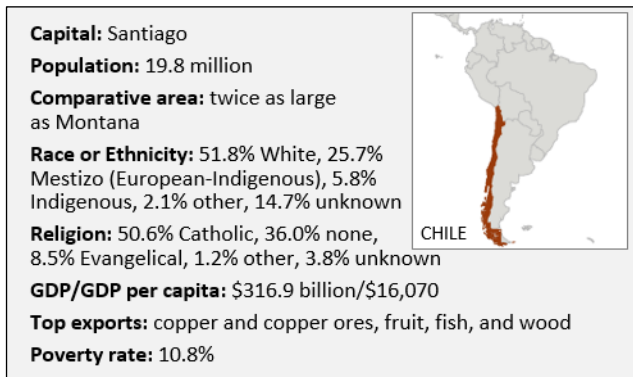




## Chile: An Overview

Chile, located along the Pacific coast of South America, traditionally has been one of the United States' closest partners in Latin America. The country's transition to a higher level of economic development has enabled it to play a more active role in foreign affairs, often in collaboration with the United States.

Figure 1. Chile at a Glance



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

### Political and Economic 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 restored democracy in 1990, following a 1988 plebiscite.

Center-left and center-right coalitions dominated Chilean politics for three decades following the transition. Center-left coalitions held the presidency and majorities in Chile's bicameral congress for most of that period, but Sebastián Piñera led his center-right coalition to power for two nonconsecutive presidential terms (2010-2014, 2018-2022). Both coalitions largely maintained the market-oriented economic framework inherited from Pinochet while implementing consensus-based reforms to gradually expand the Chilean government's role in regulating economic activity and providing social services.

Although Chile has experienced significant improvements in living standards since 1990, many Chileans have been disappointed with the results of the post-Pinochet policy consensus. Inequality has remained high, and many Chileans still lack economic security and access to quality public services. Those shortcomings have contributed to majorities in Chile expressing dissatisfaction with how

democracy functions in their country in nearly every *Latinobarómetro* poll conducted since 1995.

### Social Unrest and Constitutional Reform

As the political system has proven unwilling or unable to channel citizens' preferences, Chileans have taken to the streets in mass mobilizations. Social unrest spiraled into violence in October 2019, when protests against an increase in transit fares in Santiago were accompanied by vandalism, arson, and looting. President Piñera's decision to declare a state of emergency and deploy the military to enforce a curfew appears to have triggered public backlash, leading millions of Chileans across the country to join the protests.

In an effort to restore peace and respond to demands for a new social contract, the Piñera administration and legislators from across the political spectrum agreed to hold a plebiscite on whether to replace the Pinochet-era constitution. The plebiscite passed with the support of 78% of voters, and in May 2021, Chileans elected a constitutional convention in which predominantly left-leaning independents hold a plurality of seats. The convention may seek to increase the state's role in social service provision, reduce private control over water and other natural resources, grant autonomy to Indigenous peoples, modify the legislative and executive branches, and decentralize governance, among other changes. Each element of the constitution requires the approval of a two-thirds majority of the convention. The convention has until July 2022 to produce a final draft, which is to be submitted to a national referendum for ratification in September.

### Boric Administration

Gabriel Boric, a 36-year-old former legislator and student leader, was inaugurated to a four-year presidential term in March 2022. Leading the left-wing *Apruebo Dignidad* coalition, he defeated right-wing populist José Antonio Kast with 56% of the vote in a December 2021 runoff election. Boric's campaign platform reflected many of the demands articulated by protesters in 2019. Among other changes, Boric has pledged to usher in a new era of economic and social inclusion by strengthening the public education and health care systems, replacing the privatized pension system, improving working conditions, and advancing the rights of historically marginalized groups. He also has pledged to combat climate change and foster sustainable development. Boric plans to fund such measures by increasing government revenues by 5% of gross domestic product over four years.

Advancing that policy agenda may prove challenging. The congress is split nearly evenly between left-leaning and right-leaning parties, with Boric's coalition holding 37 of 155 seats in the Chamber of Deputies and 5 of 50 seats in the Senate. Consequently, Boric faces the difficult task of

negotiating legislation with centrist legislators without alienating his leftist base. Additional challenges could arise from the constitutional referendum. Whereas the approval of a new constitution could trigger early elections or require Boric to dedicate much of his term to implementation, a rejection could spur a new cycle of social unrest.

Boric also must contend with the lingering public health and economic effects of the Coronavirus Disease 2019 (COVID-19) pandemic. According to Johns Hopkins University, Chile has recorded more than 57,000 COVID-19 deaths (302 per 100,000 people) since the start of the pandemic. The country implemented one of the world's fastest vaccine rollouts, however, and nearly 92% of Chileans were vaccinated as of April 19, 2022. According to the International Monetary Fund (IMF), the pandemic contributed to a 6.1% economic contraction in 2020 but significant fiscal and monetary stimulus propelled the Chilean economy to 11.7% growth in 2021. The IMF forecasts growth will slow to 1.5% in 2022 due to the withdrawal of stimulus measures, rising inflation, and domestic and geopolitical uncertainty.

## U.S.-Chile Relations

Although the United States initially supported the Pinochet dictatorship, it also helped foster the restoration of democracy in Chile. Since the political transition, the United States and Chile have maintained close commercial and defense ties and worked together to promote democracy and human rights throughout the region. The Biden Administration also has sought to collaborate with Chile on shared challenges, such as the COVID-19 pandemic and recovery, climate change, and regional migration flows.

### Trade and Investment Relations

U.S.-Chile trade relations have grown considerably since the U.S.-Chile Free Trade Agreement entered into force in 2004 (P.L. 108-77). Total bilateral trade in goods reached \$32.4 billion in 2021, a 43% increase compared with 2020 and a 24% increase compared with 2019, according to U.S. Department of Commerce data. U.S. goods exports to Chile amounted to \$17.3 billion in 2021, with mineral fuels, machinery, and motor vehicles accounting for a majority; U.S. goods imports from Chile amounted to \$15 billion, with copper, fish, and fruit accounting for a majority.

Chile's open economy, well-developed institutions, and strong rule of law have made the country an attractive destination for investment. According to the U.S. Bureau of Economic Analysis, the accumulated stock of U.S. foreign direct investment in Chile stood at \$23 billion in 2020, 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 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. The Senate Foreign Relations Committee reported the treaty favorably with two reservations and one declaration in April 2022.

U.S. and Chilean trade policies have diverged somewhat over the past five years as the United States has adopted

more protectionist policies. In 2017, the Trump Administration withdrew from the Trans-Pacific Partnership trade agreement, which had been signed a year earlier by the United States, Chile, and 10 other countries in the Asia-Pacific region. Chile worked with the other signatories to save the agreement, helping to forge a revised Comprehensive and Progressive Agreement for Trans-Pacific Partnership in 2018. The Chilean congress has yet to ratify the agreement, however, and President Boric has called for the agreement to be considered within the framework of the new constitution, once it is finalized.

The United States and Chile also have differed on relations with China, which is Chile's top trade partner and accounts for 34% of Chile's total trade (double the U.S. share). Chile signed an agreement on the Belt and Road Initiative in 2018, upgraded its free-trade agreement with China in 2019, and joined the China-backed Asian Infrastructure Investment Bank in 2021. U.S. officials have expressed concerns about Chile's ties to China, warning that Chinese investment often fosters corruption and that using Chinese equipment in the country's fifth-generation (5G) telecommunications network could compromise Chile's national security, intellectual property, and data privacy. Some Chilean legislators have sought to limit the influence of Chinese state-owned companies in strategic sectors, but Chile has yet to restrict such investments.

### Foreign Affairs and Defense Cooperation

Chile has supported various regional peace and security efforts over the past decade. It was one of the top contributors to the U.N. Stabilization Mission in Haiti and helped facilitate the peace process in Colombia. Chile also has 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 countries.

The Biden Administration has expressed interest in collaborating with the new Chilean government on issues of mutual concern, such as promoting an equitable recovery from the COVID-19 pandemic and addressing climate change. The Administration also has sought to reinforce U.S.-Chilean cooperation on democracy and human rights issues and irregular migration. According to U.N. data, approximately 448,000 Venezuelans and 237,000 Haitians have migrated to Chile over the past decade, some of whom subsequently have sought entry into the United States.

In FY2021, the United States provided \$455,000 in International Military Education and Training (IMET) aid to Chile to enhance Chile's peacekeeping activities, strengthen the capabilities of the Chilean armed forces, and improve interoperability with U.S. forces. The United States also transferred two C-130 Hercules aircraft, valued at \$24 million, to Chile in 2021. The Biden Administration has requested \$450,000 of IMET aid for Chile in FY2023 (FY2022 allocations are not yet available).

---

**Joshua Klein**, Presidential Management Fellow**IF10880**

---

**Peter J. Meyer**, Specialist in Latin American and Canadian Affairs

---

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.