OPENING STATEMENT BY THE REPRESENTATIVE OF CHILE

First of all I should like to express my appreciation to the secretariat for its valuable co-operation in the preparation of the basic documents for this consultation with Chile pursuant to Article XVIII:B, and to the representative of the International Monetary Fund (IMF) for the account that he has just given us of my country's economic and financial situation and for preparing the very detailed document on this subject which is before the members of this Committee.

The statement made by the IMF representative and the contents of the documents that I have mentioned make it unnecessary for me to take up the time of the members of this Committee to repeat figures and background information with which they are already familiar. Nor, on this occasion, do I wish to describe the way in which my Government has set about organizing the Chilean economic process within the context of a development policy, for this would oblige me to repeat point by point the information which I gave two years ago at the opening of the preceding consultation with Chile, and which is still fully valid. Therefore, I would suggest to the members of this Committee that they read document BOP/R/14/Add.1 which contains the detailed account which I gave, on that occasion, of the economic policy of my Government and, in particular, the objectives of that policy with respect to foreign trade. Those objectives have not changed, nor have my Government's endeavours to correct the structural inadequacies, which are the root cause of the chronic weakness of our balance of payments, in any way diminished.

Accordingly, on this occasion I feel that it would be more useful if I were to refer, in broad outline, to what has happened over the past two years, that is to say since the last consultation.

As representatives here will remember, one of the basic objectives of the policy to which I have just referred, was to double the volume of our copper exports, this being the only way to achieve a substantial improvement in our trade balance in the short term. The copper production development programme, which involves prodigious investment, is now moving into its final phase and the results will begin to become apparent in the course of next year. I cannot conceal my profound satisfaction at announcing this, for what appeared to be an unrealistic target to some people has now practically become reality, namely, to double copper production and exports (from 600,000 tons per annum to 1,200,000 tons, in round figures). In terms of dollars, this means an increase in annual earnings of over US$300,000,000 (estimated on the basis of a cautious price), an amount representing about one quarter of the total current value of Chilean exports and which is, furthermore, in excess of the average deficit in our balance of payments. Taking things from this aspect the immediate future of the balance of payments could be viewed with optimism.
However, we cannot yet consider our foreign trade problems as being entirely overcome. As is mentioned in the extremely interesting IMF document, to which I referred at the beginning of this statement, in 1968, copper accounted for 74 per cent of Chile's exports, and that percentage is bound to increase, if the current price level holds, when the expansion plan which I mentioned has been carried out in full.

This extreme dependence on a single export product which is very subject to price fluctuations, brings out the vulnerability of Chile's trade balance and the need for my country to devote as much of its foreign exchange earnings as possible to investments designed to correct this situation of dependency. For this reason the process of liberalizing imports will have to be continued with cautious.

It is precisely with a view to avoiding unnecessary foreign exchange expenditure in order to be able to devote foreign exchange resources to productive investments, that an ambitious agricultural and livestock development plan has also been set in motion, starting with an agrarian reform, the political and social implications and difficulties of which will be evident to members of this Committee. I do not wish to go into detail on this but I feel that it may be useful to point out that at the present time my country is spending in the region of US$110,000,000 per annum on importing foodstuffs which could easily be supplied by the Chilean farmer. It is also interesting to note that in the case of Chile there is virtually no room to increase the area currently under cultivation, and for this reason the plan, to which I have just referred, lays special emphasis on more intensive use of land, conservation of its natural fertility, and protection of the soil. It should be added that the aim is not simply to replace imports but also to increase agricultural and livestock exports.

If the objectives of the plan are attained, the current deficit of US$130 million on the agricultural and livestock trade balance will be reduced to slightly more than US$20 million in 1980 despite the fact that imports in the sector will continue to increase, reaching some US$135 million per annum by that date, owing to the increase in domestic demand.

No less ambitious development plans are being applied in the petro-chemical, paper and cellulose sectors, to mention only those which imply the heaviest investment.

However, the effort does not stop here and, as is obvious, my country feels that it has a legitimate right to develop the copper manufacturing sector. For this, it is indispensable that foreign markets be opened to us as the size of the domestic market precludes large-scale production. Similarly, it is necessary for restrictions and discriminations on world trade in agricultural and livestock products to be removed in order that the export targets for this sector can be achieved.

Clearly, then my country is making very serious efforts at home to consolidate the rather satisfactory situation which has developed over the past few years, but the result of this effort depends to a certain extent on the success we have in obtaining fair conditions on the world market. I do not feel that I need to mention the considerable responsibility that lies with the contracting parties to GATT in this respect.
All the efforts to which I have referred have been made in an environment that is subject to all the political tensions inherent in a process of structural reforms and an expansion effort, within a democratic order régime based on the orderly administration of poverty and not, as in the case of developed countries, on the more or less equitable distribution of wealth. And as inevitably happens when development programmes set off from so low a level, except in the case of copper, concrete results can only be expected in the more or less distant future. The figures and background information contained in the documents which we are using in this consultation have to be considered in the light of these tensions and limitations.

These figures and background data bring out the fact that, despite the reserves accumulated, Chile's balance-of-payments situation points to the advisability of maintaining a cautious attitude for some time yet and this fact alone, apart from the reasons which I gave before, justifies the maintenance of the import restrictions which my country is applying under Article XVIII of the General Agreement. Nevertheless, I feel it necessary to underline the great effort that my Government has made to rationalize and reduce these restrictions. In my opinion, this effort can be clearly appreciated in the light of the background information contained in document BOP/95 which was recently distributed by the secretariat together with others adopted subsequently to the preparation of that document. This is a demonstration of Chile's readiness to carry out its obligations towards the contracting parties.

The fact that my Government has sent to this consultation the Director of the Central Bank and a high official of that same institution deserves to be mentioned as reflecting the consideration and respect which my Government feels towards the CONTRACTING PARTIES and as a demonstration of the feeling of responsibility underlying our action within GATT.

Mr. Chairman, please excuse me for having taken so much time for this opening statement. I am sure that the Director of the Central Bank of Chile will be able to proffer far more useful additional information.

We must now move on to examine the specific aspects of the consultation. Mr. Ibanez and Mr. Tassara are better qualified than I to answer the comments which the members of this Committee will surely wish to make.

In conclusion, I should like to express my sincere appreciation to the members of this Committee who, by their presence at this consultation, are demonstrating their interest in my country's problems.