not sure yet. We
are in the process, as I said, of examining a number of proposals and
we certainly would think that the experience of the Andean Pact coun­
tries would be of very significant value to us.

Question by Mr. N.M. Campos, Peru

I would like to have some elaboration on treatment of foreign capital
in ASEAN and whether there is a possibility to act within a "Multinational
ASEAN Company" or not.

Reply by Mr. Sadasivan

Maybe I did not make myself very clear on this matter. The first
thing I want to emphasize, is that all ASEAN countries believe in a system
of private enterprise and in all ASEAN countries considerable government
efforts are made to attract private investment, particularly, in the
manufacturing sector. Private investment could be national private
investment it could be intra-ASEAN private investment or it could be non­
ASEAN private investment. Amongst the ASEAN countries, the degree of
welcome for foreign investment differs according to the countries' own
policies. In the case of Singapore, which is the smallest country in
ASEAN with a limited domestic market and with limited domestic resources,
no restrictions in any major form are placed on attracting foreign
investment from any part of the world. In the case of Indonesia, for
example, which has a very large domestic market and which has a very
large number of Indonesian investors with money, there is less emphasis on attracting foreign investment as there is in Singapore. I think the point is, that each ASEAN country, while it emphasizes the need for foreign investment, has adopted a set of different policies, to govern the entry of foreign investment in the respective countries. The ASEAN Industrial Joint Venture projects, that I mentioned earlier, is a scheme designed to encourage the private sector in ASEAN to invest in each other's countries, simply because there is a lot of investment capital in the ASEAN countries, which has currently been invested in other ASEAN countries without any formal scheme for that purpose. As an example, Singapore is a major investor in Malaysia. Historically, Malaysia's private sector invests in Thailand, again because we share a common border. All ASEAN countries have invested in Indonesia, because of the opportunities and the size of the domestic market in Indonesia. The ASEAN Industrial Joint Ventures scheme is designed to facilitate and encourage greater intra-ASEAN investment, to provide a legal framework, and to provide some measures of ASEAN governments' support, so as to encourage more intra-ASEAN investment.

Question by Mr. Montes, Colombia

I would like to know a bit about the institutional procedures, and organs, how decisions are taken and the power-relationships inside COIME?

Reply by Ms. Cabazor, Philippines

I will confine my answer to the committee that deals with industry, COIME. My Philippine colleague from the Ministry of Foreign Affairs is the expert on the institutional systems, perhaps he would like to add something later on. As far as the economic matters are concerned, that is, trade, industry, agriculture, finance, and banking, the highest organ is what is known as the ASEAN economic minister's meeting; which is a meeting of the senior economic ministers of the five ASEAN countries. They meet normally at least twice a year. Below the ASEAN economic ministers meeting we have five major ASEAN economic committees. We have the Committee on Trade and Tourism, the Committee on Food, Agriculture and Forestry, the Committee on Transport and Communications, the Committee on Banking and Finance and the Committee on Industry, Minerals, and Energy (COIME), which we represent here now. These committees meet as and when necessary. Each of the five committees is located in one ASEAN country. COIME is located in the Philippines, the
Committee on Trade and Tourism in Singapore, the Committee on Transport and Communications in Malaysia, the Committee on Food, Agriculture and Forestry in Indonesia and the Committee on Finance and Banking in Thailand. The host country, i.e. the country where the committee is located, provides secretarial facilities, provides the chairmanship of the committee and meets the expenses for such committee meetings to be held in their country. All proposals for co-operation in a particular sector are first examined at the committee level. COIME may set up an Expert Group to examine the proposal in detail, for example, for the establishment of an ASEAN joint venture project or an ASEAN complementation scheme. Proposals for such schemes may come from ASEAN governments or they may come from the ASEAN private sector. But, ultimately these proposals are examined in great detail by the COIME. Only if the COIME is able to reach a decision on that particular proposal is it referred to the ASEAN economic ministers for approval.

Since the ASEAN economic ministers meet at least two times a year, the ASEAN committees arrange their schedule so that they meet just before the economic ministers meet, so that the issues can be referred straight away to the economic ministers for decision.

In the ASEAN system, the decision of the economic ministers is final. If the ASEAN economic ministers agree amongst themselves that a proposal is acceptable, which may mean that ASEAN countries agree to support the proposals by a number of measures, for example, reduction of tariffs, there is no more argument about it, and the five countries concerned just implement the scheme. At the committee level, of course, there is a lot of arguments. However, once we approve a project at the COIME level and, if the economic ministers agree and the project comes on stream, there is no more deviation from the proposal. Sometimes, of course, economic ministers, like government officials, also argue amongst themselves. And when that happens the process of getting approval for a particular project may take a bit longer. To give an example of the initial difficulties we had at co-operation in the industrial area, in the case of the ASEAN Industrial Complementation scheme, it took us, I think, about 2 years to resolve the legal framework for the scheme. It took us probably at least five meetings of COIME, and maybe four meetings of the ASEAN economic ministers before everybody agreed on the outline of the scheme. But once
the scheme has been accepted, the legal agreement has been signed to that effect. The ASEAN private sector is now in a position to submit a number of proposals for industrial complementation.

The ASEAN Industrial Joint Ventures scheme took probably about two years before we could resolve it. But our own experience indicates that it is better to argue and to discuss all the issues involved very carefully at great length before we enter into a legal commitment. And therefore, though the ASEAN private sector has been critical of the slow progress by the governments, we are doing right, I think, since private sector seems also now to be convinced that it is better to go slow and sort out the initial difficulties before we launch into very ambitious industrial cooperation efforts. My colleague may want to talk on the other institutional framework in ASEAN which is bit more complicated.

Further reply by Mr. Sobrepeña, Philippines

The ultimate decision-making authority is vested with the Heads of State who have met twice since 1967. Directly under the Heads of the State are the ASEAN Foreign Ministers who meet once a year to examine the recommendations made by the Standing Committee which meets at least six times a year. The Standing Committee rotates among the five member countries on a alphabetical order. At present the Standing Committee sits in Bangkok and it will do so until June next year. In addition to the secretariat activities of the Standing Committee and those of the various permanent committees, there is the ASEAN Secretariat in Jakarta which is headed by a Secretary-General. He is assisted by Directors in different fields; social cultural, economics. The ASEAN Secretariat also has a public information officer and other staff officers. Of the permanent committees there are five, as already mentioned, which are in the economic field, these are the Committee on Industry, Minerals and Energy (COIME), the Committee on Finance and Banking, the Committee on Food, Agriculture and Forestry, the Committee on Transportation and Communications and the Committee on Trade and Tourism. In addition, there are what I would like to call the political committees, the Committee on Cultural Information and the Committee on Social Development and, well, in between there is the Committee on Science and Technology.
Compared with the Andean Secretariat the structure in ASEAN is somewhat different, because we do not have a "super-JUNTA" like the one that you have in Lima. The ASEAN Secretariat in Jakarta is simply a facilitative secretariat. As already mentioned much of the action is done in the permanent committees which are headed and served by a particular country. In the economic field there are five economic committees one in each country and each with a secretariat. The committee secretariat or technical secretariats are there to prepare for and service the meetings. The technical secretariat for industry is in Manila, it is fully serviced by Philippines, and the Philippines have the chairmanship of COIME. So, from a political science point of view much of the power is really delegated in the five countries. The idea of consensus is maintained through various meetings up to those of the economic ministers. Whenever we have proposals for consideration, they are in some way going through a meeting of experts of the five countries. The technical secretariat may from time to time be asked to do some studies, but most of the studies, even the position papers for meetings of economic ministers would be done by a particular country.

In our relations with third countries and I think this is something very important in ASEAN, we have, in addition to the meetings of the economic ministers and the economic committees, so called "dialogues". We have established dialogues with most of our major trading partners; there is thus an ASEAN-USA dialogue, and similar arrangements for ASEAN-EEC, ASEAN-Japan, ASEAN-Australia, ASEAN-New Zealand and ASEAN-UNDP. Almost every year or every one and half years, any one of these dialogues meet either in one of the five ASEAN capitals or in the capital of the dialogue country. This process (the relations with third countries) also has been institutionalized in such a way that there are intra-ASEAN consultations whenever there are international economic issues involved. For example, if the ASEAN countries have any problems with the US stock pile of tin, then the ASEAN economic ministers would meet with the counterpart in the US to discuss this. We have also established ASEAN committees composed of the ASEAN Ambassadors in the major capitals of our dialogue partners. In Washington we have an ASEAN-Washington committee, so the five Ambassadors in the US, if there is any problem, may meet jointly with the Secretary or Minister of Foreign Affairs of the US. There is in fact, whenever there are five Ambassadors always an ASEAN committee.
Finally, a footnote on the intervention of my colleague. The economic ministers, as mentioned by Mr. Sadasivan, and the ASEAN foreign ministers work hand in hand. The ASEAN foreign ministers take care of the political side (such as the issues on Kampuchea), and of the third country dialogues. Both ministerial meetings report to the Heads of Government. There is a Standing Committee in between the meetings, which, as mentioned by my Philippine colleague, meets almost six times a year to just to take note on what is happening. Again the secretariat of the Standing Committee moves from one capital to the other. So as you can see, it is really a democratized approach to decision-making with much of work is done in any one of the capitals. Because of this rotation of meetings we have more and more an interaction among ourselves. It is very important for us, I think, that we get to know one another, well because we have very different histories and we have our very different cultures.

Further reply by Ms. Cabazor

I forgot to mention that the Standing Committee is composed of the Foreign Minister of the host country or the country where the Standing Committee sits and the four ASEAN Ambassadors in that country. The Directors-General of the ASEAN National Co-ordinating Agencies in the five member countries meet before the Standing Committee meets, to go over the decisions made in the various permanent committees and other aiding committees, before they are recommended for approval by the Standing Committee.

Question by Mr. Montes, Colombia

I would like to go back to two specific aspects. One is on co-operation with third countries, where we would like to know more about the results of the dialogues with Japan, EEC or the USA. The second matter is on the future of ASEAN. In ASEAN things are going step by step, continuously creating the structures. You will probably have to start thinking about harmonization policies, mainly for the treatment of foreign capital, for when we talk about market opening we have to think about this. Also when we think of individual country policies attention must be given to harmonization, with economies like Singapore's which is relatively open and the Philippines' on the other hand which is very closed. What has been thought about this and on its future?
Reply by Mr. Sadasivan

Can I reply to the second question first while my colleague from COIME Ms. Altamirano, COIME Secretary in fact, would reply, I think, on the outcome of some of the dialogue that we have had with other countries and international organizations. On the second question, how do we see this harmonization taking place, I think, that this is really a most critical area for us simply because of the different policies in the ASEAN countries. If you look at the tariffs in the ASEAN countries, you will see the extent of our difficulties. In the case of Singapore, there is practically no import duty on anything. In the case of the other four ASEAN countries there are different levels of tariff protection, ranging from a very high level in Indonesia, with in many cases 100 per cent of tariff protection, to an average level of 25 per cent in Malaysia for most industries. When we talk about harmonizing or liberalizing trade amongst these countries, our problem becomes very obvious. The manufacturer in an industry in Indonesia, for example, which is now protected by, let us say, 100 per cent import duty, will argue that he has the largest market in ASEAN with 140 million people. Why should he give up the protection he is enjoying in Indonesia to a manufacturer in Malaysia, which has much a smaller market of 15 million people? Or more likely, the Indonesian manufacturer would question, why he should give up his market to a 100 per cent American-owned or Japanese-owned company in Singapore. The Singapore market because it is a very small market is on the other hand not of sufficient interest to the Indonesian manufacturers. We have this problem time and again in all the ASEAN countries, because all of us have, unfortunately, more or less the same sort of industries in our countries. We all produce basically the same type of consumer goods and same type of semi-durables, with the exception of Singapore which is rather different. So, we have to anticipate that there would be a lot of negotiations before we can reach a stage where there would be a free trade zone in the ASEAN area. But in order to achieve that eventually, we have taken certain measures. For example, I mentioned earlier that more than 8000 products in the ASEAN region traded by ASEAN countries have been granted margins of tariff preference of 25 per cent. It is proposed to increase this margin beyond 25 per cent; the idea being that over a long period of time all the ASEAN industries would gradually become fully competitive so that there would not be any objections from the member countries with large domestic markets. But this process will take a long time.
In the meantime, we all have our own different policies towards foreign investment. This again is another area of concern because, as I mentioned earlier, Singapore has no restrictions on foreign investment while the other four countries have some restrictions depending on the type of industry or depending on the type of market that the project needs. We are therefore in the process of exchanging information, for example, on the investment policies of the five ASEAN countries. We have had meetings of the five boards of investment (the investment agencies in the five ASEAN countries) a number of times to discuss how best we can (for want of a better word) "harmonize" our attitude towards foreign investment. We have also commenced exchanging advance information on our long-term industrial plans. For example, by the end this year, all of us would know, what are our long-term industrial plans for next 5 to 10 years, and what are the major industries that the different ASEAN countries are going to establish. We feel that, by exchanging this information, we can go a long way towards avoiding duplication of industrial facilities in the region. The three industries that we are looking at in ASEAN now, and exchanging information on are petrochemicals, iron and steel and fertilizers, with the view to see how we can minimize wasteful duplication of resources, duplication of facilities.

We are also now looking at the possibility of an intra-ASEAN Investment Guarantee Agreement, that would safeguard ASEAN investment in other ASEAN countries. Thus, there are various things that we are looking at simultaneously. Some of them may be dropped by the way as we progress, because we find they are not immediately possible, while others will develop into specific schemes, like the ASEAN joint ventures, and the ASEAN industrial complementation scheme.

In response to your question on how we see the future, we may say that we do not really know. We are determined to work closer, but we do not know in what form our ultimate grouping would be. At least from the immediate government point of view in most ASEAN countries, we do not see a clear type of structure. We do not see the emergence of an ASEAN parliament for example. This is well into the future; it may never take place. But we certainly see that there is a lot of political good will in ASEAN towards closer economic integration. It is very likely, that in the process of achieving this, we will make a lot of mistakes. We may start some very expensive projects and we will make mistakes in the process, but,
I think, the basic message I want to convey is that we are committed politically to a degree of economic integration more than what we have now. All the ASEAN governments are politically committed to achieve that. But we are also, I think, sensible enough to realize that this process, in a diverse situation like we have in ASEAN, will take much longer to achieve than in a more uniform situation like the EEC or the Andean Pact countries. As I mentioned earlier, we have populations ranging from 2.5 million in Singapore to 140 million in Indonesia. We have about 45 million in Thailand and, about 45 to 50 million in the Philippines, 15 million in Malaysia. We do not speak the same languages; the only common language is English. Our religions are different. Our life styles are different. The only thing we agree, when we meet in COIME, is that we "quarrel" with each other. I think an integration process would take much longer in our case; and we have really nothing clear when looking into the future. We really cannot see how we are going to develop.

Further reply on the first question by Ms. Altamirano, Philippines

On the outcome of the dialogues as far as the COIME work is concerned, we can first of all say, that normally we try to come up with certain project proposals for funding assistance and technical assistance with the dialogue partner. Overall, I would like to say that, although the process has often been rather slow as there has to be some negotiations between the dialogue partner and ASEAN as a group, in general the response has been quite favourable. Well, for one, this particular activity that we are undertaking at this moment on the part of ASEAN, has been conceived in consultation and co-operation with UNDP and UNIDO. I still recall that this project came up sometime in 1980 when we were trying to develop certain project proposals for UNDP funding. In the case of the dialogue, let us say, with Australia, we now have a project with them to be launched very soon, where the leaders of the various delegations in COIME will be meeting with leading Australian industrialists in one of the cities of Australia to try to find out what could be the common areas for cooperation in the field of industry. With the United States we are trying to undertake twinning projects on possible assistance on small and medium industry. Our approach has thus been very project-oriented with our dialogue partners, but I think, the dialogue should also be seen as ASEAN's main forum to get other (developed) countries to share some of the ASEAN concerns in the field of trade. When there are common trade issues that are of concern to the
ASEAN countries and they would like to discuss it, let us say, with EEC or with the USA, the dialogue provides the forum to bring up all the separate concerns of the ASEAN countries. Maybe my colleague from Philippines could elaborate on this common forum for bringing up trade issues with the dialogue partners.

Further reply by Mr. Sobrepéña, Philippines

Actually we have already mentioned it a little while ago that, I think, part of the success of ASEAN is the realization that, perhaps, if we were just five individual countries these big developed countries would not talk to us. But now, we are a group of five representing about 250 million people. Furthermore, ASEAN, as you know, is one of the fastest growing regions in the whole world in terms of economic growth rate. We find that the big countries are very willing to talk and discuss with us. Not only are they willing to help us and provide us with some assistance, but they also consult with us before the international fora. There will be, for instance, a forthcoming ministerial meeting of GATT and some consultations are already going on some of the issues of concern of ASEAN in respect of the various topics in the agenda of GATT. We also have received quite a number of favourable responses to some of our problems, some of the issues of ASEAN. It need not be that all of the issues concern all the five of us. Even if one country, for example, is affected by certain action of Japan or the US, all the five countries support this and they represent this in the dialogue papers. Also, as I mentioned earlier, an ASEAN committee is based in the dialogue partner's capital city.

Further reply by Mr. Sadasivan

To give an example of a matter of individual country nature, some years ago the Australian national airline Quantas created some circumstances which affected very badly the national airline of Singapore, in terms of the Singapore Airlines' ability to pick passengers from Australian cities. This was entirely a bilateral problem between the Singapore Airlines and Quantas. But, although it was a problem affecting one ASEAN country, the five economic ministers in ASEAN got together and presented a common stand with Australia, even though the other four national airlines in ASEAN were not affected yet. As a result of this joint ASEAN stand the issue was settled very quickly. Prior to this becoming an ASEAN stand, negotiations
between the Singapore Airlines and the Australian Airlines had been going on for several months with no tangible results in sight. This was one case where an ASEAN approach was successful. There also been cases where, ASEAN or no ASEAN, you cannot really win all the time. In our experience with Japan, for example, there is a very good example of such lack of success. The ASEAN Industrial Projects are supposed to be partly financed by Japan as part of a special financial package promised to ASEAN by a former Japanese Prime Minister, Mr. Fukuda. These projects in the ASEAN countries cost between US $300-400 million each. Thus they are very large projects and they are all ASEAN projects in that they are located in an ASEAN country, the markets of the products are those of ASEAN, the raw materials to make the finished product come from ASEAN and they are owned by the five ASEAN governments so they are as ASEAN as anything else. Therefore, the ASEAN economic ministers negotiated with Japan for the same terms of financing for all the projects, the same interest rates, the same grace period, the same repayment period, and we told Japan: Look these are ASEAN projects, all five countries are participating, therefore you should treat them all equally. I think we negotiated with the Japanese four years on this. The first project is going to come into production by the end of next year. And up till now the Japanese government has maintained that, while they agree with all the other considerations for an ASEAN projects, as far as financing is concerned it will be done on an individual project basis depending on the location of the project. For example, the terms granted for the ASEAN project in Indonesia are much more generous than the terms approved for the ASEAN project in Malaysia, simply because according to the Japanese government criteria Indonesia deserved better terms than Malaysia. Now, I think ASEAN economic ministers met with Japanese counterparts at least three times, and the Heads of Governments have taken it up, with absolutely no results. So while there have been cases where we have been very successful working as a group there have also been cases where we have been less than successful.

Further reply by Mr. Lim, Singapore

May I add a few words concerning the airline problem with Australia which Mr. Sadasivan mentioned as a very successful example of group action by the ASEAN countries. Yes, Singapore was very happy with the group action which brought results. The action itself was bilateral. However,
there was a deeper concern that made that particular question a matter of vital importance to all ASEAN countries, as well as to others.

Question by Mr. Montes, Colombia

I would have two questions. The first is, how do you measure the degree of integration attained? The second is, what do you do to avoid polarization? With respect to this later question what would be the balance between benefits and costs between countries? What could you say about the way you balance out the effects of polarization? How do you distribute benefits and costs and what measures do you take in this respect?

Reply by Mr. Sadasivan

These are some of the questions that we are asking ourselves actually. On the first question, on how we measure the degree of integration, I think, firstly, it should be noted that integration in ASEAN, as I mentioned, has taken a number of forms. To start with a very simple example, many years ago the ASEAN countries decided that ASEAN nationals do not need visas to travel to the other ASEAN countries. Therefore, if you look at the tourist flow, for example, there are more ASEAN tourists travelling within ASEAN than ever before. Other and more substantive measures indicating the degree of integration would be seen, for example, in the number of common stands that ASEAN has taken, in the number of common positions ASEAN has had, both in the political and economic areas. In the political field we have common stands on Kampuchea, on Afghanistan and on a number of other international issues. In the economic area, you may look at the market sharing arrangements for ASEAN Industrial Projects. For example, if you look at the s da ash project in Thailand which is an ASEAN Industrial Project where the Government of Thailand owns 60 per cent of the activity, more than 60 per cent of the production by that particular project is meant for the non-Thai market; it is meant for the markets of Malaysia, Indonesia, Philippines and Singapore. If you look at the ASEAN urea project in Malaysia, at least half the production of that project is meant for the market in the Philippines. The same with the copper project in the Philippines. I think, about 60 or 70 per cent of the copper products to be produced by the ASEAN project located in the Philippines would be meant for the markets of other
ASEAN countries. In some cases the products are probably going to be a little bit more expensive than what we can buy from the rest of the world. But, that is a price that the ASEAN governments have agreed would be paid by the ASEAN consumers as part of the process of integrating ASEAN economies. Now, if you look at trade flows between the ASEAN countries, and the results of the efforts by the Committee on Trade and Tourism to liberalize tariffs - to remove tariff barriers and to reduce tariff duties on a number of products which are traded in ASEAN - the intra-ASEAN trade has increased substantially over the last 10 years. I do not have with me the actual figures, but over the last 10 years there has been far greater intra-ASEAN trade than ever before. If you look at the ASEAN Industrial Complementation projects in the first package, we could talk about some countries that would end up with the substantial deficit in the trade (within this package) with another ASEAN country. But this deficit would be made up when the second and third Industrial Complementation packages come into operation.

So, there are a number of ways to measure the degree of integration. We are not for a moment saying that we are happy with the present extent of integration. I am using integration in the broadest possible sense now, because our objectives are not really the actual physical integration of the economies; we do not think it would work in our context.

Further reply by Mr. Samnao Chulkarat, Thailand

I would like to add a little bit on the economic and political integration. Sometime, it is so, that co-operation has been created automatically, say, in some international forum. Some problem may occur for the ASEAN member countries in a meeting and in such a case we get together automatically and discuss, and we have a speaker on behalf of the ASEAN's group.

Further reply by Ms. Cabazor, Philippines

May I add that there have been a number of cultural exchanges among the ASEAN countries. For example, there is the ASEAN film festival, when ASEAN films of the five countries are shown and performers, artists, directors, producers and other professionals connected with the film industry visit ASEAN countries. There is also exchange of artists, painters, sculptors and anthropologists. In the making is an anthology of ASEAN literature. Also being planned is a series of films about ASEAN, which we hope will reach the Andean countries in due course. In the field of social development - in education in particular - there is the ASEAN development education...
project which is funded mainly by Australia. This is divided into five sub-projects, namely, special education which is being co-ordinated by Indonesia; management information system co-ordinated by Malaysia; teacher education reform co-ordinated by the Philippines; work oriented education of specially out-of-school use being co-ordinated by Singapore; and trusts development co-ordinated by Thailand. We also have a project called the ASEAN natural disasters mitigation project which envisions co-operation in case of natural disasters. You know that most ASEAN countries are subject to natural calamities like typhoons, earthquakes, floods and so on, and we would like to develop some form of co-operation in this. We have so far established ASEAN Natural Disaster Centres and following the usual pattern of rotation the centre will first be located in the Philippines and then down the alphabetical line. These are only some of the co-operation schemes that we have developed in ASEAN on very specific basis.

Question by Mr. H. Revuelta, Bolivia

I would like to know what problems have emerged due to development differences between ASEAN countries.

Reply by Mr. Sadasivan

I think this is been a problem area for us because of the relative levels of development between various ASEAN countries and the different levels of income in the ASEAN countries. Singapore is the most developed of the ASEAN countries, with the highest level of income, Indonesia, the other extreme, is the least developed in many areas with correspondingly low level of income. This has obviously led to differences in priorities in each country. In the case of Indonesia, the major and immediate priority was to increase food production, to increase the output of the fertilizers and to increase the communication and transportation facilities, because these are basic infrastructure requirements in a developing country. Singapore had other priorities. Singapore was concentrating on the development of financial and banking services because that was the area in which they decided the best prospects were for them. They were concentrating on the development of high technology industries where labour was not an important input any longer, while Malaysia, Thailand, Philippines and Indonesia were still looking at the development of labour-intensive industries for many
years. We were promoting, and competing with each other for the establishment of electronics and textile industries in our countries, whereas Singapore has given up on that. When it comes to a point where we want to try and co-operate on an industrial basis, these differences in our present stage of development affect the position we take on industrial co-operation. Hence you would notice, that the four ASEAN Industrial Projects have concentrated on the production of the primary products, namely, urea, copper products and soda ash because of the nature of our economies at that particular point of time. The next set of projects we would look at would probably be of a nature of higher technology products which will accommodate the aspirations of Singapore. It is probable that this is the next area that ASEAN should look at. But obviously, whatever project or group of industries we look at on a collective basis, our stand and our position on that industry will be influenced substantially by our level of development at that particular time. For many years, for example, the ASEAN Rubber Manufacturers Association has been trying to persuade ASEAN governments that they should liberalize tariffs on rubber products in ASEAN. Malaysia supports this proposal because the rubber industry in Malaysia is a very efficient industry. Singapore, again because they are not very interested in rubber industry, really has no strong views on the subject. But other ASEAN countries where the rubber industry is less developed than in Malaysia have reserved their position. They say, well, if we were to open the market, if we were to liberalize trade in rubber, then the main benefits will go to the Malaysian manufacturers because they have been in business longer and therefore have become more efficient. That sort of individual industry position determines how closely we get together in a number of industries, and that is why, in ASEAN, it has been a bit difficult for us, because it is very hard to find one industry where nobody has any interest. Each time we look at an industry, we look at it on a product basis because that will then make it easier for us to say, yes we are prepared to support co-operation in this product up to this limit or we are not interested in co-operating on this product. But our attempts of co-operation provide for a degree of flexibility that I do not think we heard from the Andean Pact countries and this is that we do not need all five countries to participate in a scheme. Two countries or three countries in ASEAN can co-operate amongst themselves in one industry. The other two or three countries can go ahead with their own national plans without affecting the success of these two countries getting together. For example, there is nothing to
prevent Thailand and Malaysia deciding that Thailand would make motorcycle engines while Malaysia would not make motorcycle engines but would make motorcycle bodies. So we exchange engines for bodies. Indonesia and Philippines would say their markets are big enough to support motorcycle engine and motorcycle body parts plant so they would not participate in the arrangement with Thailand and Malaysia. We have deliberately provided this flexibility for participation simply because of our different levels of development. We are not sure this flexibility will continue for long because it makes the question of getting all five countries to participate very difficult, and very time consuming. But rather than wait till all five countries agree on a scheme we say, what is there to prevent two or three countries going ahead? The others can either come in later or they can stay out of the scheme. Therefore, our approach at co-operation would in many cases appear to the outside world as ad hoc measures. But we would like to look at it as practical attempts, taking into account actual development levels in the five countries.

Question by Mr. Ramm-Ericson, UNIDO

May I come in with a question or suggestion for elaboration? In connexion with specific industrial projects, you are discussing that matter both in COIME and - in relation to the trade preferences - in the Committee on Trade and Tourism (COTT). To what extent are you/as COIME working hand in hand with COTT? The final say, of course, is with the economic ministers. Are they playing arbiter in that connexion or are you coming to an agreement between COIME and COTT in between? I suppose to some extent you are the same people in trade and industry back home in the member countries. Perhaps that matter could be elaborated upon a little bit.

Reply by Mr. Sadasivan

When we looked at the ASEAN Industrial Projects and agreed on the establishment of the ASEAN Industrial Projects, we also agreed that the products of these project should get very substantial tariff preferences in ASEAN countries. Then we ran into a problem, because tariffs are dealt with the Committee on Trade and Tourism (COTT). COTT told us that it is very good to establish ASEAN Industrial Projects but tariff matters for such projects must be dealt with by COTT. Now, as Mr. Ramm-Ericson points out, we have the ASEAN economic ministers who meet twice a year; the same
ministers of various ASEAN governments are involved in both COTT and COIME. So, it was not very difficult to get an agreement very quickly from COTT. We organized one joint meeting of the ASEAN Committees on Trade and Industry in Singapore two years ago to look at these possibilities of getting tariff preferences. We are now taking an easy way out, we have asked the ASEAN economic ministers to authorize COIME to recommend what should be the level of tariff concessions for ASEAN Industrial Projects. So, we recommend to the ASEAN economic ministers that there should be for example a 50 per cent reduction in duties. COTT is advised by us that this is our recommendation and COTT endorses the recommendation without any debate and it goes to the ministers for a decision. So that is how the system has worked, fairly well actually.

Question by Mr. Montes, Colombia

You mentioned that there have been several common ASEAN positions. Do you recognize a juridic personality to different ASEAN organs so that they may, for instance, conclude international conti... on ASEAN's behalf?

Reply by Mr. Sadasivan

We do not really have a legal framework as such for ASEAN's collective positions on external issues. What we have is a degree of understanding amongst ASEAN member countries, that, on certain issues affecting either one or all ASEAN countries, it is in our long-term interest to take a common stand. Such common stand and the need to lobby for a common stand is often undertaken by our embassies in a particular area. For example, when we were looking at the Kampuchean issue the ASEAN embassies in other countries and ASEAN missions to United Nations in New York, were conveying an ASEAN position on that at all the time. I think, there is within ASEAN to the best of my knowledge no legal mechanism which permits the five ASEAN countries, for example, to decide to let us appoint a particular person to convey an ASEAN position. The only time the ASEAN formally acts in common would be following ASEAN economic ministers meeting, where the economic ministers may agree that, in view of the negotiations on certain trade matters, or certain issues affecting ASEAN, it may be in ASEAN's interest to appoint somebody to present an ASEAN position.
Further reply by Mr. Sobrepeña, Philippines

I think the basic question was whether there is a co-operate entity called ASEAN. There is none. We always call ourselves five countries, although the group is always represented by at least one country on a rotation basis. So, for example, in this particular conference we have chosen the representative of Malaysia to be our spokesman. In another meeting it could be Thailand, in another meeting it could be Singapore. If you really want to be very strict about it in any particular given time, the person-in-charge of ASEAN would be the foreign minister which services as the Chairman of the Standing Committee which meets six times a year. The Standing Committee's duration is one year. It moves from one capital to the next. It is at present in Thailand. For example, in the current UN debate for the credentials of Democratic Republic of Kampuchea the spokesman for ASEAN is Thailand.

Question by Mr. C.D. Rendon, Ecuador

I would like to know how the economic ministers proceed after they have taken a decision to be put into application in the other countries. What would the attitude of other countries be if one of them refuses to comply with a given decision? Have there been any such cases in the past? How was it solved? Secondly, I would like to know how the free trade area system is affecting the integration process in ASEAN.

Reply by Mr. Sadasivan

On the first question which is the process of compliance with decisions of the ASEAN Economic Ministers, the real substantive issues are, as I mentioned, discussed at the committee level. The Committee on Agriculture, for example, has a proposal to establish an emergency rice scheme in ASEAN. The Committee may set up a group of agricultural experts to study the proposal, to study the implications of such a proposal. This group of experts may recommend to the Committee on Agriculture a decision on the proposals. These are different levels of government, so let us say, for example, that while the Malaysian representative in the experts group on the rice scheme may agree with the need to establish a scheme, the Government of Malaysia can still change its position when it goes to the Committee on Agriculture. At the Committee level, once the decision is made, it is then submitted to the economic ministers for approval. When
the economic ministers approve it (and before they approve it the committees would have agreed on it) the concerned different machineries in the ASEAN governments would have been already informed of what is to be expected from the meeting of the ASEAN economic ministers and what the decision is that has been recommended by the relevant committee for approval. Once the decision of the ministers is known, then it just falls into place. For example, on tariff matters the ASEAN Preferential Trading Arrangements is a legal document which says that "once the economic ministers decide on the level of tariff reduction within 90 days of that decision all ASEAN countries must implement it". There is no possibility of non-compliance because all ASEAN countries have agreed to that agreement, have signed that agreement. In the case of the COIME, for example, a decision was made that there will be a 50 per cent reduction in tariff duties for the products in the first ASEAN complementation package. This reduction was supposed to come in effect in September or October 1981 as it was the decision of the economic ministers that we are to grant a 50 per cent reduction of duty (as COIME had recommended), and by virtue of the agreement 90 days after they decide it must come into effect. Now, this is one example, where there was not non-compliance as such, but where there was a difficulty in one ASEAN country of implementing the decision because the Ministry concerned with reducing the tariff had not probably been informed in time that from 1 October 1981 there must be a 50 per cent reduction in duty on these items. In most countries we have a legal process to go through before we can announce a tariff reduction; we have to go through parliament, go through a tariff advisory commission, get approval of the Ministry of Finance, etc. So, in this particular case the ASEAN country concerned which could not implement the decision in time, informed the ASEAN economic ministers that, although they had agreed, they could not do it because of the limited time available. So, the ministers decided to postpone the implementation by six months which all countries agreed to so that at one time on 1 June 1982 or 1 July 1982 every country in ASEAN had a same reduction of duty. So there was in that sense, no non-compliance with the economic minister's decision, there had only been delay in implementing because of the procedural problems. But, this again was brought back to the ministers who then decided on the postponement.

The second question, I understand, is in what way this concept of free trade zone eventually in ASEAN would affect the present programmes in ASEAN.
There is a concept of free trade area—not quite free trade zone in usual sense—by greater liberalization of tariff preferences, which some countries in ASEAN have been advocating as the ultimate degree of co-operation in ASEAN, as a sign of the final stage of co-operation. This has obviously affected our programmes of co-operation because for some ASEAN countries this may not be a practical proposition. Countries with large domestic markets with an established—or which are in the process of establishing an—industrial base would not want to expose their industries to the competition that a free trade area would create. So while some countries have been advocating a concept of free trade area very strongly, others have been going slow on this. This is why, as I mentioned earlier, we are now making a review of all the proposals we have for ASEAN co-operation to see whether a free trade area concept, a limited form of customs union or a common external tariff (we are not sure which) would be the final direction in which ASEAN will move. But these differences in attitudes have obviously affected the speed with which we promote regional projects. Because the arguments may run that, well, free trade area is good in theory but when I have 140 million people in my country and I have a big market why should I open that market to others. On the other hand others may say, well, if you want to be really internationally competitive, you must have a free trade area where everybody can compete. These are some differences in views and we always try and find, again on the basis of products, some degree of compromise so that we can have limited forms of competition and limited forms of free trade area type of activities.

Further question by Mr. C.D. Rendon, Ecuador

How has the establishment of free trade zones or economic processing zones (EPZs) affected ASEAN integration?

Reply by Mr. Sadasivan

Each ASEAN country have established within their country free trade zones, which are set up principally, to attract industries like major electronics companies to come and assemble and some cases manufacture their products for export to the rest of the world. Now, in the case of Malaysia, for example, we have 16 free trade zones throughout the country where companies can import their raw materials and their components entirely free of duty and entirely free of customs regulations, provided
the finished products are exported out of the country. Basically that is the only requirement. You import your own materials and export your finished products. In Philippines there has been number of very successful free trade zones in various parts of the country. Singapore is basically a free trade area. There is no restriction on imports of raw materials, so the whole country is practically a free trade zone.

Further reply by Mr. Dhawatchai, Thailand

In the case of Thailand, although we have one free trade zone we have also another system, which is what we call bonded warehouse, which we have in something like 20 areas. It is based on the same principle; you import raw material without paying duty but the finished products must be exported.

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In response to a request by the ASEAN participants a presentation was given by Dr. Antonio Kuljevan of the Legal Department of JUNAC on the subject of JUNAC Decision 24 regarding treatment of foreign capital, and Decision 169 on the Multinational Andean Company.

The Agreement of Cartagena regime on foreign investment (Decision 24) is a very broad spectrum based on the concept of policy harmonization. It has two fundamental principles: (a) recognition of the Andean Group's necessity of foreign capital and foreign technology and the need of setting them in rapport to the priorities of the Group's development; (b) creation of a stable regime which would give security to foreign investors having obligations and rights and being benefitted by certain juridical stability. The regime may not be modified by one or two countries, only by the agreement of the Andean Commission.

All foreign investment must be subject to the authority of the competent national organ. Once it is realized, it must be registered (in convertible currency) in order for the investor to have rights: (a) to re-export invested capital should the investor sell his shares to national investors or on the company's liquidation. The case of a capital reduction is not dealt with in the agreement, but these cases are usually solved on a national basis; (b) to re-export profits obtained. There is a limit to this which used to be 14 per cent of the direct foreign investment. In 1975 Chile proposed a modification of this percentage. This was agreed in 1976 through Decision 103, bringing the percentage to 20 per cent and also giving the countries the capacity to authorize an export of over 20 per cent whenever countries considered it convenient, with the only obligation to
communicate it to the Commission. So far the Commission has not received any such communication. There are, however, several companies which are free of these limitations, namely, companies which export more than 80 per cent of their production to third countries.

For the common regime there exist three kinds of companies (a) foreign companies (those ones with less than 51 per cent capital in national hands); (b) mixed companies (those ones with 51-80 per cent capital in national hands); and (c) national companies (with more than 80 per cent national capital). As national capital we also understand the Andean capital. Tariffs restrictions favour national companies. The protection provided by the common external tariffs favours those companies which are either national or mixed (or foreign in a process of transformation to either national or mixed). There is a regime on the transformation of foreign companies covering two cases: (a) those companies already existing at the time the regime becomes valid, and which are to be transformed only if they want to enjoy of the advantages of the liberalization programme; (b) new companies which are all obliged to transform within a given period of time: 15 years for companies in Colombia, Peru or Venezuela and 20 years for companies in Bolivia or Ecuador. These general rules have, however, exceptions, namely, (a) basic products like energy and mining; (b) public services; (c) insurance and banking; and (d) internal transport, internal marketing and the media. These companies can on the other hand not enjoy of the benefits of the liberalization programme.

There exists, since 1971, an Andean system of technological information, for the exchange of information about foreign capital and foreign investment.

During 1971 we also adopted a regime on the Multinational Andean Company (Decision 46), which did not became valid until 1976 when the countries finally complied with the requisites of their national law system. So far no company has been formed under Decision 46, mainly because one of the requisites is that its social goal be based on Andean programming and also because of the enormous bureaucracy involved. Therefore, we thought about creating a new regime, to which we arrived in March 1982, with Decision 169, which does not, however, erase Decision 46. We may, therefore, guide ourselves by the contents of either Decision 46 or 169. The site of a newly created Multinational Andean Company must be one of the Andean countries, the intra-Andean investment must be at least 80 per cent, leaving a maximum of 20 per cent for foreign investment. There must be investors from at least two member countries and the 80 per cent Andean investment must be reflected in the company's management. By Decision 169 the Commission wished to intensify the Andean countries' capital circulation.

The Multinational Andean Company must be constituted in one of the Andean countries in the form of a joint-stock company. Its equity capital must be in personal shares, since transferable shares are not allowed in these countries because of Decision 24. This must be so in order to be able to control the compliance of the common regime and of the requisites for the Multinational Andean Company.
With the new company (under Decision 169) much of previous bureaucracy is avoided and it is constituted by only submitting the procedures to the national organ of the country where the company will have its headquarters. The company's administration is legally under the jurisdiction of the country where its headquarters are located. To this Multinational Andean Company, which is one of five types of companies which so far may exist within the jurisdiction of the Cartagena Agreement, is given a special treatment and its products also enjoy the advantages of the Cartagena Agreement. It also gets a special tax and credit treatment, similar to the treatment which national companies in the same economic activity enjoy. What makes it particularly interesting for foreign investment is the fact that there are no limitations to the annual profit payment. It has no such limits as is the case of Decision 24.

Another advantage for a Multinational Andean Company is that any investment made by the company in any of the Andean countries will be considered as national investment. Finally should be noted the flexibility provided due to the fact that Decision 169 will become effective whenever two countries will have it integrated into their respective legal system and have deposited it with the JUNAC Secretariat. So far Decision 169 is legally effective in Bolivia and Peru.

**Question by Ms. Cabazor, Philippines**

I would like some elaboration on the divestment proceedings as far as the goal of nationalization of equity is concerned. Have any of the divestment features originally incorporated in the original Decision 24 been amended? Is there any amendment in Decision 169 to that effect? And if so what are amendments? What are the divestment proceedings?

**Answer by Mr. Kuljevan**

In principle there have not been major amendments. The procedure remains the same with the 15 and 20 years terms, in agreement with the member countries. I will not talk about Decision 103 in the tourism sector which is not subject to the norms on Chapter II of Decision 24; it is transformation-exempt. It is on the same level as those companies which export more than 80 per cent of their production to third countries. There is, however, another amendment that aids to the transformation of companies and which has hardly been utilized, namely that capital owned by investors of the other member countries qualifies as national capital for the receiving company's qualification. The Andean investment has then its rights to profit-remittance, and capital re-export, although it amounts as national investment for the receiving company's qualification of percent-
ages; whether in the order of 80 per cent, 51 per cent or less than 51 per cent. Another amendment is that a company may be transformed not only through the sale of shares by foreign investors to national investors but also to Andean investors, and also through capital increase, a possibility regulated by Decision 103. At present, for a company to be transformed and to comply with the 15-20 years procedure there are two possibilities: (a) the sale of foreign capital to national investors or (b) the increase of capital by national or Andean investors.

Question by Mr. Sadasivan, Malaysia

I have number of questions of very general nature. As I said earlier, we are here to see what we can learn from your own experience in regional co-operation. I get the feeling that, in your system, attempts to have regional integration seem to come from the top. In our system it comes from the bottom. So, the degree of consensus is greater in the ASEAN system from what I can see, simply because by the time it comes to the top everybody has agreed. Once we make a decision everybody complies with it, everybody promotes the scheme, because all the arguments have taken place at a much lower level. Therefore, my first and very general question is whether if you have a chance now to look at the whole concept of economic integration would you think that the Cartagena Agreement would be your basis judging by your experience so far, or would it have been a new agreement, let say, something quite different from the Cartagena Agreement? We are really interested in this matter because as I have said earlier, our private sector is pushing us in ASEAN for an economic treaty. This question is of some importance to us also because the second feeling I have after listening yesterday and this morning, namely, that the Andean Pact scheme does not seem to provide the same degree of flexibility that we have. It may be that your conditions are different and you do not need that flexibility, or it may be that you have a long-term objective in mind where flexibility is not so important. But we are here really to find out, given the very different nature of economies in ASEAN, how we can develop more schemes for economic co-operation. You have noticed that I am avoiding the word economic integration when it comes to ASEAN because we want to operate, we do not want to integrate for the moment. Would you care to respond? I know this is a very general statement but I am trying to get that gut feeling, whether really this is the right way we should go about.
Answer by Mr. Kuljevan

If we had to start all over again with the Cartagena Agreement, I would certainly insist on a common-regime treatment for foreign capital. Such a common-regime should be flexible enough and should be made well known also to countries outside the sub-region. I would even consider this common regime to be ideal for use as a Latin American one or even for the Group of 77.

Further answer by Mr. Montes, Colombia

I think you would also want to better understand the philosophy behind Decision 24. What problems did Decision 24 try to solve? Basically, the first thing was to see that foreign investment within the region would be in accordance to our own development needs and that the investments would be aimed at those projects which our countries considered be of top priority. Decision 169 is complementary to Decision 24. If the Andean Group talked about intra-regional liberties, close to a common market scheme (and we talk about free movement of goods and merchandise), we asked ourselves, why not free capital movement as well? Since we could not achieve this, we had to settle with a concept of limited capital movement which, by the way, benefits one of the countries more than the others. The mechanism of Decision 169 seeks to allow an acceptable capital movement within specified rules.

Decision 24 is part of the picture, the fact that we aim at integration; integration being an instrument for economic development. We know from our experience that if one pursues integration, sooner or later one would have to face the problem of foreign capital. If we simply wanted to co-operate regionally we would not have needed to face this problem.

Further answer by Mr. Peñaranda

We have to be clear about the difference between regional economic co-operation and integration. The Andean Group, we find, when we review the Cartagena Agreement, ambitiously seeks an economic integration process. If we look at it through the years, the Andean integration process was never meant for short- or medium-term; it is a long-term process. This last step towards full integration is clear in the Agreement, in its device of a series of steps which must be passed. It is difficult for us to talk about whether we are immersed in forming a free trade area or
a customs union or a common market because there are overlappings. Because, depending on the type of policy we are trying to put together or on the kind of sector or of economic activity we are working with, we could say whether or not, with less or more intensity, we are applying some of those steps which we know an integration process divides into. The Agreement is very clear in respect of the steps and actions countries must follow and take, and in the required harmonization of the policies; this is done by differentiating not only those which are of top priority, but also those which are easier to deal with in the short- or medium-term from those more difficult to deal with.

The harmonization of a money exchange policy has, for instance, been included in the Agreement. We have, however, not yet arrived to that point, even if we are conscious of the fact that in order to come to a market liberalization, which is the programme of the Andean Group, and to arrive at the fixation of a system of common customs tariffs, it would necessarily carry us some way towards the harmonization of the exchange policy because of the distortions it creates in the trade flow and in resource investment. This example illustrates the type of scheme evolving within the Cartagena Agreement which essentially is one of economic integration. In what way does it differ from a scheme of economic co-operation? Let us look at the livestock and agrarian sector. Here the Cartagena Agreement also foresees a programming, which is definitely very complex. What has the Andean Group done there? I would say that we have begun there by economic co-operation. We have, for example, identified a few activities in which our five countries would benefit as a whole and individually. For example, we have all acted against the "coffee rust", unanimously and I do not think any country will refuse any common action on the matter. We get the funds and we go and fight the problem. That is on my view economic co-operation.

When we talk about economic co-operation, let us note that it is usually the private sector who initially promotes such actions which are later legally approved by the respective governments through the Commission, and, as you said, it is always easier to ensure participation upwards than downwards (even if I think also in ASEAN there must be some actions which go downwards). But what happens when one comes into a more ambitious and complex action, such as economic integration, which includes the harmonization of global, macro-economic policies, which horizontally affect the
five countries and which may tend towards omitting the differences there may be due, for instance, to different development levels, differences which affect relative profits of economic activities?

Evidently one must here go from the governments down. This is no obstacle to the fact that in the harmonization of a concrete economic policy, for example, the industrial one, the concerned economic agents may participate. That has been the case whenever we have discussed the establishment of common customs tariffs. Even universities have participated sometimes on these fora as have, evidently, governmental institutions, which in the end must decide. Ignoring our great differences and individual problems, even if we speak a common language, we decided at the end of the 1960s that what we are aiming at was economic integration and not economic co-operation. Your question is a very important one and I would like to invite to go on with the discussion on this in the afternoon, so that we may present openly to you the problems we are finding and living under with the scheme of economic integration. I repeat - we have also taken actions which are purely of the nature of economic co-operation, like in the agrarian case. But we know we must also in this matter one day arrive at a proper economic integration action. Our countries must import lots of food, spending a great deal of foreign currency on these imports. Therefore, we must take a more aggressive and wider action which brings us to price and marketing questions and even to matters of specialization in the agricultural field. This is delicate; if we said, for example, that a country should stop or reduce production, at least theoretically, of a certain commodity, or if we would introduce rigidity to economic policy tools when we talk about common harmonization of prices. Because, one of the greatest problems on the level of economic integration that governments have is the gradual loss of freedom and flexibility. It is already difficult for governments to accept institutions like JUNAC, or even the Commission, for they take decisions at supranational levels.

Response by Mr. Sadasivan, Malaysia

I think all of us are looking forward with great interest to the afternoon session because when I asked this earlier question about the top to bottom and bottom to top, I was, I think, conveying the feeling in ASEAN that we have almost come to the end of our ability to co-operate with
with each other. Because up to now, our co-operation efforts have meant
that each one of us as national government has given up very little of
its sovereignty; one reason being that (with the exception of Thailand)
all of us became independent only in the last 25-35 years. So, we are
still in a stage of mind where national independence is very important.
Therefore in last 10 years we have looked at co-operation effort where
we do not really have to give up national independence, like national
freedom to carry out our own national policies. But these possibilities
tend, after sometime, to be limited. You can not co-operate anymore
without giving up something fundamental and we have now reached a stage
where we are finding it increasingly difficult, to develop new schemes
of co-operation where we do not have to give up some national powers.
Therefore, I think the review exercise that you are going to carry out,
would be of tremendous importance to us. Because it is very likely that,
once there is a sufficient political will in ASEAN to have this degree
of integration, we may have to go through the same very painful adjustments
of national policies, and very difficult exercises at harmonizing five
different national policies, for example, on foreign investment. I am
certainly looking forward with the lot of interest to finding out a bit
more about the impact of some of the decisions you have made on an Andean
basis; what you have experienced on harmonization of incentives; what
impact did this have in other countries. What sort of reaction did other
countries in the Andean Pact have, for example, to harmonize to a proposal
that an Multinational Andean Company should not have more than 20 per cent
non-Andean investment? This is something we are beginning to ask ourselves
in ASEAN, although we chose an easy way out. We just said that for ASEAN
projects majority must be ASEAN ownership, and with majority we mean 51
per cent. There have, however, been feelings in ASEAN that, perhaps, we
should not get 49 per cent non-ASEAN, we should get, say, 30 per cent. Now,
you have decided that 20 per cent would be the limit. There must have been
a lot of reaction to that figure from some countries in the Andean Pact.
Countries which have traditionally a longer experience of foreign invest-
ment may have argued that, well, 20 per cent is too little, we may need
30 per cent to attract the type of investment. I think this sort of things
we really want to hear your experiences about.
The 20 per cent is only for the regime of the Multinational Andean Company, for another type of company there may be 100 per cent foreign ownership. Some sectors are not obliged to integrate and the obliged ones have a period of 15-20 years to do it. The treatment of foreign capital is flexible, not rigid.

I have a question about Decision 169. If we aim at fostering capital flow within the Andean Group what would the motivation be for two investors of two different countries of the Andean Group for forming one of the Multinational Andean Companies. Are they on an equal level to a national investor?

The advantage would be more in the benefits being given to the company. It asks for participation of at least two investors of two member countries.

In respect to the income taxes and remission of profits, is it the same to form a national company as to associate with an Andean enterprise?

There are certain specific aspects affecting the Andean investor. In order for an investor to qualify as national investor he must comply with a series of regulations not being asked on Decision 169. For instance, it is required that he be authorized by his own country's pertaining organization and what is more he is authorized to remit capital only to his country of origin. This is not stated in Decision 169.

In the Andean countries you have carefully thought out and come up with the Cartagena Agreement, whereby you have a framework within which you
have designed programmes, and you also verify certain parts which are in operation. We wonder whether you also have a method of anticipating the results of such programmes in operation and if so, how do you monitor the actual results against your anticipated or expected results? We shall be very happy to learn from you the actual experience of implementing these carefully thought out programmes.

Comment by Mr. Peñaranda

Is it so that you are interested to know the methods of creating the Andean programmes and, especially, the industrial programmes and then the methods used to assess the results with the schemes? Are you interested only in the industrial programmes or also in knowing about the implementation of other Andean mechanisms?

Response by Mr. Lim, Singapore

I think it will be best and most informative if we confine ourselves to just one area as an example. For instance, you believe, gave us some information of the situation in the automotive sector. I may be using the example. It is not so much the comprehensive methodology is addressed to, but the fact that you probably have anticipated certain results or put certain targets. Then you measure the results and you compare we called sets of packages coming out.

Reply by Mr. Peñaranda

I would like to talk about the methodologic scheme on the conception and the elaboration of the petrochemical programme and then on the system and scheme for evaluation, checking and implementation-execution of it.

How do we conceive the allocations or opportunities of investment packages given to the countries and, on the other hand, how do we calculate through the intra-Andean market flow, the possible benefits?

With reference to the first I shall say that in JUNAC, based on international-level studies by organizations as UNIDO or others, and based on our own studies, we determined which products would be interesting and possible to make within the Andean Group. This evidently involved market
analysis and considerations of production levels, technology involved and production processes.

We made industrial profiles for projects, not to be realized by JUNAC but by the private and/or government sectors. We identified which the products were that, within a given efficiency level, could be produced. We took into account what inefficiency or extra costs the countries could be expected to have to cope with. Not all the possible products were to be assigned to the member countries. We decided that because of market and investment opportunities, we were interested in intermediate and final products. Basic products would, however, also be needed. This way we would have vertically integrated processes. The involved assessment of production processes and the average production levels desirable or possible at international levels in order to make use of scale-economy and to be able to be competitive. It was not that we only considered the Andean market. What we did was that we measured the dimension of the Andean market for the specific products, only in order to start production efficiently; supplement could be given through export to foreign countries. It was an open model. Perhaps we were over optimistic on the petrochemical matter. We were not looking for a 100 per cent usage of the installed capacity but for a percentage that would assure a profit to the plant and an efficiency and a competitive level. We obtained a lot of information coming from outside JUNAC on both economical and technical matters.

Once the industry study was made the most complex question was how to distribute the investment opportunities between the five countries. We did this in a dynamic context, using the concept of dynamic comparative advantages. Secondly, the foreign economies on which the installation or placement of the plants were dependent may also change with time. Technology may as well, with time, alter the comparative advantages. The fact that we were looking to the five countries all to participate on the sector introduced inefficiencies to the scheme. Maybe the best would have been that the country with the larger market and with the best natural resources (Venezuela in this case) would have developed a larger part of the petrochemical industry, based on the Andean market and then seeking to project it to third countries, while other countries would have a larger participation on other industries. We were, however, not looking for this.

What we did was, of course, not fully in line with the criteria of the efficiency of investment opportunities but we answered to the countries'
aspirations. The first difficulty was then that all the five countries must participate in the programme and all had to have investment opportunities. That lead us to elaborate within JUNAC various distribution alternatives of the products identified as interesting, trying to make it in the most efficient possible way, and at the same seeking to meet the aspirations of countries.

In the case of the petrochemical programme, at least two years of meetings by experts were held to elaborate it. The final distribution came about after study of different criteria on market size, natural resources, industrial infrastructure, vertical integration, etc; plus the aspirations expressed by each country. JUNAC on its proposal, presented the countries with a way to distribute the investment opportunities between the five countries. Market-wise, we generally made ten years projections based on the intra-Andean trade the project would generate, since we did not know what percentage of the production that could be expected to be sold outside. We assumed that the Andean market was protected and that what was produced could be sold within the Andean Group; assuming also that our external relations in all Andean countries would allow us to capture that market. Part of the market, initially at least, may have to be supplied from outside.

As part of the analysis designing the programme we also knew how the markets were opening up. We knew that an assigned project had a market. Therefore, we could calculate the potential trade which could be generated, as well as exports to be derived by each country, as well as the imports needed. We also calculated by sectors, the intra-Andean commercial balances, and made investment analysis in order to assign the investment opportunities. The employment variable was not relevant in petrochemicals for we knew that this industry is more intense in capital investment than in need of labour. The important thing was the availability of human resources in the sense that a significant amount of technology would have to be assimilated. There was also indirect employment, through the plant installation, etc.

That was the way the proposal was elaborated and presented. It would then be negotiated with the government, which would analyze its compatibility with their aspirations. The government negotiators would analyze the benefits which may be derived from it on basis of their forecasts. Decision 91, for example, which refers to the petrochemical programme is not exactly what JUNAC presented. Thus changes of the proposed distribution were made due to different factors, at times also sacrificing a more efficient allocation.
of resources, to derive greater benefits at Andean level. There is usually a difference between the proposals of the technical organ (JUNAC) and final decisions, as result of the negotiations which are more political than technical.

Once the decision has been taken we proceed to the evaluation. In all our programmes we establish our administrative committees; an institution comprising representatives of the five countries which meets regularly and evaluates the progress of the programme. JUNAC has also to look after the Agreement itself and the progress of the decisions. We also participate in some of the meetings, and try to look at market changes in order to compare with what we had foreseen and see how it might modify the foreseen benefits, and to know about the investments made, and the production realized. We compare it with our forecasts with reference to production levels, complex-integration and the technology involved. We also look at exports and imports and compare trade balances with the forecasts. We calculate the money transfers within the region and assess the over-cost of the common tariffs; it being the subsidy the countries pay within the Andean Agreement. Therefore, we review and compare it not with forecasts but with the real customs tariffs being applied. Were they not those which were approved? No, because at times we have non-compliance at the Andean level. The study carried out by JUNAC suggests certain adjustments in order to facilitate the execution of the programme. A sectoral programme is dynamic, not static; the economy, the industry and the technology are dynamic, therefore programme adjustments need be made.

JUNAC is now presenting the governments with the necessity to make some adjustments in the different programmes. These refer to adjustments and further analysis in respect to investment opportunities since the market may have changed. JUNAC has presented for the countries' consideration, for example, a proposal that, in the petrochemical field, there are programmed products which it may not be possible to produce on the medium range, therefore the effort must be concentrated on a smaller number of products. Also, we have here stated that, on the medium range, due to the world energy and financial problems the idea of a vertical production must be, at least momentarily, be put aside. We must continuously evaluate. These adjustments at times affect the expectations of countries, for in exchange they had accepted compromises as well. This makes negotiations difficult, and, in particular, adjustments difficult.
Question by Mr. Sadasivan, Malaysia

Can I follow up on that same example? After technical evaluation and identifications of locations have been done on a technical basis, you have these negotiations. Obviously quick compromises are made, locations are charged to reflect the wishes of the governments in the region. Then you said that after sometime there is an evaluation made to see whether adjustments are necessary. Now, do these adjustments, for example, include the possibility of some governments in the area giving up an investment opportunity that have been allocated to them because after some years they find it is not economic. Is this possible? Can there be a reallocation of the same investment opportunity? This is the first part of the question. The second part is, can the allocation of investment opportunities cut across industrial sectors? For example, in the case of your petrochemical sector, judging by the resources available, one country may be in the best economic location to really make a success of petrochemicals, but because of the need to make everybody happy, we may have a number of complexes. What I am saying is: Is it possible in your present scheme that one country specializes in petrochemicals because that is the most logical place for petrochemicals, but because of the need to make everybody happy, we may have a number of complexes. Is this possible in the present arrangement?

Answer by Mr. Peñaranda

On your question about the possibility of a reallocation of the investment opportunity, we have an example, namely on the metal-mechanical programme of year 1972. As a result to the withdrawal of Chile and the entrance of Venezuela to it, the programme needed to be adjusted; not necessarily because of a country like Venezuela with a larger market entered and a country like Chile with a smaller market withdrew, but because their demand structure is different, and Chile may have had more demand on specific products. When in the year 1979, we negotiated a new metal-mechanical programme, the countries which had originally signed the programme accepted that some allocation passed on to another country, accepted to share some allocations and also asked for more. Because of negotiations and the planning of JUNAC, new investment opportunities were accepted.
On the other question I would like to say that it is the best way to look for the specialization of countries in those areas in which they have better comparative advantages, larger or better industrial infrastructure, better technical knowledge and larger market, etc.

The Agreement states that sectorial programmes for industrial development be developed, although it was not intimating the existence of many such industrial sectorial programmes. We have elaborated programmes one after the other and they were also negotiated one after the other. We have three programmes now: the metal-fabrication, the petrochemical and the automotive; all three being subject to adjustments now. We have another programme to be approved, the iron and steel one, and others to come, including pharmo-chemistry, chemistry, electronics and telecommunications. At a given moment we wanted to programme intersectorially e.g. Bolivia would specialize on pharmo-chemistry, Venezuela or Colombia on electronics, etc. This idea did not last. It was not viable because the criteria was not that every country must participate in each sector. Countries did not see in this approach that their aspirations were being met, or saw imbalances within it. We have still got to negotiate. As for the possibility that one country may derive more benefits from one sector in exchange for another country getting more benefits in another sector, I may say, that it will in practice in the end be a matter of fact. For example, in the petrochemical field the countries are very realistic now. The countries are having many problems - rampant inflation, balance of payments deficits, high foreign debts - and they are studying again their economic schemes. Within this spectrum we can hardly think that the petrochemical industry be maintained as a priority in all countries and it can be expected that some countries will not participate with the initially shown intensity. Maybe they will participate in other programmes, programmed or not, which may now be more interesting.

With time the allocation of resources becomes more effective, not only as a consequence of the planning but because of its own market mechanisms. Realities become clearer and the countries' imperfections become adjusted. The answer to your second question is really that we tried but it was not well received, but we will probably in time arrive to it as it would be more efficient.
Further answer by Dr. Augustu Aninat

The compromise one is asking to these countries is closely related to the tools they have to assess the rentability in the industrial sector. Governments were to decide on the best projects compared with others which were also relatively good. One cannot and must not overlook the fact that the market indicators, the economic criteria must be very clear, in order to avoid situations becoming inflexible and more difficult to adjust subsequently.

One more thing to note is that the negotiating process starts only after the first meetings are held, after the first visits to JUNAC and meetings with the private enterprises and associations, etc. In the case of petrochemicals this process started almost at the time of the Cartagena Agreement, as this sector had inherited agreements derived from ECLA. These first deals were put in front of the technical organ of JUNAC and thus we had the first choices. However, if the political way is closed and we develop functional proposals, these proposals should not be presented. In various sectors, due to different pressures, this has been the case. There were several programmes given thoughts to at the beginning which did not materialize. For example, on the petrochemical field, even if customs tariffs were common and we had demand figures, other factors were affecting the effective production on this sector; the figures could vary from 40 per cent to 350 per cent in practice. All that was needed was for governments to decide on the price of oil or gas, or what subsidies they were willing to give directly or indirectly to the production. In all adjustment schemes the concern of governments lies in how much do these governments pay as over-prices for these products, not how much it costs to other governments. This is a problem, for if one programme is too costly to a government sooner or later there would be economic problems and consequences.

Further answer by Mr. Estrada, JUNAC

While evaluating possible benefits in a given industrial programme we must not forget that many of its realizations are in the hands of the private sector and their efficiency. But this efficiency depends as well on the existence of a given infrastructure, on the capacity technological changes that may be assimilated and on the capacity to enter an external market
without previous experience. It also depends on the structure of services and technical preparation. The evaluation concept would be to evaluate not only the integration process but also the single countries or all the countries as dynamic economies.

Question by Mr. Sadasivan, Malaysia

Let us follow-up with certain questions. Between the JUNAC suggested programme and the final programme as agreed by the respective governments, is there normally much difference in terms of location of projects? I am trying to get an idea of how does the technical report on a particular industrial programme, finally differ from what is actually approved at the appropriate political levels in the country. We have asked this question and I am particularly interested in this, because one major difference between the Andean and ASEAN Groups is that you have a very strong, very centralized technical organization which we do not. Presumably JUNAC is quite independent of the five governments. But governments, governments anywhere in the world, like to have the last say and very often decisions are made not strictly on economic basis. Like in your petrochemical example, JUNAC may have identified in three countries 10 investment opportunities per country and nothing for the other two countries, because the economics were not there. But governments may have to see it otherwise. Similarly in the other sectors. So, what is the percentage that you normally expect? Are you 10 per cent of the mark or the government change you to 20 per cent?

Answer by Mr. Peñaranda

There must be a clear difference. First, we have a mandate to make sectorial programmes of industrial development, then we have another one defining which sectorial programmes to work on. Here start the differences, the technical organ's conception of a sectorial programmes and its strictly economical and technical conception. In the petrochemical case, there were discrepancies on the viability of five complexes. The conception of programmes was different from final proposals. The only organ which may propose is JUNAC, for it alone has the capacity to do it. JUNAC proposes the programme as a result of a long technical and political negotiation process. Only then JUNAC presents its proposal or proposals and, I would say, in all cases it has differed from what the technical organ presented.
In the petrochemical case, for example, the technical organ said, "please realize this is a field which requires enormous investment, the cost of opportunities is very high, but, even if the political will is to go with it, it is not viable on five complexes". What was the political decision? Make it on five complexes! We gave the warning light, we advised of the problems and we made the five complexes on paper. In the long run it came out that what JUNAC and other international agencies had forecasted was true; it was too difficult, based on the Andean market to plan for five integrated complexes.

In the metal fabrication programme also, the technical organ was against identification of investment opportunities or duplication of investments, because the market was too small to make products competitive because of the minimum envisaged outputs. There was a need to specialize the countries. However, even then the technical organ had to modify its first proposals. The technical organ must, thus, look for a point of equilibrium taking into account the aspirations and problems facing the five countries. In the end, what matters is the feasibility of an acceptable scheme for the countries.

Further reply by Mr. Estrada

We must also talk about the difficulties encountered in these detailed negotiations which may also be inter-sectoral, so that certain compensations were not on the discussed sector but in a different one. The difficulties were met in verifying whether or not such compensations were absolutely legitimate. There is also the political aspect of the negotiations, individual national negotiators tried to get what in their opinion was a larger portion of the cake without looking closely on whether the projects they got were really feasible. What was important for them was to show success as negotiators through the number of projects they got for their respective countries. On the metal fabrication for example, the proposals of allocations from JUNAC were doubled, as in the case of Ecuador from an initial number of 10 projects to 20, while Bolivia had 11 in the proposal and ended up with 27. Therefore, a programme which was technically reasonable for two or three countries was divided into shared-allocation, with the effect that the feasibility of many of the projects was diminished.
Further reply by Mr. Peñaranda

We must realize we are talking about countries with scarce resources, where efficiency in resource-allocation is extremely important. We found precisely on metal fabrication that non-achieved production or projects in which there were problems later, were exactly those which the countries had negotiated for and which were not initially allocated.

Question by Mr. Sadasivan, Malaysia

I have two very general further questions at this stage. One is, it was mentioned just now that only JUNAC can make proposals as such for industrial programming. Is there any possibility, for example, that Colombia with its longer industrial tradition would be submitting a proposal or requesting JUNAC, saying, for instance, we want you to look at the possibility of a industrial structuring or restructuring programme for a particular sector of industry, let us say, timber industry because Colombia has lot of expertise in timber and it wants to expand to meet the demand of the Andean market. In other words, is it possible in the scheme that the member country in the Group can request the JUNAC to look at a particular industry sector? That is the first question. The second and the more difficult question and something we would like to know really, is, the following. The industrial programming seems to be the final form of industrial co-operation in the Andean Pact, it seems to be a major form of co-operation, but, before you arrived at that form, you may have examined other methods of integration of the industrial development for the whole region which you may have discounted? Could you give us the benefit of your experiences, n proposals examined and dropped? Why? Because they are not practical? We would like to get some idea of what other policy measures you have looked at which you found not very practical before you arrived at this industrial sector programming.

Answer by Mr. Peñaranda

JUNAC has the capacity to make proposals not only on the industrial field but within the whole range of decisions which the Commission takes. Any country may suggest to JUNAC the importance of analyzing one sector which may in turn be interesting as a programme. Another thing is that an industrial programme, a sectorial programme, does not necessarily require that all countries participate in it. Although this was the
original requirement within the Cartagena Agreement, this is no longer so. There is a given period of time during which the allocations or investment opportunities are kept in reserve in order to give that particular country the opportunity to integrate to the programme again.

In respect to the second question, the Cartagena Agreement is very clear when it talks about sectorial programmes of industrial development and it tries to define the rules, such as, that plants must be localized; liberalization programmes by countries or by products must be established; common customs tariffs must be established; and financial schemes to make the plants feasible must be given. In the beginning there was another alternative; namely, to make available to the Andean community only one programme which would include all sectors. It also has its pros and cons, but was not really considered by the Andean Group. We have, however, on the way enriched us as to what tools and mechanisms can be used for industrial development. I think, for you the industrial rationalization programme is very important. This may have been mistakenly delayed in its application. Due to the fact that it takes competition into account, the industrial rationalization programmes mechanism has a tendency to seem to diminish adjustment problems. Here we think of a more indicative and less planifying scheme, on a centralized level away from the sectorial programmes. We try to tackle the problems the Group may have as a result of inter-regional competition because of inequalities of economic development, inequalities on industrial development. We aim at showing the countries’ industry how to deal with competition in the best possible way. Behind this lies the assumption that, if advantages tend to polarize, the integration process which in the end is political, will not be feasible, because there are the socio-economic effects, with all the difficulties of the displacement of factors, etc. Therefore, and in order to diminish these problems, we have got the industrial rationalization programmes. We have four areas or approaches which may be interesting for you. One is the application of rationalization programmes by sectors, selecting those of top priority or those in which one sees the problems, in order to study them with businessman in order to look for solutions, maybe by way of specialization. Another approach is that we tried to define an action area within the rationalization programme which we call the general tools and mechanisms of rationalization, which consists of defining general instruments, such as finance, technology, training, marketing, etc., to be made available.
to the businessman with problems or who may want to increase his own efficiency. A third area is the creation of a specific programme for the small- and medium-size company, having in mind the problems these groups may have. Finally, we recognize the difference of development between the five countries, namely Peru, Colombia and Venezuela on one side and Bolivia and Ecuador on the other side. Therefore we thought that rationalization programmes should primarily be aimed at the two less developed countries, in order to prepare them better for competition. We think this is very important when we facilitate more trade at the Andean level, since an increase on efficiency increases productivity and competitiveness which is what we are in the end in search of.

The Commission has also taken the decision of creating two complementary tools to industrial programming, one is the inter-sectorial programmes, the other one is what has been called Integral Development Projects, not necessarily but preferably within the industrial field. What we look for here is to define important projects aimed at the larger market and requiring the support of the members to be feasible, although evidently located in one of the countries. This I think, is somewhat similar to your experiences. It came up as a reaction to the non-materializing of some projects or investment opportunities given to the countries within the sectoral programmes. Therefore, as a complement to this opportunities' distribution, or investment programming, we established this later tool which still is in the conception form. It may help us to deal with the industrial sector problems. Another tool is evidently the Multinational Andean Company.

Further answer by Mr. Estrada

We can also refer to the experiences of LAFTA, where the countries with less relative economic development were not the beneficiaries of the integration process; they had, on the contrary, become the receptive markets of the big countries, like Mexico, Brazil and Argentina. This factor was the justification for the creation of the Andean Group. Within this group we also find these relative economic development differences. Obviously, these differences are not so big. We, anyhow, created a system which benefits the countries with less relative economic development, so that they may also share the benefits of the basic Andean integration concept. Obviously there is a difference between allocating benefits and the fact that a country may really benefit from the allocation. It is not enough that a country may
have industrial projects allocations for these projects to be feasible, even if the projects themselves as such are feasible. A lot depends on whether or not the country has reached an industrial development level to enable it to implement new projects. We found out that these two less developed countries - Ecuador and Bolivia - did not have a development level to enable rapid implementation of a wide variety of projects, including very ambitious projects which amounted to a true absorption of the new industrial technology aspects that were involved in such projects.

Now, we are trying to create a true internal industrial structure directed towards capital goods, towards those elements which may clearly increase and multiply the countries' capacity to produce. This new approach brings a wide variety of benefits while it makes the best of the countries' natural resources, helps to train them technologically on a superior level and to produce a genuine internal economical development, less dependent on foreign economies.

Question by Mr. N. Ramm-Ericson, UNIDO

I would like to refer to the industrial rationalization programmes in connexion with the attention given to selected branches, in order to see their future development, including structural adjustments and long-term strategy for them. To what extent are you working with the industry in this connexion, with the industrial representatives and to what extent is the industry itself taking part in programmes like this? I am thinking now of the parallel of ASEAN with their regional industrial clubs which, besides preparing proposals for tariff preferences, joint ventures etc, also have established a lot of co-operation between themselves. For instance, in the case of the cement industry club they have co-operation on technical matters, such as energy-saving measures and processes. In textiles, they are looking into the possibility of ASEAN co-ordinated training and research activities as most of the countries have national textile institutes. Are the branches of industries in the respective countries initiating co-operation with each other in this way also in Andean?

Answer by Mr. Peñaranda

We do not have yet a concrete on-the-field experience on a rationalization problem. We are in JUNAC trying to collaborate with the countries based on certain economic indicators, in order to point out priority indus-
tries for which, in their further development in Andean context needs for rationalization appear. For example, because of value added, of employment etc., the textile industry is one of the most important sectors in Andean and it is seen as a possibility to qualify for analysis of its further development within a rationalization programme. What we have done as yet is that we have given to the governments certain tools, in order to make it easier for them to identify and define the sectors where one would initially have to carry out the industrial rationalization programmes. It is not the technical organ which would decide on which branches to be rationalized, but (and we are stressing that more than the governments) it is the businessmen, the industry associations which must have full fledged participation in the definition of priorities and in the making of the required studies. The participation of the private sector is essential.

Thus, we do not yet have the working experience on this matter but we have presented it for the consideration of countries. Four countries have so far agreed with us on that the textile branch is important, not in all its parts because it would be too complex, but selectively. And we understand they are already forming the working teams in which it is the private sector that must carry out the substantial work. Maybe by identifying the common bottlenecks one could come up with a common approach, but if these are particular problems, particular actions must be taken. The willingness of the private sector to rationalize must of course be taken into account. What we are looking for is true collaboration with the industry, to detect their problems and to present them with management alternatives. Macro problems could be dealt with by governments, but essentially enterprise-level decisions should be with the entrepreneurs. It will mainly be their role to deal with the tools of the implementation of the rationalization programmes.

Further answer by Mr. Aninat

We have to ask ourselves the questions: Why do we want to intervene? With what instruments do we want to intervene? Who is to intervene, the Andean community, the government, or the private sector? All this depends on the problem, the objective and the instruments. In the Cartagena Agreement we have mandatory and non-mandatory instruments, and, even if the problem is a common one, sometimes there is no capacity to mandate the instrument to solve it. A lot depends on the governments' internal
organization and also on the regional community. Even if government plays a role in ownership of production facilities, big private organizations often exist and each country may put up very decentralized schemes of decisions. These elements are the heart of the problem. It is difficult to give an answer if we do not know the facts and the capacity to react to the problems. The schemes to be used may be totally different.

Question by Mr. Samnao, Thailand

I would like to get some information on how many projects that have been proposed by JUNAC and led to disagreement amongst the Pact members and how many projects have been proposed by JUNAC and met with approval at the commission. The second question is, do you have a policy for small- and medium-scale industry in the sectorial programmes? Has basic policy on small-scale industry and medium-scale industry been considered by JUNAC or not?

Answer by Mr. Peñaranda

In respect to your first question, I may not have a concrete number to give you but is your question how many projects in the sectorial programmes were presented and how many approved?

Clarification by Mr. Samnao

From my understanding, a project has first to be analyzed at JUNAC and thereafter if the majority 2/3 of the members have agreed on that proposal the project has been agreed for submission to the Commission. The Commission may perhaps disagree on this project and they have to send it back to JUNAC. Then JUNAC will work over it and propose again to the Commission within not later than two months, probably. I just want to know how many projects have got the disagreement from the Commission that have been submitted by JUNAC.

Answer by Mr. Peñaranada

There have been many. JUNAC presents a proposal, the Commission analyzes it and, if not in agreement, gives it back to JUNAC and, after a given period of time, it goes back to the Commission. On the automotive programme, for example, there have been many cases in which this has
happened. There were at least four JUNAC proposals until the programme was accepted. In the petrochemical programme on the other hand this was almost non-existent, mainly because JUNAC, after meetings with technical groups, and governments, and visits to the countries etc., tried to achieve a common denominator acceptable for all countries. Upon its presentation it was, after very little adjustments, quickly accepted by the Commission. We have almost the same experience with the metal fabrication programme. In the iron and steel field, there have been several proposals which were not accepted by the Commission.

We have also analyzed the possibility of an inter-sectorial or multi-sectorial approach, but the document with a basic proposal was not approved. All products which have been chosen for programming and have not been part of a sectorial programme, are part of a JUNAC proposal presented to the governments to pass these products on to the liberalization programme, keeping for Bolivia and Ecuador some feasible and interesting programmes to be carried out in these countries. There is a deadline on the Cartagena Agreement which states that if not approved by 1980, these (sectorial) programmes would pass on to the liberalization programme. We cannot, of course, be reserving programmes without end, because we would be delaying the countries' investment opportunities. Some countries may even have comparative advantages to produce even on an international level, and a delay would affect clear possibilities within the Andean Group or for a given country. This has led to JUNAC to propose to the Commission that a decision to be taken on this matter, and since the products are not going to be programmed, neither sectorially or inter-sectorially, they should be passed on to the liberalization programme. This means a free programme for any country which may produce it or sell it freely within the Andean market.

Further answer by Mr. Estrada

Complementing a bit more, we may add that no project as such has ever been rejected by the countries. The negotiations have consisted mainly on adjustments towards ensuring an adequate distribution of the project ideas between the countries, due to their relative importance. Thus, no project has been rejected, on the contrary, the negotiation process has added new ideas to the big package which included the programming of all sectors. For example, within the metal fabrication programme the negotiators will discuss on the customs tariffs level and after its realization, this aspect has been
sub-divided in many other elements. To clarify, there has been a joint negotiation of these packages, but the projects themselves have never been rejected.

Further answer by Mr. Peñaranda

There may be a distinction between a proposal and the projects, which are several and many of these are incorporated within a programme proposal. Once the programme is approved it is possible that specific projects are not realized. Unless its realization is in the hands of the state, it is in the end, the private sector which develops the projects. We may endow ourselves with a programme of 50 or 60 production units which may never come to be, because we do not have planned economies, what we have is more indicative planning.

How then is the decision-making carried out within the Andean Group? Generally, when JUNAC comes to the point of making a proposal to the Commission, there has already been a lot of consultations. There have been groups of experts, high-level groups, which have discussed matters on a technical level and others where decisions are taken at a political level. The problem is often at times political, but the Commission may not take a decision, or not even hand back the proposal, as the JUNAC proposals in their purely technical concepts may be fully agreeable.

I think one of the big problems of indicative planning within the Andean Group has to do with the lack of industrial coherence, of coherence of the private sector in the countries. The Andean Group, except for its Economic and Social Advisory Committee (CAES), has not yet come to a cohesion level which would mean: to meet, discuss, bring up ideas, create clubs in given sectors in order to push a given project or programme. This is a problem partly because we are mixed economies, and although most of the specific projects are developed by the private sector, in some Andean countries the state plays a significant role in specific projects. Anyhow, many of the sectorial programmes of industrial development are not discussed in the private sector, due to the fact that for this sector, at the moment, the question is not of how to derive benefits from a specific sectorial programme as a whole but how to make profit at project level alone.
Comment by Mr. Dhawatchai, Thailand

I would like to make an observation concerning the level of private participation. 10 years ago when ASEAN got together, initiating industrial co-operation, our private sector was not really that active either, specially in Thailand; well, I am saying this for Thailand. We had the same difficulties of encouraging the private sector to come together to be involved when the ASEAN co-operation began to gather momentum and make more progress. Thailand's private sector has since then become much more active simply because they have their own interest at stake. The national industry clubs or Chamber of Commerce which before were rather passive are now very active and they have joined hands with other national clubs in the other ASEAN countries forming the ASEAN Chamber of Commerce and Industry and its affiliated regional industry clubs. The ASEAN-CCI is a very active organization, working hand in hand with ASEAN governments. In connexion with development of programmes they have been quite effective. The active interest of the private industry is needed for programmes to lead to concrete results. So, this is a comment really, and I think it would also apply in the case of Andean situation.

Question by Mr. Lim, Singapore

I would like to seek a clarification on a specific matter. Under the Cartagena Agreement, there are mandates for certain actions to be taken within a certain time frame. Now, did this create a situation whereby those involved might have felt a need to design programmes within somewhat limited time, as a result of which there could be some overestimation of available resources, resulting in some of the problems that you have been very kind to expose to us? And perhaps more important, is it because of such problems and early anticipations, there might have come about some possible conflicts. Is it not that which with another concept was introduced by you yesterday, namely this 'unpackaging'? Will not the unpackaging concept of, say, a rather capital-intensive project involve more and more resources. I just want to seek some clarification, whether my understanding is correct or not.

Answer by Mr. Peñaranda

During the last years a certain cohesion of the private sector has become reality between groups formed with the initiative of industries, for example, the Andean Corporation of Industrialists (Coandina). Also
a few contact groups have been formed in the automotive industry and the metal fabrication fields after the emergence of the sectorial programmes. Nevertheless, whenever one comes to more complex stages of economic integration, where it is necessary to be precise on the market opening and customs tariffs, it is not necessarily the private action which gives the needed illumination, since these potential producers will be interested parties with different motivations. We do emphasize, however, the importance of more intense and more active participation of the private sector, even if there are elements which go beyond their capacity.

Further answer by Mr. Aninat

I think it can be said that we over-estimated our capacity in given proposals, we over-estimated our joint and individual capacities to integrate a lot of activities which in turn required important investments (on top of the country's own investment requirements outside the integration process). We over-estimated the absorptive capacity of each country, the capacity of handling results, the adjustment capacity of the economies as well. Time in a way also played against the Andean Group; adjustments could not be made as fast as we thought they could be made. It is therefore always important to consider the mobility of resources and factors, and the capacity of countries to deal with their own economic system vis-à-vis the community compromises, as countries lose part of their freedom to act. For instance, customs tariffs cannot one-sidedly be increased, if there is an agreement which has settled them specifically. In many cases our countries were overtaken by the quantity of JUNAC compromises and decisions that were achieved. One must, therefore, always consider the time factor. One must, from the beginning realize the exigencies asked from countries vis-à-vis the national demands. Countries cannot delay programmes on health, housing and education, by giving priority to other programmes. One of our biggest problems has been to meet deadlines, even if the political will has been there.

Further answer by Mr. Estrada

I would like to give a great deal of importance to political observance of given situations, specially in our developing countries. I mean by this that political characteristics and economic policies of the countries which signed the Cartagena Agreements are now very different, in general, from what they were originally. Economic policies have given new impetus to our integration process, for example, in industrial programming. One observes
different opinions about when one must intervene in a market, why one should allocate or to what levels protectionist measures should be instituted. We look at different levels of priority for the production of either goods or services, perhaps different ones on the production of industrial or agricultural goods.

The majority of decisions have been achieved during moments when the Andean countries' thoughts were more or less homogenous, even if good or bad. For example, during the early seventies we all thought priorities were to be given to the petrochemical and automotive programmes. Now it would be difficult to find the same assessment with respect to such priorities. Other experiences on the matter also demonstrates that an important element is that there should exist a common identity, at least in the pertaining areas, on the substance of economic policies.

Further answer by Mr. Montes, Colombia

I want to emphasize the fact that the process of integration cannot in any case be separated from external economics. When many of the industrial programming decisions were taken it was clear that it was the right thing to do and the countries did have the resource to successfully carry them out. There had been a boom of oil prices and several governments did have the economic means to carry the projects and they also could make strong decisions. The increase on interest rates now has made money very expensive to obtain, the countries' debts are so enormous and the value of their exports has decreased on the international market, that the financing of programmes has become very difficult. Some countries are more worried now about creating job than about investing in capital-intensive ventures. Therefore, attention must now be given to labour-intensive projects different from those approved before. It has become more difficult to programme on the long run, since the future becomes more and more unpredictable. Therefore, we in the individual countries must concentrate on small-scale programmes which would lead to results on a shorter period of time. We are now forced to adapt our efforts to the necessities of the present circumstances within our countries.

Further answer by Mr. Peñaranda

Circumstances have changed from the years of the 60s and 70s, maybe the emphasis of the 80s shall not be on industry but on agriculture.
What is important is that the Cartagena Agreement still exists and that the political willingness of the countries is flexible enough to allow for the countries, and JUNAC and the organisms of the Agreement to implement a series of policies provided for in the Agreement. The Agreement contains two main axes: the sectorial programming axes and the liberalization and free-circulations axes. In accordance to the given moment and circumstances one will insist on one or the other. I think all agreements should have long-range goals which take into consideration historical momentum; such a vision is indispensable for any form of integration, otherwise it is quite improbable that countries would adhere to an integration process.

Question by Mr. Estrada, JUNAC

I would like to ask a question, namely, whether in ASEAN there was the need and the feasibility to establish common criteria in relation to the technical standardization and to the certification systems of quality standards, as a means to support commercial exchange and industrial cooperation between the countries. Have you been able to develop a specific activity on the matter? I believe this may be a field in which we could start co-operation between the two integration systems resulting in multiple benefits for both groups.

Reply by Ms. Altamirano, COIME

I may reply to that particular question. ASEAN has given attention to the need to come to some kind of harmonization of standards, special industrial standards. Recently we have formulated a study proposal to be undertaken in co-operation with European Economic Community to see possibilities for harmonization of industrial standards in ASEAN with the main objectives of facilitating intra-ASEAN trade. Specially in view of the ASEAN programme on industrial complementation, the need was felt to see what products could or should be standardized so that there would be more intra-ASEAN trade. So, we could say that we just starting to look into this specific area.

Comment by Mr. Peñaranda

I would like to mention three areas of possible co-operation for us all. One of them is external-action within the international context. It would be interesting that both groups co-ordinate positions and statements before the international fora, since we could derive from it more benefits.
than if we acted separately. I would suggest to leave it for the future to look for a common position and a common action before the international fora in various fields, such as financial aspects, industrial or cultural ones, etc. Another field would be to try to increase the commercial exchanges between our two groups of countries through identifying in which products and to what extent such increase can be achieved. The third area would be concerning particular aspects of mechanisms in the integration process, like methodology, ways to focus on problems, statistical information, etc. We would, for example, like to exchange ideas on our methodology and studies made on our common external tariffs. We have here worked on the theory of effective protection, and we have worked on a raw material product basis. We have experience and information which may be interesting to discuss for you and for us. We could also discuss on sectorial programming, how to identify investment opportunities, how to distribute them between the countries, the model we used, how did we get to it, how do we deal with it, etc. These are three possible areas of co-operation, the idea being mainly to develop thoughts on the fields where in the future co-operation may come about and on the continuation of this relationship. We are open, of course, to share our experiences in what we have done. All this could be complemented with seminars, experts-interchange, and more specific meetings.

Reply by Mr. Sobrepéña

We were thinking along this line also in our group and we have come here with an open mind as to future areas of co-operation between the two groupings. Personally, I think the exposition made by the various members of the JUNAC secretariat, and the delegations from the Andean Pact countries were very informative, honest and frank. We have been giving some thoughts on some possibilities or suggestions which we might put forward in order to maintain the momentum of this initial contact. We realize that it is important that we get to know one another better so that there will be better links between our two groupings. This, as you know, we are going to have a chance to do, because starting tomorrow, starting with Peru, we are going to each of the countries of the Andean Pact trying to meet the people involved in integration and visiting factories. We would like to suggest that the Andean Group likewise explore possibilities with UNIDO for a similar conference and study tour to ASEAN by a group of Andean
delegates. It could be timed with the meeting of COIME in Manila sometime next year and after which there could be visits to the other capitals of the ASEAN countries and also a similar programme could be implemented. In this way it would be possible to have both the formal discussion with ASEAN as well as physical view of the level of development in each of our five countries. I think this initial contact would also provide a useful basis for the second area proposed by Dr. Peñaranda, that is, an identification of possibilities of increased trade. The fact that we will be able to see what is available in the five countries of Andean during next two weeks, I think, will provide us an opportunity to assess some kind of initial market possibilities, and we think that could be duplicated next year by a similar delegation from Andean.

The very first area that you suggested, regarding possibilities for joint co-operation in international fora, this would be a decision which cannot be made at this point. I mean, we could not formally make a commitment because there is a practice in the ASEAN that before you formalize any linkage between groupings or third countries this must be decided by our foreign ministers. The decision, for example, to establish formal dialogues with US, EEC, Japan etc. were made by the foreign ministers and not the economic ministers, although the main bulk of the discussions, and were we get practical results, are really economic.

On the third point, on an institutionalized exchange of information and exchange of experts, I think, this will fall under the first area. If we already agree that there will be real formal ties with Andean alike, for example, establishing an ASEAN-Andean Pact dialogue, then such institutionalized exchange of information will fall into place. But, short of that, I think, most of the delegates from the Andean Pact and the delegates in ASEAN will have further informal contacts. Again, let me reiterate our suggestion (and for this we do not need to have any formal approval) which is, that you could negotiate with UNIDO that there will be a return conference/study tour in ASEAN, maybe with the conference in Manila to coincide with one of our regular meetings of COIME.

Finally, just as a footnote. Initially, also in this process of establishing formal dialogues or formal contacts, as matter of procedure it might be useful to consider that in Lima, where the secretariat of the Andean Pact is located, there is one Ambassador from the ASEAN countries
located and that is the Embassy of the Philippines. So the Ambassador of the Philippines could be a contact person in behalf of ASEAN as far as Lima is concerned where the secretariat of the Andean Pact is located. Correspondingly, there is only one Embassy of the Andean Pact countries located in Jakarta where the secretariat of ASEAN is and that is the Venezuela Embassy. So, perhaps Venezuela's Ambassador could be the official linkage of JUNAC in the Secretariat in Jakarta. So you have possibilities of designating, or the meeting could recommend that the Venezuelan Ambassador in Jakarta be made liaison officer of JUNAC to ASEAN and the Philippine Ambassador in Lima be designated as the ASEAN liaison to JUNAC. We have used this kind of arrangement in some of the major capitals of the world. It is a one of the modus operandi that we have in the ASEAN.

Further comment by Mr. Sadasivan

I substantially agree with what my colleague talked about. I am particularly interested in the suggestion regarding information exchange and I think that we in ASEAN would find it very useful to get a little bit more information on the methodologies used in preparing your industrial programming. I think we would be very interested in determining, in trying to understand and find out more details about your methods for the common external tariff. We have seen the EEC methods. I believe you mentioned that you were looking at it on the basis of effective rates of protection which is a substantial improvement over the standard average that the EEC took as their guide. Many ASEAN countries are beginning now to examine their own tariff policies both on national basis as well as on ASEAN basis. The effective rates of tariff protection method is what most of us are looking at, but again on national basis. Some of us have discovered to our horror that some of the industries in our respective countries are protected by as much as 150-200 per cent level of protection, through the nominal level of protection may be only 25-30. We, in Malaysia for one, are very concerned with this aspect of tariff protection, and I believe the same is true in some other countries. So, whatever information you have on this particular exercise and its relevance to Andean Pact, I think would be something that we could make very useful use of. The other area is the question of increasing trade between both groupings. The ASEAN Committee on Trade and Tourism is always examining the possibility of diversifying the trade relations from the existing trading partners to other areas as well. I, personally, think that there is a lot of products in the Andean
Group we should find a ready market for in ASEAN. In this particular case I am thinking of your capital equipment and your semi-durable industrial products. I think there are also number of ASEAN products which should find a good market in the Andean region. You mentioned that you have some figures, some indication of products which could be the basis of starting trading relationship between the two groups. Whatever information you have on this we would certainly pass to the Committee on Trade and Tourism in ASEAN to look at and see how the trade can be developing. On the first point, about adopting common positions in a number of international fields, as my colleague from Philippines explained, this is strictly outside of mandate at this point of time, simply, because we came here with the different purpose really, we came here to study your experiences, so I think most of us did not, quite honestly, seek a mandate from our government on discussing any formal relationship of the type that is involved in accepting or in adopting common stands or common positions on international issues. But in principle as far as Malaysia is concerned, I do not really see too much difficulty in establishing the initial contacts at a political level; maybe at next appropriate UN meeting perhaps. We would certainly on our return take this up through our own committee (COIME) and the economic ministers to the foreign ministers for their consideration as to what possible course of action they think should be adopted for this particular exercise. In summary, Mr. Chairman, I think most of us in ASEAN would be extremely interested in obtaining more information on the last two points you mentioned, the possibility of greater trade between us and the methodology used in negotiating.

Further comment by Mr. Ramm-Ericson, UNIDO

May I just suggest one small item more on which ASEAN might wish to have further information. In JUNAC you mentioned that you are in the process of reviewing the impact of the Andean Pact trade liberalization programme. Perhaps the methodology you are employing, or intend to employ, in assessing the effect of the increase in your intra-Andean trade in manufactures can be a useful piece of information for ASEAN also. Then, of course, later on the results of your assessment will certainly also be interesting.
Morning session - 14 October 1982

The conference was concluded during a brief morning session on 14 October 1982, before the ASEAN participants continued on their study tour to La Paz, Bolivia. (On the 13 October the ASEAN group had held discussions with Peruvian government representatives and industrialists).

At the final session a brief summary report was adopted. (see page 6 above).

In a concluding statement Mr. Sadasivan on behalf of ASEAN noted that the real objective of the ASEAN visit has been to see whether there was anything in the Andean Pact experience that could be useful for ASEAN. This objective, he said, the meeting has fulfilled. We have learnt about your own difficulties at integration, we have learnt some of the complex plans you had which had to be amended because they were very ambitious to start with and, therefore, we would try to avoid those mistakes in our own efforts in ASEAN. ASEAN collectively, he confirmed, is also very interested in establishing long-term relationships with other regional groupings. As to what form this would take, I think it may be of bit early for us to say now. But certainly this was a very useful initial contact we have had with the Andean Pact and we are going to have subsequent contacts with you. We certainly hope UNIDO and UNDP are listening very carefully to our proposal that you visit us next time; next year perhaps. I believe contacts of this type would result in establishing between the Andean Group and the ASEAN countries some sort of long-term relationship. We are particularly interested in technical co-operation, as was mentioned. At this point of time we do not know what areas are suitable for technical co-operation. We might have a better idea after we complete the visit to all the countries in the region. Finally, may I on behalf of colleagues again express our very sincere appreciation to the JUNAC secretariat for giving us this opportunity to see for ourselves, to hear of your experiences and difficulties. We think this has been specially useful, because, as I mentioned yesterday, we are also looking in ASEAN now at ways to intensify our economic co-operation efforts and this particular meeting and the visits to the Andean Pact countries are really interesting to us and useful to us. I would also take this opportunity to thank again very much for the assistance of UNDP and UNIDO, Mr. Sadasivan concluded.
III. THE STUDY TOUR

Through the study tour the ASEAN participants were given the opportunity to discuss and exchange views with the officials in the respective Andean Pact member countries directly involved in the integration work, as well as with industrialists in these countries actively involved in the various regional industrial programmes of the grouping. The discussions were without exception characterized by great frankness and openness and the ASEAN participants were given most valuable information of the areas of progress and of difficulties encountered. The ASEAN participants on their side tried to indicate how they were tackling similar problems and informed on the various approaches they were pursuing in the area of industrial co-operation.

In the following, a summary of all the discussions is given within the framework of the programmes followed in the respective countries.

A representative sample of industries in the various countries were also visited and the study tour participants could obtain an appreciation of the effects of the Andean Pact co-operation schemes, the problems faced and potentials envisaged.
Lima, Peru

Wednesday 13 October 1982

10.00 Ministry of Industry, Tourism and Integration (MITI)

Present: Dr. J. Gonzales Inquierdo, Deputy Minister of Integration
Mr. N. Moscoso Campas, MITI
Mr. J. Alfaro Gilvonio, MITI
Mr. C. Canales Jesi, MITI
Mr. J. Licetti Coniciq, Industries Society
Mr. B. Baletti, FOPEX
Ms. E. de Patinho, Ministry of Foreign Relations

The discussion was focused on the Peruvian experience in the application of the main mechanisms of the Cartagena Agreement, e.g. Sectorial Industrial Programming and Rationalization, the Liberation Programme and Common External Tariff Policy, Physical Integration. Especially, the three main programmes agreed upon - metalmechanic, petrochemical and automotive industry, were analyzed in detail.

The objectives of those programmes were only reached very partially and integrational efforts failed to a great extent. For example, the metalmechanic programme aimed at a $75 million investment in the region and actually achieved as $12 million real investment. The failure of the programmes was attributed to an exaggerated compulsory planning policy which left aside the private sector industry.

The government in Peru, had adopted a liberal trade and economic policy with emphasis on the market forces which is not compatible with a rigid sub-regional government programming and which would be trying to actively involve the private industry and assign products on basis of purely economic and technological criteria.

The government's industrial policy is aimed at reduction of protection level, taking into account comparative advantages and to reallocate resources according the forces. Emphasis is laid on the rationalization programme to reduce the cost of readjustment to the new situation.
The assignation of products and industrial programming in JUNAC were in the past the result of negotiation between governments, whereas in the future the Peruvian government intends to reformulate and re-orientate the programmes towards an active participation of the private sector thus also redefining JUNAC's role.

14.00 Delcrosa Company (electric motor factory)
La Paz, Bolivia

Friday 15 October 1982

09.00 Secretaria de Integración

Present: Mr. Hormando Vaca Diez, Minister of Integration
Mr. Gonzalo Walde Cardenas, Undersecretary of Integration
Ms. Ana Maria Solares, Director of Economic Affairs

(the last two participated in all the following official meetings)

Technical Experts of the Ministry.

After receiving a welcome of the ASEAN participants the Minister of Integration expressed his pleasure to receive the group in this special moment for Bolivia and gave a short exposition of the new Bolivian vision of the integration process. The most important goals to achieve would be a reduction of the dependence in the field of industry. The integration process should promote the establishment of adequate industry which would use national prime materials, intermediate technologies instead of capital-intensive, labour-saving technologies which the international companies tended to use. By this way a horizontal industrial integration could be realized. Asked about specific problems of the Andean integration process, the Minister mentioned that it was sometime forgotten that in a just bargaining process both sides would have to gain something. He pointed out that in the past negotiations some very technology- and capital-intensive industries of less immediate interest to Bolivia had been distributed, i.e. in the car industry. The integration process should start at the individual country level, on basis of each country's situation, resource endowment and priorities. In conclusion, the Minister explained that the past experience would have to be reevaluated. The important achievements would have to be conserved but the necessities would have to be redefined.

10.00 Alubol S.A. aluminium plant in El Alto outside La Paz which was presented by its owners and managers.

Alubol S.A. is a plant producing aluminium profiles and fittings from ingots imported from the US. This privately owned plant started operating three years ago using Latin America's most
modern equipment. Because of the custom tax exemption for non-traditional industries they can export duty free to Peru, although they have encountered various administrative problems and because of this and the internal economic difficulties of Bolivia they are presently working at a very low capacity. With these problems (i.e. the difficulties to export to Andean Pact countries in spite of the devaluation of the Bolivian Peso) they find themselves in the same situation as the Andean Pact enterprise Atlas Copco of Bolivia, which had recently suspended production.

11.45 Viacha plant of the Cervecería Boliviana Nacional (brewery) which was presented by the plant manager Mr. Rene Prudencio.

The modern bottling plant of the Cervecería Boliviana Nacional, Bolivia's biggest brewery, was recently inaugurated. This privately owned enterprise has started to export on a wide scale to Peru and Chile using its cost advantages and in the case of Peru also using the exemption of customs duties. To lower its production costs this enterprise has started a big agriculture and social project in Chuquisaca to produce malt in Bolivia. By this they can produce beer using up to 99 per cent national inputs. Only barley has to be imported because it cannot be grown in Bolivia.

14.00 Visit to the Vice President of Bolivia, Mr. Jaime Paz Zamora, in company of the UNDP Resident Representative, Mr. Pedro Mercader.

After having received the welcome of the group the Vice-President Mr. Jaime Paz Zamora expressed his high pleasure to receive a mission from the countries of ASEAN which like Bolivia were facing formidable development tasks. He gave his visions of the problems of integration for the Andean Pact countries which at the same time had to achieve both internal integration and integration with each other. Bolivia, because of its geographical situation, is very dependent on the integration process. It is not only drawn to the Andean Pact countries but, because of its situation in the Amazonas basin and the Rio de Plata basin and its closeness to the Pacific Ocean, it is also drawn towards integration with other countries. For all this the Vice-President saw the integration process as an important challenge.
Looking at the past experiences with Chile and also of the military-ruled Bolivia in the Andean Pact one could learn that a well functioning integration process has to be based not only on technocratic and economic integration, but also on political integration. He was interested in learning whether the ASEAN countries have seen the same problems. It was explained to him that in the ASEAN countries problems of political integration have not come up, that the countries were satisfied with their achievements in the field of economic co-operation. It could well be that on basis of the successful economic integration one day a process of political integration could also be started.

15.00 Ministry of Mining and Metallurgy

Present: Mr. Carlos Barragan Vargas, Minister of Mining and Metallurgy
Mr. Guillermo Aliaga, Director of Planning, Ministry of Mining
Mr. Fernando Kyllmann  
Mr. Rolando Jordan  
Representative of the Corporation of Private Miners

The Minister of Mining was interested to discuss specific problems with the mission and asked them to inform about the concrete example of the mineral exchange of Penang. He was also interested in the view of the mission concerning the necessity to take political actions to gain a just price for tin. It was agreed that the members of the group coming from tin-producing countries would convey the interest of Bolivia to discuss these specific problems to their Governments and would ask them to invite Bolivia to participate in the meeting among ASEAN countries in which a position on these issues would be discussed.

16.00 Ministry of Foreign Relations

Present: Mr. Fernando Salazar, Special Adviser to the Minister
Dr. Hernando Velasco, Undersecretary, External Relations, Ministry of Foreign Relations

The visit to the Ministry of Foreign Affairs was largely of a protocolar nature.
16.30 Bolivian Chamber of Commerce

Representatives of the Bolivian Ministers of Foreign Affairs, Industry, Integration, and Mining and representatives of the private sector.

In the joint meeting in the Bolivian Chamber of Commerce the difficulties encountered in both integration schemes were very frankly discussed. The ASEAN members explained their main achievements (i.e. industrial projects, industrial joint ventures, and ASEAN's industrial complementation process). As main problem of the ASEAN co-operation process the competing interests of each of the members were pointed out. This made it difficult to assign certain economic activities to one country. Because of the very different levels of customs duties in the member countries the process of reduction of customs duties encountered difficulties.

The Bolivian experiences with the integration in the Andean Pact was frankly explained. Until now the industrial sector programming had costed Bolivia a lot without bringing much benefits out of the rounds of assignment negotiations in respect of the three sectors hitherto covered (whereof the programme of the petrochemical industry had become somewhat obsolete because of the little availability of raw materials in some member countries and the programme on the car industry because of technological progress in this industry). From its assignments in the metalmechanic industry programme Bolivia had only been able to start the production of drilling equipment and compressors by the multinational enterprise Atlas Copco. The market for this equipment in the Andean Pact is very small since only Bolivia and Peru have an important mining industry. Nevertheless, it was pointed out that the integration process is always a long process and that it was important that a permanent dialogue had been started among the Andean countries which certainly one day will bring its fruits.

18.00 Reception in the Secretaría General de Integración
After a short introductory statement by Mr. Baquerizo, a four-hour very lively and frank round-table discussion started by an expose (by Mr. Diaz) of what the process of Andean integration had meant for Ecuador. It was felt that the integration had served in principle as a good tool, stimulator and support mechanism for the government's efforts in fostering industrial development in the country. Of particular importance was the fact that Ecuador (and Bolivia) had been given certain favourable treatment under the Andean Pact agreement. However, some negative aspects had to be observed. In particular, the agreements regarding interchange of goods - being of a main factor in the integration process - had not been properly implemented by all the countries, although Bolivia and Ecuador on their part had made great efforts to comply. Ecuador had found it difficult to absorb the increase of imports from the more developed Andean Pact countries, while at the same time it had experienced difficulties in penetrating the markets of these countries.

Regarding the industrial sector programming, the experience of the metal fabrication programme, being the only one having been put under implementation, was, it was felt, of great significance. The experience of Ecuador had not been satisfactory. Conflicts
and difficulties had arisen due to complex administration and rigidity in the rules adopted under the agreement. Also, the lower level of infrastructural development in Ecuador (and Bolivia) was a handicap. Moreover, Ecuador had to overcome prejudices when penetrating neighbouring countries' markets and, in particular, other countries did not always readily grant duty free entry in accordance with the agreement. Ecuador had, at the beginning, in the early 1970s, great expectations to attract a number of industries in metal fabrication with relatively high technology. However, in the negotiation process, under the aegis of the JUNTA, it was clear that in the case of most industries of a type which would be suitable for Ecuador, established manufacturing was already existing in the larger neighbouring countries, and such industries would not be allocated to Ecuador. Ecuador made, unfortunately, no detailed studies regarding viability of potential projects before the negotiations. The industries which were allocated to Ecuador were thus not the ideal choice, although the country got exclusivity in Andean Pact area for these industries up to the end of 1987. Several industries were established and some of these had subsequently to be closed down. The main reasons were quoted as:

(i) Unsatisfactory access to Andean market as:

- The common external protective tariff was not always complied with by other Andean Pact countries;
- Junta-Andean Pact tariffs were not eliminated as agreed;
- Administrative obstacles and non-tariff barriers created by some Andean Pact countries;

(ii) Technological advances made some of the projects obsolete.

(iii) Some of the projects were ill-conceived from the beginning. As indicated above, the Ecuador negotiated list of projects was to some extent a rest-list (as many more suitable industries were allocated to other countries on basis of existing production).

According to the private sector representative (Mr. Marcelo Ruiz Leon of FEDEXPORT), a major problem, besides those above indicated, was a lack of political support for the smooth running of the integration agreement. He also observed that the situation for Ecuador in 1969 was much different from that of to-day. Now most of Andean
Group countries were competing with each other much more and wanted to manufacture products allocated to others. Finally, the Ministerial negotiating delegations were often not able to effectively follow-up in their respective countries the compromise agreements they had arrived at. What was needed would be that the other countries clearly demonstrated their intention to fully comply with their obligations. Only then could the Ecuadorian private sector confidence in the industrial sector programmes be restored.

Both the government and private sector stressed that the ideals of the Cartagena Agreement were not in question. However, Ecuador was now trying to review the existing and to create new programmes within the integration scheme - what was wanted were programmes which would be more practical for Ecuador and take into full account the economic realities. Only then could the Andean pact industrial co-operation be revitalized!

14.30 ECASA (factory producing refrigerators, gas-stoves etc.)

Present: Mr. Alfonso Abdo Neira, Production Manager
Mr. Miguel Andrade, Materials Manager

Mr. Abdo Neira informed about the experiences of the ECASA company with the Andean Pact co-operation. He observed that the Andean market was a reality and although at present they had great difficulties due to various reasons to sell in the markets of the other Andean countries, he felt that these problems would be overcome in the long run. There were producers of household appliances, like stoves and refrigerators, in all the Andean countries. A relatively high external tariff exists in all countries. In order to export to the other Andean countries ECASA was to use Andean parts when such parts were being manufactured in Andean, for instance, compressors which are made in Venezuela and Colombia. However, although no 220 volt compressor which is what is needed for Peru, is made in any Andean country, ECASA was not able to export duty-free their refrigerators to Peru (as they had a compressor imported from outside).

All in all, Mr. Abdo Neira maintained that the company had more problems than before the integration scheme also in their production
for the local Ecuadorian market. In particular, they have to pay more duties now for components which have to be imported. Presently the company, which was originally established before the integration scheme and was expanded a few years ago in view of expectations of increased local market and intra-Andean exports, is exporting about 20 per cent of its production to the other Andean countries. It was noted that the Andean Development Corporation (CAF) had provided some finance to facilitate imports of components from other Andean countries (i.e. compressors from Venezuela).

17.00 Centre for Industrial Development (CENDES)

Present: Mr. Cesar Delgado Rendon, General Manager
Mr. Jose Puya, Promotion Manager
Mr. Rodrigo Orbo, Technical Manager
Mr. Jose Rivadeneira, Director of Investment Promotion

Mr. Delgado informed about the activities in connexion with the Andean integration schemes of CENDES which is a government-owned organ. CENDES provides the government negotiation teams for industrial sector programme discussions with data and policy analysis. Once programmes are agreed CENDES has the main responsibility of promoting their effective implementation normally through the establishment of joint ventures. CENDES has done this through preparation of industrial project profiles, pre-feasibility studies and identification of prospective projects sponsors. CENDES has agreements with a number of organs in industrialized countries aiming at promoting investment in developing countries.

20.00 Dinner hosted by MCEI and CENDES.
Mr. J.L. Ordoñez, who chaired the meeting, opened by underlining the importance of a south-south dialogue and briefly illustrated the Colombian experience in the Andean Pact vis-à-vis (i) foreign investment; (ii) the two less developed countries within JUNAC (Ecuador and Bolivia); (iii) the co-operation among the Andean Pact countries; and (iv) with the transnationals.

Then, the delegation of ASEAN gave a short explication of their three main programmes, e.g. the ASEAN Industrial Projects, the ASEAN Industrial Complementation programmes, and the ASEAN Industrial Joint Ventures.

The officials of INCOMEX on their side explained the functioning and their experiences of the three main industry sector programmes of the Andean Pact, namely, the metalmechanic, automotive, and petrochemical industry sector programmes.

On the whole Colombia was satisfied with the programmes, while recognising many problems and shortcomings in the functioning. The importance of matching the assignations of the products with
the existing infrastructures in each country was emphasized.

The metalmechanic programme was the one which functions best, whereas the automotive programme had suffered many problems which had come about independently of the planning within the Andean Pact (energy crisis, change of technology etc.).

It was pointed out that Colombia has a negative trade balance within the region, that is, it imports more from the other Andean Pact countries than it exports.

It was maintained that the non-compliance with many decisions of JUNAC did not imply a failure of the system as a whole. It rather meant that the regulations had to be adapted and corrected during the process of integration. Also, it was believed that a firm treaty, like JUNAC represents, was absolutely necessary for an integration programme. Nevertheless, the treaty had to be flexible in order to take into consideration the changing political economic scenario.

The Decision 24 about foreign investment and transfer of technology was considered a most important framework and a stabilizing factor for Colombia. In conclusion, it was stated that today, the Andean integration had become a most important reality for the country, and, therefore, the Andean Pact was of utmost importance. Colombia was trying to insist on necessary changes within the treaty and was strongly believing the future of that integrational system.

14.00 ICASA (plant producing refrigerators, cooking stoves and other household appliances)

Present: Dr. Jaime Glottman, Chairman of the Company Board

The mission was guided through the ICASA plant by Dr. Glottman, Chairman of the Board of the Company and senior management staff. During the subsequent lunch Dr. Glottman reviewed his and the company's experiences of the Andean Pact co-operation. The basic concept of the integration is good, that is the possibilities at enterprise level of increases in economics of scale due to the larger market should be pursued and should, if successful, lead to further effectiveness and possibilities of penetrating the
international markets outside Andean. The industry in Colombia had generally seen the Andean Pact co-operation in this light; as an opportunity.

The household appliances sector was by far the industry most advanced in respect of Andean co-operation. The sectorial programming had, however, not been a very important mechanism in this connexion, it had led to more discussions and argumentations than concrete practical results. Much more important was the gradual automatic tariff reduction (even if its agreed automaticity had not always been properly adhered to by all the countries). Dr. Glottman also stressed that the Colombian government organs, such as PROEXPO and INCOMEX had been most helpful and positive towards the Colombian industry.
Caracas, Venezuela
Friday 22 October 1982

09.30 Institute of Foreign Trade (ICE)

Present: Mr. Carlos A. Granier, Director-General for Economic Integration, ICE
Mr. Telasco Pulgar, Director-General for Planning, ICE
Dr. (Ms.) Eglee de Blanco, Adviser to the President of ICE
Mr. Freddy Tineo Aguilero, Co-ordinator of Industrial Programming, Legal, ICE
Mr. Emilio Nouel, Legal Consulting Office, ICE
Mr. Gustavo Perez Ortega, Director-General for Sectorial Planning, Ministry of Planning
Ms. Magda Gonzales, Department of International Relations, Ministry of Planning
Mr. Ivan Fernandes, Director for Planning, Ministry of Trade and Industry (FOMENTO)

A meeting with Venezuela senior officials and researchers with Andean Pact integration related to the industrial sector was arranged by the Institute of Foreign Trade (ICE) which is a semi-autonomous institution with the tasks, inter alia, of proving the government with research analyses, and proposals in connexion with regional economic co-operation. The discussions which lasted about four hours were very lively and frank.

As a start information was given on the reasons for the late entry (in 1973) of Venezuela in the Andean Pact, a major purpose of which was to provide support for the development of Venezuela's industry. The main reasons for the delay were indicated as having been the following:

(i) A major political change took place in Venezuela at the time of final negotiations which led to a reappraisal of the Venezuelan policy;

(ii) The existing trade treaty arrangements between Venezuela and the US had to be adjusted so as to become compatible with the Andean Pact co-operation;

(iii) The economic interests in certain sectors, in particular, the agriculture, textile and banking sectors, had to be convinced of the overall benefits of Andean Pact co-operation;

(iv) The international companies (TNC's) in Venezuela were mostly import substitution production units working behind a protective tariff, and interested in the main-
tainance of the protected local market and not necessarily in a wider Andean market. In Bolivia and Ecuador on the other hand the TNCs, being mostly distributors and importers, were generally less in favour of high-protected national markets. TNCs in Venezuela, taking such a short-term position, were opposed to the Andean Pact industrial integration;

(v) Difficulties were also foreseen in the field of intra-Andean transportation, for instance, transport by trucks were the privilege of national companies and reloading was necessary at the border points;

At the same time the main reasons (related to the industrial development) for Venezuela's joining the Andean Pact were identified as follows:

(i) In the 1960s and earlier the industrial policies had primarily been directed towards supporting increased consumer goods production, on import substitution basis, and little attention had been given to intermediate and capital goods (partly as consequence of the trade treaty with the US). However, by 1970 the country had reached a stage when the development of certain capital goods and intermediate goods production became interesting. The effective furthering of such development needed first of all a market enlargement.

(ii) The already existing, mainly consumer goods, industries should be made more efficient through exposure of competition (a) from the other Andean countries as result of the reduction and eventual elimination of the tariff protection with the Andean Pact and (b) from third countries as the common Andean Pact outer tariff would normally be lower than that of the high tariff Venezuelan. In particular, the Venezuelan industry should be brought into a position to be able to compete successfully in the enlarged Andean market.

(iii) As far as the Andean Pact industrial sector programming of the Andean Pact was concerned, Venezuela had major interests in products, such as capital goods, transport equipment, petrochemical intermediates, which were in the areas of industrial programming. The Venezuelan policies for the development of these sectors could be reinforced through the programming. These policies, aimed at making the Venezuelan industry more efficient, were by necessity creating a lot of immediate problems for the country's industry which had developed quite comfortably under considerable tariff protection. Furthermore, Venezuela did not earlier have any legislation regulating direct foreign investment (such as the Andean Pact Decision 24).

In 1971 a big meeting to discuss the pros and cons for Venezuela joining the Andean Pact was arranged between representatives of the private industry sector, the public sector, the trade unions
and the political parties. The prevailing result of the meeting was that Venezuela should join and the hesitant private sector was convinced of the overriding benefits in the long-term of the Andean Pact co-operation. On this basis the Institute of Foreign Trade (ICE) now functions as the technical secretariat and research arm of the country for the integration work. It has working groups for the programmed sectors (metal working, petrochemicals, automotive) with representatives from all interested parties (private and public sector).

The main results achieved for Venezuela, after nearly 10 years in the Andean Pact, were indicated as:

(i) The evolvement of a common industrial policy in the Andean Pact
(ii) The evolvement of a common trade policy in the Andean Pact
(iii) The diversification of production and exports. As much as 20 per cent of Venezuela's exports to other Andean Pact countries is now non-traditional products (while of exports to the rest of the world only 4 per cent is non-traditional).

It was felt that the main benefits for Venezuela were in terms of medium- or long-term industrial restructuring due to the fact that the Andean Pact co-operation would reinforce this process. Indeed, it was pointed out that the possibilities to achieve national objectives in the field of industrial policies have been much enhanced due to the existence of the regional market. It was, however, at the same time noted that the trade liberalization programme seemed to have, in the immediate terms worked to Venezuela's disadvantage. It was also important to bear in mind that very much increased local (and intra-Andean) utilization of the country's primary resources, such as oil, gas, aluminium and iron, could only be envisaged to be achieved in the medium- or long-term.

On a question regarding areas where some adjustments or modifications in the Andean integration process might be desirable the following was indicated:

- There could not be any question of retraction of the integration process so far achieved.
- However, the international as well as the national contexts within which the integration had been evolving, had changed,
while the integration arrangements had often remained somewhat static. Future arrangements should be built up on a more flexible and dynamic basis.

- In the case of the common commercial policy, besides following up what was being done already, further efforts should be made towards the harmonization of various measures aimed at preventing unjust competition (common rules of origin, harmonization of export incentives at Andean level, common quality norms, regulations regarding EPZs). Furthermore, the lists of tariff exemptions should be thoroughly reviewed.

- In the area of industrial development, there was full consensus in the country that Andean projects should be more of the nature of complementation and less directly competing with already existing industries in other countries. In other words, an aim would be to identify and promote industries in which the production of one or two plants would suffice for the whole Andean region.

Finally, it was observed that the integration process, for instance, the industrial sector programming, had not been fully put to work and not always been working totally harmoniously. This did not, however, necessarily mean that the mechanisms were not good.

Saturday 23 October 1982

10.30 Andean Development Corporation (CAF)

Present: Mr. Jose C. Cardenas, Executive President
Mr. Jorge Balcazar, Vice President, Operations
Mr. Victor Hoyos Salaz, Vice President, Finance
Mr. Emilio Costa, Chief, Division for Finance Programming
Mr. Carlos Claverie, Chief, Division for Evaluation
Mr. Miguel Olano, Chief, Division for Administration of Loans
Mr. Guillermo Hansen, Financial Analyst

The Executive President of CAF Mr. Cardenas presented an overall picture of the functions and activities of CAF. He pointed out that agreement on the creation of CAF was reached already in 1968, thus even before the formal Andean Pact agreement in 1969. CAF started operations in 1970. Its authorized capital is US $400 million, whereof US $100 million was initially subscribed and paid in. Another US $100 million is available for new subscription and approaches to that effect are now being made to the governments. The remaining US $200 million constitute guarantee capital.
CAF has so far approved operations of about US $500 million. They are using two "windows":

(i) investment programme in the Andean Pact countries;
(ii) trade financing (intra-Andean Pact as well as trade with third world countries).

CAF has also created the Andean System of Trade Financing (SAFICO) to foster exports of Andean countries' origin. The system operates through exporter's or buyer's credits of non-traditional goods of the sub-region.

Minimum amount for such a credit is 10 million US $, short-term up to one year or medium-term up to five years with an interest rate of currently 13.5 per cent per annum. Credit lines have been received through the following institutions: Andean Reserve Fund (FAR), PROEXPO (Colombia). FOPEX (Ecuador) and FINEXPO (Venezuela).

Mr. Cardenas also noted that while there had, overall, been a tremendous growth in international trade during the last decades, the Latin American countries had not participated in that growth. Indeed, in 1950 Latin America had 11 per cent of world trade, today it has only around 4 per cent! The possibilities during the past decades of increased trade with the developed countries and the Arab OPEC-countries had not been fully utilized by the American countries, including those of the Andean Pact. I hoped that one valuable mechanism or tool in this connexion would be the "Multinational Andean Companies", the concept of which was approved in 1982. CAF wanted to play a role in ensuring necessary links between these new companies and the marketing channels and distribution know how of international enterprises (TNCs).

The mission was also informed that CAF had completed an initial study on industrial rationalization. It was attaching importance to the carrying out of further studies on specific aspects in this field. The studies should identify in each member country a determined number of projects which could be financed by CAF and elaborated the corresponding preliminary project profiles.

CAF was also presently carrying out a study on prospective Multinational Andean Companies.
LIST OF PARTICIPANTS

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ANNEX 1(3)

PERU

Mr. Néstor Moscoso Campos
General Director, Technical Affairs
Industry, Tourism and Integration Ministry

Ms. Hilda Rodríguez Cruz
Industry, Tourism and Integration Ministry (MITI)

Ms. Doris Urbina Mancilla
Industry, Tourism and Integration Ministry (MITI)

Mr. Félix Mendoza Amézquita
Industry, Tourism and Integration Ministry (MITI)

Mr. Javier Valderrama Escobar
Industry, Tourism and Integration Ministry (MITI)

Mr. Luis Ponce Vega
Industry, Tourism and Integration Ministry (MITI)

Mr. David Aranaga Manrique
Industry, Tourism and Integration Ministry (MITI)

Mr. Jorge Licetti Conicia
Industry Society

VENEZUELA

Mr. Freddy Tineo Aguilera
Co-ordinator, Industrial Programming
Foreign Trade Institute (ICE)

Mr. Luis Hueck Gutieri
Venezuelan Exporters Association (AVEX)

ANDEAN DEVELOPMENT CORPORATION (CAF)

Mr. Juan Ramírez Valdeavellano
Representative in Peru

JUNTA DEL ACUERDO DE CARTAGENA (JUNAC)

Mr. César Peñaranda
Chief
Industrial Development Department

Mr. Oswaldo Dávila
Chief
Programming Department
Mr. Raúl Estrada
Chief
Studies Section
Industrial Development Department

Mr. Augusto Aninat
International Staff Member
Economic Policy Department

Mr. Carlos Palacios
International Staff Member
Industrial Development Department

Mr. Antonio Kuljevan
International Staff Member
Legal Relations

Mr. Enrique Magan
International Staff Member
External Relations

Mr. Mercedes Alayo
Technical Assistant
External Relations

Mr. Javier Iguíñiz Echeverría
JUNTA-UNIDO Consultant

UNIDO (Conference and study tour)

Mr. Liecheng C. Zhou
Deputy Director
Division for Industrial Studies

Mr. Nils Ramm-Ericson
Senior Industrial Development Officer
Regional and Country Studies Branch
Division for Industrial Studies

Ms. Claudia von Monbart
Assistant Industrial Development Officer
ECDC Section
Division for Policy Co-ordination

Mr. Marino Dizzy
Senior Industrial Development Field Adviser (Conference only)
Lima, Peru

Mr. Gerold Janka
Industrial Projects Officer (Conference only)
Lima, Peru
Mr. Enrique C. D'Angelo
Chief Technical Adviser (UNIDO)
JUNAC

(Conference only)

Mr. Andreas Lenel
Industrial Projects Officer
La Paz, Bolivia

(Study tour only)
ANNEX 2(1)

ANDEAN GROUP - ASEAN - UNIDO
Conference
October 11 - 14, 1982
Lima, Peru

PROVISIONAL AGENDA

Monday 11 October

Morning session 9:00 a.m.

1. Opening of the conference, by the Cartagena Agreement Board (JUNAC).
2. Brief introduction on the purpose of the conference, by UNIDO.
3. Long-term goals of the Cartagena Agreement, by the Cartagena Agreement Board.

Afternoon session 3:00 p.m.

1. Issues of economic policy in the Andean Group, by the Cartagena Agreement Board.
2. The Joint Industrial Programming of the Andean Group: conceptual frame, implementation and perspectives, by the Cartagena Agreement Board. This theme includes, in addition to other issues, the Sectorial Programme of Industrial Development and the Rationalization Programmes.

Tuesday 12 October

Morning session 9:00 a.m.

1. Long-term goals of the economic co-operation of the ASEAN.
2. Promotion of industrialization through ASEAN co-operation mechanisms.

Afternoon session 3:00 p.m.

1. Exchange of experiences and comments on industrial development issues
- Factors leading successfully to implementation of programmes, agreements and projects;
- Problems and difficulties encountered in such implementation.
- Alternative solutions to the common or similar problems related to the two groups of integration.

2. Identification and discussion of potential areas of co-operation between ASEAN and Andean Group.

Thursday 14 October

Morning session 8:30 a.m.

Concluding session of the Conference with adoption of a brief report.
### Table 1. Andean Group: Principal products imported from ASEAN

(Thousands of US dollars)

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>1978</th>
<th>1979</th>
<th>1980-81</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOLIVIA (TOTAL)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27.13 Paraffins</td>
<td>319</td>
<td>321</td>
<td>131</td>
<td>140</td>
</tr>
<tr>
<td>84.12 Air Conditioners</td>
<td>25</td>
<td>105</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>85.15 Radio and TV receptos</td>
<td>132</td>
<td>85</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>239</td>
<td>190</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>752</td>
<td>592</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>COLOMBIA (TOTAL)</td>
<td>10,207</td>
<td>16,006</td>
<td>16,055</td>
<td>17,161</td>
</tr>
<tr>
<td>09.09 Cummin-seeds</td>
<td>-</td>
<td>-</td>
<td>272</td>
<td>272</td>
</tr>
<tr>
<td>40.01 Latex and natural rubber</td>
<td>9,430</td>
<td>13,227</td>
<td>13,742</td>
<td>14,937</td>
</tr>
<tr>
<td>80.01 Tin</td>
<td>259</td>
<td>-</td>
<td>437</td>
<td>131</td>
</tr>
<tr>
<td>84.11 Bombs, motobombs and turbo bombs</td>
<td>163</td>
<td>1,605</td>
<td>-</td>
<td>178</td>
</tr>
<tr>
<td>85.15 Radio and TV receptos</td>
<td>4</td>
<td>356</td>
<td>802</td>
<td>249</td>
</tr>
<tr>
<td>87.09 Motorcycles</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>10,043</td>
<td>15,305</td>
<td>15,253</td>
<td>16,506</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>98%</td>
<td>96%</td>
<td>95%</td>
<td>94%</td>
</tr>
<tr>
<td>ECUADOR (TOTAL)</td>
<td>2,631</td>
<td>2,254</td>
<td>7,521</td>
<td>2,618</td>
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<tr>
<td>15.07 Palm oil</td>
<td>1,108</td>
<td>311</td>
<td>2,621</td>
<td>-</td>
</tr>
<tr>
<td>40.01 Latex and natural rubber</td>
<td>1,056</td>
<td>1,313</td>
<td>3,538</td>
<td>1,000</td>
</tr>
<tr>
<td>84.12 Air Conditioners</td>
<td>-</td>
<td>-</td>
<td>283</td>
<td>840</td>
</tr>
<tr>
<td>85.15 Radio and TV receptos</td>
<td>4</td>
<td>62</td>
<td>275</td>
<td>250</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>2,168</td>
<td>1,686</td>
<td>6,717</td>
<td>2,090</td>
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<tr>
<td><strong>Total</strong></td>
<td>82%</td>
<td>75%</td>
<td>89%</td>
<td>80%</td>
</tr>
<tr>
<td>PERU (TOTAL)</td>
<td>7,822</td>
<td>10,713</td>
<td>11,752</td>
<td>N.A.</td>
</tr>
<tr>
<td>15.07 Coconut and almond oils</td>
<td>189</td>
<td>69</td>
<td>409</td>
<td>N.A.</td>
</tr>
<tr>
<td>27.13 Paraffins</td>
<td>-</td>
<td>329</td>
<td>413</td>
<td>N.A.</td>
</tr>
<tr>
<td>40.01 Latex and natural rubber</td>
<td>7,033</td>
<td>9,779</td>
<td>9,558</td>
<td>N.A.</td>
</tr>
<tr>
<td>85.15 Radio and TV receptos</td>
<td>115</td>
<td>137</td>
<td>609</td>
<td>N.A.</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>7,377</td>
<td>10,314</td>
<td>10,994</td>
<td>N.A.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>94%</td>
<td>96%</td>
<td>94%</td>
<td>N.A.</td>
</tr>
<tr>
<td>VENEZUELA (TOTAL)</td>
<td>16,513</td>
<td>17,812</td>
<td>23,887</td>
<td>N.A.</td>
</tr>
<tr>
<td>08.01 Coconuts</td>
<td>244</td>
<td>358</td>
<td>481</td>
<td>N.A.</td>
</tr>
<tr>
<td>08.09 Cummin and Anise seeds</td>
<td>216</td>
<td>620</td>
<td>329</td>
<td>N.A.</td>
</tr>
<tr>
<td>15.07 Cotton and Coconut oils</td>
<td>1,431</td>
<td>3,831</td>
<td>-</td>
<td>N.A.</td>
</tr>
<tr>
<td>26.01 Chromo</td>
<td>469</td>
<td>477</td>
<td>581</td>
<td>N.A.</td>
</tr>
<tr>
<td>40.01 Latex and natural rubber</td>
<td>9,299</td>
<td>7,740</td>
<td>18,338</td>
<td>N.A.</td>
</tr>
<tr>
<td>73.21 Structures of iron and steel</td>
<td>6</td>
<td>-</td>
<td>18,669</td>
<td>N.A.</td>
</tr>
<tr>
<td>85.14 Monophasic motors</td>
<td>-</td>
<td>431</td>
<td>383</td>
<td>N.A.</td>
</tr>
<tr>
<td>85.15 Radio and TV receptos</td>
<td>255</td>
<td>65</td>
<td>244</td>
<td>N.A.</td>
</tr>
<tr>
<td>89.01 Boats</td>
<td>2,474</td>
<td>22</td>
<td>-</td>
<td>N.A.</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>14,388</td>
<td>15,513</td>
<td>20,356</td>
<td>N.A.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>87%</td>
<td>87%</td>
<td>87%</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

N.A.: Not available

Source: Statistical Unit - JUNAC.
Table 2. Andean Group: Principal products exported to ASEAN  
(Thousands of US dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BOLIVIA (TOTAL)</td>
<td>136</td>
<td>1,072</td>
<td>4</td>
<td>12,140</td>
</tr>
<tr>
<td>Tin</td>
<td>-</td>
<td>1,066</td>
<td>-</td>
<td>12,140</td>
</tr>
<tr>
<td>Cotton</td>
<td>134</td>
<td>1,066</td>
<td>-</td>
<td>12,140</td>
</tr>
<tr>
<td>Subtotal (%</td>
<td>134</td>
<td>1,066</td>
<td>-</td>
<td>12,140</td>
</tr>
<tr>
<td>Total</td>
<td>99</td>
<td>99</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>COLOMBIA (TOTAL)</td>
<td>914</td>
<td>2,359</td>
<td>1,862</td>
<td>3,731</td>
</tr>
<tr>
<td>Coffee</td>
<td>-</td>
<td>19</td>
<td>653</td>
<td>-</td>
</tr>
<tr>
<td>Cotton</td>
<td>-</td>
<td>134</td>
<td>326</td>
<td>-</td>
</tr>
<tr>
<td>Trimmins for brakes and clutches</td>
<td>67</td>
<td>134</td>
<td>187</td>
<td>369</td>
</tr>
<tr>
<td>Autoparts</td>
<td>23</td>
<td>197</td>
<td>187</td>
<td>369</td>
</tr>
<tr>
<td>Ball point pen</td>
<td>413</td>
<td>241</td>
<td>325</td>
<td>429</td>
</tr>
<tr>
<td>*Non identified</td>
<td>133</td>
<td>1,259</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Subtotal (%</td>
<td>636</td>
<td>1,850</td>
<td>1,491</td>
<td>3,515</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>78</td>
<td>80</td>
<td>94</td>
</tr>
<tr>
<td>ECUADOR (TOTAL)</td>
<td>2,027</td>
<td>529</td>
<td>598</td>
<td>1,810</td>
</tr>
<tr>
<td>Cacao</td>
<td>493</td>
<td>213</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Paste of cacao</td>
<td>1,519</td>
<td>298</td>
<td>184</td>
<td>299</td>
</tr>
<tr>
<td>Cacao in form of powder</td>
<td>-</td>
<td>-</td>
<td>101</td>
<td>-</td>
</tr>
<tr>
<td>Extract of coffee</td>
<td>-</td>
<td>-</td>
<td>301</td>
<td>-</td>
</tr>
<tr>
<td>Fish flour</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>310</td>
</tr>
<tr>
<td>Ball point pen</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,200</td>
</tr>
<tr>
<td>Subtotal (%</td>
<td>2,012</td>
<td>511</td>
<td>586</td>
<td>1,809</td>
</tr>
<tr>
<td>Total</td>
<td>99</td>
<td>97</td>
<td>98</td>
<td>100</td>
</tr>
<tr>
<td>PERU (TOTAL)</td>
<td>3,139</td>
<td>3,689</td>
<td>3,788</td>
<td>4,551</td>
</tr>
<tr>
<td>Conserves of fish</td>
<td>648</td>
<td>33</td>
<td>229</td>
<td>118</td>
</tr>
<tr>
<td>Fish flour</td>
<td>2,178</td>
<td>2,669</td>
<td>1,577</td>
<td>473</td>
</tr>
<tr>
<td>Tin minerals</td>
<td>-</td>
<td>-</td>
<td>1,146</td>
<td>127</td>
</tr>
<tr>
<td>Lead</td>
<td>88</td>
<td>120</td>
<td>336</td>
<td>491</td>
</tr>
<tr>
<td>Zinc</td>
<td>-</td>
<td>64</td>
<td>21</td>
<td>2,794</td>
</tr>
<tr>
<td>Manufactures of Zinc</td>
<td>41</td>
<td>196</td>
<td>-</td>
<td>248</td>
</tr>
<tr>
<td>Subtotal (%</td>
<td>3,005</td>
<td>3,082</td>
<td>3,309</td>
<td>4,251</td>
</tr>
<tr>
<td>Total</td>
<td>96</td>
<td>84</td>
<td>87</td>
<td>93</td>
</tr>
<tr>
<td>VENEZUELA (TOTAL)</td>
<td>2,548</td>
<td>2,822</td>
<td>-</td>
<td>3,565</td>
</tr>
<tr>
<td>Veneers of iron or steel</td>
<td>2,808</td>
<td>-</td>
<td>2,190</td>
<td></td>
</tr>
<tr>
<td>Tubes of iron or steel</td>
<td>-</td>
<td>-</td>
<td>1,120</td>
<td></td>
</tr>
<tr>
<td>Maches for working glass</td>
<td>-</td>
<td>-</td>
<td>174</td>
<td></td>
</tr>
<tr>
<td>Subtotal (%</td>
<td>2,808</td>
<td>-</td>
<td>2,190</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>99</td>
<td>-</td>
<td>98</td>
<td>3,484</td>
</tr>
</tbody>
</table>

*Products comprised in Position BTN 99.99

Source: Statistical Unit - JUNAC.
Table 3. Andean Group: Trade with ASEAN 1975-1981

(Thousands of US dollars)

<table>
<thead>
<tr>
<th>Country</th>
<th>Exporta</th>
<th>Importa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia</td>
<td>-</td>
<td>19</td>
</tr>
<tr>
<td>Colombia</td>
<td>252</td>
<td>898</td>
</tr>
<tr>
<td>Ecuador</td>
<td>-</td>
<td>2,539</td>
</tr>
<tr>
<td>Perú</td>
<td>5,856</td>
<td>3,385</td>
</tr>
<tr>
<td>Venezuela</td>
<td>40</td>
<td>1,505</td>
</tr>
<tr>
<td>Total</td>
<td>6,148</td>
<td>8,346</td>
</tr>
<tr>
<td>% of total Export/Imports</td>
<td>0.05</td>
<td>0.06</td>
</tr>
</tbody>
</table>

* Estimate

N.A.: Not available.

Source: JUNAC.
<table>
<thead>
<tr>
<th></th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia</td>
<td>-</td>
<td>0.2</td>
</tr>
<tr>
<td>Colômbia</td>
<td>4.1</td>
<td>10.8</td>
</tr>
<tr>
<td>Ecuador</td>
<td>-</td>
<td>30.4</td>
</tr>
<tr>
<td>Peru</td>
<td>95.3</td>
<td>40.6</td>
</tr>
<tr>
<td>Venezuela</td>
<td>0.6</td>
<td>18.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

N.A.: Not available.

Source: JUNAC.
Table 5. Andean Group: Trade with ASEAN
(Thousands of US dollars)

<table>
<thead>
<tr>
<th></th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Indonesia</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Malaysia</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Singapore</td>
<td>-</td>
<td>19</td>
</tr>
<tr>
<td>Thailand</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>-</td>
<td>19</td>
</tr>
</tbody>
</table>

\textsuperscript{e}/ Estimate

N.A. Not available.

Source: JUNAC
Table 6. Andean Group: Trade with ASEAN 1975-1981
(percentage)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>50.6</td>
<td>1.3</td>
<td>-</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>-</td>
<td>-</td>
<td>0.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>42.6</td>
<td>8.3</td>
<td>-</td>
<td>28.5</td>
<td>1.3</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>-</td>
<td>-</td>
<td>99.8</td>
<td>-</td>
<td>0.6</td>
<td>-</td>
<td>100.0</td>
<td>32.8</td>
<td>35.4</td>
<td>-</td>
<td>14.1</td>
<td>55.1</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>Singapore</td>
<td>-</td>
<td>100.0</td>
<td>-</td>
<td>1.5</td>
<td>5.5</td>
<td>-</td>
<td>21.0</td>
<td>56.3</td>
<td>49.4</td>
<td>56.1</td>
<td>43.6</td>
<td>N.A.</td>
<td>N.A.</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>-</td>
<td>-</td>
<td></td>
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N.A.: Not available.

Source: JUNAC.
### Table 7. Colombia: Trade with ASEAN 1975-1981
(Thousands of US dollars)

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Source: JUNAC
Table 8. Colombia: Trade with ASEAN 1975-1981
(percentage)

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Source: JUNAC.
Table 9. Ecuador: Trade with ASEAN 1975-1981
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e/ Estimate

N.A. Not available.

Source: JUNAC.
### Table 12. Peru: Trade with ASEAN 1975-1981
(percentage)

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N.A.: Not available.

Source: JUNAC.
Table 13. Venezuela: Trade with ASEAN 1975-1981
(Thousands of US dollars)

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Source: JUNAC.
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<th>Imports</th>
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N.A.: Not available.

Source: JUNAC.
Table 15. ASEAN: Trade with Andean Group 1975-1981
(Thousands of US dollars)

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<td>11,054 11,669 1,063 3,467 4,902 2,013 N.A.</td>
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<tr>
<td>Indonesia</td>
<td>33 2,532 550 1,721 146 27 2,768</td>
<td>3,117 3,538 3,552 6,614 2,900 9,254 N.A.</td>
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<tr>
<td>Malaysia</td>
<td>1 53 574 273 194 1,325 12,613</td>
<td>5,535 11,157 17,963 5,941 7,619 18,411 N.A.</td>
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<td>Singapore</td>
<td>645 2,272 5,672 922 2,370 2,108 1,422</td>
<td>11,172 11,571 37,194 21,138 31,463 29,299 N.A.</td>
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<td>10,700 183 236 332 222 248 N.A.</td>
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<td>41,578 38,118 60,008 37,492 47,106 59,225 N.A.</td>
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a/ Imports of Bolivia is not included.

N.A.: Not available

Source: JUNAC.
Table 16. ASEAN: Trade with Andean Group 1975-1981
(percentage)

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a/ Imports of Bolivia is not included.
N.A.: Not available.
Source: JUNAC.
<table>
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<td>6,613</td>
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Source: JUNAC.