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Adjunto copia discurso pronunciado
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CONFERENCE

Dear friends:

First, I want to especially thank you for the invitation made by Sophia University of Tokyo to address you at this time.

For me, it is a double honor to speak here at this university, in regard to the political and economic situation of Chile. This is because - in part - I was educated for nearly nine years at "Saint Ignatius" Jesuit College of Santiago and, subsequently, I studied and graduated as a lawyer from the Catholic University of Chile.

I was asked to speak at the conference in English, which is not my language, consequently, I cannot improvise and I will have to read my comments. I hope you are not too bored, because it is not the same to read as to discuss freely, without text.

Finally, I would like to indicate what I will be saying at the conference is under my exclusive responsibility and only represents my personal viewpoints.

In the middle of the 70's Chile commenced its new strategy of development based on the unilateral opening of its economy.

Through a reduction of tariffs and elimination of nontariff barriers, it was sought to improve the efficiency of the domestic productive system, permitting imported products and international prices to overcome protective borders progressively originated under the previous pattern of development from within, a pattern which in spite of the expectations of large sectors did not render the anticipated results and resulted, as in other countries which adopted it, abandonment in the vicious circle of underdevelopment.

This involved the need to create internal conditions, productive as well as institutional, compatible with an economy open to the world, with the clear objective of evaluating the competitiveness of its goods transferred to foreign markets and thus bring the badly needed foreign exchange to the country.

These transformations provoked a gradual reorientation of the productive machine in response to the new incentives, but not without involving high costs, above all, social, that the community should bear in the absence of an alternative.

Many of these social costs are still clear today, representing Chile's present efforts and, particularly,

what has become known as the "new times." This important aspect will be referred to at the end of my discussion.

If we had to compare the present model, we would clearly see the contrast between the two strategies adopted in each.

Under all circumstances, our present model is mainly characterized by being directed toward exports, maintaining low levels of protectionism, through the institutionalization of a neutral tariff and tax policy, through a single exchange rate, economic policy based on regulations, having the private company as the main motor of the economy, supported on a solid macroeconomic balance, through a tenacious and successful fight against inflation and, above all, because this is a product of consensus of the different economic agents involved.

Effectively, this last element is perhaps the cornerstone of the model presently in effect, since this is a consensus, made legitimate democratically, which is different from the model imposed during the existence of the authoritarian regime.

Today, the debate is not behind closed doors or between

four persons, unlike what was happening in the past. Today, anyone interested in participating has the possibility of doing so through different links of democratic participation which exists in the country, and there is always the alternative of not being in agreement and objecting to the modernization plan being carried out, but with technically responsible criteria. Paradoxically, it would seem that the knowledge of being able to be in disagreement, has seen that previously unimaginable agreements have been reached, such as those reached between companies and workers, or between different associations and the authorities.

Presently, in Chile, the discussion centers on the problems which would be known as "fine tuning" of the handling of economic variables, but the elements which form and support our economic system are not questioned. It is clear that the consensus to which we refer has also been reinforced by the success of economic policies followed in my country in the last few years and, in turn, this success has contributed to the successive formation, multiplication, new areas of consensus. An example of what I would call a vicious circle in socioeconomic matters. All this has contributed to

removing dramatism from the economic debate in session and even providing a positive and healthy tone to the exchange of ideas and criteria.

This is how economists as well as politicians, businessmen and workers, and a vast majority of people appraise the past of sustained growth of the economy, stability of macroeconomic conduction, and each time narrower and more advantageous network of relations with international commercial, financial and technological markets.

A common feature of countries which have been successful in their way to modernization and have reached advanced stages of development, is without doubt, the existence of a widely shared national plan, and which has been made legitimate democratically. This is an indispensable element to successfully overcome obstacles to modernization which arise in developing economies. Today, for the first time in many decades, Chile is doing its utmost in developing a national plan, which is provided with unquestionable support from the majority. This permits us to ensure, without excessive optimism, that the advancements in this direction have been providing Chile with a growing protagonism in the group

of Latin-American nations and developing economies. I am of the opinion that not only have we developed an efficient economy, but we have become a more responsible country facing still-pending and challenging problems which arise, which we are aware are not few or small. Chile's development strategy, based on the growing internationalization of its economy, has been without doubt, the main reason for which my country has been repeatedly classified as a "development model."

It is my intention to inform you in a little more detail what has been our Chilean socioeconomic development model.

In view of the exhaustion, as I mentioned previously, of the previous import substitution model with all its costly consequences, the opening of the Chilean economy is established as a valid development strategy, mainly due to, its small nation status, owner of an extensive supply of natural resources, was able to grow in foreign trade.

The foreign-trade policy has been characterized by nondiscrimination against production of foreign origin and in regard to service transactions, there is only a certain grade of selectivity, which has not affected its

development. In turn, the fight against protectionism, particularly that of highly industrialized countries, is one of the permanent objectives of this foreign policy. There is no doubt that, notwithstanding the successes obtained up to this time, national development requires to consolidate the present export markets, providing stability and security, at the same time as seeking expansion in other new markets. This is the origin of the policy asking for transparent and flexible nondiscriminatory international trade, based on efficiency and on neither the development of comparative advantages or the economic policy of the states. The objective to be reached is a complete economic insertion, which enables a diversified and balanced policy, thus avoiding concentration and dependence, insuring the national economy a much better margin of autonomy. Logically, the attainment of this goal requires, in addition, to pass through a second exporter phase characterized by the incorporation of a higher aggregate value than the exportable supply. Today, exporters in Chile develop with complete autonomy and flexibility. There are minimum restrictions for ocean transportation, there are no subsidies to the

production of transported goods and double taxation is avoided through reimbursement mechanisms. In the scope of export promotion, there is a system in which the producers and exporters have support through a semiautonomous state organization known as PROCHILE, to access foreign markets, become familiar with requirements and make known their products. Similarly, import standards guarantee direct access to goods produced in other markets. Under this free export policy, there are practically no barriers or restrictions for the entry of tariff-stopping type entry, with an ad-valorem tariff of a flat 11% existing at present.

The Government of President Aylwin, which took over in March 1990, has maintained and reinforced the opening of the country to trade and to international investment, within a framework of macroeconomic stability. In addition, and as a consequence of its integrationist and long-term vision, commercial policies have been undertaken consisting of three main principles:

1. Promote bilateral economic agreements, as a method of obtaining reciprocity and eliminate nontariff barriers.

ii. Ensure investments, pledging securities to foreign investment, at the same time as ensuring national investment abroad.

iii. Develop regional and extraregional cooperation, as a method of establishing international relations.

The courses of action are being carried out on a simultaneous basis in different geographic areas. The presidential tours, ministerial visits, together with the search for bilateral agreements, the signing of cooperation agreements, mutual security of investments, economic complement, technological development and others, emphasize the attainment of these objectives by Chile's international economic policy.

Among the typical characteristics of the Chilean economic insertion, is the utilization of the extensive supply of natural resources which have been traditionally available in the country and which, paradoxically, have been underestimated in the past as the basis of a possible export development.

Among these resources, our copper reserves should be mentioned which, as some of you are aware, represent 25% of the worldwide copper reserves; our coastline is 5,000 kilometers in length, with the fourth largest fish catch

in the world; 1.6 million hectares of artificial forest and 7.5 million hectares of natural forest; net forestation rate of 60,000 hectares per year; the optimum conditions for fruit and vegetable crops and practically constitute a sanitary island.

In addition, the country has a good transportation infrastructure, communications and ports very near to the production centers. For this reason, in this environment it is worth mentioning the government's concern with improving its national urbanization and transportation infrastructure even further, through an infrastructure investment policy, established as State policy, which forms public and private efforts.

These and other elements have permitted the country to reach a certain relevance in certain subheadings at the worldwide commercial level. For example, Chile's participation in worldwide trade of fish meal is 31.1%, grapes, 23.8%; copper, 14.3%; apples, 7.5%; base metals, 5.5%; salmon, 2.2% and pulp and paper, 2%.

The growth and development of other subheadings based on natural resources, determined the appearance of four large exporting sectors: Mineralogical chemistry, agriculture, forestry and fishery. Each of these

presents an integrated productive chain, which includes, in many cases, semifinished and finished products. The finished products, without amounting to a weighted majority, have undergone the biggest dynamism and expansion in exports of the last few years, which permits to visualize the approach of the second export phase with optimism.

Product of this process, it has been possible to consolidate an entry into world trade, in which exports of raw materials and semifinished products linked to the extensive supply of natural resources, have attained a significant share in foreign markets.

On the other hand, between 1985 and 1991, exports of traditional services, such as freight, insurance, transportation and commissions came from a total of US\$665 to close to US\$2,000 million.

As a conclusion to all that stated previously, we can assert with certainty, that the protagonism provided Chile in its modernization plan with social integration, it is not a future possibility but already a present reality.

The government of President Aylwin has successfully completed its objective to reestablish Chile in the

international community of nations, but we have not done so as a member returning to take a secondary position after so many years of absence. We have returned to assume a prominent role as a nation, which although small, is adequately facing the simultaneous challenges of modernization and social justice.

Notwithstanding, it would be presumptuous and erroneous to state that we have managed to attain all that which we set out to do in the beginning.

It is for this reason that today, the new times present us with a challenge as great or greater than before.

We are aware that the road ahead to the goal of building a fully developed, socially balanced and sociologically sustainable economy is long and not at all easy.

The challenge of growth encompasses serious requirements. In effect, for the economy to grow at an annual rhythm of at least 5% (which permits to raise the per capita income to 40% in the decade), it will be necessary to increase annual investment by at least US\$5,000 million over historic levels. Obviously, this increase of investment cannot be attained without strongly stimulating domestic savings, which regrettably continue to be low, and foreign investment.

Also, the challenge to reach equity is also big, since the levels of poverty and inequality of opportunities continue being, in our opinion, morally and politically unacceptable, constituting, at the same time, an obstacle to future growth of production (which is already encountering problems of lack of qualified personnel), and domestic demand.

To face this challenge, it has been calculated that the social effort carried out by our economy will have to be maintained for ten (10) years, that is, US\$700 million of social costs over the historic level.

In the sustainable development plan, economic agents are just beginning to take note that to ensure future growth, ecologically responsible economic performance is indispensable.

The population will require, increasingly, a clean environment, an essential element for a better standard of living. This requirement establishes a serious collective effort of enormous dimensions, which is unavoidable, also in the context of economic opening to the outside, due to that environmental requirements in international markets are higher each time. It should be pointed out that we should watch out for the

proliferation of environmental regulations which are imposed on international trade actually fulfill environmental objectives and are not the product of a protectionist role, constituting an unnecessary trade barrier.

It seems to us that, in the final term, the reciprocal relations between democracy and the social economy of the market are indissoluble. The democratic consolidation requires a sustained path of development in order that there is no deviation from the basic consensus reached.

On the other hand, the economic challenge to state institutions responsible for generating policies and arbitrating differences which arise en route, due to natural opposing interests is unavoidable.

The modern economic theory, as well as practical experience has demonstrated that the exclusive preoccupation of the different economic agents due to their particular interests does not guarantee the progress of the entire system.

Cases are known of large-scale crises where the lack of a more general vision was precisely established as the main course of the downfall of the levels of activity

and even many economic institutions. It is for this reason that it appears fundamental that important matters in the economic development of a country are not handled with purely microeconomic criteria, but also the impact in the macroeconomic plan as well as the particular forms of national coexistence. The economic system and structure of a society are much more than the sum of the macroeconomic or individual logic. It is from this that we consider that the State has a basic role to play even in the modernization of the country. In fact, modernization cannot be synonymous in the absence of a framework which establishes clear methods of relations between the different social and productive agents. On the contrary, modern societies require the growth of better quality products and services, greater comfort and welfare for the entire population, and all this within considerable stability.

We vividly share the idea that society cannot be subject to a confusion of regulations and requirements of an administrative nature which terminates by establishing the potentialities of the individual initiative, an initiative which without doubt constitutes the first motor of development. Notwithstanding, it does not

appear correct to us that for this reason a systematic opposition be made to all intervention of public authority, in a democratic generating system of the authorities.

To handle all pending challenges referred to, it thus appears necessary that the State play a role, if not main, at least special and of vital importance for the entire community.

For this reason it should be known how to distinguish between a statistical concept, which we categorically reject, and the need to have a State which correctly complies with its functions, well organized and with a degree of technical efficiency at the level of the requirements which are drawn up by all the sectors. Thus, although it has been fashionable to speak of the "minimum state," it appears to us that an efficient state does not necessarily mean a smaller state or a larger state. It basically refers to modernization and rationalization of its functions to adapt its structure to the present needs of society. And this is, perhaps, the pending modernization of greater undertaking awaiting us in the new times. In this international context, it will be necessary to

continue complying with the permanent foreign policy objective, which is to make possible economic growth and a free, democratic and peaceful development of Chile as a nation.

The relevance that this has for our country at these times in history should also be remembered. A few decades ago it was possible to argue that, beyond matters of borders which it was said were related to our security, the country did not have major interests in the international scene. Today, when our foreign transactions reach almost 40% of our national product and constitute the most dynamic sector of our economy, the capital relevance of our foreign action cannot be placed in doubt.

This extends beyond economics, since a country as open to the world as ours has important interests established in the preservation of international peace, democracy and security.

Unfortunately, no state, much less a small one with as limited resources as ours can undertake all tasks conducive to attaining its objectives. For this reason, it is necessary to adopt clear priorities, which do not necessarily include other actions or relations, but

which constitute the basic core around which our main efforts are concentrated.

In this regard, there could be three general objectives for foreign policy of the second government of the reconciliation:

1. The deepening of internationalism of the Chilean economy.
2. Generation of strategic alliances in stable relations which appropriately ensures the international economic inclusion and the security of our democratic life.
3. The selective participation in initiatives tending to ensure the peace and development with equity in the international system.

At this time, we specifically refer to the second objective of our future foreign policy and generation of strategic alliances.

Certainly that our key strategic alliances - but nonexclusive - will be Latin America, since we form part of it. Our cultural, political, economic, social and environmental development should be understood in our local and regional context.

In addition, considering our limited resources, Chile

— should favor relations with those partners with which we have concrete and substantial economic and political interests.

In this regard, our geographic priorities are those countries or areas closely tied to the economic and political interests of our country. This scheme includes the United States, the European Community and what is known as "Asia Pacific."

ASIA PACIFIC

If there is an area of the world where a new formula is necessary and possible for Chilean foreign policy, it is Asia Pacific. Our integration into the Asia Pacific would represent a true modernization factor of Chilean foreign policy.

The sustained expansion of the Asian economies has two important effects for extra regional exporters: Growth of demand for products produced in third countries and a greater purchasing power which results in general increases of imports.

The political convergence is added to this, which is manifested with the close links with ASEAN, the thawing of relations between Taiwan and China and reintegration of Indochina into the Asian system, all with a backdrop

of the release of tension resulting from the end of the cold war.

Asia Pacific today is the destination of one-third of all Chilean exports, even when 50% of this flow is concentrated in Japan. On the other hand, the Chilean exportable supply to the region is still limited to raw materials (83%).

However, we still know little of this region and are quite ignorant of it. Consequently, Chilean integration into Asia Pacific may be materialized when Chile earnestly projects toward it and we can assimilate a reality which is quite complex for our cultural identity. Chilean integration into Asia Pacific will not take place as long as changes in the way of thinking in our country do not take place, as well as a greater understanding of Asia Pacific.

Chile requires, on the one part, mass penetration of new markets (China, Philippines, Indonesia, Thailand, Vietnam), and, on the other, better consolidate those it already has (South Korea, Japan, Malaysia, Singapore and Taiwan). In both cases, it is essential to intensify the promotion activities and economic-commercial contacts, negotiate the reduction of foreign commercial

barriers (on a bilateral basis or participating in the regional commercial liberalization process), and diversify our exporter basket (increase manufacturers). Other material of vital interest to Chile is to ensure its access to alternative sources of capital (Australia, South Korea, New Zealand, Japan and Taiwan), as well as promote Chilean investment in the region through joint ventures.

Our country should, similarly, do its utmost to increase scientific-technical cooperation, in a vertical as well as horizontal direction: On the one hand, it should obtain greater technology transfer (Australia, South Korea, Japan, New Zealand and Taiwan), to sectors with potential exporter and qualification of human resources, and, on the other, to assist the relatively lesser developed economies (Southeast Asia, Insular Pacific). Chile has to convert itself into a dynamic actor and not merely a passive one in the Asia Pacific. The consequence of certain economic goals as well as maintaining contacts and political interest, requires active participation in "Asian" initiatives, which identify us with this region. In this aspect, it would be necessary, for example, to support the regional

peace, cooperation and security plans, (Cambodia, Korea, denuclearization, environment, etc.), at the same time as carrying out more direct and refined monitoring of the main local conflicts.

The basic criteria of a more integral Chilean policy toward the Asia Pacific could be:

- a) Pursue a "privileged relationship" with Japan, given its regional and worldwide gravitational growth, and through the role of its economy as an important market for Chilean exports, as a source of direct foreign investment, as a supplier of new technologies and possible support of shared cooperation programs in third lesser developed countries;
- b) Define an "autonomous and realistic policy" regarding the "two Chinas," with balanced but well-defined parameters, in the sense of being able to advance further in our economic interests with Taiwan (also develop with Hong Kong), without detriment to questions of sovereignty and affecting our relations with RPCH;
- c) Seek greater "institutionalization" of our relations with ASEAN, directly and through the

"Grupo de Rio," one of the "Dialogue Partners" of this grouping;

- d) Draw up agreements with Australia and New Zealand within an environment of common positions in regard to regional and worldwide interests, (e.g. Antarctic), establishment of binational joint ventures and joint commercialization in third markets (Asia and Latin America);
- e) Develop greater approximation and increase political type contacts with the "emerging markets" of Indonesia and Indochina;
- f) Intensify Chilean participation in regional economic forums, including entry into the APEC; and
- g) Design and implement a development policy for Easter Island, in which our oceanic province fulfills a role as a cultural center of research and cooperation for the Insular Pacific;
- h) Develop communications and tourism between our country and the region;
- i) Increase academic and cultural exchange programs with more important countries and institutions and develop studies of Asian languages and culture in Chile;

- j) Make our immigration policy more flexible and modern, at least in that referring to the transit of foreigners and temporary visits of investors and business people.

To develop these policies, it is indispensable to reinforce our presence and action in the Asia Pacific, with measures such as the following:

- a) Reenforce the specialized personnel in the majority of our embassies in the Asia Pacific, as well as open new consulates and/or commercial offices;
- b) Stimulate a more active role of Chilean Congress in countries of the area with parliamentary governments, through visits and binational committees and incorporation into the Asia Pacific Parliamentary Forum (APPF);
- c) Schedule periodic corporate missions to the area, headed by ministers or high officials, using the main fairs and corporate events of the region;
- d) Intensify Chilean participation (public and private) in the different economic cooperation forums of the region and deepen our sectorial support in these (information, studies, exhibitions, exchanges, etc.);

- e) Proceed with greater institutionalization of the corresponding Chilean committees (PBEC, PECC, APEC), with contributions from different national sectors, as well as from binational institutes and committees (Pacific Basin Committee, XXI Century Chile-Japan);
- f) Draw up an image-country program for the Asia Pacific and develop an active campaign in this region which considers distribution in general, (conferences, seminars, advertising, workshops), as well as specific exchanges and invitation programs to Chile (academics, journalists, students, artists, sports people).

As you can see, there is still a lot to go for Chile in the "Asia Pacific" region and particularly in Japan. However, our personal vision is optimistic and I am sure that our two pulses have as many aspects in common which will know how to implement this in policies and specific measures which will not only benefit both countries, through these bilateral relationships we will approach to key regions of the world: Asia Pacific and Latin America.

Thank You Very Much!

Sergio Pizarro Mackay

Congressman of the Republic of Chile

Tokyo, Japan

Sophia University

Thursday, October 28, 1993