

InvestChile Executive Summary

Study Title: World Digital Competitiveness (WDC) Ranking 2023

Author: IMD Business School

Overview

The IMD World Digital Competitiveness 2023 report is an annual study that assesses the capacity and readiness of countries to adopt and explore digital technologies in their economies.

Several key factors are considered in the evaluation of countries, such as digital connectivity, the availability of digital skills in the workforce, the integration of technology into government and business processes, and the ability of countries to adapt quickly to technological changes. These factors are grouped into the categories of *Knowledge*, *Technology* and *Future Readiness*, which are detailed below:

- Knowledge, which is the know-how necessary to discover, understand and build new technologies.
- Technology, which evaluates the overall context that enables the development of digital technologies.
- Future readiness is the level of country preparedness to exploit digital transformation.

This year's ranking is linked to the conditions in which countries use artificial intelligence (AI), to the extent that it generates greater productivity by automating many tasks that previously required human intervention.

Chile's Performance

Chile has always led the global ranking in Latin America. Over a 5-year series, Chile's position overall (global ranking) and for each factor is as follows:

| Factor | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------|------|------|------|------|------|
| Global Ranking | 42 | 41 | 39 | 41 | 42 |
| Knowledge | 50 | 49 | 49 | 50 | 47 |
| Technology | 41 | 40 | 35 | 41 | 38 |
| Future Readiness | 37 | 39 | 36 | 33 | 38 |

In the 2023 ranking of Latin America, Chile is followed by Mexico in 54th place, Peru in 56th place, Brazil in 57th place, Argentina in 61st place, Colombia in 62nd place and Venezuela in 64th place. Chile maintains its first place ranking in all the criteria evaluated in this ranking.

The analysis per factor places Chile in the highest position in *Technology and Future Readiness*, ranking 38th in both. In *Technology*, Broadband Speed is of special relevance, where Chile ranks eighth. In Telecommunications Investment, it ranks 17th. In the *Future Readiness* factor, it stands out with 11th place in Smartphone Ownership and 19th place in Government Capacity in Cybersecurity. In *Knowledge*, notable areas include Foreign Highly-skilled Personnel in 13th place, Public Expenditure on Education in 17th place and R&D Productivity per Publication in 18th place.

Main Findings

As previously noted, WDC's 2023 ranking is tied to the development and challenges of artificial intelligence (AI) in countries. Due to the large amount of data required to do this, the ranking mentions the risk of processing personal data, which is why ethical and regulatory standards are raised to preserve confidentiality. Adequate digital and data governance is therefore required.

Looking ahead, digital nations should focus on five priorities:

- Data access and privacy.
- Digital talent: This generally comes from investment in education and the provision of skills required by the market. However, new remote work methods have made it possible to develop skills through attraction and retention.
- Global AI regulation will be necessary to prioritize the wellbeing of other countries over self-interest.
- Investment in IA Infrastructure, which relies on the private sector. The role of the state is to provide regulation and talent, but in some instances, it holds a direct stake in AI companies.
- Economies will have to face a possible drop in wages resulting from the use of machines in processes.

The pandemic forced the proliferation of digital communication, and economies have shown an infrastructure that has supported remote work. However, cybercrime has emerged as a threat to digital society.

On an organizational level, most virtual breaches are caused by human error. At the same time, the tactics of cybercriminal gangs have become even more sophisticated. Therefore, the provision of up-to-date staffing, relevant training, and the establishment of a very good cybersecurity program are key.

Regional Trends

Regional digital competitiveness has remained stationary in 2023 with very few exceptions. South America dropped in its average digital ranking compared to 2022. South American economies, on average, continue to decline compared to the rest of the world's regions, reaching 57th place in 2023.

In the regional analysis, the ranking shows that South American economies, on average, continue their long-term trend, with lowest digitalization compared to the rest of the world.

On a global level, the United States regains first place, followed by the Netherlands, which climbs four places, and Singapore, which climbs one place into third place.

Conclusion

The WDC 2023 ranking presents a dynamic picture marked by small changes in the regional and economic levels of analysis. Looking at the average of country rankings, the North American region moves up one position and East Asia remains the most competitive region.

Changes in positions are more evident on a country level, driven by the characteristic of adaptation.

In particular, adaptation is necessary to face a major threat of our times, cybercrime. Large and medium-sized companies are tackling this problem with measures focused on employee awareness and training. The same is true on a level of economies, as they step up their cybersecurity measures to address inadequate structures.

Consequently, it is interesting that Chile maintains its leading position in the region, especially as it faces new and important challenges.