



Chile: Political and Economic Conditions and U.S. Relations

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Summary

Since its transition back to democracy in 1990, Chile has consistently maintained friendly relations with the United States. Serving as a reliable but independent ally, Chile has worked with the United States to advance democracy, human rights, and trade in the Western Hemisphere. Chile and the United States also maintain strong bilateral commercial ties. Total trade has nearly tripled to over \$17.9 billion since the implementation of a free trade agreement in 2004, and the countries signed an income tax treaty designed to boost private sector investment in February 2010. Additional areas of cooperation between the United States and Chile include investigating dictatorship-era human rights abuses, promoting clean energy technologies, and supporting regional security and stability.

Sebastián Piñera of the center-right “Coalition for Change” was inaugurated to a four-year presidential term in March 2010. Piñera’s electoral victory was the first for the Chilean right since 1958, and brought an end to 20 years of governance by a center-left coalition of parties known as the Concertación. Since taking office, Piñera has largely maintained the open economic policies and moderate social welfare policies of his Concertación predecessors while proposing reforms designed to boost economic growth and reduce poverty. He has struggled to implement his legislative agenda, however, as his political coalition lacks majorities in both houses of the Chilean Congress. Piñera has also struggled to deal with a series of large-scale protests and strikes over issues ranging from indigenous policy to the education system. The Chilean populace has resorted to such tactics to demonstrate its increasing dissatisfaction with the country’s political system, which it views as unresponsive to citizen demands. As the generalized sense of discontent has spread, Piñera’s approval rating has steadily declined—reaching 31% in October 2011. The political opposition has not benefitted from Piñera’s unpopularity, however, as public approval of the Concertación has fallen to just 14%.

With a gross national income of \$170 billion and a per capita income of \$9,950, Chile is classified by the World Bank as an upper-middle-income developing country. Successive governments have pursued market-oriented economic policies that have contributed to the development of what many analysts consider the most competitive and fundamentally sound economy in Latin America. This solid economic framework has helped the country weather recent shocks, such as the global financial crisis and a massive February 2010 earthquake. After a 1.7% contraction in 2009, the Chilean economy grew by 5.2% in 2010 and is expected to grow by 6.5% in 2011. Strong economic growth—paired with targeted social assistance programs—has also contributed to a significant decline in the poverty rate, which fell from 38.8% in 1989 to 19.4% in 2010.

Congress has expressed interest in a number of issues in U.S.-Chilean relations in recent years. During the 111th Congress, both houses passed resolutions (S.Res. 431 and H.Res. 1144) expressing sympathy for the victims of the Chilean earthquake, and the House passed a resolution (H.Res. 1662) commending the country’s rescue of 33 trapped miners. The 112th Congress could take up issues such as the U.S.-Chile bilateral income tax treaty that was signed in 2010 and is awaiting submission to the U.S. Senate for ratification.

This report provides a brief historical background of Chile, examines recent political and economic developments, and considers current issues in U.S.-Chilean relations.

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Figure 1. Map of Chile



Source: Map Resources. Adapted by CRS Graphics.

Political and Economic Background

Located in the Southern Cone of South America, Chile is a politically stable, upper-middle-income, developing nation of 17 million people. The country declared independence from Spain in 1810 but did not achieve full independence until 1818. By 1932, Chile had established a mass electoral democracy, which endured until 1973. During much of this period, Chile was governed by presidents who pursued state-led development and the social and political incorporation of the working classes. These policies were expanded following the election of Eduardo Frei Montalva of the Christian Democratic Party (*Partido Demócrata Cristiana*, PDC) in 1964. Frei's reformist government took majority ownership of the copper mines, redistributed land, and improved access to education. Despite these actions, some Chileans felt more radical policies were needed.

Chile in Brief

Approximate Size: Twice the size of California
Population: 17 Million
Ethnic Groups: Spanish-Indigenous (*Mestizo*), European, Indigenous
Religion: 70% Roman Catholic; 15.1% Evangelical
Language: Spanish
Life Expectancy: 79 years
Infant Mortality: 8 per 100,000 live births
Adult Literacy Rate: 99%
Poverty Rate: 19.4%
GNI (2010, Atlas Method): \$170 Billion
GNI per Capita (2010, Atlas Method): \$9,950
Sources: U.S. State Department, World Bank, Chilean Ministry of Planning

In 1970, Salvador Allende, a Socialist and the leader of the leftist "Popular Unity" (*Unidad Popular*) coalition, was elected president in a three-way race with just over 36% of the vote. Allende accelerated and furthered the changes of the previous administration by fully nationalizing firms, expanding land reform, and generally socializing the economy. While Allende's supporters pushed him to move more quickly, the political center, represented by the PDC, joined with the parties of the right to block Popular Unity initiatives in the legislature. This ideological difference prevented the Chilean government from addressing the faltering economy and served to further radicalize supporters on both ends of Chile's already polarized society. When the situation continued to deteriorate following the indecisive 1973 legislative elections, the military intervened.¹

Pinochet Era

On September 11, 1973, the Chilean military, under the control of General Augusto Pinochet, deposed the Allende government in a violent coup and quickly consolidated control of the country. The military junta closed Congress, censored the media, declared political parties in recess, and regarded the organized left as an internal enemy of the state. Within the first few months of military rule, over 1,800 people in Chile were killed or "disappeared" for political reasons, and some 23,000 were imprisoned or tortured. By the end of the dictatorship in 1990, the number of killed or disappeared had risen to at least 3,213 and the number of imprisoned and tortured exceeded 38,000.² General Pinochet emerged as the figurehead of the junta soon after the

¹ *Chile: A Country Study*, ed. Rex A. Hudson, (Washington, D.C.: Library of Congress, 1994).

² *Informe de la Comisión Nacional de Verdad y Reconciliación*, February 1991; Corporación Nacional de Reparación y Reconciliación, *Informe Sobre Calificación de Víctimas de Violaciones de Derechos Humanos y la Violencia Política*, (continued...)

coup and won a tightly controlled referendum to institutionalize his regime in 1978. Pinochet reversed decades of statist economic policies by rapidly implementing a series of changes that liberalized trade and investment, privatized firms, and dismantled the welfare state.

Pinochet won another tightly controlled referendum in 1980, which approved the constitution that continues to govern Chile today. The new constitution called for a plebiscite to take place in 1988 in which Chileans would have the opportunity to reelect Pinochet to another eight-year term or reject him in favor of contested elections. Although the Chilean economy enjoyed a period of rapid economic growth between 1976 and 1981, a banking crisis from 1981 to 1984 sparked widespread protests.³ Following these initial demonstrations, Chilean civil society groups became more active in criticizing the policies of the Pinochet regime. At the same time, political parties began to reemerge to challenge the government. In 1988, several civil society groups and political parties formed a coalition in opposition to Pinochet's reelection. In the plebiscite, 55% of the Chilean people voted against another eight-year term for Pinochet, triggering the election campaign of 1989.⁴

Return to Democracy and Concertación Governance

Two major coalitions of parties contested the elections of 1989. The center-left "Coalition of Parties for Democracy," (*Concertación de Partidos por la Democracia*, Concertación) united 17 groups that were opposed to the Pinochet dictatorship, including the centrist PDC and the center-left Party for Democracy (*Partido por la Democracia*, PPD). The center-right "Democracy and Progress" (*Democracia y Progreso*) coalition included the center-right National Renewal (*Renovación Nacional*, RN) and the conservative Independent Democratic Union (*Unión Demócrata Independiente*, UDI). Patricio Alwyn, a Christian Democrat and the candidate of the Concertación, won the presidency with 55% of the vote and the Concertación won majorities in the Chamber of Deputies and among the elected members of the Senate.⁵

Presidents from the Concertación governed Chile for 20 consecutive years following the return of democracy to the country. In addition to the PDC and the PS, the Concertación currently includes the Socialist Party (*Partido Socialista*, PS), and the Social Democratic Radical Party (*Partido Radical Social Demócrata*, PRSD). President Alwyn (1990-1994) was followed by Eduardo Frei Ruiz-Tagle of the PDC (1994-2000), Ricardo Lagos of the PPD (2000-2006), and Michelle Bachelet of the PS (2006-2010). Each of the Concertación governments pushed for reforms to the Pinochet-era constitution, successfully strengthening civilian control over the military, eliminating the institution of unelected senators, and reducing presidential terms from six years to four.⁶

(...continued)

September 1996; *Informe de la Comisión Nacional Sobre Prisión Política y Tortura*, November 2004; *Informe de la Comisión Asesora para la Calificación de Detenidos Desaparecidos, Ejecutados Políticos y Víctimas de Prisión Política y Tortura*, August 2011.

³ For more information on the Chilean financial crisis, see CRS Report RS22961, *The U.S. Financial Crisis: Lessons From Chile*, by J. F. Hornbeck.

⁴ Alan Angell and Benny Pollack, "The Chilean Elections of 1989 and the Politics of the Transition to Democracy," *Bulletin of Latin American Research*, Volume 9 (1), 1990.

⁵ *Ibid.* Prior to a 2005 constitutional reform, former presidents served as "senators-for-life" and nine senators were designated by the armed forces and other governmental bodies.

⁶ Peter M. Siavelis, "Electoral System, Coalitional Disintegration, and the Future of Chile's Concertación," *Latin* (continued...)

Under the Concertación, Chile maintained the market-oriented economic policies of the Pinochet regime while implementing targeted social welfare policies. The Concertación administrations promoted export-led development and economic diversification through the pursuit of trade agreements and the encouragement of new export sectors.⁷ In an attempt to ensure that the benefits of Chile's economic growth benefitted a broad cross-section of society, President Lagos established *Chile Solidario*, a social protection system that provides support, cash subsidies, and skills training to families in extreme poverty.⁸ Likewise, President Bachelet introduced a universal minimum state pension and extended free health care coverage for a number of serious conditions.⁹ Chile's economy grew by an average of 5.1% annually during the two decades of Concertación rule, and per capita income increased from \$1,770 in 1989 to \$9,470 in 2009.¹⁰ Although income distribution remained virtually unchanged, the percentage of Chileans living in poverty fell from 38.8% in 1989 to 13.7% in 2006.¹¹ The poverty rate has increased since then, reaching 19.4% in 2010 in the aftermath of the global financial crisis and February 2010 earthquake.¹²

Political Situation

Sebastián Piñera of the center-right "Coalition for Change," or Coalición, was inaugurated to a four-year presidential term in March 2010. Piñera's electoral victory was the first for the Chilean right since 1958, and brought an end to 20 years of governance by a center-left coalition of parties known as the Concertación. There has been a considerable degree of policy continuity since Piñera's inauguration, as his administration has largely maintained the open economic policies and moderate social welfare policies of the Concertación while proposing modest reforms designed to boost economic growth and reduce poverty. Piñera has struggled to implement his legislative agenda, however, as his political coalition lacks majorities in both houses of the Chilean Congress. He has also struggled to deal with a series of large-scale protests and strikes over issues ranging from indigenous policy to the education system. The Chilean populace has resorted to such tactics to demonstrate its increasing dissatisfaction with the country's political system, which it views as unresponsive to citizen demands. This generalized sense of discontent has taken a toll on Piñera's approval rating, which reached 31% in October 2011. The political opposition has not benefitted from Piñera's unpopularity, however, as public approval of the Concertación has fallen to just 14%.¹³

(...continued)

American Research Review, Volume 40 (1), 2005.

⁷ U.S. Department of State, Bureau of Western Hemisphere Affairs, *Background Note: Chile*, March 10, 2011.

⁸ Julieta Palma and Raúl Urzúa, *Anti-Poverty Policies and Citizenry: The "Chile Solidario" Experience*, United Nations Educational, Scientific and Cultural Organization (UNESCO), Policy Papers/12, Paris, France, 2005.

⁹ "The Bachelet Model," *Economist*, September 17, 2009.

¹⁰ "El País que Entrega la Concertación Dos Décadas Después de Asumir el Mando," *El Mercurio*, January 18, 2010; World Bank, *World Development Report*, 1991 & 2011.

¹¹ "El País que Entrega la Concertación Dos Décadas Después de Asumir el Mando," *El Mercurio*, January 18, 2010.

¹² Gobierno de Chile, Ministerio de Planificación, "Ministro Kast Entrega los Datos de la Encuesta Post Terremoto," Press Release, January 25, 2011.

¹³ "Director de Adimark: 'Estamos Mal Como País'," *La Nación* (Chile), November 7, 2011; "Adimark: Concertación Baja 3 Puntos a un 14% de Aprobación," *La Nación* (Chile), November 7, 2011.

2009 Presidential and Legislative Elections

On January 17, 2010, billionaire businessman Sebastián Piñera, a member of the National Renewal party (RN) and the candidate of the center-right “Coalition for Change” (*Coalición por el Cambio*, Coalición), was elected president in a second round runoff election. He defeated former President Eduardo Frei (1994-2000), a member of the Christian Democratic Party (PDC) and the candidate of the center-left Concertación, 52% to 48%.¹⁴ Piñera was forced to contest a runoff after he failed to win an absolute majority of the vote in a first-round election held on December 13, 2009. Piñera was the leading vote-getter in the first-round, winning the support of 44% of the electorate. He was followed by Frei at 30% and two Concertación dissidents, Marco Enríquez-Ominami and Jorge Arrate, at 20% and 6%, respectively.¹⁵

A number of analysts contend that the election was not a rejection of the moderate social democratic policies of the Concertación, but reflected a desire for new leadership after two decades of governance by a coalition that had undergone little internal renovation.¹⁶ They note that outgoing Concertación President Michelle Bachelet remained extremely popular in the final months of her term, enjoying an 83% approval rating at the time of the election.¹⁷ Likewise, Piñera projected a moderate image throughout the campaign, emphasizing his 1988 vote against the continuation of the Pinochet regime, pledging to generally continue the policies of the Concertación, and proposing to extend Chile’s social protection network to the middle class.¹⁸

Legislative elections for half of the seats in the Senate and the entire Chamber of Deputies were held concurrently with the first round of the presidential election. For the first time, the center-right coalition of parties (currently known as the “Coalition for Change” or Coalición) surpassed the center-left Concertación as the largest bloc in the lower house. The Coalición holds 58 of the 120 seats in the Chamber of Deputies and 16 of the 38 seats in the Senate. The Concertación and the leftist “Together We Can Do More” (*Juntos Podemos Más*, JPM) coalition signed an electoral pact prior to the elections; together, they hold 57 seats in the Chamber of Deputies and 19 seats in the Senate.¹⁹ The Communist Party (*Partido Comunista*, PC) is represented in the Chilean Congress for the first time since the 1973 overthrow of Salvador Allende, holding three of the Concertación-JPM seats. The remaining three Senate seats and five Chamber of Deputies seats are held by independents and members of the Regionalist Party of Independents (*Partido Regionalista de los Independientes*, PRI), who are unaffiliated with either of the major coalitions (see **Figure 2**).

¹⁴ “Chile: Piñera Wins the Second Round,” *Latin American Regional Report: Brazil & Southern Cone*, February 2010.

¹⁵ “Frei Earns Right to Face Rampant Piñera in January Run-off in Chile,” *Latin American Weekly Report*, December 17, 2009.

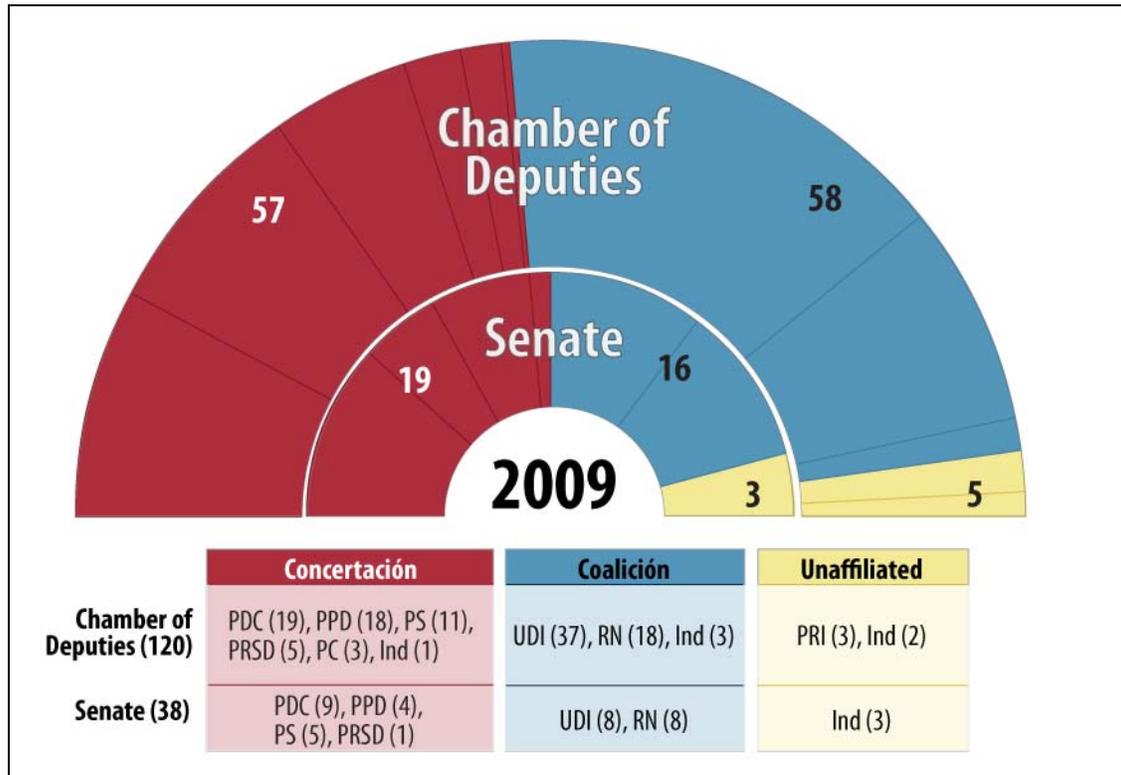
¹⁶ “Tendencias que Muestra la Reciente Elección,” *El Mercurio*, January 19, 2010; Genaro Arriagada, “A Conversation on the Chilean Elections,” Remarks at the Inter-American Dialogue, Washington, DC, January 20, 2010; Patricio Navia, “Elections and Political Trends,” Remarks at XIV Annual CAF Conference on the Americas, Washington, DC, September 8, 2010.

¹⁷ “Chilean President’s Rating Rises Despite Vote,” *Reuters*, February 1, 2010.

¹⁸ “The Strange Chill in Chile,” *Economist*, September 17, 2009; “Chile: Piñera’s Plan,” *Latin American Weekly Report*, December 3, 2009.

¹⁹ “Chile: Country Report,” *Economist Intelligence Unit*, January 2010.

Figure 2. Coalition and Party Affiliation in Chile's Senate and Chamber of Deputies
Legislative Seat Distribution Resulting from the 2009 Elections



Source: Created by CRS Graphics.

Notes: There are 38 seats in the Senate and 120 seats in the Chamber of Deputies. Although the PC is not a member party of the Concertación, it won its seats in the Chamber of Deputies as a result of an electoral pact with that coalition. See **Table A-1** for political party acronyms.

Piñera Administration

Although Piñera's electoral victory was the first for the Chilean right since 1958, there has been a considerable degree of policy continuity since his March 2010 inauguration. The Piñera Administration has largely maintained the open economic policies and moderate social welfare policies of the Concertación while proposing modest reforms designed to boost economic growth and reduce poverty. Piñera must secure the support of unaffiliated or Concertación legislators in order to pass legislation since his political coalition lacks majorities in both houses of the Chilean Congress (see **Figure 2**). He has won legislative approval for several initiatives, including an earthquake reconstruction plan, a reduction in health fees for low-income senior citizens, and an extension from three months to six months of state-subsidized maternity leave.²⁰ Other pieces of legislation, such as education and labor reforms, a bill to legalize same-sex civil unions, and Piñera's "ethical family income" conditional cash transfer program, have yet to win congressional approval.

²⁰ Eduardo Sepúlveda, "'Muchos Políticos Han Caído en la Tentación del Populismo y la Irresponsabilidad,'" *El Mercurio*, August 21, 2011; Gobierno de Chile, "President Piñera Enacts the Law to Extend Postnatal Maternity Leave to 6 Months," Press Release, October 7, 2011.

Many of Piñera's legislative initiatives have sparked intra-coalition divisions among the major political parties. Within Piñera's Coalición, the UDI and other conservative sectors have questioned many of the administration's policy decisions, such as raising taxes to help fund earthquake reconstruction, supporting civil unions, and placing considerable emphasis on social welfare policies to reduce poverty.²¹ Likewise, the opposition Concertación has been divided between centrist sectors that are more inclined to work with Piñera, such as the PDC, and more left-leaning sectors that have preferred to obstruct the administration's agenda.²² Thus, while Piñera occasionally has been able to obtain some opposition support for his initiatives, his attempts to do so have often alienated his own political base while failing to secure broad support from the Concertación.

In addition to his difficulties in Congress, Piñera has been forced to spend much of his time in office reacting to a variety of protests, strikes, and citizen demonstrations. These have included high-profile hunger strikes by Mapuche prisoners, an uprising in southern Chile over a plan to increase gas prices, protests by victims of the 2010 earthquake and tsunami over the pace of reconstruction, protests by environmentalists opposed to a proposed hydroelectric project, and massive student demonstrations seeking changes in the educational system. The students, who want the government to prevent public funds from flowing to for-profit education providers, centralize the education system, and guarantee universal free education, among other demands, have been heavily supported by the general population. Public approval has declined slightly over the five months since the demonstrations began, however, two-thirds of Chileans continued to support the students in October 2011.²³

Many analysts believe Chileans have resorted to street protests as a result of their increasing dissatisfaction with the country's political class, which they view as unresponsive to citizen demands and unwilling to address the country's high level of inequality.²⁴ On one hand, Chile's democracy is more consolidated and inclusive than ever before. Elections and respect for individual rights have become normalized, many of the undemocratic provisions of the 1980 constitution have been eliminated, and poverty has fallen considerably.²⁵ On the other hand, Chileans—who are more aware of their rights and more vocal in their demands as a result of these advances—are increasingly disillusioned by the country's lack of social mobility. Even as Chile experienced strong economic growth between 2010 and 2011, Chileans' satisfaction with democracy declined by 24 points to 32%. Similarly, the percentage of Chileans that believe the state governs for the good of all citizens fell from 34% to 22%.²⁶ Elections are extremely limited

²¹ "Piñera's Honeymoon Comes to an Abrupt End in Chile," *Latin American Weekly Report*, April 29, 2010; "Chile: Country Report," *Economist Intelligence Unit*, April 2011; Paulina Abramovich, "Chile: Piñera Firma Proyecto Que Reconoce Uniones de Hecho Homosexuales," *Agence France Presse*, August 9, 2011.

²² Hernán López y David Muñoz, "DC Crítica a la Concertación por No Aprobar un 'Proyecto Histórico de Bachelet,'" *El Mercurio*, April 21, 2011; David Muñoz, "Concertación Evalúa Rechazo a Proyectos Sociales y la Moneda Acusa de 'Obstruccionismo,'" *El Mercurio*, May 5, 2011.

²³ "Director de Adimark: 'Estamos Mal Como País,'" *La Nación* (Chile), November 7, 2011.

²⁴ See: Marta Lagos, *Chile Al Desnudo*, Latinobarómetro, October 28, 2011; Sergio Bitar, "¿Que Pasa en Chile?: (2) Chile y Sus Movilizaciones: ¿Por Qué?," *Infolatam*, September 14, 2011; "The Dam Breaks: Pent-Up Frustration at the Flaws of a Successful Democracy," *Economist*, August 27, 2011; Patricio Navia, "¿Discontento o Ansiedad?," *La Tercera* (Chile), August 24, 2011; "Chile: Something is Rotten in the State of Chile," *Latin American Weekly Report*, August 18, 2011; "Sistema Institucional Chileno: Cambiar para No Lamentar," *La Nación* (Chile), August 2, 2011; "Genaro Arriagada: 'Creo que Piñera ha Dañado Fuertemente la Imagen Presidencial,'" *Diario Financiero* (Chile), July 16, 2011; "Protests Point to Democratic Dissatisfaction in Chile," *Oxford Analytica*, July 4, 2011.

²⁵ Patricio Navia, "Democracy to the Extent Possible in Chile," *Latin American Research Review*, Special Issue (2010).

²⁶ Marta Lagos, *Chile Al Desnudo*, Latinobarómetro, October 28, 2011.

in their ability to channel citizen discontent, however, since the country's binomial electoral system effectively ensures a relatively equal distribution of power between the two major political coalitions regardless of voters' preferences.²⁷ Consequently, demonstrations serve as an alternative mechanism for holding political leaders accountable.

This general sense of dissatisfaction with the political system has taken a toll on Piñera's public standing. In October 2011, 31% of Chileans approved of Piñera's job performance while 64% disapproved.²⁸ Although the Concertación has offered support to several of the popular demonstrations and has sought to fan the flames of discontent with the Piñera Administration, it has not benefitted politically. Just 14% of Chileans approved of the Concertación in October 2011 while 73% disapproved.²⁹ While most analysts think the protests and citizen dissatisfaction are unlikely to seriously threaten Chile's political stability in the near term, many think that reforms of the education, electoral, and tax systems could help ease tensions moving forward.³⁰

Indigenous Activism

In recent years, Chile's indigenous peoples have become more aggressive in advocating for their rights and concerns, leading to occasional confrontations with the Chilean government. Members of the Mapuche community, Chile's largest indigenous group, have been the most militant; however, the Rapa Nui—ethnic Polynesian natives of the Chilean territory of Easter Island—have also engaged in increased activism. Although the Piñera Administration has offered some concessions to indigenous groups, activists have generally deemed them insufficient.

Mapuche

The Mapuches have long sought official recognition as a people, protection of indigenous rights, and restoration of full ownership of their ancestral lands. Primarily located in the central and southern regions of Biobío, Araucanía, Los Ríos, and Los Lagos (see **Figure 1** for a map of Chile), the Mapuches account for 4% of Chile's 17 million citizens and experience significantly higher poverty levels, lower education levels, and poorer living standards than the general Chilean population.³¹ Mapuche groups have pursued their goals through a variety of means. Some pushed for the ratification of convention 169 of the International Labour Organization (ILO) on indigenous rights, which then-President Bachelet promulgated in September 2008.³² Others, such as the Arauco-Malleco Coordinating Committee (CAM), have employed more militant actions,

²⁷ The binomial election system, a legacy of the Pinochet-era, is composed of two-member districts, which require a coalition to win by two-to-one margins in order to secure both seats. Thus, a swing from one coalition to the other—from 60%-40% to 40%-60%, for example—will produce the exact same result. Consequently, the two major coalitions split seats in more than 95% of electoral districts. Patricio Navia, "Democracy to the Extent Possible in Chile," *Latin American Research Review*, Special Issue (2010).

²⁸ "Director de Adimark: 'Estamos Mal Como País'," *La Nación* (Chile), November 7, 2011.

²⁹ "Adimark: Concertación Baja 3 Puntos a un 14% de Aprobación," *La Nación* (Chile), November 7, 2011.

³⁰ Patricio Navia, "Fin Del Binominal" *La Tercera* (Chile), October 11, 2011; Sergio Bitar, "¿Que Pasa en Chile?: (2) Chile y Sus Movilizaciones: ¿Por Qué?," *Infolatam*, September 14, 2011; "The Dam Breaks: Pent-Up Frustration at the Flaws of a Successful Democracy," *Economist*, August 27, 2011.

³¹ U.S. Department of State, Bureau of Western Hemisphere Affairs, *Background Note: Chile*, March 10, 2011; Raúl Zibechi, "Toward Reconstruction of the Mapuche Nation," *Center for International Policy, Americas Program*, November 13, 2009.

³² "Bachelet Makes Gesture to Chile's Indigenous Groups," *Latin American Weekly Report*, September 25, 2008.

such as occupying ancestral Mapuche lands and destroying the vehicles, machinery, and buildings located upon them.³³

Successive Concertación governments were unable to improve relations with the Mapuches despite engaging in land transfers and other measures designed to reduce tensions. Concertación governments transferred some 650,000 hectares (1.6 million acres) of land to Mapuche communities between 1994 and 2009; however, many Mapuches considered the transfers insufficient as the lands represented only a fraction of their ancestral territory.³⁴ As CAM steadily increased its militant activities during the Bachelet Administration, the government responded more forcefully, raiding the homes of suspected CAM militants and prosecuting Mapuche activists under a Pinochet-era anti-terrorism law that has been condemned by human rights organizations. Prior to being amended in 2010, the anti-terrorism law allowed the state to hold suspects for up to two years without being charged, enabled prosecutors to withhold evidence from the defense and try suspects in both military and civil courts, permitted the testimony of anonymous witnesses, and mandated punishments that are three times the normal criminal sentences for activities such as arson and illegal land occupation.³⁵ The use of the anti-terrorism law—which Bachelet pledged not to employ against Mapuche activists during her 2005 electoral campaign—exacerbated tensions between indigenous communities and the government.³⁶

Relations between the Chilean government and the Mapuches have not improved substantially under the Piñera Administration. In addition to disputes over Piñera's claim that CAM members have received training from the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*, FARC)—a U.S.-designated foreign terrorist organization—conflicts concerning the use of the anti-terrorism law have continued. In 2010, dozens of Mapuche activists being held in prison under the anti-terrorism law went on an 80-day hunger strike. The hunger strikers demanded the dismissal of proceedings against them in military courts, the demilitarization of Mapuche territory, and an end to the use of the anti-terrorism law against Mapuches for actions they consider to be political activism. To bring an end to the strike, Piñera allowed the Catholic Archbishop of Concepción to mediate the dispute and negotiate an agreement with the prisoners. As part of the accord, the Chilean government adopted a series of changes to the anti-terrorism law and the military justice system, and began to reclassify the cases against the imprisoned Mapuches.³⁷ Although these changes temporarily eased tensions, many issues remain unresolved. Land occupations have continued and the convictions and lengthy sentences of several CAM leaders in March 2011 sparked a new round of protests and hunger strikes.³⁸

³³ "Chile: Bachelet Reacts to Challenge by Radical Activists," *Latin American Security & Strategic Review*, January 2008.

³⁴ According to CAM, the original land size of the independent Mapuche territory was 10 million hectares (24.7 million acres). "Chile: Bachelet Reacts to Challenge by Radical Activists," *Latin American Security & Strategic Review*, January 2008; Raúl Zibechi, "Toward Reconstruction of the Mapuche Nation," *Center for International Policy, Americas Program*, November 13, 2009; Daniela Estrada, "Chile: Mapuche Detainees Say They Were Framed," *Inter Press Service*, November 20, 2009.

³⁵ Benjamin Witte-Lebhar, "Chile: No End in Sight for Worsening Mapuche Conflict," *Latin America Data Base NotiSur*, November 13, 2009; "Mapuches Declare 'War' on Chile," *Latin News Daily*, October 22, 2009; "Chile Congress Tries for Mapuche Deal," *Latin News Daily*, September 13, 2010.

³⁶ "Conflicto Mapuche Preocupa pero No Hay una 'Guerra Civil', Según Gobierno," *EFE News Service*, October 21, 2009.

³⁷ "Mapuche Hunger Strike Ends After Law is Amended," *Latin American Security & Strategic Review*, October 2010.

³⁸ "Mapuches Reanudan Tomas," *El Mercurio*, December 28, 2010; "Mapuches Protest After Leader Sentenced," *Latin* (continued...)

Rapa Nui

Some Rapa Nui—ethnic Polynesians whose ancestors first inhabited the Chilean territory of Easter Island (also known as Rapa Nui)—have begun employing methods similar to those of the Mapuches in opposition to Chilean government policies toward the island. Accounting for roughly 60% of Easter Island’s 4,300 residents, the Rapa Nui people are the only officially recognized Chilean indigenous group that still constitutes a majority of the population in its traditional homeland.³⁹ Tensions between the Rapa Nui and the Chilean government have risen in recent years as national and international tourism have boomed and an increasing number of continental Chileans have moved to the island, which is located nearly 2,200 miles west of the Chilean coast. Some Rapa Nui argue that the influx in population is weakening living standards by reducing employment opportunities, straining government services, and damaging the ecosystem.⁴⁰

Frustrated by the lack of government response to their concerns, some Rapa Nui activists have engaged in land occupations. In August 2009, a Rapa Nui group blocked the airport for two days to demand greater immigration controls.⁴¹ Conflict erupted again in March 2010, when locals learned that the individual President Piñera appointed as governor of the territory had reportedly received his position as a result of his ties to a business group with intentions to acquire land the Rapa Nui had ceded to the government for public purposes. Since then, Rapa Nui activists have occupied lands and taken over buildings, demanding stricter immigration controls, the return of their ancestral lands, and a stronger role in governance.⁴² Although the government’s decision to forcefully evict the demonstrators drew condemnation from international human rights groups,⁴³ other efforts—such as the creation of a working group to address land claims, and new investments in education, health care, and infrastructure—have helped resolve some of the disputes.⁴⁴

Economic Conditions

With a gross national income of \$170 billion and a per capita income of \$9,950 (2010), Chile is classified by the World Bank as an upper-middle-income developing country.⁴⁵ Over the past several decades, the country has pursued market-oriented economic policies designed to support export-led development and economic diversification. Chile has trade agreements with nearly 60 countries—including a free trade agreement with the United States—and has encouraged the

(...continued)

News Daily, March 23, 2011; “Two Hunger Strikers Hospitalized in Chile,” *Agence France Presse*, May 26, 2011.

³⁹ “Chile: Indigenous Issues Remain Key Policy Challenge,” *Oxford Analytica*, February 4, 2010; Rodrigo Vergara, “Isla de Pascua: Inversión Total del Gobierno Llegará a los \$128 Mil Millones,” *El Mercurio*, August 24, 2011.

⁴⁰ “Rapa Nui Déjà Vu,” *Economist*, October 10, 2009.

⁴¹ “Easter Island,” *Latin American Weekly Report*, August 20, 2009; “Valor de Isla de Pascua,” *El Mercurio*, August 5, 2010.

⁴² Governor of Chile’s Easter Island Resigns Under Fire,” *EFE News Service*, August 10, 2010; Ximena Pérez, “Pascuenses y Gobierno Instalan Mesas de Trabajo,” *El Mercurio*, August 25, 2010.

⁴³ “CIDH Pide a Chile Cesar Violencia Contra Indígenas en Isla de Pascua,” *Agence France Presse*, February 9, 2011.

⁴⁴ Rodrigo Vergara, “Isla de Pascua: Inversión Total del Gobierno Llegará a los \$128 Mil Millones,” *El Mercurio*, August 24, 2011.

⁴⁵ World Bank, *World Development Report*, 2011

development of new export sectors such as forestry products, salmon, fresh fruit, and wine.⁴⁶ Chile also has attracted significant amounts of foreign direct investment, which totaled \$15.1 billion in 2010.⁴⁷ As a result of these policies, Chile has established a diverse economy that is less reliant on its traditional copper exports and is considered by many analysts to be the most competitive and fundamentally sound in Latin America.⁴⁸ In May 2010, Chile became the first South American nation to join the Organization for Economic Cooperation and Development (OECD).⁴⁹

Global Financial Crisis

Chile's solid economic framework has enabled the country to weather recent shocks to the economy. The country's economic growth slowed in late 2008 and gross domestic product (GDP) contracted by 1.7% in 2009 as the global financial crisis took a considerable toll on the economy.⁵⁰ The Chilean government was able to lessen the impact of the downturn, however, by implementing a \$4 billion (2.4% of GDP) economic stimulus package that included temporary tax cuts for small businesses, increased transfer payments for poor Chileans, \$700 million for infrastructure projects, and \$1 billion for the state-owned copper company, Codelco (*Corporación Nacional del Cobre*).⁵¹ This counter-cyclical spending was financed by drawing on the country's Economic and Social Stabilization Fund, one of two sovereign wealth funds (with a combined value of \$17.6 billion, or 8.7% of GDP, in September 2011) in which the Chilean government invests windfall surpluses from copper revenues.⁵² As a result of the stimulus and other efforts, the country began to experience quarter-on-quarter economic growth by the end of 2009.⁵³

2010 Earthquake Recovery

Just as the Chilean economy was beginning to recover from the global financial crisis, the country was hit by an earthquake of magnitude 8.8 on February 27, 2010.⁵⁴ Centered 70 miles northeast of Chile's second-largest city, Concepción, the earthquake was the second-largest ever recorded in Chile and the fifth-largest recorded worldwide since 1900.⁵⁵ The earthquake and subsequent

⁴⁶ U.S. Department of State, Bureau of Western Hemisphere Affairs, *Background Note: Chile*, March 10, 2011; President Sebastián Piñera, "Remarks by H.E. the President of the Republic of Chile, Mr. Sebastián Piñera on Occasion of the General Debate of the Sixty-Sixth Session of the General Assembly of the United Nations," September 22, 2011.

⁴⁷ U.N. Economic Commission for Latin America and the Caribbean, *Foreign Direct Investment in Latin America and the Caribbean, 2010*, May 2011.

⁴⁸ Klaus Schwab, editor, *Global Competitiveness Report 2011-2012*, World Economic Forum, Geneva, 2011; "Chile: Country Report," *Economist Intelligence Unit*, May 2011.

⁴⁹ Organization for Economic Cooperation and Development, "Chile's Accession to the OECD," Press Release, May 7, 2010.

⁵⁰ "Chile: Country Report," *Economist Intelligence Unit*, May 2011.

⁵¹ "Chile's Economy: Stimulating," *Economist*, February 19, 2009.

⁵² Government of Chile, Ministry of Finance, *Pension Reserve Fund: Monthly Executive Report as of September 2011 and Economic and Social Stabilization Fund: Monthly Executive Report as of September 2011*, October 28, 2011.

⁵³ "Chile Economy: Quick View—Out of Recession," *Economist Intelligence Unit*, November 20, 2009.

⁵⁴ For more information on the Chile earthquake, see CRS Report R41112, *Chile Earthquake: U.S. and International Response*, by June S. Beittel and Rhoda Margesson.

⁵⁵ In 1960, southern Chile was struck by a magnitude 9.5 earthquake. Jose Luis Saavedra, "Massive Earthquake Hits Chile, 214 Dead," *Reuters*, February 27, 2010.

tsunami devastated a substantial portion of the country. An estimated 1.8 million people were affected, with over 500 people confirmed dead, and some 220,000 homes destroyed or severely damaged.⁵⁶ In addition to physical damages estimated at \$29.7 billion (15% of GDP), the affected areas—which are home to portions of the wine, wood pulp, and fruit industries—are responsible for generating approximately one-sixth of Chile’s total GDP.⁵⁷

The Chilean government is implementing an \$8.4 billion reconstruction plan, which is being combined with insurance payments and private sector support, to repair and rebuild what was damaged and destroyed by the earthquake and tsunami. The government is financing the reconstruction plan with a mix of temporary tax increases, sovereign debt issuance, and funds from the country’s Economic and Social Stabilization Fund. The reconstruction effort is scheduled to conclude in March 2014; however, it was reportedly over 60% complete as of October 2011.⁵⁸ Although Chile’s economy suffered in the first quarter of 2010 as a result of the earthquake, the reconstruction effort is now fueling growth. The Chilean economy grew by 5.2% in 2010 and is expected to grow by 6.5% in 2011.⁵⁹ President Piñera has pledged to create 1 million new jobs and maintain annual economic growth of 6% over the course of his term.⁶⁰

Social Indicators

Strong economic growth and targeted social programs have produced considerable improvements in social and development indicators in Chile over the past two decades, but challenges remain. As noted above, the percentage of Chileans living in poverty fell from 38.8% in 1989 to 13.7% in 2006.⁶¹ The poverty rate has since increased to 19.4%, however, as a result of the effects of the global financial crisis and 2010 earthquake.⁶² Chile has also made considerable progress toward meeting all eight of the U.N. Millennium Development Goals by 2015.⁶³ The goals include eradicating extreme poverty, achieving universal primary education, promoting gender equality, reducing child mortality, improving maternal health, combating disease, ensuring environmental stability, and developing a global partnership for development.⁶⁴ At the same time, Chilean policies have done little to reduce inequality, which some analysts contend is embedded in the

⁵⁶ Roser Toll, “Damnificados del Sismo en Chile: ‘Vivimos en un Campo de Concentración’,” *Agence France Presse*, February 23, 2011.

⁵⁷ “Chile: Country Report,” *Economist Intelligence Unit*, September 2010.

⁵⁸ “Post-Quake Rebuild Fuels Chile Recovery a Year On,” *Reuters*, February 25, 2011; John Paul Rathbone and Jude Webber, “FT Interview: Sebastián Piñera,” *Financial Times*, October 4, 2011.

⁵⁹ “Chile: Country Report,” *Economist Intelligence Unit*, October 2011.

⁶⁰ Sebastian Boyd and James Attwood, “Chile’s Pinera ‘Buries’ Pinochet in Presidential Win,” *Bloomberg*, January 18, 2010.

⁶¹ “El País que Entrega la Concertación Dos Décadas Después de Asumir el Mando,” *El Mercurio*, January 18, 2010.

⁶² Gobierno de Chile, Ministerio de Planificación, “Ministro Kast Entrega los Datos de la Encuesta Post Terremoto,” Press Release, January 25, 2011.

⁶³ “Chile: Leading the Millennium Objectives League,” *Latin American Regional Report: Brazil & Southern Cone*, September 2008; United Nations and the Government of Chile, *Objetivos de Desarrollo del Milenio: Tercer Informe del Gobierno de Chile*, February 8, 2011.

⁶⁴ For more information on the Millennium Development Goals, see CRS Report R41410, *The Millennium Development Goals: The September 2010 U.N. High-level Meeting*, by Luisa Blanchfield and Marian Leonardo Lawson.

country's tax system and social and political structures, and is an important barrier to further poverty reduction.⁶⁵

President Piñera has pledged to eliminate extreme poverty—which affects 3.7% of Chileans—by the end of his term and lay the groundwork to end poverty in Chile by the end of the decade.⁶⁶ His administration has introduced a number of new policies to support low-income Chileans. These include higher pensions, health care insurance payment exemptions, and a proposed “ethical family income” conditional cash transfer program, which would provide direct income subsidies to 170,000 families in exchange for ensuring that their children attend school and receive proper medical care.⁶⁷ Despite these social policy efforts, the Piñera Administration maintains that “social security networks are important but not sufficient” and that “growth and job creation are the only ways to overcome poverty permanently.”⁶⁸

Chile-U.S. Relations

Chile and the United States have enjoyed friendly relations since Chile transitioned back to democratic governance. Serving as a reliable but independent ally, Chile has worked with the United States to advance democracy, human rights, and trade in the Western Hemisphere. The countries also maintain close bilateral commercial ties, having signed a free trade agreement in 2003 and an income tax treaty in 2010. Other areas of U.S.-Chilean cooperation include investigations of human rights violations, promotion of clean energy, and support for security and stability in the hemisphere.

Since taking office, the Obama Administration has sought to maintain close ties with Chile and encourage its leadership in the region. Vice President Biden visited Chile in March 2009 during his first trip to Latin America, and then-President Bachelet met with President Obama in Washington, DC, in June 2009. Bachelet described her Administration's close relations with the Obama Administration as “one of the most important events in U.S.-Chile relations in recent times.”⁶⁹ Warm relations have continued since the inauguration of President Piñera. President Obama met with Piñera during the April 2010 Global Nuclear Security Summit in Washington, DC, and again in March 2011 during his first visit to South America. During his visit to the country, President Obama commended Chile as “one of [the United States'] closest and strongest partners” and “one of the greatest success stories in the region.”⁷⁰

⁶⁵ See, for example, “Chile: Poverty Policies Require Rethink,” *Oxford Analytica*, October 14, 2010.

⁶⁶ *Ibid.*

⁶⁷ “Chile: Country Report,” *Economist Intelligence Unit*, April 2011; Sebastián Piñera, “Construyendo una Sociedad de Seguridades, Oportunidades y Valores,” *Mensaje Presidencial*, May 21, 2011; Gobierno de Chile, “President Piñera Signed Ethical Family Income Legislation,” *Press Release*, September 27, 2011.

⁶⁸ “Chile: Piñera Promises to Expunge Poverty,” *Latin American Weekly Report*, July 22, 2010.

⁶⁹ “Washington Watch,” *Latin News Daily*, June 25, 2009.

⁷⁰ White House, Office of the Press Secretary, “Remarks by President Obama and President Sebastian Piñera of Chile at Joint Press Conference,” March 21, 2011.

U.S. Assistance

Although Chile was once a major recipient of U.S. foreign aid, it currently receives only minor assistance as a result of its relatively high level of development. In an attempt to promote economic development and prevent the election of a communist government, the United States provided Chile with extensive assistance during the 1950s and 1960s. President Kennedy made Chile the centerpiece of his “Alliance for Progress,” providing the country with \$1.7 billion (constant 2009 dollars) in economic assistance between 1961 and 1963.⁷¹ Assistance declined following the 1970 election of Socialist President Salvador Allende and has generally remained low since then, increasing briefly during the early years of the Pinochet dictatorship and again following the transition to democracy. Chile received about \$1.95 million in U.S. assistance in FY2010 and an estimated \$1.4 million in FY2011. The Obama Administration requested \$1.3 million for Chile in FY2012. The majority of U.S. assistance to Chile is focused on modernizing the Chilean military by improving its interoperability with U.S. forces and its capacity to participate in regional security and peacekeeping operations.⁷²

In addition to annual bilateral assistance, the United States has provided emergency assistance to Chile in recent years. Following Chile’s massive February 2010 earthquake, the U.S. government provided the country with some \$9.8 million in humanitarian aid. This assistance included the deployment of a U.S. Agency for International Development (USAID) team to identify humanitarian needs; relief supplies such as satellite phones, emergency shelters, electric generators, and mobile water treatment units; and the deployment of two C-130 aircraft to transport emergency relief supplies to disaster-affected areas.⁷³ Likewise, the Obama Administration dispatched a team of National Aeronautics and Space Administration (NASA) experts to Chile in August 2010 to assist the recovery of 33 trapped miners. The team of two medical doctors, a psychologist, and an engineer provided technical advice concerning human physiology and behavioral responses to emergencies.⁷⁴

Commercial Ties

Trade Agreements

The United States and Chile signed a bilateral free trade agreement (FTA) on June 6, 2003. Following the House and Senate passage of the U.S.-Chile Free Trade Implementation Act, President Bush signed the bill into law on September 3, 2003 (P.L. 108-77). The FTA established immediate duty-free treatment for 85% of bilateral trade in consumer and industrial products, increasing market access for both countries.⁷⁵ Since the agreement went into force on January 1,

⁷¹ U.S. Overseas Loans and Grants: Obligations and Loan Authorizations, July 1, 1945-September 30, 2009, <http://gbk.eads.usaidallnet.gov/>.

⁷² U.S. Department of State, *Congressional Budget Justification for Foreign Operations, Fiscal Year 2012*, April 8, 2011; FY2011 653(a) allocation data provided by the U.S. Department of State, August 2011.

⁷³ U.S. Agency for International Development, Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA), Office of U.S. Foreign Disaster Assistance (OFDA), “Chile—Earthquake: Fact Sheet #18, Fiscal Year (FY) 2010,” April 22, 2010.

⁷⁴ National Aeronautics and Space Administration (NASA), “NASA Provides Assistance to Trapped Chilean Miners,” Press Release, September 7, 2010.

⁷⁵ For more information on the U.S.-Chile Free Trade Agreement, see: CRS Report RL31144, *The U.S.-Chile Free Trade Agreement: Economic and Trade Policy Issues*, by J. F. Hornbeck.

2004, bilateral trade between the United States and Chile has nearly tripled, totaling \$17.9 billion in 2010. U.S. imports from Chile grew from \$3.7 billion in 2003 to \$7 billion in 2010, while U.S. exports to Chile grew from \$2.7 billion in 2003 to \$10.9 billion in 2010. Chile's top exports to the United States are copper, edible fruit, seafood, and wood. The top U.S. exports to Chile are heavy machinery, oil, motor vehicles, and electrical machinery. In 2010, the United States was Chile's top source of imports and the third-largest destination for Chile's exports, while Chile was the 38th-largest source of U.S. imports and 24th-largest export market for U.S. goods.⁷⁶ In addition to the bilateral FTA, Chile and the United States are both participating in negotiations concerning the potential expansion of the Trans-Pacific Partnership Agreement, an Asia-Pacific regional trade agreement.⁷⁷

Intellectual Property Rights Protection

Chile has been on the U.S. Trade Representative's (USTR's) Priority Watch List since 2007 as a result of what USTR considers insufficient efforts to protect intellectual property rights. Chile is only the second U.S. FTA partner to be placed on the Priority Watch List. According to USTR, Chile improved its intellectual property rights protection efforts in 2010 by implementing new copyright legislation, ratifying several international conventions, and launching a ministerial-level interagency committee on intellectual property rights. Nonetheless, USTR recommends that Chile take additional actions to address a variety of outstanding intellectual property rights issues under the U.S.-Chile Free Trade Agreement.⁷⁸

Income Tax Treaty⁷⁹

On February 4, 2010, U.S. Treasury Secretary Timothy Geithner and then Chilean Finance Minister Andrés Velasco signed the "Convention Between the Government of the United States of America and the Government of the Republic of Chile for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital." The treaty is designed to encourage private sector growth in both countries by providing certainty on the tax treatment of investors and reducing tax-related barriers to investment. Among other provisions, the treaty would reduce source-country withholding taxes on certain cross-border payments of dividends, interest, and royalties; establish rules to determine when an enterprise or individual of one country is subject to tax on business activities in the other; enhance the mobility of labor by coordinating the tax aspects of the U.S. and Chilean pension systems; foster collaboration to resolve tax disputes and relieve double taxation; and ensure the full exchange between the U.S. and Chilean tax authorities of information for tax purposes. The treaty, which has yet to be submitted to the U.S. Senate for ratification, would be the first bilateral income tax treaty between the United States and Chile and only the second U.S. tax treaty with a South American country.⁸⁰

⁷⁶ U.S. Department of Commerce and Servicio Nacional de Aduana (Chile) statistics, as presented by *Global Trade Atlas*, April 2011.

⁷⁷ For more information, see CRS Report R40502, *The Trans-Pacific Partnership Agreement*, by Ian F. Fergusson and Bruce Vaughn.

⁷⁸ Office of the United States Trade Representative, *2011 Special 301 Report*, April 2011.

⁷⁹ The full text of the treaty, as presented for signature, is available at: <http://www.treasury.gov/resource-center/tax-policy/treaties/Documents/ChileTreaty2010.pdf>.

⁸⁰ U.S. Department of the Treasury, "U.S., Chile Sign Income Tax Treaty," Press Release, February 4, 2010.

Human Rights

Progress in addressing Pinochet-era human rights abuses was rather limited in the initial years following the return of democratic governance in Chile. Recognizing the still delicate status of democracy, the Alwyn Administration allowed a 1978 amnesty law to remain in place while establishing a National Commission for Truth and Reconciliation (the Rettig Commission) to investigate political disappearances and killings during the authoritarian period. The Rettig Commission's recommendations led to the Chilean government awarding reparations to family members of those killed or disappeared. Nonetheless, it was only in 1998, when Pinochet finally stepped down as the head of the armed forces and was subsequently detained in the United Kingdom on an extradition request from Spain, that the Chilean government was able to place more emphasis on the discussion and prosecution of human rights abuses.⁸¹

After slow progress during the first two Concertación administrations, attention to human rights issues accelerated during the Lagos and Bachelet Administrations. In 2003, Lagos established a National Commission on Political Imprisonment and Torture (the Valech Commission), which awarded reparations to those who were tortured during the dictatorship. During the administration of President Bachelet—who was tortured by the Pinochet regime—Chile created an Institute of Human Rights, ratified the International Convention for the Protection of all Persons from Enforced Disappearance, and established a Museum of Memory dedicated to the victims of the dictatorship and those who struggled to promote and defend human rights.⁸² Since 2000, over 200 dictatorship-era officials and members of the military have been convicted of human rights abuses, with hundreds of others still under investigation.⁸³ Although Pinochet died in 2006 before standing trial, those convicted include top officials such as former intelligence chief Manuel Contreras, who is serving multiple life sentences for his roles in myriad of dictatorship-era crimes, including the 1976 assassination of former Chilean Ambassador to the United States Orlando Letelier and his American associate, Ronni Moffitt, in Washington, DC.⁸⁴

President Piñera has been very cautious in dealing with dictatorship-era human rights issues, seeking to overcome the Chilean right's historic association with Pinochet without alienating the portion of his political base that remains sympathetic to the former leader. Piñera largely selected politicians and private sector officials without major ties to the Pinochet regime when forming his government, and quickly replaced his ambassador to Argentina after the ambassador claimed that the majority of Chileans “were not affected” and “were relieved” by the country's 1973 military coup.⁸⁵ Likewise, Piñera has ruled out issuing a general pardon to retired members of the military convicted for violating human rights while remaining open to individual pardons for prisoners of

⁸¹ Priscilla B. Hayner, *Unspeakable Truths: Facing the Challenge of Truth Commissions* (New York: Routledge, 2002).

⁸² “Chile Ratifica Convención de la ONU Sobre Desaparición Forzada de Personas,” *EFE News Service*, September 2, 2009; “Chile: Human Rights Institute Established,” *Latin American Weekly Report*, November 26, 2009; “Un Monumento en Honor a los Asesinados por la Dictadura Pinochetista; Bachelet Inauguró el Museo de la Memoria a Días del Balotaje,” *Clarín* (Argentina), January 12, 2010.

⁸³ Alexander W. Wilde, “Piñera Won. Will He Uphold Chile's Post-Pinochet Moral Legacy?” *Christian Science Monitor*, January 18, 2010.

⁸⁴ Jack Epstein, “Augusto Pinochet: 1915-2006/Chilean Leader's Regime Left Thousands of ‘Disappeared’,” *San Francisco Chronicle*, December 11, 2006; Helen Hughes and Jack Chang, “Ex-Chilean Intelligence Chief Gets 2 Life Sentences,” *Miami Herald*, July 1, 2008.

⁸⁵ Hinde Pomeranic, “La Mayor Parte de Chile No Sintió la Dictadura de Pinochet,” *Clarín* (Argentina), June 6, 2010; “Chile: An Embarrassment in Argentina,” *Latin American Regional Report: Brazil & Southern Cone*, July 2010.

advanced age or with terminal illnesses.⁸⁶ Piñera has also reopened an investigation into the 1991 assassination of Senator Jaime Guzmán, an influential member of the Pinochet regime that founded the conservative UDI party and was killed by members of the radical left-wing Manuel Rodríguez Patriotic Front (*Frente Patriótico Manuel Rodríguez*, FPMR) after the return to democracy, unsuccessfully seeking the extradition of two former FPMR members from Argentina and Cuba. The Chilean judiciary continues to investigate potential human rights abuses, and has reopened several high profile cases, including the 1973 deaths of President Allende (1970-1973) and poet Pablo Neruda, and the 1982 death of former President Frei Montalva (1964-1970).⁸⁷

Chile and the United States have cooperated on investigations of unresolved human rights cases from the Pinochet era. During his March 2011 visit to Chile, President Obama said he would consider Chilean requests for classified information relating to human rights violations. Although tens of thousands of U.S. documents relating to Chile's authoritarian period have already been declassified, many were heavily redacted and others have never been released. Some analysts believe that further declassification of U.S. documents could assist in the investigations into dictatorship-era crimes. President Piñera has indicated that he will formally request the information from the U.S. government.⁸⁸

According to the U.S. Embassy in Santiago, the United States continues to support Chile's investigation into the case of Boris Weisfeiler, a U.S. citizen who disappeared in the country in 1985.⁸⁹ In its 1991 report, the Rettig Commission did not recognize Weisfeiler's disappearance as a human rights violation due to a lack of information. Although declassified U.S. documents⁹⁰ released since then suggest that Weisfeiler may have been killed by the Pinochet regime, and the Valech Commission was temporarily reestablished in 2010 to look into cases that had not been fully investigated previously, Weisfeiler was not included among the 30 additional victims listed in the Commission's August 2011 report.⁹¹ Two other U.S. citizens—Charles Horman and Frank Teruggi—were executed by Chilean security forces within weeks of the 1973 coup according to the Rettig Commission's 1991 report.⁹²

Energy Cooperation

As a result of Chile's fast-growing economy and limited domestic energy resources, energy shortages have become one of the most critical long-term structural bottleneck's to the country's

⁸⁶ "Piñera Considera Incluir a Militares en Indulto para Aliviar Cárceles," *Agence France Presse*, March 9, 2011.

⁸⁷ "Chile Communists Call for Investigation into Death of Pablo Neruda," *Associated Press*, June 1, 2011; "Official: Allende Committed Suicide," *Latin News Daily*, July 20, 2011.

⁸⁸ Michael Warren and Eva Vergara, "Investigators: Secret Files Could Help Chile," *Associated Press*, February 26, 2011; "AP Interview: Chile's Leader to Formally Ask for CIA Files to Help Pinochet Dictatorship Probe," *Associated Press*, March 22, 2011.

⁸⁹ "Chile Doesn't Include US Prof as Pinochet Victim," *Associated Press*, August 26, 2011.

⁹⁰ See, for example, U.S. Department of State, *Welfare-Whereabouts: Case of Boris Weisfeiler*, October 17, 1985, <http://foia.state.gov/documents/StateChile3/000068EC.pdf>.

⁹¹ *Informe de la Comisión Asesora para la Calificación de Detenidos Desaparecidos, Ejecutados Políticos y Víctimas de Prisión Política y Tortura*, August 2011.

⁹² For an English language translation of the Rettig Commission report, see *Report of the Chilean National Commission on Truth and Reconciliation*, vol. I (Notre Dame, Indiana: University of Notre Dame Press, 1993), pp. 224-225, available at http://www.usip.org/files/resources/collections/truth_commissions/Chile90-Report/Chile90-Report.pdf.

economic growth.⁹³ Chile's demand for electricity has grown at an average of 6% annually over the past decade, spurred by strong economic growth, especially in energy-intensive sectors such as mining.⁹⁴ The government estimates that energy demand will double over the next decade.⁹⁵ At the same time, Chile's traditional energy sources have come under pressure. Domestic demands have led Argentina to reduce its gas exports to Chile, and low rainfall has depleted the Chilean reservoirs used to generate hydroelectricity. The resulting energy shortages have forced blackouts and contributed to rising energy costs.⁹⁶

Chile's efforts to address the shortfalls by encouraging reduced consumption and diversifying its energy supply have produced mixed results. A January 2011 proposal to increase gas prices in the Magallanes region of southern Chile sparked large, and sometimes violent, demonstrations that forced the government to largely back away from the idea.⁹⁷ The government's May 2011 decision to approve the environmentally controversial *HydroAysén* hydroelectric project has also generated protests.⁹⁸ Chile's National Energy Commission has called for 20% of the country's energy to be generated from renewable energy sources by 2020. Only 2.7% of Chile's electricity generating capacity came from renewable sources in 2008, however, as a result of the financial and technical barriers to taking advantage of the country's vast wind, solar, tidal, and geothermal energy potential.⁹⁹ To offset its lack of domestic production, Chile now imports over two-thirds of its energy supply.¹⁰⁰ Investments in liquefied natural gas terminals and coal-fired thermoelectric plants are diversifying the sources of Chile's energy supply. At the same time, the coal-fired plants will contribute to increased carbon emissions, which could put Chile's exports at a disadvantage if it were to enter into a global carbon market in the future.¹⁰¹

In recent years, Chile and the United States have sought to cooperate on energy issues. At the Fifth Summit of the Americas¹⁰² in April 2009, President Obama introduced an "Energy and Climate Partnership for the Americas" (ECPA) designed to foster regional cooperation on issues such as energy efficiency, renewable energy investment, and reductions in greenhouse gas emissions.¹⁰³ Under the umbrella of ECPA, the United States and Chile signed a Memorandum of Understanding (MOU) on cooperation in clean energy technologies in June 2009. Through the MOU, the U.S. Department of Energy is providing technical support to Chile's Renewable Energy Center and two solar plant pilot projects in the Atacama Dessert. Future collaboration is

⁹³ "Chile Industry: Energy Security Still Elusive," *Economist Intelligence Unit*, April 21, 2011.

⁹⁴ "Chile: Medium-Term Electricity Supply Looks Secure," *Oxford Analytica*, April 23, 2009.

⁹⁵ Eduardo Sepúlveda M., "Estamos Gobernando con Nuestras Ideas, No con Las de la Concertación," *El Mercurio*, May 22, 2011.

⁹⁶ "Chile: Power Rationing Risk Shows Investment Need," *Oxford Analytica*, February 24, 2011.

⁹⁷ "8,000 Chileans Protest Hike in Natural Gas Prices," *EFE News Service*, January 10, 2011; Miguel Sánchez, "Chile: Crisis del Gas Propina Derrota Política a Piñera (Analistas)," *Agence France Presse*, January 19, 2011.

⁹⁸ Steven Bodzin, "Chileans Protest Government Approval of Five Patagonia Dams," *Christian Science Monitor*, May 10, 2011.

⁹⁹ "Chile: Medium-Term Electricity Supply Looks Secure," *Oxford Analytica*, April 23, 2009; "Chile: Renewable Energy Projects on the Increase," *Oxford Analytica*, May 4, 2010.

¹⁰⁰ "Chile Industry: Energy Security Still Elusive," *Economist Intelligence Unit*, April 21, 2011.

¹⁰¹ "Chile: Coal Generation Raises Emissions Concerns," *Oxford Analytica*, August 19, 2009.

¹⁰² For more information on the Fifth Summit of the Americas, see CRS Report R40074, *Fifth Summit of the Americas, Port of Spain, Trinidad and Tobago, April 2009: Background, Expectations, and Results*.

¹⁰³ White House, Office of the Press Secretary, "The United States and the 2009 Summit of the Americas: Securing Our Citizens' Future," Press Release, April 19, 2009.

likely to involve biofuels, biomass, and wind and geothermal energy projects.¹⁰⁴ Chile and the United States signed another MOU during President Obama's March 2011 trip to the country, agreeing to cooperate on the peaceful uses of nuclear energy. Through the MOU, the two governments will work together on issues such as fuel design, nuclear safety and security, and human resource and infrastructure development.¹⁰⁵

Regional Security

Chile's foreign policy traditionally has been based on respect for international law, peaceful dispute resolution, and non-interference in the internal affairs of other countries.¹⁰⁶ Although much of Chile's foreign policy since the return to democracy has focused on forging trade and investment linkages, Chile also has been an active participant in multilateral efforts to advance peace and stability in the hemisphere. In recent years, Chile has contributed forces to the U.N. mission in Haiti, collaborated on regional counternarcotics efforts, and engaged in diplomatic efforts to resolve political crises in Bolivia and Honduras.¹⁰⁷ Moreover, the United States and Chile are currently working together under a "Trilateral Development Initiative" designed to improve stability and prosperity in the hemisphere by strengthening health, security, and social protection efforts in countries such as El Salvador, Guatemala, and Paraguay.¹⁰⁸

Haiti Peacekeeping

Chile has worked with the United States as part of the multinational peacekeeping force in Haiti since 2004. Chile agreed to send peacekeeping forces to Haiti immediately after receiving the U.N. Security Council's initial March 2004 request for assistance in stabilizing the deteriorating situation in the country. As part of the Multinational Interim Force-Haiti (MIFH), Chilean soldiers provided Haiti with urgently needed assistance while giving the United Nations time to prepare a broader mission. Chile's early presence in the MIFH also encouraged a number of other Latin American countries to contribute to the broader U.N. Stabilization Mission in Haiti (MINUSTAH), establishing an opportunity for regional political and military cooperation and integration. Chile has committed more human and material resources to MINUSTAH than it has to any previous peacekeeping mission.¹⁰⁹ It currently has some 500 soldiers on the ground. In May 2011, the Chilean Senate approved a one-year extension that will allow Chilean peacekeeping forces to remain in Haiti until June 2012.¹¹⁰

¹⁰⁴ White House, Office of the Press Secretary, "The United States and Chile: Environment, Energy, and Climate Change," Fact Sheet, March 21, 2011.

¹⁰⁵ U.S. Department of State, Bureau of Western Hemisphere Affairs, "The United States and Chile: Cooperation on the Peaceful Uses of Nuclear Energy," Fact Sheet, March 21, 2011.

¹⁰⁶ Carlos Portales, "A Word from a Foreign Policy Maker," Remarks at the Embassy of Chile's "Chilean Bicentennial: A Vision From Embassy Row," Washington, DC, September 15, 2010.

¹⁰⁷ Patrick J. McDonnell, "Regional Summit Calls on Bolivians to Avoid Strife," *Los Angeles Times*, September 16, 2008; "Bachelet No Acepta Legitimar los Golpes de Estado," *La Nación* (Chile), December 1, 2009.

¹⁰⁸ U.S. Department of State, Bureau of Western Hemisphere Affairs, "The United States and Chile: Trilateral Development Cooperation," Fact Sheet, March 20, 2011.

¹⁰⁹ Enzo Di Nocera García and Ricardo Benavente Cresta, "Chile: Responding to a Regional Crisis," in *Capacity Building for Peacekeeping: The Case of Haiti*, eds. John T. Fishel and Andrés Sáenz, 66-90 (Dulles, VA: Potomac Books, 2007).

¹¹⁰ "Senado Aprobó Prorrogar Permanencia de Tropas Chilenas en Haití," *La Nación* (Chile), May 18, 2011.

Narcotics Trafficking

As a result of its long, difficult-to-monitor borders, Chile is a transshipment point for Andean cocaine destined for Europe and has recently become a source of precursor chemicals for methamphetamine processing in Mexico and cocaine processing in Bolivia and Peru. Chile has dedicated substantial personnel and financial resources to suppressing the production, trafficking, and use of illicit narcotics. In 2010, Chile's law enforcement officials increased their counternarcotics operations, the number of arrests made for drug-related offenses, and seizures of several illicit narcotics. Through October 2010, Chilean officials reported seizures of approximately 2.3 metric tons of cocaine hydrochloride, 5 metric tons of cocaine base, 5.6 metric tons of processed marijuana, and 222,260 units of illegal pharmaceutical drugs.¹¹¹

The United States recognizes the government of Chile as a strong counternarcotics partner with which it works closely to reduce drug trafficking in Chile and elsewhere in the region. In FY2012, the Obama Administration requested \$100,000 in counternarcotics assistance for Chile. If approved, the funds will support ongoing activities in areas such as anti-trafficking, border security, citizen security, and financial investigative techniques.¹¹² Other bilateral U.S.-Chilean counternarcotics cooperation is focused on improving interagency collaboration and international drug trafficking investigations. Moreover, Chile and the United States are currently working together to support security efforts in Central America.¹¹³

¹¹¹ U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, *2011 International Narcotics Control Strategy Report*, March 2, 2011.

¹¹² U.S. Department of State, *Congressional Budget Justification for Foreign Operations, Fiscal Year 2012*, April 8, 2011.

¹¹³ "Chile y EEUU Acuerdan Cooperación en Seguridad Ciudadana en Centroamérica," *Agence France Presse*, January 12, 2011.

Appendix. Chilean Political Acronyms

Table A-I. Chilean Political Acronyms

Acronym	Political Organization	Description
CAM	Arauco-Malleco Coordinating Committee	Militant Mapuche ^a organization
JPM	Together We Can Do More	Leftist coalition of parties
PC	Communist Party	Leftist member party of JPM
PDC	Christian Democratic Party	Centrist member party of the Concertación ^b
PPD	Party for Democracy	Center-left member party of the Concertación
PRI	Regionalist Party of Independents	Centrist party formed in a merger of regional parties.
PRSD	Social Democratic Radical Party	Center-left member party of the Concertación.
PS	Socialist Party	Center-left member party of the Concertación.
RN	National Renewal	Center-right member party of the Coalición. ^c
UDI	Independent Democratic Union	Conservative member party of the Coalición.

Source: Compiled by CRS.

Notes:

- a. The Mapuche are Chile's largest indigenous group.
- b. The Concertación is a center-left coalition of parties.
- c. The Coalición is a center-right coalition of parties.

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