

Innovation hub of South America

By **JUAN ANDRÉS FONTAINE**

MINISTER OF ECONOMY, REPUBLIC OF CHILE



JUAN ANDRÉS FONTAINE

obtained a Business Administration degree from the Universidad Católica de Chile and an MA in economics from the University of Chicago, USA. He was a professor at the Economics Institute of the Universidad Católica de Chile and undertook academic activities at the Institute of Public Affairs at the Universidad de Chile. Mr Fontaine was a Director of Research at the Chilean Central Bank and Executive Chairman of Fontaine and Paúl Consultores. He has served on the boards of various companies, he is the author of several academic publications and a member of the Public Studies Magazine Editorial Board published by the Centro de Estudios Públicos (CEP).

President Sebastián Piñera has set out the ambitious goal of transforming the Republic of Chile into a developed country by the end of this decade. To achieve this, Chile must accelerate its growth rate to 6 per cent per year from an average of 3.6 in the last decade. This will require, among other things, an increase in the number of women and young people in the workforce and, at the same time, an extraordinary increase in productivity.

All of this, however, will only be possible by unleashing creativity, innovation and entrepreneurship. Why? Because new jobs and salaries will come from companies and industries that don't exist today.

Along these lines, the President has set out a powerful vision for Chile to become the innovation hub of South America, and I believe we are in a unique position to achieve this. Our solid institutions, macro-economic stability, high business ethics, leading telecommunications network, and 20 Free Trade Agreements that connect us with 56 countries representing more than 85 per cent of world GDP leave us well placed to become the regional leader in innovation. At the same time, we face important challenges: creating a risk-taking culture that fosters entrepreneurship, abolishing excessive regulations that slow down the speed of doing business, and increasing the pool of qualified talent available to companies.

The size of our economy and population represents both a challenge and an opportunity. Although our talent pool is limited and our internal market is insufficient to attract large scale investments, our size makes us nimble and allows us to move and adapt faster than others. As Singapore has become the hub of innovation of Asia, even among giant neighbours such as India and China, likewise, Chile can become the centre of innovation of South America, from where companies and entrepreneurs can access bigger markets such as Brazil, Mexico and Argentina.

We are taking active measures to surmount our challenges, such as insufficient human capital. Chile's borders will open to welcome the best talent from around the world. We have begun a programme called "Start-up Chile" that provides up to US\$40,000 to high-potential entrepreneurs from

around the world that allows them to "bootstrap" up to six more months in Chile, taking advantage of lower costs, local financing and existing networks. We are also developing a number of ambitious programmes that will promote Chile as a world-class destination for the world's leading university graduates and the best global companies.

Excessive regulations are a historical burden in South America, but we are reducing the time needed to create a company from 27 to 16 days, and plan to reduce it even further. We are also working to simplify the process involved in closing a business, as well as making our bankruptcy laws more comprehensive, thus leveraging the experience gained from failure and ensuring that our talented risk takers are able to keep trying until they succeed.

A strong research and development (R&D) base is also an important ingredient for a thriving innovation ecosystem, and a necessary element in becoming an innovation hub. According to the Times World University Ranking, two of Latin America's top 10 universities are located in Chile, and we have created instruments that are attracting world class research centres to set up shop in Chile; for example Germany's Fraunhofer Institute of Biotechnology is about to set up operations in our country through a creative public-private initiative which will soon bring four other similar world-class research institutions to Chile. We have set the goal of doubling our investment in R&D as a percentage of GDP in the coming years, and we are working on tax breaks to encourage the private sector to lead this increase in R&D investment.

Our goal is for global entrepreneurs to view Chile as one of the destinations of choice in starting up new businesses, as well as the main gateway to South America. We want Chile to become a hotbed of new technology, a magnet for talent, and a hub of global connections, connecting talent and markets from around the world.

Finally, our national innovation strategy must be focused on results, and we believe that the result of innovation is the creation of value; after all, as a friend once told me, "innovation is all about ideas you can sell; transforming money into ideas is easy, the challenge is transforming those ideas into more money than you invested."

F