

Ambassador McNamara (President of the Americas Society and of the Council of the Americas)
Excellencies
Ladies and Gentlemen

It is indeed a pleasure and an honor to be here with you again at the Council of the Americas. I appreciate your kind invitation, and the sponsorship of the North American-Chilean Chamber of Commerce, to address you at a moment in which, again, the eyes of the world are turned towards our region.

The challenge of the future

As we approach the year 2000, Chile will initiate a new stage of its history. We, in Chile, are now closer to our bicentennial in 2010 than to the breakdown of our democratic regime that took place with the "coup d'etat" in 1973. Hence, without forgetting our traumatic past, our people want answers about the future.

There are many tasks ahead: to consolidate a solid and stable democracy since our democratic transition is still unfinished, to advance towards social equity, to modernize our public administration, to provide better access to quality education and health, to continue economic growth while respecting our environment, to provide more and better jobs.

What we have done as “Concertación”

But thinking the future is inevitably based on what we have achieved as a government coalition during the last ten years.

In economic terms, inflation was reduced from about 29% in 1990 to about 5% last year. In the past decade, Chile has exhibited rates of growth of about 7%, meaning that in 10 years Chile has doubled its GDP. In the past it took us 75 years to double it. The domestic savings rate in our country has increased, while unemployment was, until recently, on a downturn.

In the political arena, during the last decade Chile has regained its freedoms, enjoys political pluralism, there is no torture or fear of disappearance. There is a vigorous press and a Congress that fully exercises its prerogatives.

In the social field, there has also been progress. The diminution of poverty is evident, educational reform focusing on equity and quality has also improved.

In other words, we have progressed much in the last ten years. Macroeconomic stability and growth are now almost a “given.” Today we can speak confidently about the future precisely because we have our “house in order.”

The shortcomings of our transition

But, there is also a widespread perception in Chile that growth has not benefited all. Many feel, rightly so, that the fruits of progress have not entered their homes. Inequality in income distribution is as acute now as in the 70's. There is a sense of legitimate frustration, and also of a sense of hope.

Because we have our house in order, we need, therefore, to advance more ambitiously towards social equity.

True, we must persevere in the road of low inflation, sustained growth, higher rates of domestic savings, and increasingly higher rates of productivity. This is the foundation for social change. Higher salaries and better jobs will come only if we persevere on the macroeconomic stability already achieved. There may be some "fine tuning" required to achieve a better combination of interest rates and real exchange rates, for example, but the broad direction of macroeconomic growth and stability is clearly established.

Our challenge is how to introduce greater degrees of solidarity on the basis of a sound economic system.

I believe that the future of Chile depends to a large degree on deeper educational reform. We must discriminate in favor of those who have less in their access to education and training; we have to link

education to the productive sectors. When it comes to education or health, Chileans cannot be viewed as mere consumers, but as citizens.

We need to improve the framework of labor relations, introduce unemployment insurance, reassess and amplify the health care system.

On another dimension, we must make a technical, financial, and even philosophical effort to improve the quality of life in our cities, affected by pollution, traffic congestion; we have to recuperate our neighborhoods, our parks, and our streets, making them safer and friendlier to the people. Economic growth will have to be compatible with the protection of our environment, with perfecting the preservation of our native forests, our marine resources, as well as controlling toxic residues.

In the area of culture, I state my opposition to censorship. I believe we should sanction conducts, not values.

For such tasks, we need an active and dynamic State (the "socially-necessary" State). Free markets are not perfect and the State must be present where needed to create equal access, to stimulate cultural development, and to redress existing inequalities. We must put the State at the service of the people, of the Chilean family. To the family that wants concrete solutions, that doesn't want to live with the fear of unemployment, the fear of ignorance, the fear of sickness.

But, we do not want a heavy, bureaucratic State. Modernization of the public apparatuses is a must. Transparency, efficiency, and

participation are only some of the criteria to face the still-pending modernization of the State.

The Pinochet crisis has also shown the weaknesses of our democratic transition. At a moment when in my country there is an intense debate on our endangered "jurisdictional sovereignty," we do not speak much at all about our incomplete popular sovereignty, provoked by authoritarian "enclaves" derived from the past. We need to regain full popular sovereignty through major constitutional reforms regarding, for example, the electoral system, non-elected senators, the composition and attributions of the National Security Council, and the constitutional tribunal.

The task of completing our transition will remain undone unless we also establish satisfactorily the truth about the disappeared political prisoners and make those found responsible respond before the courts. This is an open wound that will not heal until we confront the problem and find an acceptable solution.

The coming electoral process

In December of this year Chile will choose its president for the beginning of the new century.

The path from here to December is the following. First, on May 30th, the Concertación will choose its presidential candidate in open primaries

in which all those affiliated with the parties of the coalition and independents will be able to vote. Andres Zaldivar of the Christian Democracy and I will compete in these primaries, representing variations on a common broad view.

The important point to emphasize here is that Christian Democrats, socialists, PPD's, and radicals are not adversaries. All together, we are partners in the construction of the future. The Concertación is the widest, most successful, and most stable coalition that Chile has seen in many decades.

The Concertación was fundamental in the struggle to recuperate democracy, and it will continue to be essential in the coming years to achieve full democracy, continued economic growth, and social progress.

In a global world, we are not alone

It is now commonplace to state that globalization imposes constraints to national decision-making. Indeed, we are limited by the fact that we live in an ever more interdependent world, that, in addition, left behind the cold war.

In such a world, what happened in Asia is now affecting us all, and Brazil's troubles are adding difficulties to our economic performance.

Although there is some uncertainty regarding emerging markets, Chile maintains sound macroeconomic fundamentals. Despite the decline caused by external shocks on Chile's rate of growth during the last trimester of 1998 and the first quarter of this year, Chile will begin to slowly recuperate its dynamism towards the second semester.

The rate of growth will be somewhat below 3%. Trade exposure to East Asia has caused concern as recession in Japan and South Korea has affected two key export markets; but this is not a serious obstacle. The fall of commodity prices is a more substantial issue, as the price of copper has dropped; but it will probably rebound during the second semester. Chilean exports will likely rise about 5% in 1999, due to both exchange rate increases and the physical expansion of volumes. The current account deficit will decline to about -4.6% of GDP (as compared to -6.1% in 1999). I believe that foreign investors will know that it is worth assigning a premium to the solid economic performance of our country, despite a temporary slowdown.

In a globalized world we will have to export more and better, emphasizing the generation of good quality jobs, the contribution to domestic growth and productive investment. Our financial opening should not be without some controls and will have to take into account domestic stability, as well as entrepreneurial, social, and productive development. In a similar sense, we must also advance further in the

modernization of production, export capacity, and labor in our economy, to make the country less vulnerable to the downswings of the globalized economy.

Despite globalization, only 15% of the world GDP travels across borders, and half of that 15% is exchanged between neighboring countries. This means that geography still counts a great deal. For a relatively small country like Chile, whose value added by exports represents 23% of GDP, this is quite important. It means that we must continue on the track of regional integration with our neighbors in the Mercosur and the hemisphere, making compatible a decisive commitment to the region with Chile's feature as a "global trader." Our voice will be felt louder if it is in tune with our natural partners in the region.

In sum, I am optimistic about the future of Chile. We, for certain, face difficulties: some inherited from our own past, others derived from external conditions. But, I believe that we have a solid economy, valuable human resources, and a citizenry that wants to contribute to build a more democratic, egalitarian, and prosperous society. This is our challenge of the new millenium.

Thank you very much.

PUNTEO CHARLA SINDICAL

1. **The challenge of the future** (Chile closer to its bicentennial in 2010 than to the coup d'etat of 1973). Without forgetting the past, people in Chile want answers about the future.
2. **What we have done as "Concertación": Economic achievements** (reduced inflation, rates of growth of 7% for a decade, good domestic savings rate, etc.); **political advancements** (freedoms, no torture, political pluralism); **social progress** (diminution of poverty, educational reform, access to quality, etc.)
3. **The shortcomings in our transition.** Macroeconomic stability and growth are now a "given." Because we have our "house in order," we need to advance much more ambitiously to **social equity** (inequality in income distribution as acute as in past decades). Also, there is the task of **completing the democratic transition** (regaining full popular sovereignty).
4. **The coming electoral process.** The high value of the Concertación. Primaries and presidential race.
5. **The Pinochet factor.** Polarization, the reemergence of fear, the **past** dominates the present and clouds the future. Archbishop of Santiago: "This is the consequence of not having done justice in so many cases of violations of human rights in due time." Hence, challenge of doing justice in Chile, plus major constitutional reforms.
6. **Values.** Many changes have occurred in Chile and in the world economy. But, our inspiring values have not changed: democracy, freedom, equality of opportunities, solidarity. Labor unions here in the U.S. were, during the hard times of the dictatorship, and continue to be our friends and partners in the pursuit of a more just, humanistic, and modern order. I invite you to imagine the next

century that is almost upon us together, across borders, to build a world with dignity and prosperity for business people and workers, for Chilean and Americans, for the coming generations that will pass judgment on what we did or failed to achieve.