



Chile: An Overview

Chile, a nation of 19.1 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 it 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), which initially formed to campaign for an end to the dictatorship, governed Chile for 20 years after the transition. Although it repeatedly won the presidency and majorities in Chile's bicameral congress, the CPD's ability to implement policy changes was constrained by provisions of the Pinochet-era constitution and the specter of another democratic breakdown. Consequently, the coalition 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.

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.

In 2009, Chileans elected President Sebastián Piñera of center-right Coalition for Change as president, leading to the country's first alternation of power since the return to democracy. Piñera lacked majorities in both houses of congress, however, and generally adhered to the same policy mix as the CPD while implementing some business-friendly economic reforms. The Chilean economy expanded by an average of 5.3% per year throughout his 2010-2014 term, but Piñera enjoyed little popular support and faced repeated protests.

Figure 1. Chile at a Glance

Capital: Santiago
Population: 19.1 million
Comparative Area: twice as large as Montana
Race or Ethnicity: 87.2% white or <i>Mestizo</i> (European-Indigenous), 12.8% indigenous
Religion: 55% Catholic, 16% Evangelical, 5% other, 24% unaffiliated
GDP/GDP per capita: \$298 billion/\$16,079
Top Exports: copper, fish, fruit, wood pulp, and wood
Poverty Rate: 8.6%



Source: CRS Graphics, Instituto Nacional de Estadísticas; Centro de Estudios Públicos; and the International Monetary Fund.

After four years in opposition, the former CPD incorporated the Communist Party and social movement leaders into the coalition, rebranded itself as the New Majority, and regained power with a series of policy proposals intended to reduce inequality. From 2014 to 2018, President Michelle Bachelet worked with her congressional allies to enact far-reaching fiscal, labor, education, and electoral reforms. She struggled with low approval ratings, however, as the economy grew by an average of 1.8% per year. Analysts primarily attributed Chile's economic slowdown to the falling price of copper, which accounts for about half of the country's export revenues, but Bachelet's policies reportedly exacerbated the downturn by weakening business confidence.

Chile's political pendulum swung back to the right in December 2017, as Chileans voted to return Piñera to the presidency. 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, and he appears to have won over swing 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 coalition; the centrist Christian Democrats split from the coalition to run its own slate of candidates, and a new Broad Front coalition attracted many left-wing voters. Piñera's center-right coalition, rebranded Let's Go Chile, picked up seats but failed to win majorities in either house of congress.

Piñera was inaugurated to his second four-year term in March 2018. He has pledged to boost economic growth by modifying some Bachelet Administration reforms, creating new incentives for entrepreneurship and innovation, and increasing investment in infrastructure. Piñera also has put forward proposals to improve public security and tighten the country's immigration policies. He has struggled to

implement much of his agenda, however, due to insufficient support in the fragmented congress. Although the Chilean economy accelerated considerably in 2018, the Piñera Administration expects growth to slow from 4% to 3.2% in 2019 due to falling copper prices and weakening global economic conditions. Piñera's approval rating has declined along with public perceptions of the economy. According to a mid-July 2019 poll by Chilean firm CADEM, 30% of Chileans approve of Piñera's performance in office and 58% disapprove.

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 countries have maintained close commercial ties and collaborated on regional security concerns. President Piñera's ability to work with the Trump Administration could be constrained, however, as a Gallup poll found that 75% of Chileans disapproved of the "job performance of the leadership of the United States" in 2018.

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 (P.L. 108-77). 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 317% since 2003, reaching \$26.8 billion in 2018, 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 2018, U.S. exports amounted to \$15.4 billion, with refined oil products, machinery, motor vehicles, and civilian aircraft and parts accounting for a majority. U.S. imports from Chile amounted to \$11.4 billion, with copper, fruit, salmon, and wood accounting for a majority. Bilateral services trade amounted to \$6.3 billion in 2017, with \$4.6 billion in U.S. exports and \$1.8 billion in U.S. imports from Chile.

Chile's open economy, well-developed institutions, and strong rule of law make it an attractive destination for investment. As of 2017, the accumulated stock of U.S. foreign direct investment in Chile stood at \$25.9 billion, with significant investments in the mining, manufacturing, and finance sectors. In comparison, the stock of Chilean foreign direct investment in the United States totaled \$2.1 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 growing commercial ties, U.S. and Chilean trade policies have diverged over the past three years. In January 2017, the Trump Administration withdrew from the Trans-Pacific Partnership trade agreement, which had been signed by the United States, Chile, and 10 other nations in the Asia-Pacific region in 2016. Chile worked with the other signatories to save the agreement, helping to forge a revised Comprehensive and Progressive Agreement for Trans-Pacific Partnership in March 2018. The revised agreement is currently pending ratification in the Chilean congress.

The United States and Chile also have differed on relations with China—Chile's top trade partner. Chile signed a cooperation agreement on the Belt and Road Initiative in November 2018 and upgraded its bilateral free trade agreement with China in March 2019. During an April 2019 speech in Santiago, Secretary of State Mike Pompeo warned Chile that "when China does business in places like Latin America, it often injects corrosive capital into the economic bloodstream, giving life to corruption and eroding good governance." Although Chile has urged greater transparency in the Belt and Road Initiative, it has continued to pursue Chinese trade and investment.

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 security assistance to Chile. In FY2018, the United States provided \$357,000 in International Military Education and Training (IMET) aid to Chile to strengthen the capabilities of the Chilean armed forces, improve interoperability with U.S. forces, and enhance Chile's peacekeeping activities. The Trump Administration requested \$300,000 of IMET assistance for Chile in FY2019 and \$400,000 in FY2020. The United States also has provided some equipment to Chile under the Excess Defense Articles program. In March 2019, for example, the Department of Defense notified Congress of its intent to transfer two C-130H aircraft worth an estimated \$24 million to the Chilean Air Force to support disaster response, humanitarian assistance, and peacekeeping.

Although the U.S. and Chilean governments continue to collaborate on many foreign policy matters, they have diverged significantly on climate change. The Chilean government expressed "profound disappointment" at the Trump Administration's decision to withdraw from the Paris Agreement. Chile has ratified the accord and has pledged to reduce its carbon emissions per gross domestic product unit by 30% below 2007 levels by 2030. The Piñera Administration announced more ambitious targets in June 2019, including a complete phaseout of coal by 2040 and zero net carbon emissions by 2050. Chile is scheduled to host the 25th Session of the Conference of Parties to the U.N. Framework Convention on Climate Change (COP 25) in December 2019.

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