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Chile: Political and Economic Conditions and U.S. Relations

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Summary

Chile has maintained friendly relations with the United States since its transition back to civilian democratic rule in 1990. The Obama Administration has sought to build on these traditionally close ties and encourage Chile's leadership in the Western Hemisphere. Bilateral commercial relations are particularly strong; total trade in goods and services has more than tripled since the implementation of a free trade agreement in 2004. Additional areas of cooperation include supporting regional stability and promoting clean energy development.

Political Situation

Sebastián Piñera of the center-right "Alliance for Chile" is now in the final months of his four-year presidential term. Lacking majorities in both houses of the Chilean Congress, Piñera has had to secure the support of opposition or unaffiliated legislators to advance his business-friendly agenda. While he has won legislative support for a variety of incremental policy reforms, Piñera has struggled to deal with a series of popular protests over issues ranging from energy policy to the education system. Analysts maintain that the Chilean populace has resorted to such tactics to demonstrate its dissatisfaction with the country's political class, which it views as unresponsive to citizen demands and unwilling to address high levels of inequality.

Former President Michelle Bachelet (2006-2010) was elected to a new four-year presidential term in December 2013 and is scheduled to take office on March 11, 2014. Her center-left "New Majority" coalition also won majorities in both houses of the Chilean Congress after campaigning on a platform promising significant education, fiscal, and constitutional reforms designed to reduce inequality and improve social mobility. Bachelet may face some challenges holding her ideologically diverse coalition together, but she should be able to enact much of her policy agenda. Education and constitutional reforms, however, require congressional supermajorities and will require Bachelet to win support from unaffiliated and opposition legislators.

Economic Conditions

According to many analysts, Chile has the most competitive and fundamentally sound economy in Latin America. Chile's economic success stems from policies implemented over several decades that have opened the country to investment, secured access to foreign markets, and mitigated the effects of external shocks. In recent years, this solid policy framework has helped the Chilean economy weather the global financial crisis and a massive February 2010 earthquake. Strong economic growth—paired with targeted social assistance programs—has also contributed to a significant decline in the poverty rate. High levels of inequality have persisted, however, contributing to some popular discontent with Chile's generally strong economic performance.

Congressional Action

Congress has expressed interest in a variety of issues in U.S.-Chilean relations over the years. The 113th Congress could take up matters such as the U.S.-Chile bilateral income tax treaty, which was signed in 2010 and was submitted to the U.S. Senate for ratification on May 17, 2012 (Treaty Doc. 112-8). Ongoing negotiations over the proposed Trans-Pacific Partnership (TPP) trade agreement, which includes Chile, the United States, and at least 10 other nations in the Asia-Pacific region, may also attract congressional attention.

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Political and Economic Background

Located in the Southern Cone of South America, Chile is a politically stable, upper-middle-income, developing nation of 17.5 million people.¹ The country declared independence from Spain in 1810 but did not achieve full independence until 1818. By 1932, Chile had established a mass electoral democracy, which endured until 1973. During much of this period, Chile was governed by presidents who pursued state-led development and the social and political incorporation of the working classes. These policies were expanded following the election of Eduardo Frei Montalva of the Christian Democratic Party (*Partido Demócrata Cristiana*, PDC) in 1964. Frei's reformist government took majority ownership of the copper mines, redistributed land, and improved access to education. Despite these actions, some Chileans felt more radical policies were needed.

In 1970, Salvador Allende, a Socialist and the leader of the leftist "Popular Unity" (*Unidad Popular*) coalition, was elected president in a three-way race with slightly over 36% of the vote. Allende accelerated and furthered the changes of the previous administration by fully nationalizing firms, expanding land reform, and generally socializing the economy. While Allende's supporters pushed him to move more quickly, the political center, represented by the PDC, joined with the parties of the right to block Popular Unity initiatives in the legislature. This ideological intransigence prevented the Chilean government from addressing the faltering economy and served to further radicalize supporters on both ends of Chile's already polarized society. When the situation continued to deteriorate following indecisive 1973 legislative elections, the military intervened.²

Pinochet Era

On September 11, 1973, the Chilean military, under the control of General Augusto Pinochet, deposed the Allende government in a violent coup and quickly consolidated control of the country. The military junta closed Congress, censored the media, declared political parties in recess, and regarded the organized left as an internal enemy of the state. Within the first few months of military rule, over 1,800 people in Chile were killed or "disappeared" for political reasons, and some 23,000 were imprisoned or tortured. By the end of the dictatorship in 1990, the

Chile in Brief

Land Area: 287,000 square miles (approximately twice as large as Montana)

Population: 17.5 million (2012)

Ethnic Groups: 89.7% White or *Mestizo* (White-Indigenous); 10.3% Indigenous (2012)

Religion: 67.4% Roman Catholic; 16.6% Evangelical; 11.6% none (2012)

Official Language: Spanish

Life Expectancy: 79 years (2011)

Infant Mortality Rate: 8 per 100,000 live births (2012)

Adult Literacy Rate: 97.8% (2012)

Poverty Rate: 14.4% (2011)

GDP: \$268.2 billion (2012)

GDP per Capita: \$15,410 (2012)

Sources: Chilean Ministry of Social Development, Chilean National Statistics Institute, International Monetary Fund, World Bank

¹ World Bank, "Chile: Data," <http://data.worldbank.org/country/chile>.

² *Chile: A Country Study*, ed. Rex A. Hudson (Washington, DC: Library of Congress, 1994).

number of killed or disappeared had risen to at least 3,216 and the number of imprisoned and tortured exceeded 38,000.³

General Pinochet emerged as the figurehead of the junta soon after the coup and won a tightly controlled referendum to institutionalize his regime in 1978. Pinochet reversed decades of statist economic policies by rapidly implementing a series of changes that liberalized trade and investment, privatized firms, and dismantled the welfare state. He won another tightly controlled referendum in 1980, which approved the constitution that continues to govern Chile today. The new constitution called for a plebiscite to take place in 1988 in which Chileans would have the opportunity to reelect Pinochet to another eight-year term or reject him in favor of contested elections. Although the Chilean economy enjoyed a period of rapid economic growth between 1976 and 1981, a banking crisis from 1981 to 1984 sparked widespread protests. Following these initial demonstrations, Chilean civil society groups became more active in criticizing the policies of the Pinochet regime. At the same time, political parties began to reemerge to challenge the government. In 1988, several civil society groups and political parties formed a coalition in opposition to Pinochet's reelection. In the plebiscite, 55% of the Chilean people voted against another eight-year term for Pinochet, triggering the election campaign of 1989.⁴

Return to Democracy and the *Concertación* Era

Two major coalitions of parties contested the elections of 1989. The center-left “Coalition of Parties for Democracy,” (*Concertación de Partidos por la Democracia*, Concertación) united parties opposed to the Pinochet dictatorship, including the centrist PDC and the center-left Party for Democracy (*Partido por la Democracia*, PPD). The center-right “Democracy and Progress” (*Democracia y Progreso*) coalition included the center-right National Renewal (*Renovación Nacional*, RN) and the rightist Independent Democratic Union (*Unión Demócrata Independiente*, UDI). Patricio Aylwin, a Christian Democrat and the candidate of the Concertación, won the presidency with 55% of the vote and the Concertación won majorities in the Chamber of Deputies and among the elected members of the Senate.

Presidents from the Concertación governed Chile for 20 consecutive years following the return of democracy to the country. President Aylwin (1990-1994) was followed by Eduardo Frei Ruiz-Tagle of the PDC (1994-2000), Ricardo Lagos of both the Socialist Party (*Partido Socialista*, PS) and the PPD (2000-2006), and Michelle Bachelet of the PS (2006-2010). All four of the Concertación administrations faced significant constraints in governance, however, as a result of undemocratic provisions in the Pinochet-era constitution. The country's binomial electoral system, composed of two-member districts that require a coalition to win by two-to-one margins in order to secure both seats, led to the significant overrepresentation of the Chilean right in both houses of Congress. Likewise, prior to 2005, nine unelected senators were designated by the military and other government bodies, effectively creating a right-leaning majority in the Senate despite Concertación victories in legislative elections. Moreover, the Chilean military maintained a powerful, independent role following the democratic transition, and Pinochet remained the head

³ *Informe de la Comisión Nacional de Verdad y Reconciliación*, February 1991; *Informe Sobre Calificación de Víctimas de Violaciones de Derechos Humanos y la Violencia Política*, September 1996; *Informe de la Comisión Nacional Sobre Prisión Política y Tortura*, November 2004; *Informe de la Comisión Asesora para la Calificación de Detenidos Desaparecidos, Ejecutados Políticos y Víctimas de Prisión Política y Tortura*, August 2011.

⁴ Alan Angell and Benny Pollack, “The Chilean Elections of 1989 and the Politics of the Transition to Democracy,” *Bulletin of Latin American Research*, Volume 9 (1), 1990.

of the army until 1998 and then served as a lifetime senator until 2002. These authoritarian institutional features forced the Concertación to govern through pacts with the Chilean right, greatly inhibiting the pace of policy changes.⁵

Despite these challenges, the Concertación was able to implement gradual economic, social, and political reforms while in power. Although the Concertación administrations largely maintained the market-oriented economic framework they inherited, they also made a number of changes. Whereas Pinochet unilaterally reduced tariffs, the Concertación governments negotiated a broad network of free trade agreements to obtain reciprocal access to important consumer markets and fuel export-led development. The Concertación also institutionalized countercyclical fiscal policies to ensure stable government funding during economic downturns, and built a modest social safety net.⁶ During two decades of Concertación rule, Chile's economy grew by an average of 5.1% annually, and the percentage of Chileans living in poverty fell from 38.8% to 15.1%.⁷ Major political reforms were delayed until 2005, when the Concertación won approval for a package of 58 constitutional amendments. The changes included the elimination of unelected and lifetime senators and the establishment of firm civilian control over the military.⁸ The Chilean right successfully protected the binomial electoral system, however, which remains in place today.

Efforts to address dictatorship-era human rights abuses were similarly delayed. Although President Aylwin created a National Commission for Truth and Reconciliation (the Rettig Commission) to investigate political disappearances and killings during the authoritarian period, other human rights initiatives advanced slowly. In 2003, President Lagos established a National Commission on Political Imprisonment and Torture (the Valech Commission), which awarded reparations. During the administration of President Bachelet—who was imprisoned and tortured by the Pinochet regime—Chile created an Institute of Human Rights, ratified the International Convention for the Protection of all Persons from Enforced Disappearance, and established a Museum of Memory dedicated to the victims of the dictatorship and those who struggled to promote and defend human rights. Over time, the Chilean judiciary gradually shifted its jurisprudence on dictatorship-era human rights abuses, ruling the country's 1978 amnesty law inapplicable in some cases.⁹ At least 262 individuals have been convicted for human rights violations and more than 1,100 judicial proceedings remain open.¹⁰

⁵ Patricio Navia and Ricardo Godoy, "From Pinochet to Piñera: The Alianza's Quest to Democratically Win Power in Chile," paper delivered at the 2012 Latin American Studies Association Conference in San Francisco, CA, May 23-26, 2012.

⁶ Oscar Landerretch, "Chile and the Ideology of Stability," paper delivered at the 2012 Latin American Studies Association Conference, San Francisco, CA, May 23-26, 2012.

⁷ "El País que Entrega la Concertación Dos Décadas Después de Asumir el Mando," *El Mercurio*, January 18, 2010; Gobierno de Chile, Ministerio de Planificación, "CASEN 2009: Situación de Pobreza a Nivel de Personas, Según Región," 2010.

⁸ Biblioteca del Congreso Nacional de Chile, *Las Reformas a la Constitución de 1980*, August 9, 2005.

⁹ Marny A. Requa, "A Human Rights Triumph? Dictatorship-era Crimes and the Chilean Supreme Court," *Human Rights Law Review*, vol. 12, no. 1 (2012), pp. 79-106.

¹⁰ Amnesty International, "Chile: 40 Years on from Pinochet's Coup, Impunity Must End," September 10, 2013.

Figure 1. Map of Chile



Source: Map Resources, adapted by CRS Graphics.

Political Situation

Piñera Administration

Sebastián Piñera of the center-right “Alliance for Chile,” (*Alianza por Chile*, *Alianza*)¹¹ coalition is nearing the end of his four-year presidential term that began in March 2010. He took office after defeating former President Eduardo Frei (1994-2000) of the center-left Concertación coalition, 52% to 48% in a second round runoff election.¹² Piñera’s electoral victory was the first for the Chilean right since 1958, and brought an end to 20 years of governance by the Concertación.

Piñera has had to secure the support of unaffiliated and opposition Members of Congress to pass legislation since his coalition does not hold a majority of seats in either house of the Chilean legislature. Although Piñera has successfully implemented portions of his pro-business agenda, such as reducing the number of days it takes to start a business from 27 to 7,¹³ several of his legislative compromises have sparked intra-coalition divisions. Conservative sectors of Piñera’s coalition, for example, have criticized the administration’s willingness to increase taxes and expand social welfare programs. Piñera enacted a temporary tax increase on corporations to help fund reconstruction after a massive February 2010 earthquake, and then made the tax increase permanent as part of a fiscal reform designed to increase funding for education. Piñera has also enacted a new “Ethical Family Income” program, which increases cash subsidies and job training for the poor and expands benefits to low-income Chileans above the poverty line. Although initiatives such as these have consolidated and built upon programs implemented by the Concertación, the opposition has been divided between centrist sectors willing to work with Piñera and more left-leaning sectors intent on opposing his agenda.

In addition to negotiating legislation with the Chilean Congress, Piñera has spent much of his time in office responding to a series of large-scale citizen demonstrations about a variety of social demands, including education, environmental protection, and political decentralization. According to many analysts, Chileans have resorted to street protests as a result of their dissatisfaction with the country’s political class, which they view as unresponsive to citizen demands and unwilling to address the country’s high level of inequality.¹⁴ This is somewhat counterintuitive since Chile’s democracy is more consolidated and inclusive than ever before; elections and respect for individual rights have become normalized, many of the undemocratic provisions of the constitution have been eliminated, and poverty has fallen considerably.¹⁵

¹¹ Although the center-right coalition ran under the banner of the “Coalition for Change” in 2009, Chileans generally continue to refer to it by its historic name, the “Alliance for Chile” or *Alianza*.

¹² Piñera was the leading vote-getter in the first round, winning the support of 44% of the electorate. He was followed by Frei at 30% and two Concertación dissidents, Marco Enríquez-Ominami and Jorge Arrate, at 20% and 6%, respectively. “Chile: Piñera Wins the Second Round,” *Latin American Regional Report: Brazil & Southern Cone*, February 2010.

¹³ President Sebastián Piñera, “Chile Cumple y Avanza Hacia el Desarrollo,” Tercera Cuenta Pública a la Nación, May 21, 2012.

¹⁴ See, for example, Thalif Deen, “Chile: Disillusion with Pinochet-Era Political System Grows,” *Inter Press Service*, January 31, 2012; Marta Lagos, *Chile Al Desnudo*, Latinobarómetro, October 28, 2011; and Sergio Bitar, “¿Que Pasa en Chile?: (2) Chile y Sus Movilizaciones: ¿Por Qué?,” *Infolatam*, September 14, 2011.

¹⁵ Patricio Navia, “Democracy to the Extent Possible in Chile,” *Latin American Research Review*, Special Issue (2010).

Chileans are also more aware of their rights as a result of these advances, however, and young Chileans—who have no memory of the dictatorship—are much more willing to vocalize their demands.¹⁶ Many are disillusioned with the country’s lack of social mobility, and believe that the country’s economic gains have not translated into better living conditions and public services for most Chileans.¹⁷

Since the country’s binomial electoral system effectively ensures a relatively equal distribution of power between the two major political coalitions regardless of voters’ preferences,¹⁸ elections are extremely limited in their ability to channel citizen discontent. Likewise, candidates have traditionally been chosen through negotiations among political party leaders rather than through primary elections, and political power is heavily concentrated in the central government. Given these constraints on electoral democracy, demonstrations may serve as an alternative mechanism for holding political leaders accountable and forcing them to respond to citizen demands.

While many analysts maintain that the protests and citizen dissatisfaction are unlikely to seriously threaten Chile’s political stability in the near term, some argue that socio-economic and political reforms could help ease tensions moving forward.¹⁹ Piñera and the Chilean Congress appear to agree, as they have reacted to the protests by adopting legislation designed to address some of the demonstrators’ demands. As noted above, the Chilean government recently adopted a fiscal reform that will allow it to dedicate increased funding to education. Although the changes do not fully address the demands of the protesting students, they will likely make education more affordable for low- and middle-income Chileans. The Chilean government has also adopted electoral reforms to institutionalize primary elections and make it easier to vote.²⁰ These initiatives have not yet translated into increased support for Chile’s political class, however, as just 21% of Chileans approved of the ruling Alianza coalition and 32% approved of the opposition in December 2013.²¹

2013 General Elections

On December 15, 2013, former President Michelle Bachelet (2006-2010) won a new four-year term as President of Chile. Representing the center-left “New Majority” (*Nueva Mayoría*) coalition—an electoral pact between the four parties of the former Concertación, the Communist Party (*Partido Comunista*, PC), and a few other small parties, Bachelet easily defeated the ruling Alianza coalition’s candidate, Evelyn Matthei, 62%-38% in a second round runoff election.²²

¹⁶ Ernesto Muñoz-Lamartine, “Student Leaders Reinvent the Protest,” *Berkeley Review of Latin American Studies*, Fall 2011-Winter 2012, p. 27.

¹⁷ Carl Meacham and Robert Funk, *Chile’s 2013 Presidential Elections: Explanations and Predictions*, Center for Strategic & International Studies (CSIS), Washington, DC, December 2013, p. 4.

¹⁸ Since a coalition must win by a two-to-one margin in order to secure both seats in an electoral district, a major swing in voters from one coalition to the other—from 60%-40% to 40%-60%, for example—will produce the exact same result. Consequently, the two major coalitions have historically split seats in more than 95% of electoral districts. Navia, 2010, op.cit.

¹⁹ See, for example, “The Dam Breaks: Pent-Up Frustration at the Flaws of a Successful Democracy,” *The Economist*, August 27, 2011; and Kailie Middleton, “Summary: 2013 Presidential Elections and Economic Outlook – What’s Next for Chile?,” *Americas Society/Council of the Americas*, May 9, 2013.

²⁰ Prior to the electoral reform, registration was voluntary but voting was mandatory for registered voters. Now, registration is automatic and voting is voluntary.

²¹ “Evaluación de Gobierno Diciembre 2013,” *Adimark GfK*, January 7, 2014.

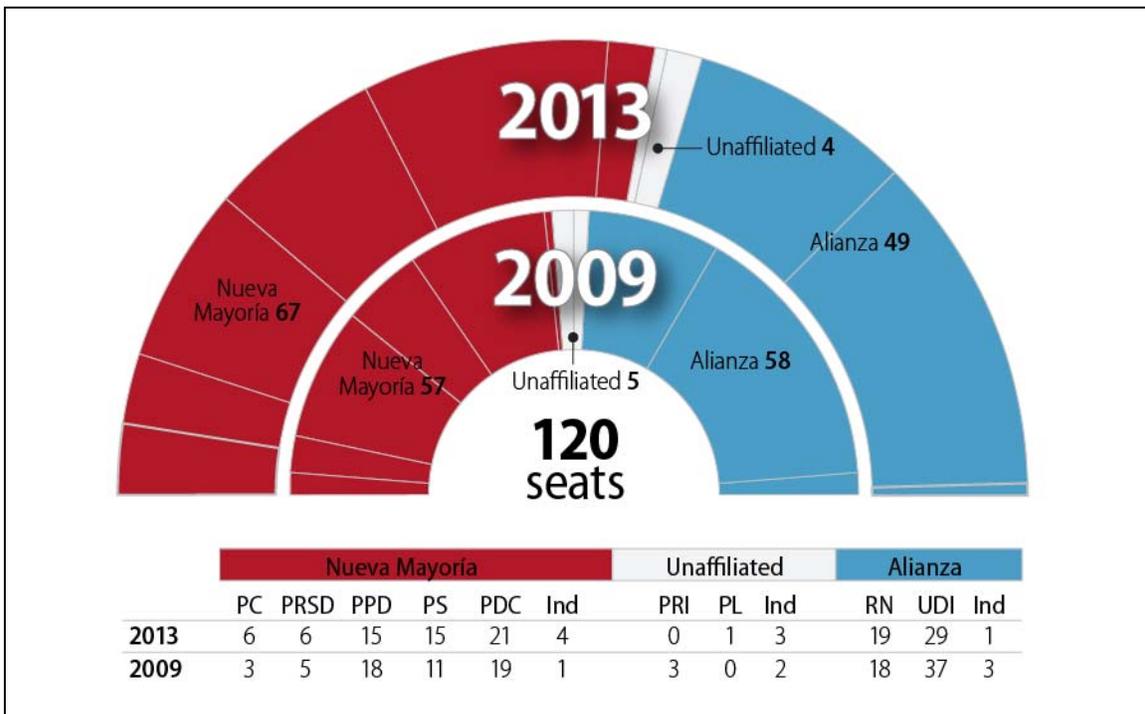
²² Servicio Electoral de Chile, *Ultimo Boletín Informativo de Resultados Preliminares*, December 15, 2013.

Bachelet was also the leading vote-getter in the first round election held on November 17, 2013, but was forced into a runoff after failing to secure a majority. She won 47% of the first round vote, and was followed by Matthei (25%), Marco Enriquez-Ominami of the center-left Progressive Party (11%), Franco Parisi, a center-right independent (10%), and five other candidates (7% combined).²³ President Piñera was ineligible to run for reelection since Chile’s constitution only allows for nonconsecutive terms.

In legislative elections held concurrently with the first round presidential vote, Bachelet’s Nueva Mayoría coalition picked up seats in both houses of the Chilean Congress. It will now hold 67 of 120 seats in the Chamber of Deputies and 21 of 38 seats in the Chilean Senate.²⁴ Piñera’s Alianza coalition will hold 49 seats in the Chamber and 15 seats in the Senate, and legislators unaffiliated with either of the two major coalitions will hold 4 seats in the Chamber and 2 seats in the Senate.²⁵

Figure 2. Coalition and Party Affiliation in the Chilean Chamber of Deputies

Seat distribution resulting from the 2009 and 2013 elections



Source: Prepared by Amber Hope Wilhelm, CRS Graphics Specialist.

Notes: Several deputies have left the RN since the election. They intend to create a new, more centrist party within the Alianza. See **Table A-1** for political party acronyms.

²³ Servicio Electoral de Chile, *Boletín de Resultados Provisorios, Elección Presidente de la República 2013, Colegios Escrutadores*, November 21, 2013.

²⁴ “Nueva Mayoría Wins a Majority in Congress,” *Economist Intelligence Unit*, November 29, 2013.

²⁵ “Bachelet and Concertación Fall Just Short in Chile,” *Latin American Weekly Report*, November 21, 2013; “Vuelco en el Distrito 56: Nueva Mayoría Pierde Doblaje Tras Último Cómputo,” *El Mercurio*, November 22, 2013; “In Brief – Chile: Horvath Launches New Movement,” *Latin News Daily Report*, December 20, 2013.

President-elect Bachelet's Policy Proposals

Throughout her campaign, Bachelet sought to address Chileans' rising expectations, promising to reduce inequality, promote social mobility, and improve public services. The three principal pillars of her platform were education reform, fiscal reform, and constitutional reform. Student demonstrations over the past several years have been the largest and most consistent expression of citizen discontent in Chile. Bachelet has promised to meet several of the protesters' demands, including cutting off government funding to for-profit educational institutions, forbidding primary and secondary schools that receive government funding from selectively admitting students, and guaranteeing free post-secondary education for students from families whose incomes are in the bottom 70% with the intention of providing free tuition for all students within six years.

In order to provide a sustainable source of funding for her education reform, Bachelet has proposed increasing government revenues by 3% of gross domestic product (GDP) over four years. The majority of the new revenues would come from increasing the corporate tax rate from 20% to 25%. The fiscal reform also includes measures to reduce tax evasion, tax incentives for investment and small- and medium-sized enterprises, and a reduction in the top individual tax rate from 40% to 35%. In addition to funding the education reform, the new revenues would be used to strengthen public health, pension, and social protection programs and ensure the government budget is structurally balanced.

Bachelet argues that in order to bring these and other structural changes to fruition, Chile must change its politics. Central to this effort is replacing the 1980 constitution that was adopted during the Pinochet dictatorship. Among other changes, the new constitution would recognize a wide variety of citizen rights, replace the binomial electoral system with proportional representation, and decentralize power by providing resources and autonomy to directly elected regional governments.²⁶

Outlook for Governance

Bachelet and the new Chilean Congress, controlled by her Nueva Mayoría coalition, are scheduled to take office on March 11, 2014. She has pledged to quickly move forward with her policy agenda. Simple majorities in the legislature should allow Bachelet to enact fiscal reform and a number of other policy changes from her campaign platform, such as stronger consumer protections, union-empowering labor reforms, and the creation of a state-run pension fund to compete with private retirement plans.²⁷

Other changes, including education reform and constitutional reform, require congressional supermajorities, and thus Bachelet will need to reach out to unaffiliated and Alianza legislators in order to fulfill her campaign promises. Education reform requires four-sevenths majorities in both houses of the Chilean Congress. If Bachelet is able to hold together her ideologically diverse coalition, she would need to win the support of two additional deputies and one additional senator. While many analysts think Bachelet should be able to push through her education initiative, constitutional reform is likely to be more difficult. Changes to the electoral system

²⁶ *Chile de Todos*, Programa de Gobierno de Michelle Bachelet: 2014-2018, October 2013.

²⁷ For more information on Chile's pension system, see CRS Report R42449, *Chile's Pension System: Background in Brief*.

require three-fifths majorities in both houses, and other constitutional reforms require the support of two-thirds of the members of the Chilean Congress.²⁸

There are some indications that Alianza legislators may be willing to work with Bachelet on electoral and constitutional reform. Over the past year, members of the more moderate party within the Alianza, the RN, have expressed support for ending the binomial electoral system. Likewise, several RN legislators have demonstrated an interest in moving toward the political center since the election; three deputies have formed a new party within the coalition and one senator has left the Alianza.²⁹ It is unclear, however, whether this sentiment is shared by a sufficient number of legislators or if Bachelet will be able to negotiate reforms that are acceptable to politicians ranging from the far left of her coalition to the center-right of the opposition. If Bachelet is unable to demonstrate that she is making progress in addressing citizen demands and implementing her agenda, most of which has broad public support,³⁰ Chileans may return to the streets.

Economic Situation

According to many analysts, Chile has the most competitive and fundamentally sound economy in Latin America.³¹ In 2012, Chile had a GDP of \$268.2 billion and a per capita GDP of \$15,410—the highest in the region.³² Chile's current success is partially the result of the market-oriented economic policies the country has pursued over the past several decades, which have attracted foreign investment and fostered export-led development. Chile has implemented trade agreements with some 60 countries,³³ and now has open and reciprocal access to major consumer markets such as China, the European Union, and the United States. In 2012, Chile attracted \$30.3 billion in foreign direct investment,³⁴ and enjoyed a trade surplus of \$6.2 billion.³⁵

The Chilean economy has also benefitted from institutionalized countercyclical fiscal policies that have helped mitigate the effects of external shocks. Under the country's fiscal responsibility law, an independent expert panel estimates cyclically adjusted government revenues based on factors such as potential GDP growth and the medium-term price of copper. The government then sets its budget to achieve a fiscal surplus of 0.5% of GDP over the medium term. When revenues exceed the fiscal target, savings are invested in sovereign wealth funds that can be drawn upon during economic downturns.³⁶

²⁸ Kristen Sehnbruch and Peter M. Siavelis, "Why Victory for Bachelet in Chile is Undeniable but Bittersweet," *Washington Post*, November 26, 2013.

²⁹ "Chile's RN Implodes," *Latin News Daily Report*, January 8, 2014.

³⁰ Centro de Estudios Públicos (CEP), *Estudio Nacional de Opinión Pública N° 70*, October 2013.

³¹ See, for example, *Global Competitiveness Report 2013-2014*, ed. Klaus Schwab (Geneva: World Economic Forum, 2013); and "Chile: Country Report," *Economist Intelligence Unit*, November 2013.

³² International Monetary Fund (IMF), *2013 Article IV Consultation*, Country Report No.13/198, July 2013, p.29.

³³ Gobierno de Chile, Ministerio de Relaciones Exteriores, "Tratados de Libre Comercio: Acuerdos Comerciales Vigentes," <http://www.direcon.gob.cl/acuerdo/list>.

³⁴ U.N. Economic Commission for Latin America and the Caribbean, *Foreign Direct Investment in Latin America and the Caribbean, 2012*, May 2013, <http://www.eclac.cl/publicaciones/xml/4/49844/ForeignDirectInvestmentBriefPaper2012.pdf>.

³⁵ Chile Customs data, as made available by *Global Trade Atlas*, May 2013.

³⁶ "Chile's Upcoming Political Cycle: Tackling Social Challenges and the Income Inequality Gap," *IHS Global Insight*, (continued...)

Crises and Recovery

As a result of its solid policy framework and several years of high copper prices, Chile had significant savings on hand when its economy began to slow as a result of the global financial crisis in late 2008. In early 2009, the government used funds from one of its sovereign wealth funds, the “Economic and Social Stabilization Fund,” to finance a \$4 billion (2.3% of GDP) economic stimulus package. The stimulus, which included temporary tax cuts for small businesses, larger transfer payments for poor Chileans, \$700 million for infrastructure projects, and \$1 billion for the state-owned copper company, Codelco (*Corporación Nacional del Cobre*),³⁷ helped Chile return to quarter-on-quarter economic growth by the end of 2009 and limit the annual economic contraction to 0.9%.³⁸

Just as the Chilean economy was beginning to recover from the global financial crisis, the country was hit by a massive earthquake of magnitude 8.8 in February 2010.³⁹ The earthquake and subsequent tsunami killed 551 people and caused nearly \$30 billion (15% of GDP) in damages.⁴⁰ In the aftermath of the earthquake, the Chilean government was able to once again draw on the Economic and Social Stabilization Fund in order to partially finance an \$8.4 billion reconstruction plan.⁴¹ The reconstruction effort is scheduled to conclude in March 2014.

Although Chile’s economy suffered in the first quarter of 2010 as a result of the earthquake, it quickly recovered. Reconstruction, combined with increased investment and private consumption, helped fuel economic growth of 5.7% in 2010, 5.8% in 2011, and 5.6% in 2012.⁴² The IMF estimates that GDP growth slowed to 4.4% in 2013,⁴³ but unemployment has fallen to a historically low rate of 5.7% and real wages have risen 4% over the past year.⁴⁴ While Chile remains vulnerable to economic troubles abroad given its open economy and heavy reliance on copper exports, the Chilean government has considerable room to pursue countercyclical policies should global conditions deteriorate; general government gross debt remains relatively low (12.9% of GDP),⁴⁵ and the country’s Economic and Social Stabilization Fund holds \$15.6 billion (5.8% of GDP).⁴⁶

(...continued)

December 9, 2013.

³⁷ “Chile’s Economy: Stimulating,” *The Economist*, February 19, 2009.

³⁸ “Chile Economy: Quick View—Out of Recession,” *Economist Intelligence Unit*, November 20, 2009; IMF, July 2013, op. cit.

³⁹ For more information on the Chile earthquake, see CRS Report R41112, *Chile Earthquake: U.S. and International Response*, by June S. Beittel and Rhoda Margesson.

⁴⁰ President Sebastián Piñera, “Chile Cumple y Avanza Hacia el Desarrollo,” Tercera Cuenta Pública a la Nación, May 21, 2012; “Chile: Country Report,” *Economist Intelligence Unit*, September 2010.

⁴¹ Simon Gardner, “Post-Quake Rebuild Fuels Chile Recovery a Year On,” *Reuters*, February 25, 2011.

⁴² IMF, July 2013, op.cit., p.29.

⁴³ IMF, *World Economic Outlook: Transitions and Tensions*, October 2013, p.69.

⁴⁴ Banco Central de Chile, *Avance Estadístico del Boletín Mensual*, January 7, 2014.

⁴⁵ IMF, “World Economic Outlook Database, October 2013,” November 2013.

⁴⁶ Government of Chile, Ministry of Finance, *Monthly Report of the Economic and Social Stabilization Fund*, November 2013.

Social Conditions

Strong economic growth and targeted social programs have produced considerable improvements in development indicators in Chile over the past two decades. The percentage of Chileans living in poverty fell from 38.8% in 1989 to 14.4% in 2011.⁴⁷ Primary education is now almost universal and secondary and tertiary attainment rates have increased rapidly.⁴⁸ Between 2007 and 2011, the percentage of Chileans aged 25-34 that had completed a tertiary degree increased from 32.5% to 41.3%.⁴⁹ Health indicators have also improved. The child malnutrition rate (as measured by the percentage of children under five who are underweight) is now 1%, and life expectancy is 79 years.⁵⁰

Despite these advances, several challenges remain. High levels of inequality have persisted over the past 20 years. The Gini coefficient,⁵¹ which is used to measure income concentration, has barely moved since the mid-1990s, declining from 0.54 to 0.53. Although the Gini coefficient falls to 0.50 when taxes and government transfers are taken into account, it is well above the Organisation for Economic Cooperation and Development (OECD) average of 0.31.⁵² Moreover, inter-generational social mobility is low by OECD standards, as the education system tends to replicate existing class disparities.⁵³ The OECD maintains that “as the economy advances further, the well-being of Chileans would benefit from expanding access to high-quality education, health care, and efficient social protection programmes.”⁵⁴ As noted above, President Piñera has implemented several incremental policy reforms designed to increase social mobility, and President-elect Bachelet has proposed a series of more far-reaching initiatives designed to reduce inequality and improve public services (see “Political Situation”).

U.S.-Chile Relations

The United States and Chile have enjoyed friendly relations since Chile reestablished democratic governance in 1990. Over the past five years, the Obama Administration has sought to maintain close ties with Chile while encouraging its leadership in Latin America. Administration officials have engaged in frequent high level meetings with their Chilean counterparts. In June 2013, President Obama hosted President Piñera at the White House. During the meeting, President Obama asserted that “the relationship between the United States and Chile is as strong and as important as any of the relationships that we have.”⁵⁵ Piñera’s visit also coincided with the State

⁴⁷ “El País que Entrega la Concertación Dos Décadas Después de Asumir el Mando,” *El Mercurio*, January 18, 2010; Randall Woods, “Chilean Poverty Rate Resumes Downward Path as Economy Expands,” *Businessweek*, July 20, 2012.

⁴⁸ Nicola Brandt, *Chile: Climbing on Giants’ Shoulders: Better Schools for All Chilean Children*, Organization for Economic Cooperation and Development (OECD), OECD Economics Department Working Papers No. 784, 2010.

⁴⁹ OECD, *OECD.Stat*, 2012.

⁵⁰ World Bank, “Chile: Data,” <http://data.worldbank.org/country/chile>.

⁵¹ The Gini coefficient is the most commonly used measure of inequality. A value of 0.0 represents absolute equality and a value of 1.0 represents absolute inequality.

⁵² OECD, “Income Distribution,” *OECD Social and Welfare Statistics*, 2013.

⁵³ OECD, *OECD Economic Surveys: Chile*, January 2012; “UNESCO: Sistema Educativo Chileno Fomenta la Disigualdad,” *La Nación* (Chile), December 5, 2011.

⁵⁴ OECD, *OECD Economic Surveys: Chile*, October 2013.

⁵⁵ “President Barack Obama Holds a Media Availability with Chilean President Sebastian Piñera – Media Availability,” *CQ Transcriptions*, June 4, 2013.

Department's announcement that it was nominating Chile for the Visa Waiver Program. Once Chile formally enters the program, Chilean citizens will be allowed to travel to the United States for up to 90 days without a visa.⁵⁶ Other areas of U.S.-Chilean cooperation include bilateral and regional initiatives to strengthen trade and investment ties, efforts to foster security and stability in the hemisphere, and the development of clean energy resources.

U.S. Assistance

Although Chile was once a major recipient of U.S. foreign aid, it currently receives only minor security assistance as a result of its relatively advanced level of development. In an attempt to promote economic development and prevent the election of a communist government, the United States provided Chile with extensive assistance during the 1950s and 1960s. President Kennedy made Chile the centerpiece of his "Alliance for Progress," providing the country with over \$1.7 billion (constant 2011 dollars) in overt economic assistance between 1961 and 1963.⁵⁷ Assistance declined following the 1970 election of Socialist President Salvador Allende and has generally remained low since then, increasing briefly during the early years of the Pinochet dictatorship and again following the transition to democracy. Chile received about \$1.3 million in U.S. assistance in FY2011, \$1.2 million in FY2012, and an estimated \$1 million in FY2013.

U.S. assistance for Chile in FY2014 is currently unclear since Congress has yet to adopt a full year appropriations bill.⁵⁸ The Obama Administration has requested \$1.1 million for Chile this fiscal year. The majority of the assistance (\$810,000) would focus on modernizing the Chilean military, increasing its interoperability with U.S. forces, and building its capacity to participate in regional security and peacekeeping operations. The rest of the aid (\$290,000) would be used to support Chilean efforts to develop and implement a comprehensive export control system.⁵⁹

Commercial Ties

The United States and Chile signed a bilateral trade agreement in June 2003, and President Bush signed the U.S.-Chile Free Trade Implementation Act (P.L. 108-77) into law in September of the same year.⁶⁰ Under the agreement, the United States and Chile immediately eliminated tariffs on 87% of bilateral trade. All trade in consumer and industrial goods was duty free as of 2013, and

⁵⁶ For more information on the Visa Waiver Program, see CRS Report RL32221, *Visa Waiver Program*, by Alison Siskin.

⁵⁷ U.S. Agency for International Development (USAID), *U.S. Overseas Loans and Grants: Obligations and Loan Authorizations, July 1, 1945-September 30, 2011*, <http://gbk.eads.usaidallnet.gov/index.html>.

⁵⁸ Congress passed the Continuing Appropriations Act, 2014 (H.R. 2775) on October 16, 2013, and President Obama signed it into law (P.L. 113-46) on October 17, 2013. The continuing resolution continues FY2013 foreign operations funding levels, including previous sequestration and rescission reductions, until January 15, 2014. For more information, see CRS Report R43043, *State, Foreign Operations, and Related Programs: FY2014 Budget and Appropriations*, by Susan B. Epstein, Alex Tiersky, and Marian L. Lawson.

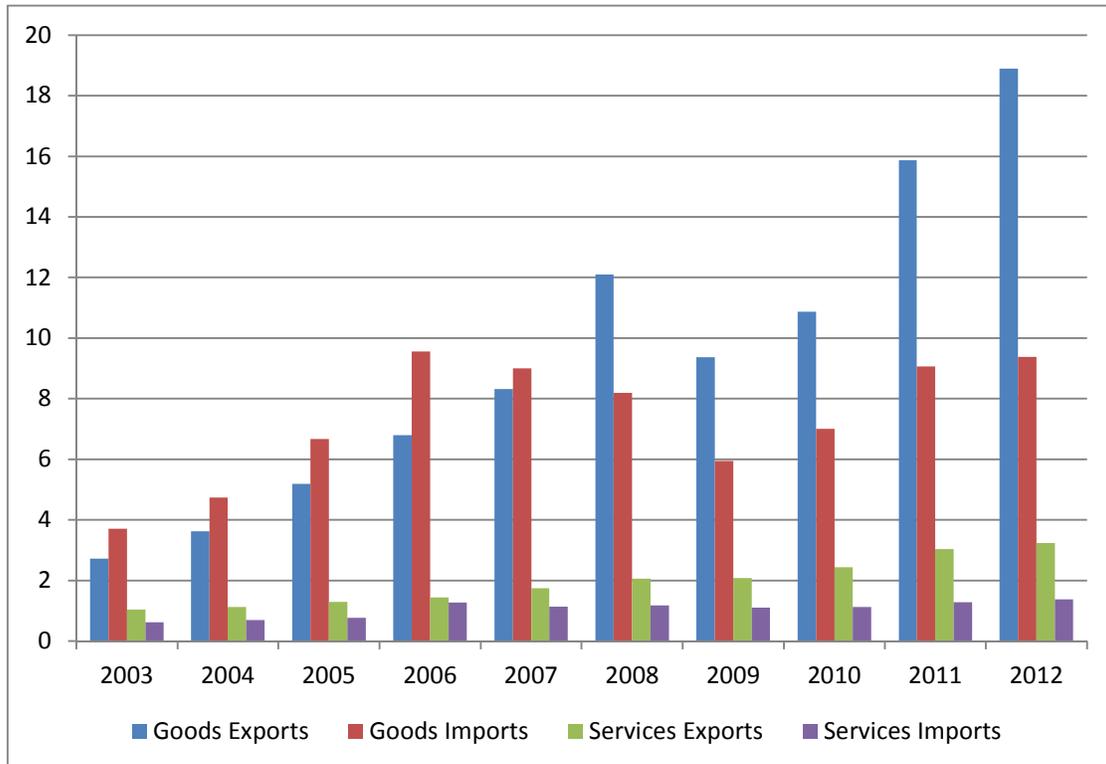
⁵⁹ U.S. Department of State, *Congressional Budget Justification for Foreign Operations, Fiscal Year 2012*, April 8, 2011; *Congressional Budget Justification for Foreign Operations, Fiscal Year 2013*, March 9, 2012; *Congressional Budget Justification for Foreign Operations, Fiscal Year 2014*, May 17, 2013; and "Department of State and U.S. Agency for International Development FY2013 Post-Sequester 653(a) Initial Allocations," 2013.

⁶⁰ For more information on the U.S.-Chile Free Trade Agreement, see CRS Report RL31144, *The U.S.-Chile Free Trade Agreement: Economic and Trade Policy Issues*, by J. F. Hornbeck.

most remaining agricultural tariffs will be eliminated by 2015.⁶¹ In the absence of the trade agreement, each nation's exports would be subject to the other's most-favored nation tariff rates. In 2012, Chile's average applied most-favored nation tariff was 6%, while that of the United States was 3.4%.⁶² The agreement thus provides each country with preferential access to the other's market.

Figure 3. U.S. Trade with Chile: 2003-2012

(In billions of U.S. dollars)



Source: CRS presentation of U.S. Department of Commerce data.

Total bilateral trade more than tripled to \$32.9 billion between 2004, when the U.S.-Chile Free Trade Agreement entered into force, and 2012 (see **Figure 3**). The United States now enjoys a large trade surplus in both goods and services with Chile. U.S. goods exports to Chile were valued at \$18.9 billion in 2012, with refined oil products, heavy machinery, and motor vehicles accounting for a majority. U.S. goods imports from Chile have not increased as quickly as exports, as they fell between 2007 and 2009 during the global financial crisis and U.S. recession and have yet to fully recover. In 2012, U.S. goods imports from Chile were valued at \$9.4 billion, with top products including copper, edible fruit, and seafood.⁶³ In 2012, U.S. services exports to Chile totaled \$3.2 billion and U.S. services imports from Chile totaled \$1.4 billion. Travel and

⁶¹ U.S. Trade Representative (USTR), *2012 National Trade Estimate Report on Foreign Trade Barriers*, March 2012.

⁶² World Trade Organization (WTO), "Trade and Tariff Indicators," http://www.wto.org/english/res_e/statis_e/statis_maps_e.htm.

⁶³ U.S. Department of Commerce data, as made available by the U.S. International Trade Commission, November 2013.

transportation and business, professional, and technical services were the top categories for both exports and imports in U.S.-Chile services trade.⁶⁴

In addition to the bilateral trade agreement, Chile and the United States are both participating in negotiations concerning the potential Trans-Pacific Partnership (TPP) agreement. The TPP is a proposed Asia-Pacific regional trade agreement that would include Australia, Brunei, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam as well as Chile and the United States.⁶⁵ Although the Piñera Administration has spoken in favor of the TPP, many Chilean analysts and policy makers—including President-elect Bachelet—have expressed concerns about the potential agreement.⁶⁶ They argue that since Chile already has trade agreements with each of the other participating nations, it should only sign onto the TPP if it provides more favorable conditions. Some worry that the agreement could serve as an indirect renegotiation of Chile's existing trade agreement with the United States, and that it could lead to concessions on issues like copyrights and pharmaceutical patents that would restrict the country's autonomy to determine public policies that benefit Chilean producers, exporters, and consumers.

Intellectual Property Rights Protection

The U.S. Trade Representative (USTR), U.S. business groups, and some Members of Congress have expressed concerns about Chile's protection of intellectual property rights. Chile has been on USTR's Priority Watch List since 2007 as a result of what USTR considers the country's insufficient protection efforts. Chile reportedly took some legislative steps to improve intellectual property rights protection in 2012, but USTR "continues to have serious concerns regarding outstanding IPR issues" under the U.S.-Chile Free Trade Agreement.⁶⁷ U.S. business groups, for example, have called for increased protection for pharmaceutical patent holders and strengthened procedures for removing Internet content that infringes on copyrights.⁶⁸ Likewise, some Members of Congress have called on USTR to initiate formal dispute settlement proceedings against Chile.⁶⁹ The Chilean government maintains that it complies with all of its intellectual property rights obligations but has stated that it is open to perfecting its legal framework.⁷⁰ USTR intends to continue working with Chile, including through TPP negotiations, to resolve outstanding issues.⁷¹ As noted above, some Chilean analysts and policy makers maintain Chile should walk

⁶⁴ U.S. Department of Commerce data, as made available by the Bureau of Economic Analysis, November 2013.

⁶⁵ For more information on the Trans-Pacific Partnership agreement, see CRS Report R42694, *The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress*, coordinated by Ian F. Fergusson and CRS Report R42344, *Trans-Pacific Partnership (TPP) Countries: Comparative Trade and Economic Analysis*, by Brock R. Williams.

⁶⁶ See: *Chile de Todos*, Programa de Gobierno de Michelle Bachelet: 2014-2018, October 2013, p. 154; Francisca Skoknic, "Wikileaks: Nueva Filtración Devela los Alcances de la Negociación del Tratado Secreto TPP," *Centro de Investigación Periodística (CIPER)*, November 13, 2013; Sergio Bitar and Jorge Heine, "Chile y el Acuerdo Trans-Pacífico," *El Mercurio*, November 26, 2013; and A. Chávez and P. Ojeda, "Los Desafíos de la Administración Bachelet en Materia de Relaciones Internacionales," *Diario Financiero* (Chile), December 26, 2013.

⁶⁷ USTR, *2013 Special 301 Report*, May 2013, <http://www.ustr.gov/sites/default/files/05012013%202013%20Special%20301%20Report.pdf>.

⁶⁸ "IPR Groups Blast Chile for FTA Violations; Hatch Calls for Dispute Settlement," *Inside U.S. Trade*, February 24, 2012.

⁶⁹ See, for example, Letter from Orrin G. Hatch, Ranking Member of the Senate Committee on Finance, to Ambassador Ron Kirk, United States Trade Representative, February 16, 2012.

⁷⁰ "Patentes: Chile Responde Ante Acusación de Senador de EEUU," *La Nación* (Chile), February 28, 2012.

⁷¹ USTR, May 2013, op.cit.

away from the TPP agreement if it imposes stricter IPR standards than those Chile has already negotiated in previous trade agreements.

Foreign Direct Investment and Bilateral Income Tax Treaty

Foreign direct investment between Chile and the United States currently flows mostly in one direction, towards Chile. As of 2012, the accumulated stock of U.S. foreign direct investment in Chile was \$39.9 billion. In comparison, the accumulated stock of Chilean foreign direct investment in the United States was \$414 million.⁷²

On February 4, 2010, the United States and Chile signed an income tax treaty designed to encourage investment in both countries by providing certainty on the tax treatment of investors and reducing tax-related barriers to investment. Among other provisions, the treaty would reduce source-country withholding taxes on certain cross-border payments of dividends, interest, and royalties; establish rules to determine when an enterprise or individual of one country is subject to tax on business activities in the other; enhance the mobility of labor by coordinating the tax aspects of the U.S. and Chilean pension systems; foster collaboration to resolve tax disputes and relieve double taxation; and ensure the full exchange between the U.S. and Chilean tax authorities of information for tax purposes.

The agreement, known as the “Convention Between the Government of the United States of America and the Government of the Republic of Chile for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital,” was submitted to the U.S. Senate for its advice and consent on May 17, 2012 (Treaty Doc. 112-8).⁷³ If ratified, it would be the first bilateral income tax treaty between the United States and Chile and only the second U.S. tax treaty with a South American country.⁷⁴ According to press reports, the treaty has yet to move forward because a Senator concerned about the privacy of U.S. citizens’ tax data has placed a hold on all pending tax treaties.⁷⁵

Regional Stability

Since its return to democracy, Chile’s foreign policy has been based on respect for international law, equality among states, peaceful dispute resolution, and non-interference in the internal affairs of other countries.⁷⁶ Although the country’s initiatives in the international arena have often focused on forging trade and investment linkages, Chile also has been an active participant in multilateral efforts to advance peace and stability in the Western Hemisphere. For example, the Chilean government has engaged in diplomatic efforts to resolve a number of political crises in the region in recent years, and is currently one of four countries assisting with peace talks between the Colombian government and the Revolutionary Armed Forces of Colombia (*Fuerzas*

⁷² U.S. Bureau of Economic Analysis, “Balance of Payments and Direct Investment Position Data,” November 2013.

⁷³ The full text of the treaty, as presented to the Senate for ratification, is available at <http://www.gpo.gov/fdsys/pkg/CDOC-112tdoc8/pdf/CDOC-112tdoc8.pdf>.

⁷⁴ U.S. Department of the Treasury, “U.S., Chile Sign Income Tax Treaty,” Press Release, February 4, 2010.

⁷⁵ Patrick Temple-West, “U.S. Treasury Official Urges Senate Action on Tax Treaties,” *Reuters*, December 12, 2013.

⁷⁶ “Reforma de la Cancillería,” *El Mercurio*, June 1, 2012.

Armadas Revolucionarias de Colombia, FARC)—a leftist guerilla group.⁷⁷ In October 2013, Chile was elected to a two-year term on the U.N. Security Council.

Chile has also promoted regional cooperation on peacekeeping and humanitarian relief efforts. The country quickly responded to the U.N. Security Council's March 2004 request for peacekeepers in Haiti following the collapse of Jean-Bertrand Aristide's government. This early commitment encouraged a number of other Latin American countries to contribute troops to the U.N. Stabilization Mission in Haiti (MINUSTAH), establishing an opportunity for regional political and military cooperation and integration. Chile has committed more human and material resources to MINUSTAH than it has to any previous peacekeeping mission,⁷⁸ and still has 462 soldiers and 14 police on the ground as Haiti continues to recover from the massive earthquake that struck the country in January 2010.⁷⁹ In October 2012, Chile sponsored a disaster response initiative at the 10th Conference of the Defense Ministers of the Americas. The initiative, which was backed by the United States and adopted at the conference, creates a coordination mechanism to improve the region's collective response to humanitarian emergencies.⁸⁰

Additionally, Chile is working with the United States on citizen security and antidrug efforts in Central America—a region struggling with high levels of crime and violence.⁸¹ Both countries are part of the Group of Friends of Central America, which has worked with Central American governments to design and implement a regional security strategy. Among other initiatives, Chile is supporting police reform in Honduras and providing military training in Guatemala.⁸² Chile is also participating in Operation *Martillo*, a multinational and interagency drug interdiction effort designed to cut off illicit trafficking routes along the Atlantic and Pacific coasts of Central America.⁸³

Clean Energy Development

The U.S. and Chilean governments have both expressed interest in developing clean energy resources to meet domestic needs and mitigate global climate change. Chile has become more reliant on carbon-emitting power sources (such as coal-fired thermoelectric plants) in recent years, however, as the country has struggled to satisfy its fast-growing demand for energy, which is expected to double over the next decade and triple by 2032.⁸⁴ Although Chile adopted a law in 2013 that requires 20% of the country's electricity to be generated from nonconventional

⁷⁷ For more information on the Colombian peace negotiations, see CRS Report R42982, *Peace Talks in Colombia*, by June S. Beittel.

⁷⁸ Enzo Di Nocera García and Ricardo Benavente Cresta, "Chile: Responding to a Regional Crisis," in *Capacity Building for Peacekeeping: The Case of Haiti*, eds. John T. Fishel and Andrés Sáenz, pp.66-90 (Dulles, VA: Potomac Books, 2007).

⁷⁹ United Nations, "U.N. Mission's Summary Detailed by Country," November 30, 2013.

⁸⁰ Cheryl Pellerin, "Panetta Reaffirms Partnership, Friendship with Chile," *Armed Forces Press Service*, April 26, 2012; Leon Panetta, "Hemisphere Improves Disaster Response Operation," *Miami Herald*, November 6, 2012.

⁸¹ For more information on security issues in Central America, see CRS Report R41731, *Central America Regional Security Initiative: Background and Policy Issues for Congress*, by Peter J. Meyer and Clare Ribando Seelke.

⁸² Noé Leiva, "EEUU, Chile y Colombia Asesoran a Honduras en Lucha Contra el Crimen," *Agence France Presse*, January 19, 2012; "Ejército de Chile Entrenará a Soldados Guatemaltecos para Mejorar Seguridad," *Agence France Presse*, September 17, 2013.

⁸³ Cheryl Pellerin, April 2012, op.cit.

⁸⁴ "Chile Industry: Energy Security Still Elusive," *Economist Intelligence Unit*, April 21, 2011.

renewable energy sources by 2025, only about 5% of Chile's power generation currently comes from such sources.⁸⁵ President-elect Bachelet has set a goal of generating 30% of Chile's electricity from nonconventional renewable energy sources by 2030.⁸⁶

The United States is currently working with Chile to overcome the financial and technical barriers that have prevented the country from taking advantage of its vast wind, solar, tidal, and geothermal energy potential. In June 2009, under the umbrella of President Obama's "Energy and Climate Partnership for the Americas," the United States and Chile signed a memorandum of understanding on cooperation in clean energy technologies. As a result of the agreement, the U.S. Department of Energy has provided support to Chile's Renewable Energy Center and two solar plant pilot projects in the Atacama Desert. Future bilateral collaboration is likely to involve biofuels, biomass, wind, and geothermal energy projects.⁸⁷ In addition to supporting energy development in Chile, these technical cooperation initiatives provide those involved with information and best practices that can be applied in the United States.

⁸⁵ Juliette Kerr, "Chilean Congress Approves New Renewables Law," *IHS Global Insight*, September 5, 2013.

⁸⁶ *Chile de Todos*, Programa de Gobierno de Michelle Bachelet: 2014-2018, October 2013, p. 48.

⁸⁷ White House, Office of the Press Secretary, "The United States and Chile: Environment, Energy, and Climate Change," Fact Sheet, March 21, 2011.

Appendix. Chilean Political Party Acronyms

Table A-I. Chilean Political Acronyms

Acronym	Political Party	Description
PC	Communist Party	Left-wing member party of Nueva Mayoría. ^a
PDC	Christian Democratic Party	Centrist member party of Nueva Mayoría.
PL	Liberal Party	Centrist party created by PPD dissidents. It was formerly known as <i>Chile Primero</i> , or “Chile First.”
PPD	Party for Democracy	Center-left member party of Nueva Mayoría.
PRI	Regionalist Party of Independents	Centrist party formed in a merger of regional parties.
PRSD	Social Democratic Radical Party	Center-left member party of Nueva Mayoría.
PS	Socialist Party	Center-left member party of Nueva Mayoría.
RN	National Renewal	Center-right member party of the Alianza. ^b
UDI	Independent Democratic Union	Right-wing member party of the Alianza.

Source: CRS.

Notes:

- a. *Nueva Mayoría*, or “New Majority,” is a center-left coalition of parties. It replaced the political coalition known as the *Concertación*.
- b. The *Alianza*, or “Alliance for Chile,” is a center-right coalition of parties.

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