

## Foreword

The current global economic setting is turbulent, complex and fast-changing. Governments, businesses and societies are engaged in better understanding the ongoing technological, digital and industrial reorganisation processes and their profound potential impacts on the economy and the society. At a time in which it is clear that growth is a necessary, but not exclusive, condition for development and that incentives are needed to guarantee that growth is inclusive and sustainable, planning and implementing strategies for economic transformation become paramount.

The *Production Transformation Policy Reviews* (PTPRs) are a policy assessment and guidance tool elaborated in response to countries' demand in the framework of the OECD Policy Dialogue Initiative on Global Value Chains, Production Transformation and Development [the Initiative herein forward] to support knowledge sharing and policy dialogue and to increase the evidence on varieties of development trajectories. The PTPR framework is the result of a collective process that started in 2014 with a Working Group on Country Studies set up in the framework of the Initiative and led by Costa Rica, Uruguay and Turkey with contributions from UNIDO and UNCTAD. The PTPRs are a 15-18 month process based on peer-learning and multi-stakeholder dialogue to enable policy makers to better plan and act for the present and the future. The PTPRs assess the economic structure, the upgrading potential and the governance for economic transformation, identify lessons learned and clarify priorities for reform. They rely on peer review mechanisms through the participation of international peers and through a Peer Learning Group that steers each PTPR process. The PTPRs are enriching the OECD Development Pathways Series with their perspective on economic transformation and governance for change.

The PTPR of Chile involved an extensive process of consultation with multiple stakeholders and benefited from peer learning from Sweden, Emilia Romagna (Italy) and Germany. The PTPR of Chile has been a process of dialogue, consensus and trust building and provided an opportunity to identify common grounds for future reforms to enable Chile to reap the benefits of new technological frontiers.

The PTPR of Chile highlights the progress made by the country in maintaining a relatively stable and high growth in the last decades, its effective macroeconomic management and openness to the global economy. The review clarifies the persistent structural weaknesses of the domestic economy, including its low productivity, limited knowledge base and high territorial concentration of economic opportunities. It clarifies how the ongoing geopolitical and technological changes could open a window of opportunity for Chile to transform its economy and overcome its structural weaknesses. To this end it reviews the current strategy for economic transformation, including the strategic programmes Chile has put in place to reap the benefit of new technologies and global trends in solar energy, green mining and functional agro-food and identifies game changers for future reforms.



## Acknowledgements

The PTPRs are the policy assessment and guidance tool of the OECD Initiative for Policy Dialogue on GVCs, Production Transformation and Development (The Initiative herein after). This report is the result of a 18-month in-depth policy review consensus building process in Chile.

The report has been produced by the OECD Development Centre in cooperation with the Economic Commission for Latin America and the Caribbean (ECLAC) of the United Nations and the United Nations Conference on Trade and Development (UNCTAD), under the leadership of Mario Pezzini, Director of the OECD Development Centre, Mario Cimoli, Deputy Executive Secretary, ECLAC and Richard Kozul-Wright, Director, Division on Globalization and Development Strategies, UNCTAD. Annalisa Primi, Head of Structural Policies and Innovation and of the OECD Initiative for Policy Dialogue on GVCs, Production Transformation and Development at the Development Centre led the PTPR process and report elaboration. Manuel Toselli, junior economist at the OECD Development Centre acted as project coordinator and main analyst. The report has been drafted by the OECD Development Centre with key inputs from Nadim Ahmad, Head Trade and Competitiveness Division of the Statistic Directorate of the OECD, Fabienne Fortanier and Guannan Miao OECD, Piergiuseppe Fortunato UNCTAD, Mario Castillo, Felipe Correa, Marco Dini, Nicolo Gligo and Catalina Achermann ECLAC. The report benefited from valuable comments from Naoko Ueda, Deputy Director of the OECD Development Centre. Chloé Desjonquères, Jing Zhao and Vasiliki Mavroeidi from the OECD Development Centre provided valuable contributions to the report and Lucia Perez Villar contributed to the drafting during the initial phase of the project. Kim Millin provided essential assistance during the whole project. Duncan Cass-Beggs, Counsellor, Strategic Foresight, General Secretariat, OECD, Joaquim Oliveira Martins, Acting Special Advisor to the Director, Centre for Entrepreneurship, OECD, Antoine Goujard, Senior Economist at the OECD Economic Department, José Enrique Garcilazo, Head of Regional and Rural Policy at the OECD Centre for Entrepreneurship, Michele Clara and Manuel Albaladejo from the United Nations Industrial Development Organisation (UNIDO), Paolo Frank and Cedrick Philbert from the International Energy Agency (IEA), Rainer Quitzow, Senior Research Associate at IASS Potsdam, Germany, Professor Stephany Griffith-Jones, Initiative for Policy Dialogue, Columbia University and Professor John Mathews, Macquarie University of Sydney provided highly valuable comments to the report. Anne-Lise Prigent provided her usual high quality editorial advice. Delphine Grandrieux coordinated the publication process with key graphic inputs from Aida Buendía, Elisabeth Nash and Irit Perry. The report benefited from editing by Fiona Hinchcliffe and editorial advice by Linda Herda Smiroldo.

The PTPR of Chile has been requested by the Chilean Economic Development Agency (CORFO) and the General Directorate for International Economic Affairs of the Ministry of Foreign Affairs of Chile with the objective to identify future priorities for the national development agenda of Chile and to share lessons learned with other OECD, emerging and developing economies in the framework of the OECD Initiative for Policy Dialogue on GVCs, Production Transformation and Development (the Initiative herein after). The PTPR of Chile is the result of a longstanding cooperation between Chile and the OECD Development Centre. It also highlights the commitment of Chile to the Initiative, as DIRECON is a member of the Bureau of the Initiative since its inception. The PTPR has benefited immensely from the commitment and dedication of CORFO and DIRECON during all project implementation. Eduardo Bitran, Vice President of CORFO shared information, visions and ideas with generosity throughout the whole process and ensured a high quality mobilisation of executives in CORFO to access information. The

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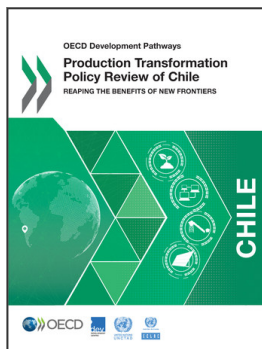
Peer learning and knowledge sharing lie at the heart of the PTPR process. This report has been shaped and enriched by the contributions of the peers, the Peer Learning Group (PLG) set up to steer the review process and the debates in the Plenary Meeting of the Initiative. The PTPR of Chile benefited from the participation of three peers: Jonas Borglin, CEO, International Council of Swedish Industry (NIR Sweden); Patrizio Bianchi, Assessor for School, Universities, Research and Labour Policies, Government of Emilia Romagna Region, Italy; and Christoph Richter, Project Manager at DLR Solar Research, Germany; provided valuable and outstanding intellectual guidance and shared concrete insights on managing policies for economic transformation. The Government of Emilia Romagna also contributed with two additional experts: Sofia Miceli EU project manager at ASTER, and Annaflavia Bianchi University of Ferrara. The OECD Development Centre is also thankful to Jakob Kiefer, Ambassador of Sweden in Chile and Marco Ricci, Ambassador of Italy in Chile, and Simone Balzani, Director of Economic and Trade section, Italian embassy in Chile. Valuable inputs originated from the PTPR Peer Learning Group, hosted by the OECD in May 2017. In particular we are thankful to Taoufik Oukessou, Head of Division, Evaluation of Sectoral Policies of the Moroccan Ministry of Economy and Finance for contributing to the PTPR drafting and to those who made the kick off interventions to steer the dialogue, including, Keiji Katai, Senior Deputy Director, Private Sector Development, Japan International Cooperation Agency (JICA), Japan; Santiago Matallana, Director of Enterprise Development, National Planning Department (DNP), Colombia; Peter Padbury, Chief Futurist, Policy Horizons Canada; Peter Wostner, Secretary, Government Office for Development and European Cohesion Policy and Head of Smart Specialisation Unit; and Nimrod Zalk, Industrial Development Policy and Strategy Advisor, Department of Trade and Industry, South Africa, in addition to OECD colleagues from the General Secretariat, Centre for Entrepreneurship, Economics Department and Development Centre.

The PTPR is the result of an extensive and open consultation process with diverse stakeholders in Chile. The PTPR benefited from:

- Five meetings of the Task Force on Production Transformation. The Task Force has been set up to steer the PTPR process. It was chaired by CORFO and DIRECON and composed by high level representatives from nine key government agencies, including the Ministry of Economy, Agriculture, Energy and Finance, the agency for FDI promotion (InvestChile), the National Council for Innovation and Development (CNDI) and the National Productivity Commission (CNP). The Task Force provided strategic advice since project's inception and valuable comments to the report. Carlos Alvarez, Javier Bustos, Cristobal Marshall, Joseph Ramos, Gonzalo Rivas, Claudio Soto, provided valuable inputs and comments;

- Presentation and debate at the Budget Commission in the Senate held in January 10th 2017. The authors are grateful to Senator Carlos Montes Cisternas, chair of the Budget Commission and to all the members of the Commission for their insightful comments.
- Four Government-Business Roundtables hosted by CORFO on future trends with a focus on solar energy, agro-food, smart mining and industry 4.0. The four roundtables gathered in total more than 100 high level participants. Leading companies have been key in sharing their views about the future and shaping the content of this report, in particular we thank, ACTI BNAmericas, Amazon web services, AMSA, BHP, CISCO Chile, Codelco, Cerro Dominador, EDF, Enel, Engie, Granotec, Minnovex A.G, Oracle, Telefonica. Their contributions have been key to inform the PTPR process.
- One high level, closed-door event on “Trust, growth and sustainable development” co-organised by CORFO, Trade and Production Confederation of Chile (CPC), the OECD Development Centre and the Consensus Building Institute. The event was hosted by CPC in June 2017 and gathered 100 high level representatives from business and government and key opinion shapers in the country including ministers, former ministers and CEO of major companies. David Plumb managed the event and ensured that the debate delivered key inputs to the PTPR process.
- Semi-structured interviews with more than 50 experts from business, government and academia in Chile. All interviews have contributed to the process and have been extremely relevant to shape the report. In addition to the people mentioned above, in particular, we acknowledge the time and contributions of (in alphabetical order): Kathleen Barclay, President, AmCham Chile; Raphael Bergoeing, Centre for Public Studies (CEP); Gonzalo Blumel, Director, Fundación Avanza Chile; Gonzalo Braham, Director, Association of Latin America Entrepreneurs (ASELA); Hernán Cheyre, Director, Universidad del Desarrollo; Juan Esteban Musalem, President, Chile-China Chamber of Commerce; Carlos Finat, Director, Chilean Association for Renewable Energies ACERA; Marcos Kulka, Director, Fundación Chile; Mario Marcel, President, Central Bank of Chile; Alfredo Moreno, President, CPC; Rodrigo Palma, Director, Solar Energy Research Center SERC; Fernando Prieto, CEO and Founder, Gal&Leo; Christian Santana, Director, Renewable Energy Division, Ministry of Energy; Klaus Schmidt-Hebbel, Professor, Catholic University of Chile, Cristóbal Undurraga, Chairman, Ekonometrika., Felipe Morandé, NSG Chile, Ignacio Briones, Dean of the School of Government at University Adolfo Ibanez (UAI), Patricio Caceres, director of regulation, Telefonica Chile, Osvaldo Urzua, Head of Public Relations BHP Billiton, Jaime Rivera, Director of Business and Innovation, CODELCO, Juan Andrés Fontaine, economist and management consultant. The review also benefited from in-depth discussions with key stakeholders in the region of Concepción in January 2017. Roberta Lama, Desarrolla Bio-bio, organised the government, businesses and academia consultations in the region. Carlos Claro CORFO organised the visit to Antofagasta in April 2017. For this occasion we would like to thank Cristian Varas Medalla, Director of Communication of CODELCO- Chuquicamata and Jorge Medina Sandoval, Cummins Antofagasta.

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