

Can Chile Become a First World Country?

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“The Second World: Empires and Influence in the New Global Order” is the title of a recently published book from Random House in New York. It is a fascinating essay on Second World nations, those countries that can no longer be classified as poor yet cannot be considered developed. Which of these nations have a real possibility of joining the First World in the foreseeable future? Following an in-depth, region by region analysis, the author, Parag Khanna, focuses on Latin America and names Chile as the country with the greatest possibility of meeting these strict criteria in the coming years.

The book also maintains that the future will be dominated by three superpowers battling for hegemony – the United States, the European Union and China. It argues that it is among the nations of the Second World where the future global order will be defined, and which one of these superpowers will prevail.

The Second World, according to the author, is made up of about 100 countries. All of these nations are struggling to become fully developed, always having to navigate in turbulent waters, with political, economic and social indicators changing direction frequently. There are successes in some areas and setbacks in others.

It would be wise for these countries to move about in this multipolar world, searching for ever-increasing windows of opportunity. This requires an active foreign policy with a denser network of political, economic and cultural ties with the three blocks. In addition, the fact that China is quickly gaining ground on the other two cannot be ignored. There is a slow but persistent shift towards that country becoming the center of world power. The recent successful visit by President Bachelet to China is a milestone in the willingness of this Second World country, Chile, to persevere in attaining its goal of being China’s preferred partner in Latin America.

New and More Demanding Tasks

Recent studies by the World Bank also place growing attention on the countries of the Second World, which it refers to as “Middle Income” countries. It recognizes the successful transitions to the First World, over the past 2 or 3 decades, by countries such as Spain, Portugal, South Korea, Singapore and Taiwan (preceded by Japan). It names the “new batch”, which includes Malaysia, Thailand and Chile. It points out, however, that the main risk for these countries is a slowing down of growth, which results inevitably in social pressures, income distribution disputes and, to use a popular phrase, “ruffled

politics.” These lead to the self-fulfilling prophesy of the “wasted historical opportunity”.

These are countries that are in the process of globalization. They depend in a critical manner upon the success of their exports. In the first stage, this only requires timely access to traditional foreign markets, which have become more open. In the case of Chile, the World Bank study states that we are still in the phase where 85% of the increase in exports is based on companies that produce “more of the same” for traditional markets. An additional 10% is due to new markets opened up by free trade agreements. Only 5% of the increase in exports comes from new products, developed with the use of new technologies, which help diversify the export goods basket.

The World Bank study qualifies this level of diversification as poor. Production of “more of the same” does not lead to development over a reasonable period of time. If we want to avoid the trap of insufficient growth, into which many Second World countries often fall, it is vital that we move quickly towards a knowledge-based society, more innovative and capable of taking full advantage of the potential talent and human capital among its citizens; one able to create new niches where the country can be competitive.

Looking at World Bank data once again, according to tests determining quality of education, the quality of the Chilean labor force based on its level of training is 20% less than in Malaysia and 30% less than in the countries of high relative development in East Asia. In fact, if we ask how many of those currently enrolled in the education system will be fully qualified to play a role in a knowledge-based economy, the rate does not exceed 5%.

Foreign Policy for a Knowledge Society

The quality of education is the greatest challenge. The reform that is currently being debated in the Chilean Congress is a fundamental step, but its results will not be immediate. A shortcut used by countries that have successfully transitioned to the First World is the massive exchange of human resources with more developed countries. Chile, under the current government, is moving in this direction, having increased by about 80% the number of scholarships for graduate studies abroad. It has also made an effort, still in the initial stages, to provide more balanced opportunities for low-income students, students from far apart regions and those coming from the government funded municipal schools to obtain scholarships to pursue doctoral degrees abroad. The Chilean Ministry of Foreign Affairs and the U.S. Department of State are promoting this program in the context of a shared view of foreign policy as a facilitator for the transition towards the frontiers of knowledge.

The road is long, however. Chile sends abroad a number of students which equals only a tenth of those sent by South Korea or Taiwan, and barely half of

those sent by New Zealand or Australia, adjusting for differences in population. This is an area where we can multiply by hundreds, or thousands, the number of Chilean youth receiving their education in the best universities in the world. This was a central topic in the recent meeting in London between President Bachelet and Prime Minister Gordon Brown. Great Britain stated that it would be willing to join in this effort.

There is another route for a faster transition to a knowledge economy, towards a more dynamic and creative economy, capable of higher growth: facilitating direct association between universities, research centers and advanced technology firms with their counterparts in those parts of the world that generate, with high levels of excellence, new ideas and technologies. Again, there is a role for foreign policy: to develop the ties and agreements between nations that serve as catalysts for civil society initiatives. The "*Chile-California Initiative for the XXI Century*", which we just began to implement, is a step in this direction. We hope it will be complemented by agreements with European countries, among others. We are moving forward in this direction within the framework of the Chile-European Union Association Agreement and also specifically, with Great Britain.

These and many other initiatives being promoted by the current Chilean government are aimed at accelerating the transition from Second to First World, which, according to the above-mentioned book, could successfully happen in the case of Chile.