

Center for Latin American Strategic Studies

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Thank you all for attending this event. Let me begin by saying that for me, it's a great privilege to address the Center for Latin American Strategic Studies, and especially here in Indonesia, where you were able, right after independence, to start thinking about how the world should be shaped by new, emerging countries. Before this meeting, we were talking about the impact of the Bandung Conference in 1955, how it shaped and influenced world affairs in the 50s and 60s. The Conference was important in terms of the new and emerging countries, particularly Indonesia and those on the African continent.

Now, of course, we find ourselves in a different stage of development in terms of foreign affairs. As you know, Chile and Indonesia, among others, are part of the APEC Community. Chile's relationship with Indonesia is a natural result of the geography of the Pacific Ocean. We would like to discuss our role as a bridge between the development of the Asian nations and the advances in Latin America related to what we have been able to do in Chile. This is why the next APEC Summit in Chile, next November, is also important for us. It is here where we think we and our friends here in Indonesia have mutual concerns. This morning, I would like to talk about our perception of the major forces shaping the world today. On one hand, you have the forces of rapid globalization; on the other, multilateral organizations that cannot keep pace with globalization. I think there is a growing tension between those two phenomena. As globalization gathers strength, multilateralism is losing force in some areas, or at the very least, it's not growing as fast as the globalization process is taking place.

Today, foreign trade represents almost 60% of GNP growth throughout the planet. We have to think about how trade has become so important in all these countries. To what extent is global GNP growth the result of growth in international trade? And, in addition to trade, import tariffs have been falling everywhere, which is good. We don't just have more trade; the tariffs we had 30 or 40 years ago are going down. New technology is a key element of these new policies of openness, allowing for a world that is more interconnected than ever before. This means that you don't just have increased trade, finances and organizational production. The transnational firms are growing every year. There is also increased social

interaction among individuals around the world. This is the kind of social cohesion that is essential in order for societies to be competitive.

At the global level, we are trying to decide what will be the best way to manage environmental standards and labor practices around the world. I think the process of globalization is here to stay. The question is how we can shape the world vis-à-vis this new phenomena? If we can't do that, the rules of globalization will be defined by those with the most economic power, instead of with fair rules established with everybody's input. This is where, I think, the global market economy has demonstrated a tremendous capacity for creation. There's no question that this global market, when managed wisely, can deliver unprecedented international profits to all of our societies, better jobs for everybody, and reduced poverty around the world. But it seems to me that we are still far from realizing the potential of the global market. The current process of globalization has brought huge results, both between and within countries. But we can have banner growth without equity, where the benefits of that growth will not reach all countries. These benefits are not going to reach everybody in these countries unless we have very specific public policies. Unquestionably, wealth is being created. But there are too many countries who are not sharing the benefits of that wealth. This is why it's so important to discuss what kind of policies we're going to develop. And here is the other part of the equation: what happens with multilateral organisms? Despite the increasing need for multilateral governance through international bodies, to what extent are multilateral efforts losing ground in almost every aspect of the global agenda? Global institutions are growing, but concerns remain about some key issues relating to trade. There is an asymmetrical relationship between rich and poor countries. The multilateral system, which is responsible for designing and implementing international policies, is not performing as we think it should. This international system lacks a coherent policy.

A very good example is what happened with the World Trade Organization and the failure that occurred in Cancún. It's very clear that it's not only a question of which regions of the world are going to agree. What probably happened in Cancún was that, on one hand, some people said that the world's major trading blocs—the US and Europe—had come to an agreement that was unacceptable for the rest of the world. This marked the emergence of the so-called Group of 20 and its important role. For many decades, multilateral systems and policies directed by the most powerful countries have shaped the system of global government. The question is, what can we do now? I think that the influence of the different countries is in the

process of being re-negotiated. This is a paradox. I was told that at the beginning, the major emphasis of this center was in the area of international foreign policy. But later on, you made the switch to domestic policy as well. International foreign policy is increasingly becoming part of the domestic policies of each country. If you have a very open country like Chile, where 65% of products are imported and exported, what happens in terms of world trade and the global economy is very important. Therefore, if we are to have more and better jobs, we will have to be able to compete abroad and know what's going on with the international economy. Are we going to have a crisis? Are we going to have a period of relative growth, the way it currently is?

What happens internally in Chile depends on what's going on with the world economy, and what are the rules of world economies, to make sure that we benefit from its growth. The matter of deciding those rules is not just a question of international politics; it's also a question of domestic politics. I know that this is difficult for us to explain internally, to our own societies, but this is what we must do. And then, how can we relate our domestic policies to our international agenda? This is the paradox: we have more and more local politics in many countries and more regional politics, but within global processes. Here is where new actors, like NGOs, emerge. How much of a role do these actors play in the international arena, as opposed to 40 or 50 years ago? How are we going to confront this new issue? Of course, isolation is not a viable option for any of us. As President Mandela used to say, globalization is here to stay. How can we prepare for it? What we see today are bilateral, regional and multilateral agreements, which are three extremely important areas. Economies such as those of Chile and Indonesia have to rely more and more on these global institutions if we are to participate in such a way as to benefit our people.

There probably was a time when people talked about some kind of enlightened multilateralism; the Un Charter was able to have a certain set of goals right after World War II to study what kind of multilateral world we would have. The 51 founding countries of the United Nations, the 5 members of the Security Council, and so on, represented the kind of political structure that we had in 1945. How much has the world changed over the past 59 years since the UN Charter was established in San Francisco? And what about economic institutions like Bretton Woods? The problem in 1944 was the reconstruction of Europe, and this is way the World Bank is specifically an international bank for reconstruction. Later, some developing countries made use of its resources, but it was originally meant for

reconstruction after the Second World War. The International Monetary Fund was a result of lively discussions between Mr. White, an American delegate, and Lord Case, a British Representative; along came an institution to manage exchange rates among the different countries to promote a small, but growing, international trade movement. International and multilateral institutions to shape the global agenda are very difficult to manage in today's world. There are new countries emerging, new powers, and this is a globalized world that is quite different from the world of 60 years ago. The great re-ordering of world affairs took place in 1945; but the question is what are we going to do now, given the new situation?

I will present three different areas of concern related to this issue. First, at the multilateral and political level, that today's world is different from what we had before: we had an international system formed around states, with flags and known enemies. But with terrorism, there are no faces, no flags, and no countries in particular. And therefore, facing that enemy requires us to re-think the system. The second issue has to do with newly important areas, such as the environment. Can we define some worldwide environmental regulations? What happens in one place will inevitably impact another place. An example of this has to do with Paraguay and Chile. In the extreme southern part of Chile, the ozone layer is becoming thinner and thinner. This has brought tremendous consequences for the population there. This has been caused by gas emissions, particularly in the northern hemisphere. Where should we discuss that? Where can I go to ask what's going on there? What do I tell people in Chile, as their President, other than "I will try to find a place to discuss this"? This is a global problem; it's not just a domestic problem anymore. Meanwhile, we learn in Bandung about human rights. What about human rights in today's world? This is something that every society has to respect. What about all the international epidemics we see so often these days? What about the kind of cultural diversity that will be essential if we want to live in a global world? And what about social cohesion?

There will be increasingly more public international goods in the areas of the environment, social legislation, human rights, international justice and others. There are areas that have to be discussed at the global level. But where are the institutions to do that? The same way that our societies make basic laws within their borders, it has become common knowledge that on the world level there are areas that are relevant for everyone, like the environment, human rights and others. So who will make definitions regarding these international public goods? And how much will we be able to liberalize our international economic transactions?

Can we establish some rules for global financial markets? Trillion of dollars change hands everyday, and the fact that there are no rules to govern these transactions is a reality that we have to accept, with all the consequences it may bring. What about the threats and distortions of boom and bust economic cycles? What happens when it becomes normal for several countries in the world to have crisis every year that put the stability of the international economy in jeopardy? We should now focus on efforts to create some kind of global organization and common rules; not only in terms of the economy, but also on the international political and social level. I think that this is essential, from the point of view of developing countries. Because if there are no rules, the rules will be imposed, as we know, by those who have the most power.

At the regional level, there are several institutions all over the different continents. Some are very sophisticated, such as the European Union, currently in the process of being enlarged to 25 countries. When we think about how far we have come in the last 40 or 50 years since the first alliance among the Benelux countries, it's amazing, that now we have a common monetary policy in Europe. On the other hand, on each of our continents we have our own regional agreements. Here in Asia, several countries, led by Indonesia, have provided a very important platform for all of your neighbors. In Latin America, we have several institutions, such as MERCOSUR, the Central American Common Market, the CARICOM countries, and the Latin American countries in the Grupo del Río. Nevertheless, what I would like to emphasize here today is what's going on in APEC. APEC represents a regional area with one thing in common: the ocean. There are so many differences, that APEC represents, to some extent, the diversity of today's world. Let me put it this way: first, most of the growth in the world's economy took place thanks to international trade. Second, most of the growth in international trade took place after the Second World War, in the north Atlantic region. Trade between the US, Canada and Europe was the major engine of growth in the 50s, 60s and 70s. It was only in the 80s, and especially in the 90s, that the major engine of trade-related growth moved to the Pacific Ocean. And now, more than 50% of the world's trade takes place among countries along the Pacific Ocean. Looking to that ocean, you have all the Asian countries, plus their trading partners, like the United States, Canada, Mexico, and needless to say, the role being played by China, Russia, other Asian countries like Indonesia, and Australia and New Zealand. These countries are at various stages of development, which is why they established the so-called Bogor Goals, for free trade among all developed countries by 2010 and among developing countries by 2020. What if we were able to discuss some of these major

issues on the multilateral agenda in APEC itself? Can we have some sort of APEC Caucus, in Geneva or somewhere else, with representatives from every APEC country to discuss ways to move forward with the Doha Round? Can we push forward with our trade goals, to resolve to be ready for the Doha Round by 2005?

I understand that APEC is mainly a regional agreement about the region's different economies. But if that is the case, we can extend the reach of the organization a bit, to talk about what we can do with the different countries. The members of the business community, the so-called ABAC Conference, are saying that if there are already so many countries within the APEC region with trade agreements among themselves, why can't they discuss regional agreements on a broader basis? These agreements can then be presented to the developed countries through bodies such as the World Trade Organization. In other words: can we use APEC as a regional organization to discuss issues other than trade? The realities of today's world force us to discuss terrorism, for example. Terrorism can be easily linked with trade, and one of the issues we are discussing is the link between terrorism and trade in terms of the security of our international transactions. And therefore, how can we outfit our ports with better security measures? APEC, which was originally established to increase trade among ourselves, is increasingly becoming a forum to address other issues related to today's world. Issues such as the effects of security and terrorism on trade, and the rules for that trade that are being discussed at the world level, can be discussed here, among such a diverse group of countries.

I think that the next APEC meeting will offer an excellent opportunity to address some of these major issues. In the last APEC meeting in Bangkok, there was a discussion of what to do about trade negotiations in Geneva, in the aftermath of the failure in Cancún. Next month there will be a conference of APEC-member trade ministers in Chile, where we can address some of these issues. Now we have reached a point in APEC where the agenda is on track; but we can also use APEC to tackle some of the larger issues on the international agenda.

A final thing I would like to share with you is that because of the World Trade Organization's inability to move forward, many countries are making bilateral free trade agreements. This has been the case in Chile. As I've said, we're extremely open, we depend on foreign trade, we are a small market of just 15 million people. We have free trade agreements with the European Union, the United States, Canada, Mexico, most Latin American countries, and very recently, with South Korea. Nevertheless, I don't think it's possible to replace a multilateral trade

agreement exclusively with bilateral agreements. I can understand how within the APEC region there is now a trend to move forward with bilateral agreements, but this cannot replace multilateral ones when we're talking about the so-called "Singapore Issues," or antidumping legislation, or genetically-modified foods. We will have to tackle all these issues at the multilateral level, not the bilateral level.

The fact that it is possible to gain access to the market through bilateral free trade agreements is not going to replace the need for multilateral discussions like this one. The same goes for the bilateral agreement with the IMF—this cannot satisfy the need for all of us to discuss the entire international financial system together. At the international level, we are in a different situation from 60 years ago. Can we re-think multilateral institutions, through APEC for example, or through bilateral talks like the one we're having here with Indonesia? We need to envision the world from the point of view of developing countries, just as world leaders did 60 years ago with the developing countries of that time. They expressed their dislike of the Cold War, and were unwilling to choose between two global blocs, so they formed the Non-aligned Movement and the Group of 77, for example. They offered solutions in order to shape the world in a different way. Can we re-shape multilateral institutions given the new conditions in which we find ourselves? Our countries will achieve little in our domestic policies if we cannot also foster new policies at the international level. This is why I think multilateralism has become both a global and a national imperative. If there are no common rules, then those rules will be imposed by others. This is our task. And so I wanted to take the opportunity to talk about the issues in this center, so well-regarded for its way of addressing issues, and here in Indonesia, where you were able to play such an important role in international affairs so soon after gaining your independence and freedom. Now, the time has come for us to rethink where we are and to what extent we are to participate in making the rules of the global world. This is an institution where you can think about how to help us and help make the world better.

(...)

Thank you Mr. Ambassador, you raised quite a number of interesting questions. First of all, regarding the Security Council, I think it is very obvious that the five permanent members represent the world as it was in 1945. Here, there are two things. First, given what the Security Council is today, if you are a permanent member, you have a vote and a veto. If you are a non-permanent member, you just have a vote. We were on the Security Council as a country, and we still are.

We've had to make some difficult decisions, like in March of last year. We were put in a difficult position because we did not have the freedom to abstain from voting, unlike permanent members. It is essential for the UN to tackle issues like this. Serious consideration has to be given to that, because otherwise, things are going to be extremely difficult. With regard to the global village, I think that you're right in the sense that not every one of us is equal. Let me put it this way: if we talk about world trade, we have to talk about subsidies, and it's impossible to compete with the kind of agricultural subsidies that are given. What happened yesterday is important: the World Trade Organization established that subsidies are unfair to developing countries, particularly in the area of cotton. It is difficult to say what reactions will be to that. The question is how we will be able to modify the rules of the game in the area of trade, if we can at all. After what happened in Cancún, I spoke to President Lula. He is, as you know, a very important trade union member, and he told me, 'Look, I know from experience that it's very easy to go to a meeting and call for a strike. And here, all of us are on strike. The hardest thing for union leaders is reaching an agreement to end the strike.' I think that in Cancún, we were all on strike. So, how can we end it? Just as the WTO's ruling represents a light at the end of the tunnel to end the strike, what should we do? What the European Union is offering in terms of cotton is a good step. If we want to accomplish something, we have to be very clear that taking sides depends on the issue. If you are talking about antidumping legislation, I think that the Europeans would agree with us. But on the other issues they might not.

The other point I think is essential has to do with public policy. My personal opinion is that the market works very well in many areas. But it is essential to have public policies in order to deliver goods that you think everybody should have. The market is very good from the point of view of consumers, but although all of us are consumers, our capacities to consume are different. Public policies are defined not by consumers, but by citizens. And all of us are equal as citizens. When you offer education for everybody, this is a decision not by the market, but by the people. And all of us have the same rights as citizens. It's very important that policy decisions are made about what kind of public goods will be available for everybody. Whether the market or the state makes these decisions, everyone should participate in the process. In a democracy you extend the amount of public goods on offer when the country is growing. Growing with equity means that you decide what public goods will be on offer.

In Chile, in 1920, we decided to offer four years of compulsory schooling. Later we extended it to six. In the 60's we decided eight years. And now we have twelve years of compulsory schooling. If Chile is growing, we can offer this. Now, one thing is to impose a law saying this, and quite another is implementing it. But who made this decision? The citizens, not the market. In terms of multilateral institutions, the discussion is similar, I'd say. Trade around the world can not be regulated solely by the market; some kind of international rules must be established.

Now, the second question: who will establish these rules? We have to be realistic and understand that there are different levels of power, but it will be essential to listen to what all countries have to say. We can and should advance beyond what we have done until now.

(...)

I would like to thank you for your comments and your three very specific points. What you say about APEC meetings is true: normally, the different members participating in that forum come from governments and the business community. Nevertheless, the issue that APEC had in Mexico had to do with a presentation made by members of labor unions. They proposed the possibility of having a discussion with the business community, like in the dialogs that exist in our own countries. It's not an easy question to ask, but I understand that we have to give the so-called NGOs an opportunity to participate. This leads me to your second point, about corruption: this is an issue that has been discussed in other APEC meetings, particularly in terms of transparency and trade increases. In terms of the access to the offer of public goods, this is an important question and it has been raised. In terms of international transparency, in our own case, all political parties in Chile come to an agreement to make rules about the relationship between money and politics, and the need for transparency to allow all political parties to compete on equal footing. Meanwhile, if you are going to receive private money, what kind of accounting will you need to do to ensure transparency in that particular transaction? This decision was made a year ago, and we have municipal elections next October, and there this new system will be put to the test. But in a democratic system, it's essential to be transparent in this particular area, to fight corruption. What you said is also true regarding agreements in the region to address issues of corruption. Money laundering is related to this issue as well. It's not an easy task, but now we are addressing it. More and more corruption issues will be part of our common agenda.

The third point that you mentioned has to do with the question of human rights. This is an extremely difficult question in two areas. First, most of our countries would like to have an agenda of the future, without addressing what happened in the past. In our case, we've been able to address the past in four different areas: the first one, done by former President Aylwin in 1991, established a Truth and Reconciliation Commission, to figure what happened to quite a number of Chileans who simply disappeared during the dictatorship. The results of this Commission, which was established with members across the spectrum of Chilean society—moral institutions, Human Rights lawyers, members of the different political parties, members of different religious groups—were very important. It was very important for Chilean society to find out about what happened through this Commission Report. Probably one of Chile's most difficult moments occurred when President Aylwin asked for forgiveness for what happened in Chile.

The second issue we addressed had to do with those who are living in exile. Quite a few Chileans went into exile as a result of dictatorship, and measures had to be taken to help them to return. But what do you do with someone who has been in exile for 10 or 15 years, for whom a return to his or her home could mean a second exile, since part of your family may remain in the country that received you as an exile. This is a very difficult issue.

The third issue has to do with those who lost their jobs as a result of the dictatorship. We have introduced three different pieces of legislation in order to offer indemnities to those people who lost jobs in the public sector as a result of the coup. The one area that we have not tackled yet has to do with those who were imprisoned. Last year, I made a statement about the matter, and we decided to establish a commission, which is now working with those who were put in prison. I went to see the work of this commission about three weeks ago, and the work they are doing is impressive. More than 20,000 people have made statements to the commission, and we are working on what kind of measures should be taken regarding the people who were imprisoned for no legal reason whatsoever.

Last year marked 30 years since the military coup in Chile, and it was a difficult occasion. But beyond legislation, what happened in Chile was that Chileans were able to see, on the radio, in the papers, a number of things that we had never seen before. For me, as President, it was a very difficult moment, because I have a proud admiration for President Allende; I was part of his Administration. It was

extremely difficult to tackle that moment. But at the same time, I understand that as President, I represent all 15 million Chileans, and therefore we had to find a way to address that moment in time. In the Chilean Presidential Palace, there used to be a door through which the President could enter the Palace, as a citizen. That door had been closed when the Palace was rebuilt. We decided that opening that door was important for the democratic values of Chile, and so we did it. We did it because we had to do something for those who died in the Palace, such as President Allende. But also we have to do something that would bring about reconciliation among Chileans, because you cannot just have an agenda of the past. An agenda of the future is also necessary. And for the new generation, it is important to know what happened in the past, and to not repeat it. It is part of our history. As there are throughout the world, there will be different interpretations of history, but I would say today that the issues are being taken seriously. There are quite a number of people who have committed human rights violations, and who have been sentenced. The rule of law applies in Chile, and this is important as we look to the future.

But at the same time that one addresses this very difficult issue, I think that there are other, equally important issues. The question is how we are going to be able to manage both things. I wouldn't want to say that we've been successful, but we are trying to do things in such a way as to look to the future without forgetting the past. Thank you.