CHILE
Productivity for inclusive growth
Since the return to democracy, **Chile experienced solid economic growth, reducing in more than 40% its income per capita gap** with respect to the United States.

**GDP per capita (PPP, current US$)**

- Latin America and the Caribbean
- Chile

**USA/Chile GDP per capita ratio**

Source: Consensus Forecast, IMF, LME
Our strengths: Trade openness, sound macroeconomic framework, financial stability and solid institutions

Exports + Imports as % of GDP (selected economies 2014)

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports + Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>180</td>
</tr>
<tr>
<td>Vietnam</td>
<td>120</td>
</tr>
<tr>
<td>Korea, Rep.</td>
<td>60</td>
</tr>
<tr>
<td>Germany</td>
<td>0</td>
</tr>
<tr>
<td>Chile</td>
<td>-120</td>
</tr>
<tr>
<td>France</td>
<td>-60</td>
</tr>
<tr>
<td>Australia</td>
<td>-120</td>
</tr>
<tr>
<td>United States</td>
<td>-180</td>
</tr>
<tr>
<td>Brazil</td>
<td>-180</td>
</tr>
</tbody>
</table>

Average Inflation Net Public debt rate since 2001 (%GDP, 2015)

<table>
<thead>
<tr>
<th>Country</th>
<th>Inflation Net Public debt rate since 2001 (GDP, 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>-10%</td>
</tr>
</tbody>
</table>

Domestic credit to private sector (% of GDP) 2015

Competitiveness Ranking
1st Pillar: Institutions

<table>
<thead>
<tr>
<th>Economy</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>1</td>
</tr>
<tr>
<td>Japan</td>
<td>16</td>
</tr>
<tr>
<td>United States</td>
<td>27</td>
</tr>
<tr>
<td>Chile</td>
<td>35</td>
</tr>
<tr>
<td>South Korea</td>
<td>63</td>
</tr>
<tr>
<td>Mexico</td>
<td>109</td>
</tr>
</tbody>
</table>

Source: World Bank and World Economic Forum
TODAY WE ARE FACING A LESS FAVORABLE EXTERNAL SCENARIO

**WORLD’S GROWTH FORECAST**

(Percentage)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>WEO</td>
<td>3.5</td>
<td>3</td>
</tr>
<tr>
<td>Consensus Forecast</td>
<td>3</td>
<td>2.5</td>
</tr>
</tbody>
</table>

**REFINED COPPER PRICE**

(USD cents/lb.)

Source: Consensus Forecast, IMF, LME
WE HAVE TO INCREASE OUR PRODUCTIVITY

Between 35%–45% of the income gap with the US is explained by a lower productivity.

LABOR PRODUCTIVITY
(GDP per hour worked, current and PPP dollars)

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP per hour worked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>20,2</td>
</tr>
<tr>
<td>Chile</td>
<td>26,0</td>
</tr>
<tr>
<td>OECD</td>
<td>49,0</td>
</tr>
<tr>
<td>Italy</td>
<td>50,5</td>
</tr>
<tr>
<td>Australia</td>
<td>53,9</td>
</tr>
<tr>
<td>France</td>
<td>64,0</td>
</tr>
<tr>
<td>USA</td>
<td>67,4</td>
</tr>
</tbody>
</table>

Source: OECD
DEVELOPMENT STRATEGY

• Educational Reform

• Infrastructure Agenda: Concession plan for over US$ 13 billion

• Energy Agenda: Diversify energy matrix and lower costs

• Productivity Agenda
OUR GOAL

ACHIEVE HIGH AND SUSTAINABLE ECONOMIC GROWTH

PROVIDE OPPORTUNITIES FOR ALL
Sustainable and inclusive economic growth through productivity gains

- Diversify and sophisticate our productive structure
- Investment attraction
- Competition and competitiveness
- Democratization of entrepreneurship
- Institutions

Our Strategy
CHILE’S DIVERSIFICATION AND SOPHISTICATION LEVEL IS COMPARED TO A LOWER-MIDDLE INCOME COUNTRY

Exports Sophistication Index

Source: Own elaboration, based on WDI
ECONOMIC DIVERSIFICATION DOES NOT MEAN TO LEAVE BEHIND OUR NATURAL RESOURCES, BUT TO BUILD A PLATFORM BASED ON THEM.

Source: Wageningen UR Chile, Observatory of Economic Complexity del MIT.
THAT IS THE EXPERIENCE AUSTRALIA, NZ, NETHERLANDS AND NORWAY SHOWED US

Source: Wageningen UR Chile, Observatory of Economic Complexity del MIT
OUR STRATEGY IS TO ADD KNOWLEDGE BASED ON NATURAL RESOURCES AND COMPARATIVE ADVANTAGES

Agro Foods exports basket

Source: Wageningen UR Chile, Observatory of Economic Complexity del MIT
I. STRATEGIC PROGRAMS

Aimed at strengthening high growth potential sectors:

- **Natural resources as a platform** to diversify and to sophisticate the economy.
- **Public-private partnerships**: joint effort to build the road map and a shared vision in the sector’s challenges. Long term view.
- **Public goods provision**: better regulation, state support for innovation and technology, specialized human capital.
- **Strategic sectors**: mining, solar energy, tourism, healthy foods, smart industries, aquaculture, construction
- Agenda to **foster services exports**.

II. INSTRUMENTS TO FOSTER INVESTMENT IN R&D AND INNOVATION IN PRIVATE COMPANIES

- Challenge is to increase R&D and innovation on businesses
- Technology extension centers, innovation vouchers, R&D tax exemption
**CHILE: MINING COUNTRY**

- Largest copper producer in the world with **30% of world reserves**
- **60%** of Chilean exports
- **20%** of tax revenues
- **11%** of employment
- **13%** of National Gross Domestic Product

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**THE COPPER INDUSTRY WILL PLAY A NEW ROLE ON CHILE’S DEVELOPMENT, GENERATING INNOVATION AND PRODUCTIVE DIVERSIFICATION**
STRATEGIC PROGRAM: 
MINING

Road Map 2015–2035

- From 5.5 to 7.5 MM metric tons in minerals yearly production.
- 80% of production in the first two quartiles of costs.
- From 65 to 250 world-class mining suppliers.
- From US$ 537 MM to +US$ 4.000 million in mining supply and services exports.
Concrete initiatives and investments to close the gaps in the mining sector

Which are the gaps?

- Mining Operations (underground mining, lower ore grades)
- Human Capital

Which are the undergoing initiatives?

- Smart Mining
- Innovation
- Vocational training centers in mining
INVESTMENT ATTRACTION

I. INVESTMENT ATTRACTION IS A PILLAR OF OUR PRODUCTIVITY STRATEGY

Investment plays a critical role to increase and sustain economic growth.

Active strategy to increase foreign investment in our economy and to attract more investment in strategic sectors.

II. FOREIGN INVESTMENT IS KEY FOR ECONOMIC DIVERSIFICATION AND TECHNOLOGY TRANSFER

New instruments to provide incentives that allow us to attract more investors to our country.

Chile has signed free trade agreements with countries representing 85% of world’s GDP which transforms our country in an attractive platform to enter other economies.
FOREIGN INVESTMENT IS KEY FOR ECONOMIC DIVERSIFICATION AND TECHNOLOGY TRANSFER

INVESTMENT ATTRACTION PROGRAM

• Pre-investment studies

• Public good subsidies:
  ➢ Human capital
  ➢ Technological development
  ➢ Suppliers
TO IMPROVE OUR PRODUCTIVITY, WE NEED TO ENABLE AN ENVIRONMENT TO GENERATE INNOVATION

RANKING

#63: Innovation

#89: Capacity for innovation

#108: Company spending on R&D

#62: Intensity of local competition

#128: Extent of market dominance
WE ARE FOSTERING INNOVATION ON EVERY FIRM AND THROUGHOUT THE COUNTRY

R&D applied on companies

Technology contracts

R&D tax exemption

High Technology

Extensionism Centers
For technology adoption
COMPETITION AND COMPETITIVENESS

- New law that **strengthens competition act**
- More **efficient government**: e-government and cutting red tape
- **SMEs competitiveness**: supporting management tools, internationalization, better financing conditions
- **Cheaper** and more **sustainable energy**
CHILE NOW HAS A FIRST CLASS INSTITUTIONAL FRAMEWORK TO DEAL WITH ANTICOMPETITIVE PRACTICES

Based on recommendations given by the OECD, Chile adopted the standards of the most developed jurisdictions for combating collusion and assessing mergers.

Main aspects of the recently enacted law:

✓ Criminalization of hardcore cartels
✓ Fines increased to deter infringements
✓ Mandatory merger review
✓ Power to carry out market studies
CHEAPER AND MORE SUSTAINABLE ENERGY

Historical result in power supply tender for regulated customers

-63% in the price compared to 2013

47,6 US$/MWh
Average Price

New entrants: NCRE
DESPITE TALENT IS DISTRIBUTED UNIFORMLY, OPPORTUNITIES ARE CONCENTRATED

Chile

Only 6% of public companies’ board members are women (SVS 2016)

Non of the TOP 20 companies by market cap on Chile’s stock market has less than 25 years old.

Elite high school students become much more likely to work in management roles (Zimmerman 2013, University of Chicago)

IN THE UNITED STATES, BETWEEN 1960–2008, 20% OF GROWTH IS EXPLAINED BY IMPROVED ALLOCATION OF TALENT (Jones, 2016)
CHILE IS COMMITTED TO DEMOCRATIZE ENTREPRENEURSHIP
WE DEVELOPED A STRONG ECOSYSTEM FOR ENTREPRENEURS

- 31 co-working spaces
- Network of mentors and incubators
- More access to finance for entrepreneurs in different stages (Seed, Scale, Venture Capital)
WE ARE A GLOBAL LEADER IN ENTREPRENEURSHIP ACCELERATION, IN ENTREPRENEURIAL ECOSYSTEM & SOCIAL ENTREPRENEURSHIP

GLOBAL ACCELERATOR REPORT 2015

#2 BY INVESTMENT (US$15,096,929)

#5 BY STARTUPS ACCELERATED (442 in 2015)

GLOBAL ENTREPRENEURSHIP INDEX

#1 ENTREPRENEURIAL ECOSYSTEM IN LATIN AMERICA

THOMSON REUTERS FOUNDATION

#6 SOCIAL ENTREPRENEURSHIP ECOSYSTEM
WE CREATED INSTITUTIONS AROUND PRODUCTIVITY

National Productivity Commission

- Based on the **Australian** and **New Zealand** experience.
- **Support the president** on productivity and competitiveness matters to spur growth and raise wellbeing.
- Government inquiries, productivity monitoring & own research.
- 8 Commissioners, members from the **public and private sector**, academia, **think tanks**, and unions.
- **Independent, transparent** and **politically diverse**.
CHILE
Productivity for inclusive growth