



Taking Chile to the next level

By **H.E. MICHELLE BACHELET JERIA**

PRESIDENT OF THE REPUBLIC OF CHILE

I appreciate the opportunity this special issue of FIRST Magazine has offered me to further strengthen the ties of friendship that unite us with the UK, and that have encouraged this visit. I am especially grateful for the opportunity which this platform affords me to inform you about my country's current situation.

Chile has left behind its authoritarian past, and today's democracy has the strength to face new challenges. Our economy, open to international markets, has repeatedly demonstrated its strength and resilience, and holds a privileged position in Latin America. Chilean society is becoming more open and is better prepared to meet the demands of its time.

We are reliable partners and we attest to it every time we do business or seek understandings in multilateral organisations. Our institutions have been recognised for their stability, and our territory dazzles both for its beauty and for the various investment opportunities it offers, currently being demonstrated by the strong investment performance in renewable energy.

In every visit and international meeting in which I participate, I receive expressions of interest in what we have achieved since we recovered our democracy. I must admit that, as a country, we feel a legitimate sense of pride in what we have accomplished in recent decades. Not only because in many cases it represents substantial progress in both its magnitude and speed, but also because it was the fruit of collective, persistent and responsible work.

Life expectancy is the highest in the region (81.5 years) and higher than in other developed countries such as the United Kingdom (81.06), Germany (80.84) and the United States (78.94).

In the last twenty years, we have reduced poverty levels from 38 per cent to 8 per cent of the population, and the GDP per capita, adjusted to purchasing power parity, has risen from US\$5,800 to more than US\$23,000, the highest in the region.

Our growth is sustained largely on the commercial network we have built: we have trade agreements with 62 economies, which gives us access to 85 per cent of global GDP and 63 per cent of the world's population.

Our macroeconomic stability, the depth of our financial markets and our investment in technology infrastructure, has placed us 35th out of 140 in the competitiveness ranking of the World Economic

Forum (2015-2016). That position is near Spain (33rd) or Portugal (38th), and first in Latin America, followed by Colombia (placed 61st) and Peru (69th).

The serenity with which we have assumed our democratic process, our international reintegration, and our most pressing problems in social and human rights have generated respect for us in the international arena.

Are we satisfied with this? Of course not, because we know we can reach higher. We still need to address certain challenges, perhaps even more complex, and recognise the difference between a development opportunity and effective development.

We have the capabilities and we are working on it. It is the mandate that our citizens have given us, and it is also an objective that we cannot continue to avoid. That is why we launched a set of core transformations to our coexistence in order to lay the groundwork for sustainable development.

Our expectations cannot rest on our repeating what we did in the past. Our ability to react and adapt depends on us measuring up to the economy's and society's new demands and challenges.

Measured as GDP per hours worked, and according to the OECD, our productivity has increased from US\$11.2 in 1990 to US\$24.1 in 2014. If we compare ourselves to the UK, we have gone from having 35 per cent of its productivity, to having 51.4 per cent of it. Moreover, Chile exports 40 per cent of the world's unrefined copper and 27 per cent of the world's refined copper, the largest exporter in both cases.

These numbers may seem encouraging. However, they mask stagnation in competitiveness and little progress in our ability to add value, innovate and diversify our sources of wealth. We also cannot forget the severe blow that the end of the commodity cycle and the effects of slower growth in China have meant for us.

More than paralysis or lack of control, this warning sign has been an incentive to address decisively the remaining tasks in economic matters, which can be summarised as the need to raise productivity and diversify our production and export matrix.

Simplification of procedures, modernisation of the State, providing special funds for innovation, productive linkages, strategic public-private programmes in areas with potential, and the promotion of social dialogue are some of the measures that specifically seek to create a more solid foundation for our economy.

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These are all matters where the UK's experience, whether economic or political, academic or applied research, can make a very valuable contribution.

We are also fully aware that Latin American integration is an unavoidable necessity, which we are actively promoting, not only through commercial links but also by taking advantage of the opportunities for cooperation and joint investment, such as in infrastructure.

But we well know that growth is not everything. As in many emerging countries, inequality persists in Chile, despite the expansion of the economy, growing wealth generation, poverty reduction, and increased access to consumer goods.

Chile has a Gini index of 50.45, that is, the third worst in the region after Brazil (52.87) and Colombia (53.49). If we do not reduce the inequality gaps, we can hardly take advantage of the skills and talents of our country, and much less aspire to genuine development.

That is why our main challenge now is to turn education into a tool for inclusion, to make it a gateway to opportunities and the main base to boost our economy. We are implementing a series of changes ranging from preschool to higher education (funding, institutional organisation, training and teaching career development) in order to provide access to quality education for all Chilean families. It is the largest investment in our history, and be in no doubt that it is the best investment we can make in the future.

Finally, there is a third dimension that allows us to fully understand the historical moment my country is facing. We have the enormous challenge of perfecting our democracy, raising it to the standards Chileans demand from us today, and thus, restoring the citizens'

confidence in state institutions and authorities.

Here is one important fact: Chile is the country with the highest rate of Internet penetration in the region, at 72.35 per cent. Access to information is testing our adaptation in providing more horizontal and transparent forms of interaction with our citizens. Civil society, with an expanding middle class, has made its voice heard clearly.

What have we done? We have taken up the challenge, launching a set of concrete measures to immediately bring greater transparency and probity to the world of politics and business.

These are changes to the electoral system to improve the representativeness of our Parliament, with rules that are more stringent with the operations of political parties, and new regulations to minimise the influence of money in politics, primarily by reducing the amount of campaigns and banning business contributions. In short, what we are doing is setting new rules for fair play and removing privilege from our democracy.

Additionally, we are pursuing an unprecedented process to create an updated Constitution, recognised by all as the common framework for our coexistence. This has been done, as always, responsibly, providing guarantees for the independence of citizens, and within the institutional channels, because we recognise the adjustment of democratic institutions as being our best chance to improve our political system and to generate a stable foundation for our economy.

We understand that development has not been achieved passively in the history of the world's most advanced countries; nor did they adopt isolated measures that do not go to the root of the problem. What makes the difference is the convergence of political, economic and social actors around strategic choices. Because it is not possible to separate the economy, the requirements of society, and the way politics work.

As a country we are betting on a comprehensive agenda to pursue the path of sustainable growth and advance towards a shared horizon. We can do it. We have prepared the groundwork of a serious and responsible economy, we have strong institutions, we have gained experience through events which are more complex than our current circumstances, and we have entrepreneurs who have managed to navigate difficult conditions.

That is the Chile of 2016, and that is the context in which we visit the UK. It is a new opportunity to strengthen our bonds of friendship, our political and trade relations, but also to converse in a friendly manner about the challenges that are often common, and which we can move forward to face together.

I am sure that, as has happened in previous visits, we will be able to identify new areas of economic opportunity, dialogue and cooperation.

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