



Country Report: The Republic of Chile

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Abstract

These four country reports, Argentina, Chile, Colombia and Ecuador, covered the current popular and official climate between the country and the United States, important cultural sensitivities and economic challenges facing the country.¹ Each report analyzed how the U.S. is portrayed in the national media, the official stance and policies toward the U.S. The economy section stands separate from the political and social, covering the national economy, trade, and debt, if it poses an obstacle for the nation. Each report builds upon media reports, Congressional briefings, State Department Press Releases, and international organization's documents.

Chile continues to prove itself as a strong US ally with a capable and stable economy. In the coming years, President Bachelet faces growing civil discontent with the education system and a push for a new constitution. US-Chilean relations face little predicted change in the coming years.

¹ The current climate referred to the public perception and attitude toward the United States and Americans, in the government and society.

I. Introduction

Chile has been a strong economic and political ally for the United States since 1990, but maintained friendly relationships before the 1960s.² Established in 1818, Chile won its independence from Spain as part of a joint regional effort lead by National hero Bernardo O'Higgins and Jose de San Martin.³ Chileans are very proud that the Chilean electoral democracy was the longest lasting Latin American democracy, running from 1932 to 1973.⁴ Throughout the 20th and 21st century, the Chilean economy has depended on natural resources, like copper, salt, and nitrate. Despite the dependence on finite natural resources, Chile continues to stand at the forefront of Latin America's economy. Chile's strong economy and ties to the US places the South American nation as a key negotiator for various hemispheric negotiations. As a result of historically strong investment and diplomatic ties with the US, Chilean society favors policies that support the US and US investment within the Chilean economy.⁵ Most political parties maintain these favorable views of the US, including the recently re-elected Michelle Bachelet's coalition.⁶ The Republic of Chile will continue to be a key ally for the US in South America.

II. General Overview

At 287,000 square miles, the Latin American nation stretched from the southernmost point of the Southern Hemisphere up to the driest desert in the world bordering Bolivia and Peru. The nitrate and sulfur rich desert had been Peruvian and Bolivian territory, but the War of the Pacific ended with Chile's annexation of the region.⁷ To its east, Chile shares a 3,298 mile border with Argentina. However, this border is unique in that Chile and Argentina are separated by the Andean Mountains.⁸ Historically, the physical barriers, the desert and the Andes, have isolated Chile from unrest and violence.

a. Bureaucratic Authoritarian Rule

² Meyer, Peter. *Chile: Political and Economic Conditions and US Relations*. Washington DC: Congressional Research Services, 2014.

³ Findlay, Eileen. "Independence." Lecture, Latin American History Since Independence from American University, Washington DC, January 26, 2014.

⁴ Charles, Margot. "11 de Septiembre." Lecture, Advanced Spanish from Universidad Diego Portales: American University, Santiago, July 1, 2013.

⁵ Charles, Margot. "11 de Septiembre." Lecture, Advanced Spanish from Universidad Diego Portales: American University, Santiago, July 1, 2013.

⁶ Charles, Margot. "Bachelet v Matthei." Lecture, Advanced Spanish from Universidad Diego Portales: American University, Santiago, October, 2013.

⁷ Findlay, Eileen. "Independence." Lecture, Latin American History Since Independence from American University, Washington DC, January 26, 2014.

⁸ Central Intelligence Agency. "Chile." Central Intelligence Agency. <https://www.cia.gov/library/publications/the-world-factbook/geos/ci.html> (accessed February 16, 2014).

The modern history of Chile revolves around the events of September 11th, 1973, a very important date for many Chileans of all generations. On September 11th, General Augusto Pinochet overthrew the democratically elected Salvador Allende and governed the nation until 1989.⁹ Salvador Allende began his presidency in 1970 after a very controversial judicial ruling that his 36% of the vote was sufficient (the vote was heavily divided with a three-way split of the vote).¹⁰ Allende's presidency coincided with an overall failing of the economy, which prompted Allende to radicalize his economic policies. Allende's Marxist economic policies alienated the middle and upper class and business owners.

General Pinochet launched a quick military takeover of the government by bombing La Moneda (the Chilean White House) and imprisoning dissenting politicians. This moment in Chilean history continues to affect Chilean society, as seen in the 2013 election of Bachelet, a daughter of an imprisoned military official who disapproved of the '73 takeover and Evelyn Mattei, the conservative candidate whose father was a military official that worked with Pinochet.¹¹

Under the Pinochet regime, more than 3,216 people in Chile were killed or "disappeared" for political reasons, and over 38,000 were imprisoned or tortured.¹² By 1980, Pinochet won a tightly controlled referendum to create a new Constitution that remains in use today. This constitution stipulates at least one senate seat for a military officer and a separate military budget.

b. Re- democratization

Mounting international and internal pressure forced Pinochet to call for a referendum in 1988, asking citizens whether they wanted to extend the Pinochet regime for another eight years.¹³ The 1988 Plebiscite ended with 55% of Chileans voting "No" and preparations began for the 1989 elections.¹⁴ Following the 1989 elections, the *Concertación de Partidos por la Democracia* (Concertación) governed Chile for 20 years until the 2010 election of Sebastián Piñera of the conservative *Alianza por Chile* (Alianza).¹⁵ Pinochet remained a senator for life until his arrest in Britain. Contemporary efforts to bring officials to justice for human rights violations and crimes

⁹ Meyer, Peter. *Chile: Political and Economic Conditions and US Relations*. Washington DC: Congressional Research Services, 2014.

¹⁰ Meyer, Peter. *Chile: Political and Economic Conditions and US Relations*. Washington DC: Congressional Research Services, 2014.

¹¹ *El Herald*, "Michelle Bachelet, presidenta electa de Chile ," December 15, 2013.

¹² Meyer, Peter. *Chile: Political and Economic Conditions and US Relations*. Washington DC: Congressional Research Services, 2014.

¹³ Jani, Janak. *Chile handbook*. 6th ed. Bath: Footprint, 2009.

¹⁴ 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.

¹⁵ Meyer, Peter. *Chile: Political and Economic Conditions and US Relations*. Washington DC: Congressional Research Services, 2014.

committed under the Pinochet regime stalled until the selective overturning of the 1978 amnesty law.¹⁶

III. Economy

The economy of Chile is one of the most stable and neoliberal of the region, a vestige of the Pinochet era “Chicago Boys.” After taking over La Moneda, Pinochet looked to revive the struggling economy with intensive neoliberal reforms led by the University of Chicago educated economists.¹⁷¹⁸ Very little of the neoliberal reforms were reversed, making Chile one of the most neoliberal economies in the hemisphere. US investment and business in Chile continue to flourish, thanks in part to the effective bilateral treaty and agreements.

a. US-Chilean Economic Relations

US-Chilean economic relations are highly effective in fostering economic exchange that translates to stable political relations. The main agreement between Chile and the US “eliminates tariffs and opens markets, reduces barriers for trade in services, provides protection for intellectual property, ensures regulatory transparency, guarantees nondiscrimination in the trade of digital products, commits the parties to maintain competition laws that prohibit anticompetitive business conduct, and requires effective labor and environmental enforcement.”¹⁹ This agreement, the US - Chile Free Trade Agreement increased economic and social exchange between the two countries. Since the original signing in 2004, the FTA increased bilateral merchandise trade by 340%.²⁰ The new bilateral agreement, the U.S.-Chile bilateral income tax treaty, signed in 2010 and submitted to the U.S. Senate for ratification on May 17, 2012 (Treaty Doc. 112-8), would provide both Chilean and US businesses certain taxation privileges while operating on their counterpart’s soil.²¹

In a show of bilateral solidarity, the US and Chile established a new trade agreement negotiation in 2010, the Trans-Pacific Partnership (TPP). Chile is acting as a bridge for the US in economic relations with other Latin American nations in the negotiations for the Trans-Pacific

¹⁶ Marny A. Requa, “A Human Rights Triumph? Dictatorship-era Crimes and the Chilean Supreme Court,” *Human Rights Law Review*, vol. 12, no. 1 (2012), 79-106.

¹⁷ Charles, Margot. “La Cultura Moderna de Chile.” Lecture, Advanced Spanish from Universidad Diego Portales: American University, Santiago, November 1, 2013.

¹⁸ These University of Chicago Alumni are nicknamed the “Chicago Boys” in Chile.

¹⁹ U.S. Department of State. “U.S. Relations With Chile.” U.S. Department of State. <http://www.state.gov/r/pa/ei/bgn/1981.htm> (accessed May 8, 2014).

²⁰ The White House Office of the Press Secretary. “FACT SHEET: U.S.-Chile Economic Relations.” The White House. <http://www.whitehouse.gov/the-press-office/2013/06/04/fact-sheet-us-chile-economic-relations> (accessed May 2, 2014).

²¹ Meyer, Peter. *Chile: Political and Economic Conditions and US Relations*. Washington DC: Congressional Research Services, 2014.

Partnership.²² White House press releases named the TPP the highest trade priority for President Obama's second term.²³ The TPP represents an affirmation of US-Chilean relations and the importance of Chile in the US trade policy. Chile views the US as a key economic partner, its second largest export market and largest import supplier. The US holds Chile up as a key economic partner in South America.²⁴ Both Chile and the US continue to promote economic exchange and reciprocal direct investment.

b. 2014-2015 Outlook

The economic climate of Chile remains fairly stable, but the dependence upon primary resources forced the Chilean Central Bank to base its economy prediction off of the volatile mining market values. Chile's strongest industry, the copper mining industry, recently suffered a depreciation in value that halved Chilean growth rate predictions.²⁵ Along with the drop in copper prices, the Chilean consumer prices inflation rate accelerated to 3.2 percent. This series of declines forced the Central Bank to call for expansionary policies. The US will need to monitor the Chilean economy in the months to come as the Central Bank and the newly elected Bachelet administration confronts growing economic troubles.

IV. Politics

a. Piñera

Despite having the most competitive and stable market, the "Chicago Boys" policies dismantled all poverty nets and increased the income disparity. Both the Alianza and the Concertación balance economic growth with various welfare programs, but fail to solve what Chilean civil servants call the greatest social challenge: the inequality among social classes and society overall.²⁶ Less than a month after inauguration, the Bachelet administration faced its first demonstration that called for free and equal education.²⁷

Chilean politicians continue to face growing political unrest among the younger generations who believe the current system fails to listen to the actual demands of the people. This growing dissatisfaction led to Piñera's 2010 election, and the first victory for the Chilean right since 1958.

²² U.S. Department of State. "U.S. Relations With Chile." U.S. Department of State. <http://www.state.gov/r/pa/ei/bgn/1981.htm> (accessed May 8, 2014).

²³ The White House Office of the Press Secretary. "FACT SHEET: U.S.-Chile Economic Relations." The White House. <http://www.whitehouse.gov/the-press-office/2013/06/04/fact-sheet-us-chile-economic-relations> (accessed May 2, 2014).

²⁴ The White House Office of the Press Secretary. "FACT SHEET: U.S.-Chile Economic Relations." The White House. <http://www.whitehouse.gov/the-press-office/2013/06/04/fact-sheet-us-chile-economic-relations> (accessed May 2, 2014).

²⁵ Collit, Raymond. "Chile Central Bank to Cut Its 2014 Growth Forecast, Vergara Says." *Bloomberg*, March 29, 2014.

²⁶ Charles, Margot. "La Cultura Moderna de Chile." Lecture, Advanced Spanish from Universidad Diego Portales: American University, Santiago, November 1, 2013.

²⁷ Charles, Margot. "Educación en Chile." Lecture, Advanced Spanish from Universidad Diego Portales: American University, Santiago, October 16, 2013.

Under Piñera, the Chilean legislature passed pro-business policies, but also pushed through greater welfare programs paired with tax increases for corporations.²⁸ The increase in welfare programs went against the Alianza's traditional platform, but the increase in massive demonstrations forced Piñera to respond without hindering economic growth. However, these reforms were not sufficient, and protests continue to be a well-employed tool.

b. Bachelet

Bachelet, in her campaign for her second term, promised numerous reforms and policies, based on a three pillar system: education, fiscal, and constitutional reform. Current protests focus on her education reform, forcing Bachelet to act quickly. Bachelet's reform would cut off government funding for for-profit institutions, bar government-funded secondary and primary institutions from selective admission, and guarantee free post-secondary education for students from families in the bottom 70% income percentile and within 6 years free education for all students.²⁹ However, funding and quality of education keep the debate and protests from resolution. Across the board, private and public school teachers are not paid well and are in charge of classes with 45 children.³⁰ Education will be a pressing issue that Bachelet hopes to fulfill her campaign promises and meet some of the protesters' demands, all the while keeping the economy running. Payment for the education reform will come from Bachelet's fiscal reform that aims to increase government revenue by 3% of the GDP. This 3% will come from increasing corporate tax rates to 25% (previously 20%), reducing evasion by creating tax incentives for investment and small- and medium-sized enterprises, and decreasing the top individual tax rate from 40% to 35%.³¹ If the US Congress passes the 2010 Tax agreement with Chile, this new reform may not affect US owned businesses and investments. These revenues will be appropriated to social works as education, health care, and pensions. The final reform, the constitutional reform, will be very controversial and the centerpiece for her program. Bachelet proposes a new constitution that increases citizen rights, replaces the binomial electoral system with a representational electoral system, and decentralizes power.³² The US should pay close attention to the Bachelet administration as it goes about reforming the Chilean government and society, these changes will prompt immediate reactions among the public and politicians, as well as the economic sector.

c. US-Chilean Relations

²⁸ President Sebastián Piñera, "Chile Cumple y Avanza Hacia el Desarrollo," Tercera Cuenta Pública a la Nación, May 21, 2012.

²⁹ Meyer, Peter. *Chile: Political and Economic Conditions and US Relations*. Washington DC: Congressional Research Services, 2014.

³⁰ Charles, Margot. "La Cultura Moderna de Chile." Lecture, Advanced Spanish from Universidad Diego Portales: American University, Santiago, November 1, 2013.

³¹ Meyer, Peter. *Chile: Political and Economic Conditions and US Relations*. Washington DC: Congressional Research Services, 2014.

³² Ibid..

Recent US-Chilean relations, Obama believes are “extraordinarily strong,” and will continue to be strong with Bachelet’s second term.³³ In 2012, former Chilean President Piñera launched efforts to qualify for the US Visa waiver program. The qualifications for the Visa Waiver Program are designed as “a process of verifying various security safeguards and information-sharing requirements before Chile can formally enter the program.”³⁴ Qualification for the Visa Waiver Program symbolizes a great deal of trust and faith in the Chilean security apparatus and a genuine desire to further relations. As of February 2014, Chile succeeded in qualifying for the Visa waiver program.³⁵ Chile qualification marked a tremendous leap forward in US-Chilean relations.

I. Society
a. Chilean Protest Culture

Chilean society plays a strong role in US-Chilean relations and the ongoing reforms. Younger generations of Chileans continue to turn away from the traditional forms of political participation (voting and petitions) and focus more on demonstrations, marches, and protests. This protest culture has raised questions whether continued protest will destabilize Chile, but this is not the case.³⁶ When the Chilean government adapts to and listens to the protesters’ demands, the protesters retire. This is not a violent protest culture or aimed at destabilizing the society, economy, or government, the average Chilean protester aims to protect or fight for certain rights or items. On September 11th, 2013, the 40th anniversary of the Coup or military takeover, the protests did not reach the predicted levels of violence. The 40th anniversary’s lack of violence demonstrated the nonviolent nature of the Chilean protest culture.³⁷ Chilean protests will not hinder US-Chilean relations, but they may pose a threat to US investment and business.³⁸

b. Private Sector US-Chilean Relations

Society as a whole welcomes US investment and business ventures in Chile. There appears to be a strong fascination with US culture and products; thrift or second hand clothing stores are

³³ Morse, Jane. "U.S. Department of State." U.S.-Chile Relations Extraordinarily Strong, Obama Says. <http://iipdigital.usembassy.gov/st/english/article/2013/06/20130604275453.html#ixzz30INtwRTc> (accessed May 2, 2014).

³⁴ Ibid.

³⁵ DHS Press Office. "DHS Announces Chile’s Designation Into the Visa Waiver Program." . <https://www.dhs.gov/news/2014/02/28/dhs-announces-chile%E2%80%99s-designation-visa-waiver-program> (accessed).

³⁶ Collit, Raymond. "Chile Central Bank to Cut Its 2014 Growth Forecast, Vergara Says." *Bloomberg*, March 29, 2014.

³⁷ *El Nuevo Herald*, "Marchas en Chile por la conmemoración de los 40 años del golpe a Allende ," September 11, 2013, sec. Fotografía.

³⁸ Possible troubles areas include mining or energy-based efforts that are based in the Patagonia region or Indigenous homelands, and require large sources of water. Previous cases like the Aysen Dam ignited demonstrations due to the redirecting of drinking water and patrimonial lands. Another case of demonstration involved mining in the Atacama desert that infected the drinking water for various small towns near the mining sight.

routinely filled with imported second hand US clothing. Outside of the clothing industry, the typical casual dining restaurants like Applebee's transform into special occasion dining options for the typical Chilean. US automobiles continue to acquire prestige over national and foreign competitors due to their superior make and reputation.

On an individual level, the average Chilean welcomes foreigners, especially "gringos" (Americans) and is quick to offer assistance. Public security in Chile ranks above almost all of its regional counterparts, thanks to a strong and well-respected police force called the Garabineros.³⁹ The Garabineros do not accept bribes and maintain the respect of Chilean society and visitors.

c. US-Chilean Media Relations

Chilean newspapers do not demonstrate a negative portrayal of the US; the majority of them post positive or realistic articles. In Chile, the majority of the newspapers and news outlets are owned by three families. Due to the lack of diversity, most media outlets write very similar outlooks on the US. The US enjoys a very favorable approval rating in Chile, which has been fairly stable throughout the decades.

Media outlets in Chile tend to focus reports on national or regional issues. The US and non-regional nations receive minimal air time or newspaper pages. In one of the top Chilean newspapers, *El Mercurio*, the international section only spans three pages with over half attributed to regional affairs.⁴⁰ Similarly, Chilean media outlets report more on social or environmental disruptions in the US, tailoring their broadcasts or newspapers.⁴¹ An example of this emphasis on US social woes, *La Tercera* on April 30th published two articles on the botched execution in Oklahoma and two on US foreign policy on Russia in the Ukraine and terrorism in Syria.⁴² *La Tercera* wrote an article every day since April 30th on the fallout of the botched execution. Overall, Chilean newspapers attribute less print space to international affairs unless the event is violent, tragic, or dealing with regional affairs. In broadcast news this imbalance translates to short clips of school shootings, mudslides, and then a glimpse of US foreign policy.⁴³ Chileans enjoy reading or listening to US societal updates, entertainment news, and environmental tragedies. This reporting imbalance leads many Chileans to believe that the US is a violent nation.

³⁹ "2013 Latin America Public Security Index." *FTI Journal*.

⁴⁰ Mendez Araya, Javier. "Los Cinco Problemas para la reeleccion de Santos." *El Mercurio*, May 4, 2014, sec. Internacional.

⁴¹ Charles, Margot. "La Cultura Moderna de Chile." Lecture, Advanced Spanish from Universidad Diego Portales: American University, Santiago, November 1, 2013.

⁴² *La Tercera*, "Condenado a muerte en EEUU agoniza casi una hora por nuevo procedimiento de ejecución," April 3, 2014, sec. Mundo.

⁴³ In Santiago, Chile from July to December 2013, Chilean broadcast news repeatedly focused the majority of their air time for US news upon school violence and environmental disasters.

In recent articles on the Israel-Palestine conflict, Chile joins the majority of the international community in criticizing the US.⁴⁴ However, Chilean media falters in requesting UN mediations over US mediations. *La Terra Chile* wrote on May 4th that the US mediator resigned after the failure of the US brokered peace talks. In the *La Terra* article, the US mediation efforts led by Secretary of State John Kerry achieved some success, but ultimately fell apart in the face of taboo subjects.⁴⁵ Chilean media outlets present the capabilities to divorce themselves from the US “party-line” by reporting both favorably and negatively about the US.⁴⁶

d. Indigenous Community

The Mapuche and other indigenous groups, a strong point of contention among Chileans, present an obstacle to all political officials. Over the generations, the Chilean government has tried to assimilate or exclude the indigenous sector of the population, leaving the affected group landless and without proper political representation.⁴⁷ The US will need to monitor Bachelet’s efforts to address the indigenous, as this may result in land reform or labor reform.

⁴⁴ *Terra Chile*, "Mediador de EEUU estudia dimitir tras fracaso en proceso de paz, dice diario," May 4, 2014, sec. Mundo.

⁴⁵ *Terra Chile*, "Mediador de EEUU estudia dimitir tras fracaso en proceso de paz, dice diario," May 4, 2014, sec. Mundo.

⁴⁶ That is to say that Chilean media demonstrates the capability to criticize and support US foreign policy and not report a white-washed version of international news.

⁴⁷ Charles, Margot. "La Cultura Moderna de Chile." Lecture, Advanced Spanish from Universidad Diego Portales: American University, Santiago, November 1, 2013.

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U.S. Department of State. "U.S. Relations With Chile." U.S. Department of State. <http://www.state.gov/r/pa/ei/bgn/1981.htm> (accessed May 8, 2014).