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RELATIONS BETWEEN (SWEDEN) AND CHILE IN DEMOCRACY

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1. Introduction

This presentation is a contribution by the Concertation of Political Parties for Democracy of Chile to the dialogue initiated with the government of Sweden with respect to the future relations between both countries in the context of the democratic transition beginning in Chile in March 1990.

In the preparatory talks held in Stockholm and Santiago between November 1988 and March 1989 both parties have expressed their political will to increase significantly the reciprocal links between Sweden and Chile in democracy, and to use the time available till early next year in order to advance as much as possible in the identification of concrete initiatives in this direction. The establishment of a joint working group for this purpose is under consideration.

In order to continue the work underway this note contains a brief synthesis of the main orientations of the Concertation's programme of government under discussion in the socio-economic and international fields, together with suggestions for an annotated agenda for bilateral talks.

A timetable for future activities could be elaborated on the basis of discussions of this note and other proposals by the Swedish counterpart.

2. Synthesis of main programme orientations in the economic, social and international fields

a) Social justice, growth and concertation

Democracy for all has its foundations mainly in solidarity and justice. The reconstruction of Chilean democracy must, inevitably, go together with the progressive reduction of severe inequalities presently existing in the country. We must move towards a more integrated, solidary and fair society, paying a preferential attention to dignity, human rights, and the needs of the country's postponed sectors.

The attainment of real opportunities for progress and a better welfare for all sectors of our society requires a dynamic and self-sustained process of economic growth. Only the latter will allow to satisfy in a sustained manner the aspirations of the Chilean people for change and equality of

opportunities in a context of social and political stability. Without growth, the economy tends to become a confrontational process in which progress of one sector is only attainable through the reduction of the living standards of other groups. Growth is a common integration task that must channel the conflicts of interests of all social strata, thus permitting a better framework for the implementation of policies to favor the underprivileged.

Thus the country's democratic development implies a double commitment to social justice as well as to economic growth. In order to make both objectives compatible it is necessary to drastically reduce the levels of uncertainty, instability, distrust and fear that have characterized national life in the last decades. The recuperation of stable and positive relationships in Chilean society after 15 years of dictatorship and various previous change processes must be sought by satisfying a set of conditions that the Concertation wishes to promote.

- (1) Regulate the conflicts of interests through strong democratic institutions, based on a fair legislation and on a real dispersion of power, so that no one will feel subdued or menaced in their most vital interests.
- (2) Ensure that the most postponed sectors of society will attain sustained progress towards the satisfaction of their needs and aspirations as a result of a national consensus expressed in a clear and decided action by the State through public policies geared towards the correction of injustices. Priority areas considered in this respect are: health, education, housing, employment creation, adequate increase in minimum wages, and target groups such as low income youth, women and "pobladores" in general.
- (3) Address decisions in the economic field with a long term view that will guarantee their stability in time as an indispensable condition for obtaining a sustained process of savings, investments and growth. In particular the aim will be to keep inflation low, to continue fostering exports, to consolidate the emerging competitive mentality among Chilean entrepreneurs and to increase foreign investment.
- (4) Define clearly the rules of the game in the socio-economic field. Among them, a strong state - not a large one - responsible for long term national strategic orientations and active in the promotion of national consensus building and social concertation; a significant and priority role of the private sector as productive agents through different forms of property;

a modern and equitative labour legislation; a fair tax system with more horizontal and vertical equity; an open policy to reach international markets; a negotiated approach to foreign debt issues; promotion of foreign investments; a modern social security system; a well functioning capital market and a general stimulus to economic activities and the increase of productive employment.

- (5) Deepen democracy through numerous spaces and opportunities for participation where concertation prevails over confrontation, thus channeling inevitable conflicts towards solutions implying negotiation and compromise. We wish to promote the organization of citizens in various social instances so that they can exercise their rights and put forward their aspirations for change. The organizations of workers, communities, youth, women, cultural, ecology, and sports groups, regions and others must have increasing spaces for participation in the diagnosis of their specific problems and in the implementation of their respective solutions. This should be coupled with effective processes of administrative decentralization and economic deconcentration, making possible a gradual progress towards a greater social concertation.
- (6) Preserve an adequate unity among fiscal, monetary, financial and foreign trade policies, to ensure macroeconomic balances and stabilize the national economy. Specific policies and programmes aimed at reducing poverty and stimulating growth will be implemented within the resources that will be available. In this respect it will be necessary to make a maximum effort of austerity and of equitable tax payment, together with readjustments within present budget allocations, a reduction of financial outflows linked to the foreign debt and support from international cooperation.
- (7) The constitution of a national basis of science, technology and education is of vital importance for attaining the modernization of the economy, improving labour conditions, making a rational use of natural resources, participating more profitably in foreign trade, attenuating the chronic foreign dependence and stimulating a fluid insertion in the world economy.

We believe Chile is capable of surmounting known obstacles and advancing towards a future of greater growth, social justice and progress. To this end it is essential that all Chileans, civilians and military, businessmen and workers, State and civil society, popular sectors and middle

classes, behave adequately and responsibly to suit the needs of national interest. Effective results will depend on the quality and persistence of collective efforts in order to ensure a great national agreement that will render democracy feasible.

b) An open, modern, and sovereign international economic policy

In the area of international economic relations, our main objectives will be: to create an appropriate framework for negotiating the debt, which will reduce the weight of its service and stimulate the attainment of new credits; to insure growing markets for our goods and services, at profitable and stable prices; and to attract capital investment and external technology investment, so that they serve the development strategy established by our country.

In order to achieve these goals, the following policies will be promoted:

(1) An active policy of selective participation in all the markets of the world, based on a qualitative change in the profile of our exports. A broad diversification of foreign trade at profitable, stable prices of products with high value added must be assured, avoiding the risks of an excessive dependence on few counterparts, whether governmental or non-governmental.

(2) International cooperation, in order to accelerate significantly the technological modernization of Chile and its capacity to productively become a part of the new technological cycle, currently in progress, linked to the development of telecommunications, biogenetics, the globalization of services, robotics, and the advent of new materials, among others.

(3) A political-technical treatment of the foreign debt with a view to reducing net overseas transfers in agreement with creditors. Adequate use will be made of cooperation among Latin American countries to confront jointly the modification of the overall framework of debt restructuring.

(4) Increase in financial transfers to Chile, particularly in matters of concessionary, export and commercial credits, along with a progressive incorporation into capital markets. Likewise, greater use will be made of payment trade-off mechanisms existing in the region.

(5) International technical and financial cooperation, particularly directed at supporting programmes to combat extreme poverty.

(6) Consideration of CIPEC as an arena for cooperation in obtaining suitable prices for our copper exports.

(7) Reception of productive foreign investment from diversified sources in terms that safeguard national sovereignty. Foreign investment will be stimulated to make liquid contributions of capital, contribute to technological modernization, promote exports with growing value added, take advantage of existing international networks of marketing and use of services, contribute to greater organizational efficiency in business, and respond to national development priorities.

(8) International promotion of Chilean enterprises by fostering regional multinational corporations; coproduction agreements with foreign counterparts; creation of large international marketing, engineering, and service firms, and in general, the increase of the capacity of medium and small enterprises to have international linkages.

(9) Active participation in the Uruguay Round of GATT, in an effort to obtain new trade advantages for the export of Chilean products and insure that the rules of the international trade system do not injure national and regional interests. The legal typification and adoption of international measures adequate for preventing and sanctioning trade sabotage will be proposed.

(10) The promotion of a more just international economic order will make the abovementioned initiatives more effective, particularly focussing on measures for reducing the unfavourable effect of the terms of trade, stimulating cooperation in the markets of basic products, limiting the new prevailing protectionist trends, and improving the conditions existing for our incorporation into world scientific and technological progress. In these matters, we must cooperate within Latin America in order to boost our negotiating capacity.

c) The universalization of our international cooperation relations

(1) Chile must return to the traditional path of democratic governments, which participated actively in the international community. The establishment of diplomatic relations with all member countries of the international community based on national interests will be an expression of this policy. In this context, the relationship with the racist government of South Africa will be reviewed in compliance with U.N. resolutions on this matter.

(2) It will be vital to establish close collaboration with

Nordic countries, the European Community and its member countries, the United States, Japan, the socialist countries of Eastern Europe, and other developed countries, with a view to reaching Cooperation and Development Agreements that fortify the Chilean democratic process, and intensify bilateral and multilateral relations in all areas. These agreements will promote aid for democratic consolidation, an increase in reciprocal trade, foreign investment, technological cooperation, increase in net financial flows to the country, development of cultural relations and relations among non-governmental actors, and the identification of joint international political initiatives in world policy matters, among other aspects.

(3) Chile must again be an active participant in international fora, where the dictatorship was isolated and excluded. The new conditions allow, and at the same time demand, the support and more intense use of the multilateral framework for dialogue and negotiations, with particular concern for the democratization and strengthening of the United Nations and all of its specialized agencies. More just and equitable forms of North-South relations will be sought with a view to improving, in coordination with Third World nations, the conditions of participation of developing countries in the international system. It is necessary to create new instances, more agile and efficient, in order to advance in changing the world economic system. A practical view that identifies specific topics and the most needed participants in each case is required.

(4) Based on our identification with the democratic values developed in the West, Chile must resume its non-aligned stand in areas of East-West confrontation. This must lead to an active promotion in international fora of concrete measures on disarmament and nuclear non-proliferation, and preventing Latin American countries from becoming scenarios of confrontation between the superpowers.

(5) Bilateral and multilateral activities are complemented with the development of non-governmental international relations. The international ties of the differing sectors of Chilean civil society (businessmen, unions, political parties, social organizations, universities, study centers, among others) will be stimulated. On the basis of the above, the location on national territory of governmental and non-governmental international bodies will be encouraged in order to make of Chile a major center of international activity.

(6) A basic subject of our policy will be international action to confront the continual deterioration of the environment, with particular stress on the over-

exploitation of natural resources, the growth of desertification, the extinction of marine species, nuclear accidents and dumping, contaminating technologies, and the destruction of the ozone layer, among other challenges.

d) Economic integration and Latin American political cooperation

(1) The foreign policy will assume Chile's geographic, historical, and geopolitical situation and will reestablish its traditional Latin Americanist stand based on a modern view of the community of shared interests and the most suitable instruments for stimulating regional cooperation and Latin America's capacity for joint action on issues of common interest. One of our first activities will be to actively join in the process of Latin American political cooperation, with the goal of enriching democratic development and the consolidation of the republican institutions in the region, with special emphasis on South America. The relations with the Group of 8 and SELA as regional coordination organisms will be favoured.

(2) At the economic level, Chile must renew its interrupted activities in favour of regional integration, learning from the lessons of past decades. A realistic policy assumes the use of flexible, selective mechanisms. A strong relationship with the cooperation scheme of Brazil, Uruguay, and Argentina will be developed; greater use will be made of the trade potential of ALADI; and a satisfactory linkage with the Andean Pact will be sought. In each case, the institutional formulas most appropriate to the current development of these initiatives will be used.

(3) The possibilities of political and economic cooperation also include the capacity to overcome inherited conflicts that limit Latin American unity. The progressive establishment of a Zone of Peace and Democratic Security in South America that curtails intraregional border tensions, assures the military denuclearization of the area, stimulates measures for reciprocal trust that aid in surpassing prevailing hypothesis of conflict among countries of the region and advancing in the balanced limitation of military spending, will help to create an adequate climate for integration, as well as strengthen South America's capacity to influence global strategic affairs. Within the Central American framework, the effective enforcement of the Esquipulas II Peace Agreements and their complementary decisions will be promoted.

(4) A Latin American-oriented policy also supposes an intensification of the relations of friendship and political cooperation with neighbouring countries, giving particular

thrust to border integration through the establishment of shared poles of development that stimulate trade, communications, reciprocal passage, the development of physical infrastructure, joint investments, linkages among social actors, and academic and cultural exchange among border zones. The prospects of reciprocal collaboration with Argentina offered by the Treaty of Peace and Friendship, which have been seriously limited by the actual political conditions in Chile, will be developed in all areas.

3. Suggestions for a Bilateral Agenda

The following are suggestions with respect to the set of issues that the joint working group under consideration by the government of Sweden and the Concertation, could deal with.

a) Overview of present relations

It would be useful for the work to be undertaken to have as a background the state of present relations between Sweden and Chile. This includes both governmental and non governmental links together with economic exchange and cooperation projects under way.

b) Promotion of non governmental cooperation

It is the view of the Concertation that the very rich network of non governmental relations and initiatives developed with Sweden during the authoritarian regime should continue to be fostered in democracy, with full respect for their autonomy. Particular care should be taken to ensure that these activities are not absorbed by the "bureaucratic temptation" on either side to put all future relations under a purely government-to-government framework. At the same time it will be necessary that non governmental initiatives contribute in practical ways to the most urgent needs of a democratic Chile.

c) Aid for the initial consolidation of democracy

The Concertation does not believe that Chile should become a regular aid receiving country. On the contrary its medium terms objective is to move as soon as possible into a self reliant development process on the basis of a stable democracy. Nonetheless, the next government will have to deal with a highly complex transition process in a constitutional, legal and military framework full of constraints and limitations. It will not operate initially within a fully democratic setting according to Western

standards. It will have to move in that direction with care and political vision.

In order to reach this goal in an orderly manner external support for a given period of time will be necessary. The example of other Latin American countries after the departure of the militaries from government shows the enormous difficulties that lie ahead, and the importance that well timed and adequately prepared international backing could have played in making their transitions smoother. We want to learn from these experiences.

We also believe there is the will in many international circles to act in this manner and to help transform the very strong feelings of solidarity with the struggle of the Chilean people for democracy into a forceful current of political and material support for the democratic reconstruction of Chile.

In general terms, this means complementing the well elaborated policies and criteria linked to development aid with an emerging world concept and new area for cooperation: that of aid for the initial consolidation of democracy in difficult transition processes.

The Concertation believes that this non reimbursable support should be channelled mainly to the future government's social policies geared towards reducing and subsequently eliminating critical poverty in the country, expressed in the creation of a solidarity fund for this purpose. Focus areas in this field are: health, education, housing, employment creation, minimum wage increase, and target groups such as low income youth, women and "pobladores", in general. Also, the development of managerial and technical capacities in the governmental and non governmental sphere to coherently articulate these programmes and the institutional organization of participatory mechanisms for the disenfranchised.

A timetable for the identification of concrete priority areas and eventual projects should be established. In specific terms, it would also require that in the course of 1989 the necessary budgetary and operational decisions are made so that the implementation of this line of cooperation can be made effective early in the course of 1990.

d) Technical cooperation and transfer of social experiences

Chile needs to democratize its institutionality and modernize further its technological and management structures. This points to a number of areas where

experience of other countries can be most useful. Among them:

(1) Basic democratic institutions and practices. The social experimentation of Sweden can be the basis of technical assistance in areas such as: social concertation, trade union-business relations, participation of women, Ombudsman, environmental issues, labor laws and organization, social policies and other similar areas.

(2) Modern state organization. This includes experience in central state management, local government, management of public services, decentralization and deconcentration, state-business and civil society relations and other connected fields.

(3) Technological innovation. This includes higher education specialization, research and development policies, new technologies and labour implications, technological priorities for Chile, knowledge of world technological trends, incorporation of Chilean experts into technological research carried out in Sweden, among other options.

In all these fields, technical cooperation experts, scholarships, and working periods abroad, should be considered.

e) Investment by Swedish enterprises

The high priority given to growth in the programme of the Concertation results in a concomitant significance of investment, including the need for a high level of foreign investment flows. Given the "delay" in relation to other countries with respect to the presence of new Swedish enterprises in Chile during the last 15 years, this is an area that needs to be explored urgently. We believe Chilean development policies will afford many worthwhile business opportunities in which the participation of Swedish enterprises would be highly welcome.

To move in a practical direction it would be necessary to analyze traditional Swedish areas of productive specialization and their relevance to the development needs of Chile. At the same time the Concertation would have to specify the principal fields it wishes to promote. A timetable for identification of opportunities and areas of common interest should be established. In this context a mission of Swedish business people to Chile in the course of the second semester of 1989 would be useful in preparing the road for decisions in 1990. The creation of a binational

business committee, to begin operation in 1990, should be considered in the second semester of 1989.

f) Trade

The continued expansion of the export sector will be a central component of the Concertation's growth strategy. Concomitantly, the increase in investments will determine a higher demand for imports. This points towards Chile as an active trading partner whose foreign trade movement is today of approximately US\$ 12 billion and will grow in the future.

In this framework trade potential between Sweden and Chile should be looked at through the preparation of reciprocal market studies. These should consider the use by Chilean exports of tariff reductions negotiated in the General System of Preferences (GSP).

An important dimension of the possibilities that lie ahead, is for foreign investors to use Chile as an export platform towards the rest of South America and also towards the Pacific Basin. In both areas the future government will intensify its relations giving particular importance to commercial agreements that will open and stabilize markets for Chilean originated products. The establishment of joint trading companies is also an opportunity that should be explored. The launching of a binational Chamber of Commerce should be studied.

g) Financing

A main dimension of the Concertation's programme is to reduce and ultimately reverse the negative foreign financial flows, in agreement with creditor counterparts. The double objective that underlies the political strategy of the Concertation, increasing growth and decreasing poverty, is highly dependant on achieving this goal.

The fact that at present there is no significant outstanding Chilean debt with Sweden, makes it easier to address this issue. This would include increases of concessional financing, export credit and normal commercial related finance.

A principal issue in this area is the conditions of access by Chile to long term capital financing or "new money" from Swedish banks.

h) Chilean residents in Sweden

The issue of Chileans living in Sweden will be paramount in the bilateral agenda of both countries. It has

multiple facets that need to be discussed and addressed jointly. Due account will have to be taken of the actual individual situations. A first step in dealing with this question would be to exchange views with respect to the present thinking on this matter and organize whatever further reflection on it may prove necessary.

i) Joint international political initiatives

A number of issues lend themselves to possible joint international initiatives between both countries; among them: disarmament and security questions, law of the sea, protection of the environment, Antarctica, regional conflicts, human rights, promotion of democracy, drug traffic, sabotage and economic terrorism, North-South "like-minded" relations. These and other areas should be deepened in order to select some priorities for specific cooperation.

j) Cultural links

Reciprocal knowledge and information about the other country is disbalanced. The high number of Chileans living in Sweden and the solidarity with the struggle for democracy has given Chile a high visibility, but limited to the human rights field and more political issues in general. On the other hand there is not today in Chile an adequate and comprehensive perception of Sweden, which is normally presented in official propaganda as "a friend of the opposition" also limiting the perspective to mainly political questions.

In democracy a normal flow of cultural exchange will have to be fostered, because it is valuable and necessary in itself, but also because it would give both countries a more balanced and enriching view of the other and serve to give a more permanent underpinning to cooperation.

k) Institutional framework

The Concertation considers that the issues suggested above and others that conform the bilateral agenda between both countries, could be discussed in such a manner so as to prepare a future Development and Cooperation Agreement between the government of Sweden and the government of Chile, which will serve as a guiding framework for relations between both countries in democracy.

A draft agreement should begin to be prepared using as a background the accord approved in 1973 and suspended as a result of the coup. The Concertation believes that mid 1990 should be a target date for its signature.