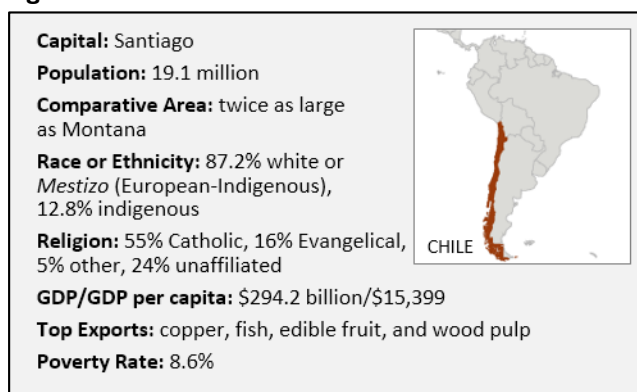


Chile: An Overview

Chile, a country of 19.1 million people, is located along the Pacific coast of South America. Chile traditionally has been one of the United States' closest partners in Latin America due to the countries' common commitments to democracy, human rights, and free trade. Chile's transition to a higher level of economic development has enabled the country to play a more active role in foreign affairs, including U.S.-backed efforts to promote peace and stability in the Western Hemisphere.

Figure 1. Chile at a Glance



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

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. His 2017 campaign centered on the economic record of his first term (2010-2014), when the Chilean economy expanded by 5.3% per year. His argument that Chile needed stronger economic growth to address the concerns of the middle class appeared to resonate with many voters after four years of economic stagnation under President Michelle Bachelet (2006-2010, 2014-2018) and her center-left New Majority coalition.

Piñera began his second four-year term pledging to enact business-friendly tax and labor reforms. Similar to his first term, however, Piñera struggled to win legislative approval for his agenda because his coalition lacks majorities in both houses of congress. He effectively abandoned his campaign

proposals in October 2019 as he sought to respond to mass protests. Piñera is likely to spend the remainder of his term trying to contain social unrest while contending with the health and economic challenges posed by the Coronavirus Disease 2019 (COVID-19) pandemic.

Social Unrest

In the 30 years since Chile's democratic transition, successive administrations have largely adhered to the same mix of market-oriented economic policies and targeted social welfare programs. Although living standards have improved significantly, many Chileans are 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. Chileans have registered their discontent with the status quo through repeated electoral swings and mass mobilizations over the past decade.

Frustrations boiled over in October 2019, when protests against an increase in transit fares suddenly turned violent. As some groups engaged in vandalism, arson, and looting, Piñera 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 denounce societal inequality and the high cost of living. Piñera lifted the state of emergency after 10 days, but protests, and sometimes-violent clashes with Chilean security forces, continued into 2020; Chile's National Human Rights Institute has filed more than 1,400 criminal complaints against members of the police and military for alleged human rights abuses. Piñera has sought to address protestors' demands with proposals to increase pensions and the minimum wage, reduce health care costs, and enhance penalties for corruption. He also agreed to hold a plebiscite on whether the country should draft a new constitution to replace the Pinochet-era charter.

COVID-19

The arrival of the COVID-19 pandemic in Chile suspended most protest activity and shifted the focus of government efforts. The Piñera Administration began implementing containment measures in March 2020, closing borders and restricting freedom of movement. Although Piñera had announced plans to begin lifting restrictions in May, a spike in infections and hospitalizations forced him to backtrack and impose a complete quarantine on the Santiago metropolitan region—home to more than 40% of Chileans. As of June 2, 2020, Chile had confirmed more than 108,000 cases of COVID-19 and had registered nearly 1,200 deaths.

The Piñera Administration has taken aggressive action to mitigate the economic impact of the pandemic. It has increased funding for unemployment benefits, offered

financial support to businesses, and provided emergency income and food support to the most vulnerable households. Altogether, the government's economic response measures have amounted to nearly \$17 billion, which is equivalent to 7% of Chile's projected GDP for 2020. The International Monetary Fund forecasts that Chile's economy will contract by 4.5% in 2020 before bouncing back with 5.3% growth in 2021.

Piñera's approval rating, which averaged 12% between mid-October 2019 and mid-March 2020, had increased to 29% as of the end of May 2020, according to the polling firm Cadem. He is likely to face renewed political pressure, however, once he lifts the country's containment measures. The pandemic has highlighted and exacerbated inequities in Chile and already has generated some social unrest. Chileans also may take to the streets to press their demands as the plebiscite on a new constitution, which was postponed from April 2020 until October 2020, approaches.

U.S.-Chile Relations

Although the United States initially supported the Pinochet dictatorship, it also helped foster the restoration of democracy in Chile. The countries have maintained close commercial and security ties since Chile's democratic transition. During a September 2018 meeting, President Trump and President Piñera pledged to strengthen the bilateral economic relationship and cooperate on regional challenges as part of a "more enduring strategic partnership." Piñera's ability to work with the Trump Administration could be constrained, however, as a 2018 Gallup poll found that 75% of Chileans disapproved of the "job performance of the leadership of the United States."

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 enter Chile duty free. Total bilateral trade in goods has increased 308% since 2003, reaching \$26.2 billion in 2019, 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 2019, U.S. exports amounted to \$15.8 billion, with mineral fuel, machinery, and civilian aircraft and parts accounting for a majority. U.S. imports from Chile amounted to \$10.4 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. 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 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 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 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 nations.

The United States provides some security assistance to Chile. In FY2019, the United States provided \$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 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. The Trump Administration requested \$400,000 of IMET aid for Chile in FY2020 and FY2021.

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 ratified the accord in 2017 and increased its commitments in April 2020. Based on its updated emissions reduction and forestry pledges, Chile estimates that its net greenhouse gas emissions would decline by about 30%, compared to 2016 levels, by 2030.

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