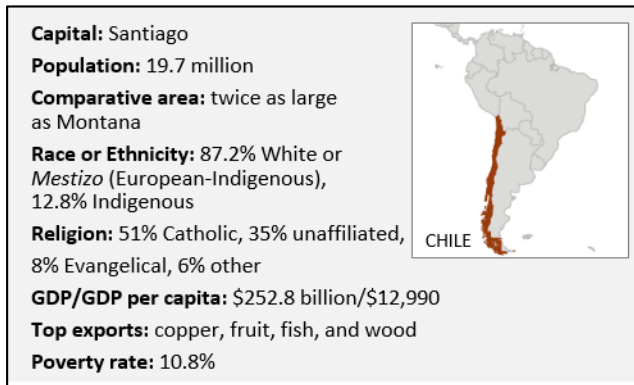




Chile: An Overview

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 ultimately restored a democratic system of government in 1990. A center-left coalition of parties dominated Chilean politics for two decades after the transition.

President Sebastián Piñera of the center-right Let’s Go Chile coalition was inaugurated to a second nonconsecutive term in March 2018. He took office pledging to enact business-friendly tax and labor reforms but struggled to move many of his proposals through Chile’s fragmented Congress. Piñera effectively abandoned much of his agenda in the face of mass protests in October 2019. He has spent the past two years trying to contain social unrest while addressing the health and economic challenges posed by the Coronavirus Disease 2019 (COVID-19) pandemic. An August 2021 poll conducted by the *Centro de Estudios Públicos* found that 16% of Chileans approved of Piñera’s performance in office and 68% disapproved.

Social Unrest, Constitutional Reform, and Elections

According to a 2020 Latinobarómetro poll, 76% of Chileans are dissatisfied with how democracy functions in their country. Although Chile has experienced significant

improvements in living standards over the past 30 years, inequality remains high and most Chileans view the country’s income, education, and health disparities as unjust. Chileans have registered their discontent with the status quo through repeated electoral swings, but changes in government have resulted in limited reforms to the country’s economic model and its reliance on the private sector for the provision of social services.

With the political system unwilling or unable to channel Chileans’ preferences, many people 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 a 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 overwhelming support, and in May 2021, Chileans elected a constituent assembly in which predominantly left-leaning independents hold a plurality of seats. The assembly 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, and decentralize governance, among other changes. Each element of the constitution would need the approval of a two-thirds majority of the assembly, and the final draft is to be submitted to a national referendum in 2022.

Chile is scheduled to hold presidential and congressional elections on November 21, 2021. In late September 2021, the Chilean polling firm Cadem found Gabriel Boric—a 35-year-old former student leader and leftist member of the Chamber of Deputies—leading the presidential race with 22% support. He was followed by José Antonio Kast, a rightist former member of the Chamber of Deputies (15%); Sebastián Sichel, a former Piñera administration official nominated by the center-right ruling coalition (12%); and Yasna Provoste, senate president nominated by Chile’s traditional center-left coalition (12%). If no candidate wins a majority of the vote, a runoff between the top two candidates is to take place on December 19, 2021.

Pandemic Response and Economic Recovery

Chile confirmed its first case of COVID-19 in March 2020, leading the Piñera administration to impose a variety of containment measures. Piñera resisted calls for a national quarantine, opting to impose restrictions on municipalities and regions in accordance with local conditions to avoid

shutting down the entire economy. Chile had one of the world's fastest vaccine rollouts in 2021, primarily using the CoronaVac produced by China's Sinovac. Infections spiked during the first half of the year, but have declined significantly since mid-June, when the government imposed a temporary lockdown on the Santiago metropolitan region. As of October 5, 2021, Johns Hopkins University reported there had been 1.66 million cases and 37,500 deaths from COVID-19 in Chile, and nearly 75% of Chile's population was fully vaccinated.

According to the International Monetary Fund (IMF), Chile's economy contracted by 5.8% in 2020, but the government's aggressive policy response has helped mitigate the impact of the downturn and accelerate economic recovery. The Piñera administration is implementing a \$34 billion (13% of GDP) multi-year fiscal package that includes increased funding for the healthcare system, tax deferrals, enhanced subsidies and unemployment benefits, income support for vulnerable and middle class households, and credit for small- and medium-sized businesses. The IMF forecasts that Chile's economy will grow at 6.5% in 2021, driven by the government support package, higher copper prices, and economic recovery among major trading partners.

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, 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 \$22.6 billion in 2020, a 13.5% decline compared to 2019, according to U.S. Department of Commerce data. U.S. goods exports to Chile amounted to \$12.5 billion in 2020, with mineral fuel, machinery, and civilian aircraft and parts accounting for a majority; U.S. goods imports from Chile amounted to \$10.1 billion, with copper, salmon, and fruit accounting for a majority.

Chile's open economy, well-developed institutions, and strong rule of law make it 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.

U.S. and Chilean trade policies have diverged somewhat over the past four years as the United States has adopted more protectionist policies. In January 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 nations 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. Chile has yet to ratify the agreement due to a lack of consensus in the Chilean senate.

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 2018, upgraded its bilateral free-trade agreement with China in 2019, and joined the China-backed Asian Infrastructure Investment Bank in July 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 the Piñera administration has opposed restrictions on Chinese investment.

Regional and Global Cooperation

Chile has supported a variety of regional peace and security efforts over the past decade, including several U.S.-backed initiatives. 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 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.

In FY2020, the United States provided \$553,000 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. Chile is receiving an estimated \$455,000 of IMET aid in FY2021, and the Biden Administration has requested \$450,000 of IMET aid for Chile in FY2022.

President Piñera was among the 40 world leaders invited to participate in the Biden Administration's April 2021 climate summit. Chile is not a major source of greenhouse gas emissions, but it has taken on a leadership role in climate diplomacy and it was one of the first governments in the world to increase its Paris Agreement commitments. The country intends to reduce its annual net greenhouse gas emissions by about 30%, compared to 2016 levels, by 2030.

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