We are pleased that Santiago has been chosen for this conference, which represents the continuation of the First World Meeting of Trade Promotion Organizations, that took place in Cartagena de Indias, in September 1990.

The fact that both of these events have been held in Latin America reflects our region’s firm commitment to economic expansion and free trade. For us, economic reforms are global in nature and our region has made significant efforts to open our economy in the shortest period of time possible. We have undergone profound and major economic changes in a period of less than fifteen years.

The globalization of the economy

We live in a time of crumbling economic frontiers. Productive processes are global and companies are becoming internationalized. New trade alliances and units emerge. Minimum interest rate fluctuations in Washington, Frankfurt or Tokyo have immediate effects on even the most remote nations on earth. The alterations of the Stock Exchange Markets of the great economic centers unleash profound effects throughout the world. Many times these external events have a greater impact on our own financial than internal problems that can occur in our countries.

Within this framework of progressive interdependence it becomes increasingly evident that the growth possibilities of countries, specially those with smaller economies, depend on their capacity to penetrate large world markets and to creatively link themselves to the main economic, technological and international financial centers.

The process of globalization in Latin American countries

The world of the economic autocracies has come to an end. Latin America has taken significant steps to achieve the genuine integration of its economies. In the decade of the 90’s we have advanced more than in the previous three decades. To demonstrate this we have the MERCOSUR. There are also other agreements such as the Andean Community, Integration in Central America and the CARICOM. There is an extensive network of bilateral agreements that point towards effective liberalization, growing mutual trade and economic cooperation.

The framework of regional and subregional integration is showing concrete results. Many countries, including Chile, are presently developing multiple integration options, that are not self-excluding, dividing the globalization of the markets by regionalization. We no longer conceive integration as a process designed to protect the region from the inevitable alterations of the world economy. Now we view it as a development tool that allows us to improve the insertion of our countries in the world economy, and intensify our trade and financial links with the more important international centers. Our integration plans are based on stimulating competitiveness and liberalizing trade, not only amongst member countries but also with respect to third party countries.
The fate of our economies and the possibility to develop our countries are increasingly becoming closer linked to achieving more intense and open world trade.

**Chile’s international insertion**

The case of Chile clearly illustrates this tendency. During the last two decades we have followed the road of integrating our economy with the rest of the world.

The period between 1994 – 1997 is one that shows the most successful macroeconomic figures registered in the history of the Chilean economy. This has permitted Chilean banks and companies to have in a solid economic and financial situation when the international crisis began, with unemployment at its lowest point in comparison with any period over the last 25 years and with the accumulated wage earnings obtained in the past have allowed us to visualize a scenario marked by the deceleration of growth with lesser consequences than in the past. Today, Chile has the lowest inflation rate in our country’s history and our public finances are strong and balanced.

**The current international economic situation**

It is also evident that globalization generates uncertainty and anxiety that grow stronger within the context of the current financial situation.

Latin America is feeling the repercussions of a crisis that originated in a very remote area but of great relevance to the world economy. This crisis has generated decreasing volumes of exports in terms of products and services which, in turn, has reduced capital inflows placing pressure on interest rates, and making credit more expensive.

Like other Latin American countries, Chile has taken a series of measures that aim to lessen the effects of these world economic fluctuations.

In Chile, we continue to look at the future with much confidence. Our economy has significant strengths amongst which I would like to highlight: a solid fiscal surplus, a relatively low external debt, a very reduced short-term debt, a budget reduction program, a sound and transparent banking system, stabilization funds that allow us to face significant external shocks, diversified external markets and solid international reserves. The current situation indicates that we will grow by almost 5% during 1998 and that in 1999 we will maintain reasonable positive growth rates in spite of the restrictive external environment we are experiencing.

The lack of international leadership needed to face the problem of the current crisis has been evident. The prolongation of these international financial problems could seriously endanger some of the second generation reforms that have been so difficult to implement in our countries.

Due to this, in the Ibero American Summit recently held in Porto, Portugal there was a consensus in pointing out that the stability of financial markets requires the urgent adoption of more efficient measures by the G-7, the International Monetary Fund and the World Bank. This is the response required by the international community to confront the phenomenon of globalization.
Stay on course

It is important that in the situation we are experiencing to be coherent with what we have done until now. We must stay on the course we set some time ago and that has yielded such positive results. We need to maintain fiscal discipline in spite of facing an emergency. The lower inflation is one of the main accomplishments in Latin America in the last few decades. The economic reforms carried out with so much sacrifice in Latin America after the lost decade of the 80’s cannot be thrown overboard. No external or internal circumstance would justify any irresponsible behavior in this area.

Likewise, we must also maintain the openings of our economies by avoiding the protectionist temptation to increase tariffs or isolate our financial markets although only temporarily. Next week we will enact a law that will allow us to implement a gradual tariff decrease, compensated from a fiscal point of view, from a general level of 11% today to 6% over a period of 5 years. This, will have no effect on the numerous tariff reductions negotiated bilaterally within the framework of the free trade agreements we have with countries or groups of specific countries.

Protectionist measures in other countries are one of the greatest enemies of our development. In Chile we must carry out systematic efforts to revoke any measures against Chilean products.

Chilean concern for protectionism goes far beyond the businessman and the Government. Many modest Chileans have understood that their possibilities, and those of their family, of getting ahead depend on world markets that are becoming increasingly more open and transparent. The objective of completing the process of liberalization of our economies must continue. Only through our integration to world markets can we achieve the levels of competitiveness needed to reach development. We should persevere in decreasing our tariffs. We need to incorporate new sectors to the liberalization of our trade links and we must make a special effort to improve the productivity of our companies.

The challenge of Chile’s access to international markets

Chileans have assumed the task of preparing the country to meet the challenges that have emerged from its new international role.

This means a great effort to improve the competitiveness of the national economy. We cannot forget that integration and globalization are two-way processes that not only open new markets but also offer great opportunities to our partners.

We have reinforced and updated our policies of development and export promotion focusing on the new realities of international trade and bearing in mind the discipline dictated by the World Trade Organization that are gradually becoming more demanding. Our system of export promotion, with ProChile as its main component, has functioned very efficiently. There are few countries that have done so much with such limited resources regarding export promotion.

But this favorable evaluation does not exempt us from the need to continue to evaluate its adjustments to new national and international conditions, as well as the introduction of new instruments.
Our exporting experience has been extraordinary. Between 1985 and 1997 our exports grew from US$ 3.8 billion to US$ 17 billion. However, we still have weaknesses that we are working hard to overcome. One of these is our dependence on limited amount of export products, our concentration on raw materials and commodities and the lack of permanence and consolidation of our export companies in target markets. We have to work on new programs that allow us a greater diversification of our products and export markets, an increased consolidation of our export positions and a more emphasis on products with higher added value.

We have decided to work on the diversification of company export portfolios in order to induce an entrepreneurial strategy whose main axis rests more on the market than on the product. Likewise, we are also aware of the traditional markets as well as new emerging regions. We are actively exploring and prospecting new markets that will allow rapid penetration and positioning.

In a more general context, Chile is consolidating its physical and service infrastructure which will allow us to face these external challenges. We are also evaluating the quality and flexibility of trade, financial and port services that we can supply to act as bridge between Asia Pacific and the Southern Cone of our Region.

We will continue to implement economic and administrative measures to expedite the transit of people and merchandise through our territory. Far from closing ourselves off to external competition, we are creating competitive advantages that make profitable the use of our services by producers and exporters from other countries.

The economic potential of different regions in Chile will increasingly depend on the quality and intensity of their links with their neighbors. This consideration is especially important for the regions located in the most remote areas of our country. A more fluid and efficient link with our neighbors will make them more solid and viable. Thus, the internationalization of the economy is closely associated with the ongoing decentralization process.

The educational reform, one of the main goals of my administration, is fundamental to improve our international competitiveness. The countries that invested the most in education are those that have most effectively entered the world economy. Our system of education is adapting itself to provide knowledge based on the reality of the world surrounding us as well as the basic tools that will facilitate their interaction abroad, including the learning of at least one foreign language.

Likewise, the modernization of the State becomes a crucial and indispensable factor to expedite the internationalization of the country. Our administrative structures were created to face realities much different than those of today and with different rhythms.

We know that the challenges facing Chile are similar to those of the rest of the countries at this conference. The trade promotion carried out by the entities here today is a key element in strengthening the equality of opportunities in world trade and especially the access of small and medium-sized business to relevant information and the orientation needed to enter the complex international goods and services markets.
Trade promotion is what allows emerging and smaller economies to participate in our system of world trade that is becoming increasingly concentrated in just a handful of countries. We should not forget that mutual trade with the United States, Japan, and the European Union currently represents 76% of total global exchange and that only 25 countries concentrate more than 80% of all exports.

This conference has represented a very important step in the harmonization of policies and instruments of foreign trade promotion and the strong desire to cooperate and with a clear view of the future. You have become acquainted with innovative concepts from your own experiences which lead to new ideas and challenges.

I want to encourage you to follow this course, assuming in its practice an attitude open to quality and innovation, always keeping in mind the idea that trade promotion should be an instrument for the progressive improvement of the quality of the lives of the people of our nations.