



# CHILENEWS

No. 22 – October 8, 2001

## Did You Know?

The Chilean film *Taxi para Tres* obtained the Concha de Oro Award at the San Sebastian Film Festival which took place on September 20 through 29.

*Many different handicrafts are made in Chile: pottery based on Indian or Spanish traditions, hand-woven and hand-knit textiles, baskets, crafts in wicker, straw and horsehair, and stone carvings in volcanic rock, pink granite, wood and bone.*

The double-haired sea lion (*Arctocephalus Phillipii*) is endemic to the Juan Fernandez Islands. Its name comes from its fur. Although believed to be extinct, scientists found survivors and the sea lions number around 3,500 at present.

Chile's National Anthem has been translated by teachers into Mapudungun and Aymara, two of our native tongues. Some inter-cultural schools have already adopted these versions.

**650 million dollar is the amount of the sovereign bond that Chile will issue in October.**

## *Chile in Favor of Peace*

Chileans were deeply moved by the terrorist attacks on the United States. Around one million people attended a massive rally in favor of peace in the center of Santiago. Participants included members of all the religions practiced in Chile, Human Rights organizations, indigenous minorities, leaders of all the political parties, academicians, entrepreneurs, workers and artists.

President Ricardo Lagos said that Chile will not adopt a neutral stance to such attacks and that it will cooperate with the United States. However, he stated that “terrorist violence needs to be dealt with in a reasonable, intelligent and fair manner, without generating new acts of mass violence since such an approach would prove that the terrorists have succeeded.”

The predominant cry was one condemning the atrocious attacks and terrorism in general. At the end of the demonstration, all the participants joined in singing *Gracias a la Vida*, by Chilean folklore musician Violeta Parra.

A few days later, firefighters from the different companies paid homage to their U.S. peers who fell on Tuesday September 11.

Soledad Alvear, Minister of Foreign Affairs, set out the official position of the Chilean government at a meeting of the Organization of American States in Washington. Together with the other members, Chile undertook to implement actions to reinforce cooperation on a regional and international scale in order to hunt down, capture, prosecute, sanction and – when applicable – expedite extradition of the perpetrators, organizers and supporters of terrorist acts.

## *Labor Law Amendment*

In an effort to end the existing imbalance in work relations, a new legal framework was made available to workers last week. After six years of debate in Congress, the Labor Amendment law was passed. It reflects the concerns and proposals of entrepreneurs and workers.

The new law strengthens the rights of workers, cuts down the working week from 48 to 45 hours, strengthens legal enforcement, enhances possibilities for establishing labor unions and improves collective bargaining methods, among other aspects.

## Facts

Chile is one of the five countries – world-wide – that will grow at a rate of more than 3.5 percent this year.

According to the World Investment Report 2001, published by the United Nations Conference on Trade and Development (Unctad), Chile ranks as the first investor in Latin America with a total of five billion dollar.

Chile was the “guest of honor” at Liber 2001, the 19<sup>th</sup> International Book Fair which took place in Madrid (Spain) from October 3 through 6.

Australia and Chile signed an Air Transport Agreement. It will increase business trips, cargo and person-to-person contacts between both countries.

*The Hilton Hotels chain has chosen the Chilean peso to issue a bond equal to 100 billion dollar. These funds will allow it to pre-pay part of its financial liabilities.*

Fronto, a leading Swedish company in television over the Internet, will build a computer assembly plant in Chile. Based on an initial investment of two million dollars, it will produce 16,000 computers per month.

The amendment supplements unemployment insurance that became effective in May 2001. Its enactment coincides with an encouraging event: unemployment dropped by 0.9 percent compared to the same period in 2000.

## *The Economy: in the Blue*

Chilean economy showed a positive balance during the first half of 2001. It grew by 3.5%, fiscal accounts closed in perfect balance, and foreign investment grew by 143%.

GDP Growth	3.5%
Inflation	1.5%
Unemployment (June-August)	9.7%
Exports*	9,467.7
Imports*	8,301.7
Average Tariff on Imports (June)	5.5%
Balance of Trade*	1,166.0
International Reserves*	14,295.3
Foreign Investment*	3,605.0
Fiscal Surplus (of GDP)	0.5%

\*in millions of dollars

## *Chile Destroys Antipersonnel Mines*

On September 10, Chile ratified the United Nations Ottawa Convention banning the use, storage, manufacturing and shipment of antipersonnel land mines. Chile thus became the 120<sup>th</sup> country to ratify the Convention.

To show effective commitment to this undertaking, the Army and the Navy destroyed 14,000 land mines in northern Chile. Present at this operation were the Ministers of Foreign Affairs and Defense, the Ambassadors of Argentina and Peru – neighboring nations close to whose borders most of the mines are located – and the Ambassadors of Norway and Canada, representing the countries that promoted the process initiating the Convention in March 1999.

Ratification, approved in May 2001 by the Chilean Senate, calls for significant funds to comply with mine destruction requirements within the ten-year period established by the Ottawa Convention. The mines were laid down some decades ago in the context of tensions with Argentina and Peru. They have now been overcome thanks to diplomatic agreements with both countries, giving rise to friendly relations, based on cooperation and mutual trust.

## *Serving the Country*

Universidad de Chile, the oldest university in Chile, is celebrating its 159<sup>th</sup> anniversary of serving education and research. Alumni include 19 Presidents of the Republic, the two Chilean Nobel Prize laureates in

## Quotes from President Lagos

“We care about what happens beyond our borders because humanity is one and the same. We will not allow the peace we enjoy in Chile to be wrenched away from us. We shall defend our right to live in peace. We have adopted measures to enable us to feel safer here. I will look after the safety of the 15 million Chileans. This is a task for everyone and Chileans will be up to the task of what is required.”

Citizen’s Rally in Favor of Peace.  
September 23

“This law reestablishes a balance and enables Chile to tell the world that, in the same way that we adequately manage our macro-economic accounts, our fiscal budget, and our monetary policy, we now also have social legislation which is the essential counterpart to all of the above.”

On the Labor Law Amendment.  
September 27

“The State is responsible for creating and maintaining the best possible conditions for art and culture to be produced and disseminated freely by creators and to be fully independent from the public, so as to have access to the different cultural assets.”

During the signing of the Bill to  
Promote Chilean Cinema.  
September 28

Literature and over one hundred National Prize awardees in different fields.

The University of Chile was established by law in 1842, although it is the successor of the *Universidad de San Felipe*, founded in 1738. Andrés Bello, a Venezuelan citizen who settled in Chile, was its first Chancellor. He is also the author of the Chilean Civil Code (which was subsequently adopted by other nations in the continent). Bello set out its policy guidelines: liberal public education, aiming to serve the nation.

The University’s 14 schools provide training in 63 professional careers. It has several postgraduate and academic agreements with 173 foreign universities and educational establishments. But perhaps the University’s most outstanding feature is its national and public nature: it has the largest teaching hospital in the country, it runs INTA (the National Nutrition and Food Technology Institute), the Chilean Symphony Orchestra, the National Ballet and National Theater, and a radio station. Additionally, it operates three astronomical observatories (which have been in operation since 1852) and conducts permanent research in Antarctica since 1940. It also runs the Official Seismological Service, in addition to monitoring volcano activity.

Its head office is located on the Alameda Bernardo O’Higgins – Santiago’s main avenue – in a building that is an architectural symbol of the Chilean capital.

### *Remembering Victor Jara*

Víctor Jara was honored and his music revived on September 28 at a major tribute by Chilean artists, for whom he represents an important symbol. The date would have marked his 69<sup>th</sup> birthday. Songs such as *El derecho de vivir en paz*, *El cigarrito* or *Te recuerdo, Amanda* resounded at a multitudinous concert at the National Stadium.

Today, 28 years after his death, almost his entire musical work – what could be saved from destruction during the military regime – has been published once more.

Jara is considered to have been ahead of his times. This man of humble origins came to Santiago from Lonquén (a small town near the capital) in the early fifties. His talent made him one of the prime examples of Chilean folklore music.

His mother had taught him to play the guitar, although he started out in the theater. He studied Acting and Directing at the Universidad de Chile, but his affinity for music led him simultaneously to composing. He skillfully managed to combine his passion for the theater, music and his country.

## Overheard

“We are not very concerned about Chile's ability to withstand the blows of the economic crisis, due to the depth and strength of its economy.”

Sir David Howard,  
Lord Mayor of the  
City of London.  
Santiago, September 8

“Chile is in a good fiscal position (...). If the adequate measures are implemented and the country does not repeat the mistakes it made in 1997, an additional increase in the unemployment rate could be avoided. Thus, the impact of a generalized slowdown abroad could be partially alleviated.”

Rüdiger Dornbusch,  
Economist, MIT.  
October 1

## Q & A

### Interview with Nicolás Eyzaguirre, Minister of Finance

#### How have the terrorist attacks on the United States affected Chilean economy?

The biggest effect is that they could have a negative impact on the country's growth by delaying the acceleration of world economy. However, this does not mean that we are having a recession.

Chilean economy is now in a better position than at the time of the Asian crisis to resist possible external effects. Our current account deficit is considerably smaller, the country risk has remained stable and the economy is generating its own foreign currency.

Furthermore, thanks to a healthy fiscal policy and adequate economic management, we have managed to maintain the country risk at a low rate coupled with major credibility in the international arena.

#### What measures has the government adopted?

The first was a downward adjustment – of slightly less than half a point – in public expenditures budgeted for 2002, due to lower structural incomes. However, care was taken not to over-adjust fiscal policy because Chile enjoys a financial position and credibility that allows it to continue expanding its expenditure by around 5%.

Growth prospects for 2001 also had to be reduced from 4% to 3.5%. Estimates for 2002 will probably have to be adjusted downwards by 0.5% from the 5% previously announced. All of this is due to the international situation. Reduced public expenditure will not affect social expenditure schemes or employment: they are ironclad.

#### How will public expenditure be targeted?

Next year, the government will maintain emergency employment programs, but it will not subsidize fuel because the funds that could be allocated to this item will be needed to cover the social needs of the more vulnerable segments of society. Corporate taxes will not be cut – as some have suggested – because, as opposed to other countries that are adopting such measures, Chilean corporate taxes are among the lowest in the world (17% versus 35% in the United States).

Our goal is to favor education and health care programs and to promote investment in public works to help create jobs, which are the main engine of our national economy.

## Agenda

- October 1-2: Official visit by the President of Uruguay, Jorge Batlle.
- October 1-4: Sixth Round of Negotiations of the Chile-European Union Agreement, Brussels, Belgium.
- October 20-21: President Lagos will attend the annual Asia-Pacific Economic Cooperation Leaders' Meeting, Shanghai, China.

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