



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 Chile's transition to a higher level of economic development has enabled it to take on additional regional responsibilities.

Political and Economic Situation

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

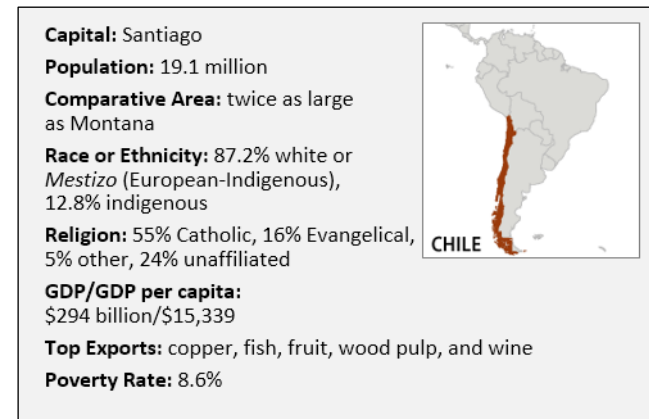
The center-left Coalition of Parties for Democracy (CPD) governed Chile for 20 years after the transition. The coalition's ability to implement policy changes was constrained, however, by provisions of the Pinochet-era constitution and the specter of another democratic breakdown. As a result, the CPD largely maintained the market-oriented economic framework inherited from Pinochet while implementing consensus-based reforms that gradually increased the state's role in regulating economic activity and providing social services. Although President Sebastián Piñera (2010-2014) broke the CPD's hold on power, his center-right administration generally adhered to the same policy mix. Analysts have credited this policy stability for significant 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 a small sector of society and that most Chileans still lack economic security and access to quality public services. Moreover, many Chileans think the country's elites have unjustly used their wealth and connections to advance their own interests while limiting the opportunities available to the rest of the population. A series of corruption and collusion scandals has reinforced those perceptions by revealing how businesses tied to some of Chile's wealthiest families have engaged in influence peddling, price fixing, and other market-distorting and illegal activities—often with few consequences.

Over the past decade, Chileans have registered their discontent with the status quo through repeated electoral swings and mass mobilizations. In 2013, they elected former President Michelle Bachelet (2006-2010) and gave her "New Majority" coalition—consisting of the former

CPD and the Communist Party—large majorities in congress. From 2014 to 2018, Bachelet and her congressional allies enacted far-reaching fiscal, labor, education, and electoral reforms intended to reduce inequality. They struggled with low approval ratings and repeated protests due to dissatisfaction with the policy changes, slow economic growth, and corruption scandals.

Figure 1. Chile at a Glance



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

Chile's political pendulum swung back to the right in 2017, as Chileans voted to return Sebastián Piñera to the presidency. Piñera campaigned on the economic record of his first term, when the economy expanded by 5.3% per year, and argued that Chile needed stronger economic growth to address the middle class's concerns. Piñera also benefited from the fragmentation of the New Majority; the centrist Christian Democrats split from the coalition to run its own slate of candidates, and a new Broad Front coalition attracted many left-wing voters. Piñera's center-right "Let's Go Chile" coalition picked up seats in both houses of Congress but failed to win majorities.

Piñera began his second four-year term in March 2018, pledging to enact business-friendly reforms. He struggled to obtain congressional support for much of his agenda, however, and effectively abandoned it in mid-October 2019, when protests against an increase in transit fares turned violent. As some groups engaged in vandalism, arson, and looting, Piñera asserted the country was "at war"; he declared a state of emergency and deployed the military to enforce a curfew. Those measures appear to have triggered a backlash, with millions of Chileans taking to the streets to express their discontent with societal inequality and the high cost of living. Piñera ultimately lifted the curfew on October 28, 2019, but clashes between protesters and Chilean security forces have continued. According to Chile's National Human Rights Institute, security forces are responsible for at least 5 of the 29 deaths

that have occurred during the unrest and more than 1,300 other human rights violations, including the use of excessive force, torture, and sexual violence.

Piñera has adopted a more conciliatory approach since late October 2019. He has sought to address protestors' demands with proposals intended to increase pensions and the minimum wage, reduce health care and transit costs, and enhance penalties for corruption and collusion. He also negotiated an agreement with the congress to hold a plebiscite in April 2020 that will allow Chileans to decide whether the country should draft a new constitution to replace the Pinochet-era charter. Protests, vandalism, and looting have continued, however, contributing to an estimated 2.5% economic contraction in the fourth quarter of 2019. Piñera's approval rating had fallen to 11% as of late December 2019, according to the polling firm *Cadem*. Most Chileans also disapprove of the political opposition, however, illustrating the weak links between Chileans and their elected leaders.

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.

Chile's open economy, well-developed institutions, and strong rule of law make it an attractive destination for investment. As of 2018, the accumulated stock of U.S. foreign direct investment in Chile stood at \$26.1 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 \$3.1 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 United States and Chile have also 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 Michael 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 and helped to facilitate the peace process in Colombia. Chile has also supported efforts to restore democracy in Venezuela and foster development in Central America. The United States and Chile maintain a High-Level Bilateral Political Consultative Mechanism to coordinate 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 nations.

The United States provides some security assistance to Chile. In FY2019, the United States provided an estimated \$487,000 in International Military Education and Training (IMET) aid to Chile to strengthen the capabilities of the Chilean armed forces and to improve their interoperability with U.S. forces. 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 pledged to reduce its carbon emissions per million dollars of gross domestic product to 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.

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