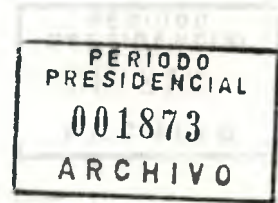


CONSEJO CHILENO PARA LAS RELACIONES INTERNACIONALES

14 de Enero de 1991.

10-6-4

Excelentísimo Señor
Patricio Aylwin Azócar
Presidente de la República
Palacio de La Moneda
P r e s e n t e



Excelentísimo señor Presidente,

El Consejo Chileno para las Relaciones Internacionales, dentro de su propósito de servir de foro de alto nivel para la discusión de los problemas internacionales que interesan al país, ha organizado su Primera Conferencia Anual dedicada al tema de "Las perspectivas del desarrollo político y económico de Chile y las necesidades de su política exterior". En esta Conferencia se examinará la posición que es previsible que el país pueda alcanzar en el futuro cercano y los desafíos que su política internacional deberá enfrentar en un nuevo escenario mundial.

La Conferencia se realizará en Ralún los días 10, 11 y 12 de mayo próximo y a ella se está invitando a un grupo de treinta personalidades líderes en los campos de mayor relevancia para este tema, entre las que se contará con representantes de gobierno, medios políticos, empresas, Fuerzas Armadas e instituciones académicas.

Debido a la importancia que estas deliberaciones tendrán para el futuro del país, me permito consultarle, aun conociendo sus escasas disponibilidades de tiempo, sobre la posibilidad de que pudiera usted aceptar realizar la exposición inaugural de este Encuentro. Para este efecto se sugiere como tema el de "El futuro de la sociedad chilena y su participación en un mundo en cambio", en el que interesaría de sobremanera contar con su visión de estadista sobre lo que el país puede alcanzar en el futuro. Se prevé que esta exposición tenga lugar el día Viernes 10 de Mayo a las 16 horas. Si su tiempo lo permitiera sería por cierto muy honroso contar con su presencia durante el curso de las deliberaciones que seguirán hasta el día sábado por la tarde.

Agradeciéndole de antemano su consideración de esta invitación, reciba un atento saludo de

Francisco Orrego Vicuña
Presidente

CONSEJO CHILENO PARA LAS RELACIONES INTERNACIONALES

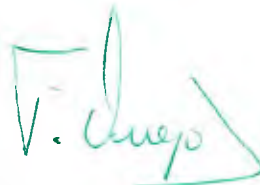
15 de Enero de 1991

Excelentísimo Señor
Patricio Aylwin
Presidente de la República
Palacio de La Moneda
Santiago

Estimado Señor Presidente,

Tengo el agrado de acompañarle el texto de una exposición que realizaré próximamente en el Council on Foreign Relations en Nueva York. En ella se plantean algunas perspectivas acerca del futuro político y económico del país que pueden interesarle, tanto por su preocupación de orientar a la sociedad chilena hacia el devenir, como por haber usted mismo participado de las deliberaciones de esa organización.

Reciba, estimado Señor Presidente, un atento saludo de



Francisco Orrego Vicuña
Presidente

Political liberty and economic freedom: the Chilean challenge

Discussion paper prepared for the Council on Foreign Relations Study Group on Chile, meeting of 4th February 1991 on the "Overview: towards the year 2000".

FRANCISCO ORREGO VICUÑA

1. Democracy and market economy: will Chile keep its model?

Chile is now completing a successful transition to democracy based on an unprecedented period of economic growth and prosperity. The so called "Chilean miracle" is not so miraculous after all from the conceptual point of view since it is based on the well known premise that extended economic freedom necessarily leads to political liberty in the framework of democracy, just as political democracy cannot be sustained in the long term unless it ensures economic growth and social development derived from the latter. But it is indeed quite extraordinary to have had the courage to undertake all the necessary reforms to this effect.

Latin America is full of recent examples where these basic rules have not been followed, with the ensuing result of short lived economic prosperity under authoritarian rule or formal democracies built on economic and social misery. Because of the repeated failure of either

choice and the final frustration with both is that today there is a strong reaction in favour of market economies coupled with democratic political openness. Argentina, Brazil, Colombia, Mexico, Peru, Uruguay and Venezuela are but a few examples of this trend.

Because of having Chile undertaken the fundamental economic reforms since the mid 1970's, with strong emphasis on a market economy system, privatization, liberalization of foreign trade and investments, export oriented policies and Central Bank autonomy, this model has become most influential in Latin America and more recently in Eastern Europe, the Soviet Union and other countries. The political reforms introduced since the early 1980's led towards full transition to democracy in the 1989-1990 period, an aspect that has also had profound international implications. It is the aggregate of both elements that provides the Chilean experience with its unique character and contributes to the identification of a model which is likely to become still more influential internationally.

The key question that needs to be put at this stage is whether this model will be genuinely kept with in Chile in the years ahead. This is a most crucial question indeed since the answer to it will determine whether Chile will enter the Twenty-first century as a part of the community of developed nations of the world or, on the contrary,

will have rejoined the ranks of a hopeless and impoverished Third World. However dramatic this choice may appear to be, the fact is that it lies at the very heart of the challenge facing Chile since an elected government took office in March 1990.

2. The adverse conjunctural situation: the need for clear definitions

The issues associated with this dichotomy cannot be judged solely in the light of the conjunctural events of the first twelve months of the transitional government. Neither, however, judgement can wait for a long term evolution since in actual fact the trends likely to endure will emerge in the course of the next few months. In the Chilean political tradition what is not achieved in the first half of any given administration is hardly achieved at all, above all because the second half is largely devoted to the struggle for succession, a process already well underway.

The conjunctural situation emerging from the first year of such transitional administration, however understandable, has not been the best for the purpose of securing the continuation and consolidation of the unique model described above. While the operation of the reestablished democratic institutions has been generally smooth, strained relations can be observed in connection

with two major forces of Chilean society: the Army and the Judiciary. Both being by their nature conservative institutions they have come under fire on a variety of assumptions, which not always have turned to be true. It is the search for a "New Deal", with the difference that the alternative has not been clearly spelled out.

It can only be expected that relations with the Army, and perhaps with other services as well, will worsen in the light of current investigations into the question of human rights abuses and financial dealings of individuals closely linked to the former military government. But this should be a rather short term phenomenon. There does not appear to be any danger of a breakdown of democracy, but if these relations are not turned soon into a positive interaction towards the future there is a greater danger still: the "Alfonsinization" of the Chilean government, where all energy is devoted to a fruitless struggle with the Armed forces about real or perceived ills and to the detriment of the substantive tasks and the real challenges that the government needs to face relentlessly. No one can ignore the need to provide justice but this cannot be turned into a stumbling block for the need to look ahead, leave the past behind and move forward. From this perspective it is imperative that the issue of human rights be disposed of quickly, and so appears to be the intention of the government.

A second line of conjunctural concern has been more troublesome. After a difficult process of economic adjustment, the performance of the economy in 1990 has not been good, what of course contrasts rather dramatically with the record of the past few years and expectations. To the extent that this is a merely conjunctural phenomenon it is accepted as a fact of life. However, to the extent that it might give rise to a continuing trend it is scrutinized with the greatest of concerns, and quite rightly so. Although there is a clear governmental commitment to keep unaltered the balance of macroeconomic variables, there is also the view that the fine tuning of economic management has not been at all times entirely appropriate and this could end affecting the overall balance of the process.

Be that as it may the fact is that there is still some uncertainty about the direction of future policies. On the one hand, the government commitment to economic stability, growth, and openness to the global economy, is regarded as a most positive sign for the future. On the other hand, however, occasional criticism of private business by high ranking officials, the decision to stop privatization, the discontinued debt-equity conversion arrangements because of market conditions, and the much debated labour and social reforms, including the issue of taxation, have been inevitably interpreted by key economic

actors as negative signs for future policies. The issue is not so much related to discrepancies about the merits of a free market economy as to the choice of the appropriate instruments for its implementation. It is suggested that unequivocal signals of a positive kind throughout the spectrum of economic and social policies, coupled with renewed economic stability and growth, will be the decisive element of the next few months, upon which the credibility of the continuation of the model will largely depend.

3. Broadening the political and economic consensus: a new economic pact.

In spite of the difficulties of the first year, and notwithstanding the existence of some ideological reluctance to follow the model in given sectors of the government coalition, the present administration does not appear to have a real choice in the matter. Firstly, in the light of the past record, it could not risk a long economic downturn, which among other consequences would provide the center-right with a formidable weapon for the 1993 presidential elections. Second, it could neither risk a rise in inflation and unemployment, which have been clearly identified by Chilean public opinion as the worse possible evils of any governmental performance. And thirdly, having been praised the world over for such a

successful economic achievement and pragmatic management of the policies inherited from the prior administration, it could not afford to deprive itself of the truly decisive tool of foreign policy and international prestige.

There are of course other elements that point towards the decision of keeping with the necessary continuity and accommodating the changes that are compatible with the essence of the model discussed. One important such element is of course the public commitment of the President and key cabinet members to relentlessly pursue this goal. More decisive still is the fact that the powerful group of "renewed socialists" within the government coalition has clearly come out in support of market economy policies and international openness in the context of an approach which is not dissimilar to that of the current French and Spanish administrations. This approach in turn has led to a close relationship of the business community with cabinet members representing the latter line, which provides an entirely new outlook for broadening the economic consensus and even for overcoming the old political rivalries between the right and the socialists.

Because the key political actors, with the widespread support of public opinion, are all in favour of the continuity of a model based on the twin principles of

democracy and market economy, it is submitted that the time has come for undertaking a long-standing political commitment to such objectives and policies which would ensure that whatever coalition takes office in 1994 and beyond such a model will be kept with unaltered in its fundamental lines. The somewhat similar understanding reached in Germany between the Social Democrats and Christian Democrats after the War could be repeated with equal success in Chile, with the added advantage that it could completely reshuffle the traditional political alignments and options. Thus far only a broad pact for support of democracy has been discussed, but this is not enough if it does not include the key economic component of the model. On the other hand, there is a broad consensus to the extent that such a model, in addition to democracy, development and growth, ought to include the key social questions of Chilean society in terms of ensuing social justice and equity.

Based on the aggregate of reasons mentioned it would appear as a safe assumption to state that it is more likely than not that the Chilean model will be kept with in the near and long term future. Although Milton Friedmann has warned recently that political liberties will gradually erode economic freedom, one can hope that the Chilean experience proves him wrong. Furthermore, one should also hope that the present or future Chilean

administrations will not limit themselves to keep up with the valuable inheritance received, but they might as well deepen the process of liberalization and complete a task that in many respects was left unfinished. Admittedly, this is a more difficult proposition to envisage in the short term, but the long term might again be different.

4. Liberalization, Globalization and Deideologization: looking ahead

On this assumption one might look with fascination into the unfolding of Chile's future towards the year 2000 and beyond and the manner how the political and economic system of the country will interact with the trends prevailing in the world community at large. In turn, this perspective offers a clear indication of the many and challenging tasks facing the Chilean society in the years ahead.

It is perhaps useful at the outset to visualize Chile in a comparative perspective. Today Chile is roughly comparable to Portugal in terms of population, economic size, outward oriented policies and other factors, with the important difference that while the latter has joined the European Economic Community Chile is not yet part of any such arrangement. In a decade's time it would not be an exaggeration to compare Chile with the present day Spain as far as income is concerned, what in actual fact

means an important step forward both in quantitative and qualitative terms. In both situations the need to closely interact with world markets and international policies is quite apparent, having the Chilean experience to date proven exactly the same point.

Three basic trends prevail in the world community today and are likely to endure for a long time: liberalization, globalization and deideologization. The Chilean model is largely inspired in these concepts and in many respects it anticipated their emergence in the world scene. This convergence is offering unique opportunities for Chile while also warning about the high price that would have to be paid in case of departing from such orientation.

5. Strengthening political liberties: Chile's social pact

Liberalization is undoubtedly the central trend in today's world political and economic system. Personal liberties have been rightly understood as the cornerstone of human and economic development, as the situation in Eastern Europe, the USSR and a meaningful part of the developing world clearly evidences. Chile is certainly no exception to this powerful process and the years ahead will show a gradual strengthening of personal liberties in the framework of a democratic and a pluralistic society. This is another reason why it is so important to overcome

the differences of the past and build a new understanding for the future. It should be noted, furthermore, that in the context of an agreed transition, such as that reached in Chile, consensus plays a fundamental role in providing political stability and thus ensuring economic stability, all of which points to the need to preserve and strengthen this consensus.

The challenge arising from political liberalization is not only a matter of concern for the political system but for private business as well, since it provides the opportunity to consolidate individual well-being, to meet through production and services the needs of individuals and society and to positively contribute to the preservation of such personal liberties. Chilean business in the past felt antagonized by a democratic system that had got out of hand and took a rather gloomy view of the prospects for return to democracy. This reluctant attitude has already changed and it can be expected that it will change still more as the model consolidates.

One of the most significant developments under the present Chilean model has been the change experienced in similar terms by the unions and the labour movement. These no longer perceive businessmen as their enemies within the classic mould of class struggle, but, on the contrary, as their natural partners in a process of growth and common interest. A social pact has been indeed reached in Chile

for the first time, and to some extent this has reduced political manipulation of the unions. Everything points towards the long term endurance of this highly positive experience.

Discussion has been intense recently in Chile about whether the consolidation of democracy and personal liberties requires the establishment of a parliamentary government by means of a constitutional amendment. The examples of Great Britain, partly France, Italy, Portugal and Spain are invoked in this context, as is the contributions that such system makes to the formation of majority governments and consensus building. This writer is not convinced at all about the merits of such proposal. Politicians are not prestigious in Chile, nor for that matter anywhere else, parliamentarians are not experienced nor selected through a rigorous process within the parties, and in fact such a system would give a decisive role in government formation to the political elites, not to the people. This could well end up defeating its very purpose of democratic consolidation.

6. Completing economic and social reforms: a straight forward choice

Liberalization has a most important economic dimension too. The strengthening of private initiative by means of deregulation and privatization and by means of

putting precise limits to the role of the State in the economy, has led to an unprecedented expansion of opportunities, corporate creativity and new responsibilities for business. Chile has been in a number of aspects the forerunner of world trends in the matter, having dramatically changed the attitude of individuals and corporations in an environment of self-reliance which no longer depends on government favours. The State and the key social actors have entered into an entirely new relationship based on cooperation and mutual understanding, and no longer in antagonism, which is the key factor making possible economic modernization and technological development.

In such a context the doubts occasionally expressed by government officials as to the merits of a continued privatization, and the fact that a number of industries earmarked for privatization are still in State hands, are not helpful for the consolidation sought. In fact it has been pointed out that such reluctance is hardly compatible with the government commitment to market economy. It can only be hoped that this trend will be resumed in the near future. One of the problems underlying this discussion is that there are different points of view for assessing continuity and change: while for those relying on the standards of the previous administration any change will be perceived as a form of discontinuity, for those

managing the process today most changes are rather perceived as adjustments which do not alter the fundamental continuity of the scheme. In turn this prompts the question of whether only major changes are capable of affecting the model or this result can also be achieved by means of a succession of small changes.

This question is a serious one indeed since as pointed out above the task of Chilean economic liberalization is still unfinished. There is a dramatic need to overhaul and efficiently improve the social services, which in many respects are hardly compatible with human dignity. The social security services have been mostly privatized with great success, but health services have only partly been subject to this process and are still lagging behind. Higher education has been partly opened to private institutions, but again this opening has been frozen by the present administration. Programs designed to eradicate poverty and other social issues are subject to debate in respect of their approach, which could well offer short term relief but no lasting solutions. Ideological connotations would appear to still underlie some of these doubts or decisions. This discussion again is not so much related to discrepancies about the need to ensure social development as to the question of which are the most appropriate measures and choice of instruments to this end, including the

relationship of social development to growth in the economy.

The choice of the future is quite straightforward too. The completion of the program of privatization is important both for improving the domestic standards of living and well-being and for preparing the country for an increasing worldwide competition and specialization. Education is particularly meaningful for the latter purpose since with the present and largely obsolete university system Chile will be hardly able to enter the demanding conditions of the Twenty-first century. Given the important priority that both business and government are assigning the technological innovation and development, the issue of education becomes a very decisive one for the future prospects of the country.

One other dimension ought to be introduced at this stage. Environmental concerns have forcefully emerged in Chile, like elsewhere in the world, after a long period in which only production seemed to matter. This dimension is not only important domestically but internationally as well, since there is already a form of ecological competition underway by means of the development of green products. Furthermore, exports will increasingly become scrutinized under environmentally safety standards. There is here a new situation which will require close attention in Chile in the future. The challenge is particularly

significant for business, which will need to adapt to such new reality, undertake new responsibilities in the field and, above all, take the lead in order to prevent new forms of State or international interventionism behind which, again, one may find occasionally the same old ideological connotations.

7. Chile, a global country: reaching for the world markets

On the basis of the economic reforms undertaken at the domestic level, Chile became ready to join the world process of globalization at an early stage. Tariff reductions, elimination of non tariff barriers, liberalization of foreign investment rules, and export oriented policies were the key to this effect, which achieved the goal of bringing world competition into the Chilean market and taking Chilean exports to the world markets in a very significant manner. This internationalization of the Chilean economy has taken hold and is one of the major trends that will be firmly kept with for the future, and even will be gradually expanded. Chile has become a global country with global political and economic interests.

Herein, however, also lie some other major challenges facing Chile in the years ahead. Most of the export oriented efforts have relied on agriculture, forestry, fishing and mining, providing an important degree of

specialization and improved quality, but meaning also some vulnerability in world market and their changing conditions. This was most dramatically illustrated in the case of the grape poisoning in the United States market, but is also true in other respects. Manufacturing will have to be added to this effort, by means of technological innovation and the development of competitive advantages, an aspect which the government is already beginning to define. Services, where the Chilean economy is rather weak, will need to follow, particularly if their international liberalization is achieved. This additional effort means that Chile will have to further refine its insertion in world markets.

The biggest problem of all is of course that Chile does not have available an arrangement such as the EEC for accommodating its exports, and the Latin American market does not offer a viable alternative for the time being. It follows that Chile will have to devise its own arrangement for ensuring the continued access to and the stability of exports markets, undertaking a highly complex negotiation with key economic powers at a very difficult moment characterized by growing protectionist trends. This is undoubtedly the most important task yet to be undertaken by Chilean foreign policy. In turn this will require a total new form of organization of the private sector.

The Initiative for the Americas of President Bush has been well received in Chile in the context of providing additional opportunities for free trade, investment and debt relief, but it also raises implicitly the risk of regionalization of economic relations as opposed to the global free trade arrangements that Chile needs in the framework of an effective GATT. In any event, if there really is an intention to implement this Initiative, Chile would be quite ready to enter into a specific agreement, not waiting for the negotiations with Mexico to be finalized since these have to settle a number of difficult points. In fact there is every reason to reach an agreement between the United States and Chile in the near future, which could well help the latter to come closer to the first world markets and policies.

The EEC has become a major area of concern within the perspective of the globalization of the Chilean economy, since protectionism and agricultural subsidies directly affect Chile's exports possibilities to that market. Furthermore, the EEC contribution to the failure of the Uruguay GATT round raises very serious implications for the future of free trade, and this neither is in the interest of Chile. This attitude contrasts rather dramatically with the many declarations issued by European governments to the extent that Chilean democracy could count with their help and good-will, but this has turned

not to be so in what really matters. Here again a very refined diplomatic negotiation would need to intervene, a process which could be helped by a number of state visits scheduled for the near future. If political solidarity has any meaning at all, this is the occasion to prove it.

In addition to the U.S. and EEC markets, Chile has a keen interest in a third major economic area - the Pacific Basin, with particular reference to Japan, the Asian NIC's, Australia, New Zealand and the potentiality of China. Economic interaction with this area is strong, but somehow Chile has not kept the path of its growth: in the early 1980s Chile ranked similarly to Korea and other NIC's in terms of international trade, but ten years later it had been surpassed by far. Today Chile ranks closer to the second generation of NIC's, those of the ASEAN region, and even here there is the risk of having soon to face a third generation coming up - that of Sri Lanka, Bangladesh and other emerging forcefully in the horizon.

In view of the current difficulties in acceding to the Japanese market, the need to secure investments from the Japanese and Taiwanese financial surpluses, and generally to increase exports to the Pacific Basin area, Chile would need to devise an aggressive and specific policy for this purpose. The fact of being one of the most experienced South American countries in the area could well help Chile to be the door of access to and from the

Pacific in the Southern cone, what could result in an important development of services.

The aggregate of U.S., EEC and Pacific markets is what Chile needs to approach on a long term basis in order to ensure the stability and continued growth of its exports and other economic interactions. Having the Chilean economy become so global, no single market could provide the answer; only all such powerful markets together can secure the necessary certainty to this effect. It is in this context where Chilean foreign policy will have to become particularly dynamic and imaginative, especially if the protectionist trends mentioned above are to be avoided.

The Latin American market will of course not be ignored in this process of accommodation of the Chilean economy to global trends. The very concept of economic integration has been changing rather dramatically in the region as a result of liberalization and globalization. Market and not planned economies are at the heart of the new concept, business and not governmental initiatives are now the key to decision-making, functional and no longer bureaucratic institutions are managing such interactions, and, above all, its very purpose is no longer to substitute for imports but to expand exports to world markets on more efficient basis. On this ground trade agreements have been recently signed with Mexico and Venezuela, and others

will follow, but no such scheme will be acceptable to Chile if it would curtail to any extent the key principles of liberalization and globalization. This explains why there has been reluctance to join with Argentina and Brazil in the proposed Common market of the Southern Cone, at any rate until the liberalization in these two countries is not completed. Chilean based business will very likely take the lead in identifying new opportunities for trade, investment and services in the renewed context of Latin America. The lead that Chile has taken in the Latin American context should be turned into a greater capability to compete with Argentina, Brazil and Mexico when these countries will be in a position to resume economic growth after the completion of their respective processes of economic adjustment and reform.

This same trends have opened up new opportunities for Chile in Eastern Europe and the USSR. The strong interest in the Chilean experience relating to privatization, debt renegotiation, international financing of investment projects, Central Bank autonomy, managerial capacity, information and other aspects of economic liberalization, has led to a close interaction with this other area. Joint-ventures, trade and other interactions are also likely to follow in the near future.

B. The internationalization of the Chilean economy: moving forward

Thus far the globalization of the Chilean economy has mainly followed the exports drive. As a consequence the subjects of priority have been access to foreign markets, related investments, avoidance of protectionism and the like. However, a second stage is beginning to unfold and will merit increasing attention in the years ahead - that related to Chilean investments abroad. A few such investments have been made in the past in connection with exports, such as the case of joint-ventures for refining copper in Germany, copper manufacturing in China, marketing chains for fruits in the United States, or even shopping centers in Buenos Aires. But now investments are beginning abroad irrespectively of their connection with exports, an approach which the Central Bank has authorized in a growing number of selected cases, among other reasons to dispose of the surplus of export generated foreign exchange. A related development is the issuance of ADR's in the New York stock exchange for international capitalization of major Chilean corporations.

It can be expected that international movement of capitals will be increasingly liberalized in Chile, by means of the eliminations of current restrictions. Investments abroad of the large accumulation of funds of

the privatized pension system is a matter of discussion in Chile at present, as also is the eventual gradual liberalization of foreign exchange transactions. A third stage in this process can also be seen in the longer term - the development of Chilean based international companies operating in the global market, which would be the natural outcome of the liberalization globalization, and deideologization now taking place. It should also be noted, however, that the increasing volatility of international financial markets will require an every passing day more efficient economic management and greater responsibility on the part of government and business alike, leading to more coherent policies, clear perceptions of the future and diminishing risks, all of what amounts to a new international component of the Chilean economic management.

There can be no doubt that the biggest challenge facing Chilean business toward the year 2.000 will be how to take better advantage of globalization and how to undertake and approach its own internationalization. Competition with experienced multinational corporations will be strong and of a different kind. Obstacles have already been found internationally and this is likely to become more severe as the presence of Chilean business abroad increases. This will require of a growing awareness and ability of Chilean business to negotiate, look ahead, overcome obstacles and compete both domestically and in

the international markets, what in turn will require new forms of corporate organization and strategic planning.

9. A consolidated democracy with prosperity: international significance of the Chilean experience

Chile can no longer be looked at as a small country in the farthest corner of Latin America, or for that matter of the world. It has become a global actor, albeit with modest influence. This new reality is so strong that a number of other problems ought to be approached from the perspective of a global comparative experience, including issues such as urban terrorism, narcotics traffic or mass immigration; the latter, for example, in a different degree is beginning to affect Chile in a manner similar to the pressures existing on the United States and Western Europe.

It can even be argued that the main thrust of Chilean relations with the United States, Japan and the major European countries is no longer strictly bilateral but related to global issues and to what extent there is agreement or disagreement in their respect. The same is true of most regional affairs. This perspective offers new grounds for understanding with major powers, and is becoming particularly notorious in U.S.-Chilean relations, but it has yet to be fully explored. Regrettably, however, the U.S. and other foreign policies do not appear to have

realized this change of interest and content in relations with Chile and keep on raising issues and approaches which are largely irrelevant and damaging for the needs of Chilean development. One such example is the insistence on official development aid while at the same time ignoring the real issues of trade and investment.

In the years ahead Chile will have fully consolidated democracy and simultaneously followed the path of social development in order to eradicate poverty and provide increasing opportunities for its population. The year 2000 should see a country having completed its domestic reforms and undertaken a steady course of economic growth and stability. Pragmatic and businesslike attitudes, not ideologies, will be the driving force behind this consolidation. Most importantly Chile's economy will have become totally internationalized and able to interact globally through trade, investments and other interests, having reached long term trade and economic agreements with the U.S., the EEC and Japan, markets which will become for Chile's exports the functional equivalent of economic integration, only that the arrangements will be again global and no longer regional. Such an optimistic view of the future, on which there is also substantial consensus in Chile, contrasts greatly with the confrontation and catastrophic outlooks of the past, thus evidencing quite clearly the change of

attitude that has taken place.

This rather fascinating perspective is entirely conditional upon the starting assumption, that is that a genuine market economy will be kept within the framework of a forceful political democracy. Liberalization, globalization and deideologization will be pursued in this context as well. To do the contrary would have such frustrating and horrendous consequences, politically and economically, that one can simply refuse to discuss such an option. In any event, no one would really think of undoing such an outstanding effort of the Chilean people in order to obtain well-being with dignity.

In the end, the uniquely successful experience of having Chile attained political liberty and economic freedom is not just a question of domestic interest, but of global interest as well. This has become the symbol that the options of the third world are not foreclosed and that each country can find a new way forward. In turn it has become the evidence that long standing western values are not confined to a few countries but that can also reach out in a global scale. Above all, the continuity of the Chilean model would demonstrate that market economies are compatible with democracy in developing countries after all. The preservation of political liberties and economic freedom in Chile has thus become a matter of broad international concern too.

Francisco Orrego Vicuña is the President of the Chilean Council on Foreign Relations and Professor of International Law and Relations at the Institute of International Studies and the Law School of the University of Chile, also practicing law as an international lawyer.



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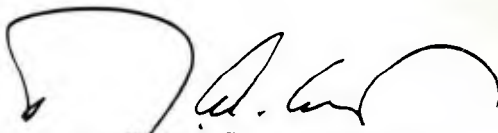
Señor
Francisco Orrego Vicuña
Consejo Chileno para
las Relaciones Internacionales
Presente

De mi consideración:

Por especial encargo de S.E. el Presidente de la República, tengo el agrado de acusar recibo de su carta de fecha 14 de Enero pasado, donde invita a S.E. a participar en la inauguración de la Conferencia Anual del Consejo que usted preside, en el mes de Mayo próximo.

Lamentablemente, por razones derivadas de sus actividades de Gobierno programadas con antelación, al Presidente no le será posible acceder a esta invitación. No obstante por mi intermedio le hace llegar un cordial saludo.

Sin otro particular, le saluda atentamente,



CARLOS BASCUÑAN EDWARDS
Jefe de Gabinete

Santiago, Marzo 4 de 1991.