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Chile: An Overview

Chile, a nation of 18.4 million people, is located along the Pacific coast of South America. Chile traditionally has been one of the United States' strongest partners in Latin America due to the countries' common commitments to democracy, human rights, and free trade. Chile also has worked with the United States to promote peace and stability in the Western Hemisphere, as the country's transition to a higher level of economic development has enabled it to take on additional regional responsibilities.

Political and Economic Situation

Chile has a long democratic tradition but experienced 17 years of authoritarian rule after a 1973 military coup led by General Augusto Pinochet deposed the democratically elected Socialist government of President Salvador Allende (1970-1973). More than 3,200 people were killed or "disappeared," and some 38,000 people were imprisoned and/or tortured during the Pinochet dictatorship. Chile ultimately restored democracy in 1990.

The center-left Coalition of Parties for Democracy (CPD) governed Chile from 1990 to 2010. Its ability to implement policy changes was constrained, however, by provisions of the Pinochet-era constitution and the specter of another democratic breakdown. As a result, CPD leaders pursued consensus-based reforms that largely maintained the market-oriented economic framework inherited from Pinochet while gradually strengthening Chile's social safety net. The CPD's cautious approach enabled Chile to consolidate democratic governance and produced considerable improvements in living standards. According to International Monetary Fund (IMF) and Chilean government data, the economy grew by an average of 5.2% per year between 1990 and 2010 and the country's poverty rate fell from 39% to 25% during the same time period.

Nevertheless, many Chileans have been dissatisfied with the limits of the post-Pinochet policy consensus. They argue that Chile's economic growth has disproportionately benefited the country's wealthiest families and that most Chileans still lack economic security and access to quality public services. Over the past decade, this dissatisfaction has manifested itself through repeated electoral swings and mass mobilizations. Chileans elected President Sebastián Piñera in 2009, leading to the country's first alternation of power since the return to democracy. Piñera's center-right administration generally adhered to the same policy mix that had been favored by the CPD, however, and Piñera struggled with protests and low approval ratings throughout his 2010-2014 term.

After four years in opposition, the former CPD rebranded itself as the New Majority, incorporated the Communist Party and social movement leaders into the coalition, and adopted a platform of ambitious structural reforms intended

to reduce inequality. President Michelle Bachelet, who had previously served as president from 2006 to 2010, won a second, nonconsecutive term, and the coalition won majorities in both houses of the Chilean Congress. Between 2014 and March 2018, Bachelet and her congressional allies enacted numerous policy changes, including a revenue-raising fiscal reform, a series of education reforms, and a new proportional representation electoral system.

Figure 1. Chile at a Glance



Sources: CRS Graphics, Instituto Nacional de Estadísticas de Chile; Pew Research Center; and the International Monetary Fund.

Despite acting on many of their campaign promises, Bachelet and her coalition enjoyed little popular support. While leftist sectors of the New Majority had hoped for more radical policy changes, other Chileans expressed concerns about the manner in which the reforms had been drafted and implemented. Bachelet lost additional popular support as a result of a corruption scandal that implicated her son and her perceived mismanagement of the economy. Chile's economic growth slowed from 4.1% in 2013 to 1.5% in 2017, according to the IMF. Economists have attributed the deceleration to a drop in the international price of copper, which accounts for about half of the country's exports, and a decline in business confidence stemming from the New Majority's reform agenda.

In December 2017, former President Sebastián Piñera (2010-2014) of the center-right Let's Go Chile coalition was elected to a second, nonconsecutive term. He defeated Senator Alejandro Guillier of the ruling New Majority coalition in a second-round runoff election by a margin of 54.6% to 45.4%. Piñera campaigned on the economic record of his first term, when the Chilean economy expanded by an average of 5.3% per year, and appears to have won over centrist voters with his argument that the country needs stronger economic growth to address the concerns of the middle class. Piñera also benefited from the fragmentation of the New Majority; the centrist Christian Democrats split from the coalition to run its own slate of

candidates, and some of the coalition's traditional voters drifted to a new leftist Broad Front coalition.

Piñera was inaugurated to his second four-year term on March 11, 2018. He has pledged to boost economic growth by creating new incentives for entrepreneurship and innovation and increasing investment in infrastructure. He may struggle to implement portions of his business-friendly agenda, however, since his center-right coalition lacks majorities in both houses of the Chilean Congress. The opposition likely would block any attempts to repeal reforms enacted during the Bachelet Administration, but Piñera could find support among centrist parties to implement some modifications. Piñera also may have to contend with student groups and other social movements that are likely to remain mobilized throughout his term to push for further changes to the education and pension systems, among other demands. The IMF expects Chile's economic growth to accelerate to 3.4% in 2018.

U.S.-Chile Relations

As noted above, the United States and Chile have enjoyed close relations since Chile's return to democracy. In addition to maintaining close commercial ties and cooperating to address international political and security concerns, the countries collaborate on matters such as scientific research and environmental protection.

Trade and Investment Relations

U.S.-Chile trade relations have grown considerably since the U.S.-Chile Free Trade Agreement entered into force on January 1, 2004. As result of the agreement, 100% of U.S. consumer and industrial goods now enter Chile duty free. Total bilateral trade in goods has increased 276% since 2003, reaching \$24.2 billion in 2017, according to U.S. Department of Commerce data. U.S. exports have increased faster than imports, and the United States has run a trade surplus with Chile since 2008. In 2017, U.S. exports amounted to \$13.6 billion, with refined oil products, heavy machinery, civilian aircraft and parts, electric machinery, and motor vehicles accounting for a majority. U.S. imports from Chile amounted to \$10.6 billion, with copper, fruit, and seafood accounting for a majority. Bilateral services trade amounted to \$6 billion in 2016, with \$4.3 billion in U.S. exports and \$1.7 billion in U.S. imports from Chile.

According to the U.S. State Department, Chile's open economy, well-developed institutions, and strong rule of law make it an attractive destination for investment. As of 2016, the accumulated stock of U.S. foreign direct investment in Chile was \$29.4 billion, including nearly \$13.2 billion invested in the mining industry and \$7 billion invested in the finance industry. In comparison, the stock of Chilean foreign direct investment in the United States was \$2.2 billion. A bilateral treaty (Treaty Doc. 112-8) designed to encourage investment in both countries by preventing double taxation was ratified by Chile but has been awaiting the advice and consent of the U.S. Senate since 2012.

Despite these growing commercial ties, some disagreements have emerged regarding trade policy. The U.S. Trade Representative (USTR) placed Chile on its "priority watch list" in 2018—as it has every year since

2007—as a result of insufficient intellectual property rights protections. The Chilean government maintains that it has developed a solid institutional framework to protect intellectual property rights and asserts that the USTR report reflects the views of U.S. industry rather than an objective analysis. The United States negotiated the inclusion of more stringent intellectual property rights standards in the Trans-Pacific Partnership trade agreement, which was signed by Chile, the United States, and 10 other nations in the Asia-Pacific region in 2016. Those provisions were suspended, however, after the Trump Administration withdrew from the accord. The remaining signatories agreed to a revised Comprehensive and Progressive Agreement for Trans-Pacific Partnership in March 2018.

International Affairs

Chile has supported a variety of regional peace and security efforts in recent years. The country was one of the top contributors to the U.N. Stabilization Mission in Haiti, with more than 12,000 Chilean peacekeepers rotating through Haiti between 2004 and 2017. Chile also has facilitated the peace process in Colombia, worked with the Lima Group of countries to push for the restoration of democracy in Venezuela, and supported security and development efforts in Central America. The United States and Chile maintain a High-Level Bilateral Political Consultative Mechanism to coordinate efforts on security cooperation, human rights, and other topics of mutual concern. They also work together under the U.S.-Chile Trilateral Development Cooperation Initiative to jointly implement foreign aid projects in other Latin American nations.

The United States provides some assistance to Chile to support the country's security efforts. Chile received \$689,000 in U.S. security assistance in FY2017, including \$489,000 in military education and training to strengthen the capabilities of the Chilean armed forces and \$200,000 to help Chile develop a strategic trade control system that meets international nonproliferation standards. It is currently unclear how much aid Chile may receive in FY2018, but the Trump Administration has requested \$500,000 in security assistance for Chile in FY2019.

Although the U.S. and Chilean governments have continued to collaborate on many foreign policy matters, they have diverged on some issues over the past year. In June 2017, for example, the Bachelet Administration expressed "profound disappointment" at the Trump Administration's decision to withdraw from the Paris Agreement on climate change. Chile has ratified the accord and has pledged to reduce its carbon emissions per gross domestic product (GDP) unit by 30% below 2007 levels by 2030. The Chilean public is among the most concerned in the world about climate change, according to the Pew Research Center, with 86% of the population viewing it as a "major threat." President Piñera has echoed his predecessor's remarks regarding the Paris Agreement and has criticized President Trump for "defending protectionism." According to Gallup, 74% of Chileans disapproved of President Trump in 2017.

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