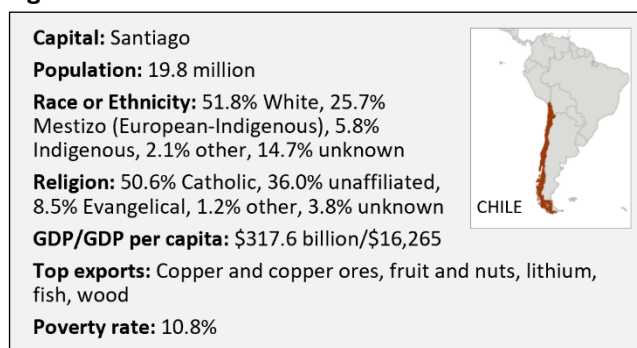


## Chile: An Overview

Chile, located along the Pacific coast of South America, traditionally has been one of the United States' closest partners in Latin America. In 2023, the two countries are commemorating 200 years of official relations and the 20<sup>th</sup> anniversary of their free trade agreement. Over the past year, the Biden Administration has sought to collaborate with Chilean President Gabriel Boric on regional democracy, human rights, migration, and security concerns. However, internal challenges may limit Chile's ability to take on new responsibilities or exert its influence abroad.

**Figure 1. Chile at a Glance**



**Sources:** CRS Graphics; Instituto Nacional de Estadísticas; Latinobarómetro; International Monetary Fund; Trade Data Monitor; and Ministerio de Desarrollo Social y Familia.

### Political and Economic Environment

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 restored democracy in 1990, following a 1988 plebiscite.

Center-left and center-right coalitions dominated Chilean politics for three decades following the transition. Center-left coalitions held the presidency and majorities in Chile's bicameral congress for most of that period, but Sebastián Piñera led his center-right coalition to power for two nonconsecutive presidential terms (2010-2014, 2018-2022). Both coalitions largely maintained the market-oriented economic framework inherited from Pinochet while implementing consensus-based reforms to gradually expand the social safety net. Living standards improved significantly following the restoration of democracy, with real GDP growth averaging 4.5% per year between 1990 and 2019, according to the International Monetary Fund (IMF), and the poverty rate falling from 68.5% to 8.6% between 1990 and 2017, according to the Chilean government, using its current methodology.

Nevertheless, *Latinobarómetro* polls since the mid-1990s have shown a majority of Chileans to be dissatisfied with the results of the post-Pinochet policy consensus. Inequality remains high in comparison to other Latin American countries and Organization for Economic Cooperation and Development members, and many Chileans still lack economic security and access to quality public services. Chileans have registered their discontent through repeated electoral swings and mass protests. In late 2019, for example, protests against a transit fare increase in Santiago, accompanied by widespread vandalism, arson, and looting, spiraled into nationwide demonstrations against inequality and the Piñera administration's heavy-handed response.

### Constitutional Reform

In an effort to restore peace and respond to demands for a new social contract, the Piñera administration and legislators from across the political spectrum agreed to hold a plebiscite on whether to replace the Pinochet-era constitution. The plebiscite passed with the support of 78% of voters, and in May 2021, Chileans elected a constitutional convention in which predominantly left-of-center independents held a plurality of seats. After a year of deliberations, the convention approved a sweeping 388-article draft constitution that would have enshrined numerous individual and social rights, significantly expanded the government's role in social service provision, and modified some government institutions. Voters rejected the new constitution by a margin of 62% to 38% in a September 2022 referendum, after some prominent center-left leaders aligned with the Chilean right in characterizing the proposed changes as too radical.

In January 2023, amid continued public support for some constitutional reforms, Chile's congress appointed a 24-member committee of experts to produce a revised constitution. In May 2023, Chile held national elections for a constitutional council whose 50 members are to finalize the new draft. Modified rules for electing delegates, together with shifts in public opinion, resulted in right-of-center parties gaining a majority of council seats. A referendum on the second draft constitution, which observers expect will be shorter and more limited in scope than the rejected version, is scheduled for December 2023.

### Boric Administration

Gabriel Boric was inaugurated to a four-year presidential term in March 2022, a decade after rising to prominence as a leader of Chile's student movement. Leading the left-wing *Apruebo Dignidad* coalition, he defeated right-wing populist José Antonio Kast with 56% of the vote in a December 2021 runoff election. Boric pledged to address environmental concerns and usher in a new era of economic and social inclusion by strengthening the public education and health care systems, replacing the privatized pension

system, improving working conditions, and expanding the rights of historically marginalized groups.

Advancing that agenda has proved challenging. Many of Boric's proposed policies were closely tied to the rejected constitution. Others have stalled in the Chilean congress, where Boric must negotiate with centrist and opposition legislators. Although the congress has enacted measures to increase mining royalties, raise the minimum wage, and reduce the work week from 45 to 40 hours, it voted down a revenue-raising tax reform intended to fund much of Boric's agenda in March 2023. The Boric administration also is contending with a resurgent right, which has capitalized on the failure of the first constitutional reform process and widespread public concern over rising crime and immigration to boost its support.

Boric's political challenges are compounded by difficult economic circumstances. Significant fiscal and monetary stimulus propelled the Chilean economy to 11.7% growth in 2021, following a pandemic-driven 6.1% contraction in 2020. Growth slowed to 2.4% in 2022, however, due to the withdrawal of stimulus measures, rising inflation, and domestic and geopolitical uncertainty. The IMF projects these factors will tilt the economy into recession in 2023, with a 1% contraction in GDP. These deteriorating conditions, combined with political setbacks, have shaken public confidence in Boric's leadership. His approval rating stood at 33% in mid-June 2023, down from 50% at the start of his term, according to Chilean polling firm Cadem.

## U.S.-Chile Relations

Although the United States initially supported the Pinochet dictatorship, it also helped foster the restoration of democracy in Chile. Since the political transition, the United States and Chile have maintained close commercial and defense ties and worked together to promote democracy and human rights throughout the Western Hemisphere. In November 2022, U.S. and Chilean officials met for a High-Level Dialogue to design a roadmap for the bilateral partnership. They discussed efforts to promote democracy and human rights; advance sustainable and inclusive growth; strengthen security cooperation; and deepen collaboration on environmental conservation and health, science, technology, and innovation. S.Res. 140, introduced in the Senate in March 2023, would commemorate the bicentennial of U.S.-Chilean relations.

## Trade and Investment Relations

U.S.-Chile trade relations have grown considerably since the U.S.-Chile Free Trade Agreement entered into force in 2004 (P.L. 108-77). Total bilateral trade in goods reached \$38.9 billion in 2022, a 20% increase compared with 2021 and a 72% increase compared with 2020, according to U.S. Department of Commerce data. U.S. goods exports to Chile amounted to \$22.3 billion in 2022, with mineral fuels, machinery, and motor vehicles accounting for a majority; U.S. goods imports from Chile amounted to \$15.6 billion, with copper, fish, and fruit accounting for a majority.

Chile's open economy, strong institutions, and commitment to the rule of law have made the country an attractive destination for investment. According to the U.S. Bureau of

Economic Analysis, the accumulated stock of U.S. foreign direct investment in Chile stood at \$22.6 billion in 2021, with significant investments in the mining, manufacturing, and finance sectors. 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. In June 2023, the Senate Foreign Relations Committee reported the treaty favorably, with two reservations and two declarations (Ex. Rept. 118-1). H.Res. 487 would express support for ratification of the treaty.

The United States and Chile have differed on relations with China, which is Chile's top trade partner and accounts for 32% of Chile's total trade (nearly double the U.S. share). Chile joined the Belt and Road Initiative in 2018, upgraded its free-trade agreement with China in 2019, and joined the China-backed Asian Infrastructure Investment Bank in 2021. U.S. officials have expressed concerns about Chile's deepening ties to China, particularly with respect to the growing presence of Chinese firms in Chile's strategic sectors, including its telecommunications infrastructure.

## Foreign Affairs and Defense Cooperation

President Boric's approach to foreign affairs has emphasized democracy, human rights, and peaceful dispute resolution. He has spoken out against authoritarian governance and human rights abuses around the world, including in Nicaragua and Venezuela, as well as Russia's invasion of Ukraine. His government also has supported U.S.-backed resolutions at the United Nations and Organization of American States condemning such abuses, while advocating for continued diplomatic engagement.

In June 2022, Chile signed the Los Angeles Declaration for Migration and Protection, which recognizes migration management as a shared responsibility and seeks to bolster regional cooperation. Migration has become an increasingly contentious issue in Chile as the country's foreign-born population has grown from 305,000 in 2010 to an estimated 1.5 million (7.5% of the population) in 2020. Most migrants are from Venezuela (34.2%), Peru (19.8%), Haiti (12.5%), and Colombia (10.5%). The United States provided \$10.9 million to humanitarian organizations in FY2022 and \$5.0 million in the first half of FY2023 to assist migrants, asylum-seekers, and refugees in Chile.

U.S. military assistance to Chile aims to enhance Chile's contributions to international peacekeeping operations, strengthen the capabilities of the Chilean armed forces, and improve interoperability with U.S. forces. In FY2022, the United States provided \$434,000 in International Military Education and Training (IMET) aid to Chile. The United States also completed the transfer of two C-130 Hercules aircraft, valued at \$24 million, to Chile under the Excess Defense Articles program. The Biden Administration has requested \$650,000 of IMET aid for Chile in FY2024 (FY2023 allocations are not yet available).

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