Mrs. First Lady of Haiti, Mr. Vice-President of the Republic of Peru, ministers of the participating countries, foreign ministers, members of parliament, Ambassadors, Mr. President of the Central Bank, Director of ProChile, business leaders, authorities, ladies and gentlemen:

It is my pleasure to welcome you this morning to this conference which, in the framework of the central theme of International Economic Affairs, is intended to concentrate on an issue of singular importance: export promotion.

It is a privilege to receive such a representative and important group of foreign trade promotion organizations from Asia, Oceania, Europe, Africa, and the Americas as well as many multilateral organizations. I am proud to host a meeting of this nature, the second that has taken place in Latin America. With the same sense of pride, I want to congratulate the General Director of International Economic Affairs and especially the Director of ProChile, Mr. Hector Casanueva, for the enthusiasm and the perseverance with which they have organized this meeting of such importance to us all, due to the fact that the importance of export promotion cannot diminish.

Chile has been associated more and more closely with the international economy, specially with those regions that we have given priority to in our foreign policy. Our open regional policy has permitted us to exhibit, at the present time, combined and exceptionally well-balanced international economic relationships that include Latin American countries, North America, the European Union and the Asian-Pacific region.

However, the environment in which we compete has been changing dramatically. The interdependence, the globalization of production, the strengthening of regionalism, the emergence of trade blocs and the negative impact of international movements, particularly, the crisis that began a little more than a year ago in Asia in regard to the terms of trade, have all played a role in shaping an international framework much different from that in recent years.

To date, our foreign trade policy has been efficient and has produced favorable results. In slightly more than two decades, Chile has diversified its markets, its products and its export companies, by exporting 3,771 different products to 166 different markets through 5,841 companies in 1997. To do so, we rely on an improved external institutionalization that is much stronger than what it was a decade ago. In a multilateral sense, we are a member of World Trade Organization and on a regional and bilateral basis bound to a set of economic agreements. Additionally, we have efficient mechanisms for exporters that have been in effect now for two decades.

Nevertheless, problems still persist that need to be faced promptly. Our export economy is highly concentrated in developed markets, with primary products, few internationalized companies and a very high turnover of companies that enter and exit the international market.
Presently, we reach 166 markets world-wide, nine of which receive around 80% of our exports, which makes us particularly vulnerable to the problems experienced by the principal countries to which are products are shipped. I believe that what has occurred this year in Asia Pacific is a very good example. Our principal customer in Asia Pacific is Japan, and therefore, any problem that occurs in Japan makes us highly vulnerable.

On the other hand, more than 50% of our external sales are concentrated in very few products and at the same time, although we know that diversification helps us confront the risks of one-product dependency, 41% of our companies still export one type of product. Finally, if in recent years the number of our exporters has grown, every year there is a fluctuation of close to 33% between the companies that exported the previous year and the ones that export this year.

All these facts, added to problems such as a drop in the exchange rate and a decrease in competitive advantages, to mention a few, reinforce the need to qualitatively improve the policies and instruments of development and trade promotion in order to sustain and to propel the dynamics seen in previous years. We are therefore very interested in observing closely the experiences of other countries that face the same problems, as well as those that have known how to lead the export process.

Allow me, for purposes of discussion and comparison of mechanisms, to identify some priorities in our export promotion policy.

First, we have to discover policies and instruments for a new international scene mainly characterized by semi-trade blocs and the legal framework imposed by the Uruguay Round trade talks. This new international context commands us to be better and more innovative in economic and trade positioning in a scenario where old restrictions are lifted, tariffs are reduced, quotas are disappearing, and licenses are not used as much. However, other problems arise, such as anti-dumping legislation and technical trade barriers.

It is also crucial to design promotion policies that are in accordance with the norms of the World Trade Organization, no less of a challenge inasmuch as it means replacing old export support structures by instruments compatible with the new standards in order for businessmen to be able to confront the changes and not be ousted from international markets due to a loss in competitiveness.

Second, we need to strengthen our exporting economy, on the one hand by work programs that allow our companies not only to export once or sporadically, but constantly as permanent exporters, not driven by certain economic and trade trends. And on the other, by diversifying the range of export products according to a strategy that centers more on the market than the product.

It is also necessary to progressively improve the structure of our exports in a way that industrial products, the products with the largest added value, and non-traditional products will continue to occupy a larger proportion of total export volume. To achieve this, an opening process directed by a trade promotion strategy is needed, which will induce the aggregated value generated by the creation of new trade currents to avoid the destruction of existing operating capacity, and allow our economy to efficiently operate in foreign markets.
In this sense, narrow sectorial visions need to be discontinued and productive chains associated with certain resources need to be kept in mind. Here, the option is not natural resources versus manufactured products, but the consolidation and creation of productive ties in areas where the country is most competitive as well as natural resources, along with the strengthening of the links between end-exporters and suppliers or indirect exporters, building up the competitiveness of raw materials, technology and export-related services.

The third important element in the promotion of external trade is related to the materialization and the opening of new markets in diverse regions of the world. We know that these markets are highly dynamic and that our products can be competitive in them. To some extent our entry into these markets has been successful and our exports to regions where volumes used to be low have grown, like the case of Central America and the Andean countries. We believe that based on these experiences, it is possible to open up new markets in more distant countries, in different zones where we have had up until now little involvement, and precisely where ProChile is directing some important efforts at this time.

In exploring these new possibilities, there has to be special emphasis placed on adapting the mechanisms available to the country for the promotion of export trade, which includes the small and medium-sized companies that are the most vulnerable and will require the most support; but at the same time are the ones that consequently generate the most work but avoid letting the crisis that we face affect the labor associated with the export sector.

We are trying to fortify this support so that new producers and only those positioned abroad know the emerging markets and reach them with greater and better elements that permit them to adapt to the new realities of international trade.

It is equally important to ask oneself how to insert regional policies in our new policies for the export sector. In Chile, there are three regions of the country, the Second, the Eighth, and the Metropolitan Region, that export more than 70% of the national total, and therefore the tendency to concentrate our export process inhibits the globalization of more underprivileged regions, depriving their medium and small businesses of the possibility of connecting with the opportunities of the international market. Expanding opportunities to all, and therefore promoting foreign trade from regions, is an equalizing factor in access to markets.

A fourth aspect is to improve the competitiveness of the export sector. Integration is a two-way street that opens up new markets, but also offers sizeable opportunities for those associated with us, who are also modernizing, and have companies with a long tradition in exports, which will translate into more competition in our markets. This is healthy for our consumers, but it is not necessarily good for the productive sectors that are not as modern nor as dynamic. Globalization brings with it opportunities, but also uncertainties and risks that many times the companies, especially the medium and small-sized ones, are not in condition to confront successfully. Opening up merely reveals markets, but it does not guarantee the commercialization of the products. This has to be associated with a permanent search for knowledge and information procedures to take advantage competitively of the new spaces that arise with the trade aperture. We therefore think that the extensive network of embassies,
consulate offices of ProChile overseas, all of them coordinated from the Ministry of Foreign Affairs, constitute an important asset of the country in supporting the private sector in their exports and international business in this new stage of world trade.

A central factor to improving the competitiveness and good performance of companies overseas is our combined action based on the criteria of quality, design and adequate adaptation to technical and environmental norms; today, the factors of competitiveness do not only lie in the price and quality of the products. In recent years, new forms of competition have arisen as well as non-tariff barriers that the exporters must learn to introduce into their productive processes. Nothing is accomplished by saying that it is not fair that environmental standards are imposed on us and not on others; the truth is that these environmental standards are going to be imposed and we have to learn to compete within them. If not, our products will not be able to enter developed countries; they will not be able to compete in other markets.

These elements have given us a fifth area of priority in export promotion: diplomacy and institutional development. Today, the world of globalization has economic elements of such magnitude that diplomatic relations have changed, and there is a strong emphasis on economy and more specifically, on trade. As a result of this change, many developed and emerging countries have already adapted their policies, have modernized instruments and organs of trade promotion and have made this economic activity very central to government foreign policy.

Our work in the Ministry of Foreign Affairs and ProChile has given Chile efficient export support mechanisms during the last two decades. We are at the point where we receive constant requests for technical assistance in this area. However, we know that it is necessary to introduce modernization to the task of promotion, in order to respond to the new requirements of the international reality. We must adapt this work to the commitments taken on by the country, incorporate new technologies, condition the procedure to the necessary activity that requires decision-making and implementation of programs and promotional projects in a dynamic and complex global world. We must organize our export promotion in a more decentralized manner by involving the private sector more in export mechanisms. In this sense, our commitment is to transform the Organization for the Promotion of Foreign Trade into a Public Corporation within the Ministry of Foreign Affairs, but with all the administrative autonomy and necessary resources to interact between the public sector and private sector under equal conditions, progressively attracting more private support, relating in a more dynamic fashion with regions and with the different national economic sectors, and with the different international markets.

At the end of the decade of the 90’s, we have observed a reality in which we have to compete in order to advance in the consolidation of the export process. We cannot stay with the mere standards or agreements that govern trade culture. In addition, we need a deep institutional development that implies new types of relationships among the players, and a substantial modernization of our institution. We must go beyond mere aperture to politically construct an international economic insertion.

The consolidation of the export process requires the use of all knowledge and analytical capabilities of everyone involved, of the
strengths, weaknesses and policy options in our foreign sector; of the quality and flexibility of the financial trade and transport services; the new requirements in environmental matters and in administrating resources; the vigor in the area of competitive education and reforms that are needed to accomplish the adaptation of the structures, rules, regulations and practices of Government administration to the new reality of internationalization. These are, in our judgement, some of the most important challenges that we face as public institutions in the export process.

I am certain that this conference is going to serve to analyze not only these realities but those of many other countries, each one in its own style and using its own instruments with the hope of participating completely in a world market that does not have to add up to zero. It is possible that everyone on the whole advances to enrich it and widen it, making it freer, maintaining its competitiveness, and making it more beneficial for everyone. Your experiences and ideas are going to find here a natural environment of dialogue. I am certain that this seminar is going to contribute to taking very important steps in the direction that everyone has proposed.

Thank you very much.