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“ Political will is not enough. We need to change the national vision with a country-wide project.”

—*Chief Executive, Chilean NGO*

“ It is extremely difficult to get financing for emerging companies. Institutional investors should be required to invest in venture capital not only for the benefit of companies, but also for their own benefit, [to diversify] their portfolios.”

—*CEO, Chile*

Chile was the first country in Latin America to develop an advanced telecommunications infrastructure (Ranking in Information Infrastructure micro-index: 27), but this relative advantage in Networked Readiness has diminished quickly because the Chilean economy and society have not made as productive use of their networks as many of their international peers. The high quality of Chilean infrastructure contrasts with low levels of sophistication of Network Use. The nation ranks second in Latin America, and thirty-fourth overall, in the Networked Readiness Index.

Chile has one of Latin America's lowest illiteracy rates (4.6 percent), and educational attainment of 98.3, 86.9, and 27 percent for primary, secondary, and postsecondary education, respectively.<sup>1</sup> Additionally, educational system reform programs and the quality of Chilean higher education have helped to create a highly skilled workforce, although hardly bilingual (Ranking in Social Capital micro-index: 47). In the incorporation of ICTs into education, the *Enlaces* project has already connected 60 percent of Chilean primary and secondary schools, in which about 90 percent of the country's students are enrolled.<sup>2</sup> *Enlaces* has now moved beyond its initial emphasis on basic school connectivity to focus on training teachers, enriching content, and reaching the poorest rural schools.

Chile has one of the region's highest per capita incomes, but there is marked economic inequality. This trend is reflected in Internet use. Approximately 26 percent of households, representing about 50 percent of the national income, accounts for roughly 68 percent of Internet users.<sup>3</sup> There are a number of efforts to extend Internet access. One noteworthy nonprofit initiative is *El Encuentro*, a community Internet access center located in a modest municipality in Santiago that focuses on issues beyond Internet access and provides community empowerment.

There are increasing private and public efforts to help small and medium enterprises (SMEs) to adopt e-commerce, but problems such as lack of sophisticated management techniques and customer service culture and financial problems threaten the profitable adoption of Internet-based operations. Despite these challenges, B2B e-commerce totaled US\$426 million in 2000, and B2C e-commerce rose to US\$35.7 million in the same year (57 percent of which went to local online retailers).<sup>4</sup>

While almost all government agencies have websites, few offer sophisticated Internet-based operations. The best-known e-government initiative is the online income tax system (<http://www.sii.cl/>). There are also such initiatives as a Web portal to reduce bureaucratic procedures and government websites oriented to the needs of SMEs and larger businesses (Ranking in Online Government Services: 14).

In keeping with its openness toward foreign direct investment (FDI) and market competition, the Chilean government was among the first in the world to liberalize its telecommunications market, leading to relatively low costs of access for telephony and Internet (Ranking in Effect of Telecommunications Competition: 3). To create greater competition, SUBTEL, the telecommunications regulator, ordered the unbundling of the local loop. Now Chilectra, the major electricity distributor, is planning to enter the telecommunications market by offering voice and fast data transmission services over power lines, which would bring about utility convergence in the country. SUBTEL also started a dialogue to design a regulatory framework for convergence.

The Chilean Economic Development Agency (CORFO) and the Chilean Foreign Investment Committee created the Invest@Chile Program, in the hopes of increasing FDI in ICTs and creating new sources of national comparative advantage (Ranking in Business and Economic Environment micro-index: 31).

## Key Facts

Population	15,200,000
Rural population (% of total population) 1999	14.56 %
GDP per capita (PPP)	US\$9,187
Global Competitiveness Index Ranking, 2001–2002	27
UNDP Human Development Index Ranking, 2001 (adjusted to GTR sample)	34
Main telephone lines per 100 inhabitants	22.12
Telephone faults per 100 main telephone lines	52.00
Internet hosts per 10,000 inhabitants	49.11
Personal computers per 100 inhabitants	8.55
Piracy rate	49.00 %
Percent of PCs connected to Internet	5.75 %
Internet users per host	23.52
Internet users per 100 inhabitants	11.55
Cell phone subscribers per 100 inhabitants	22.36
Average monthly cost for 20 hours of Internet access	US\$17.88

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