Chile: the government struggles to implement its reform programme
ABSTRACT

Chile is a close partner of the EU in Latin America. The EU and Chile have a mutual interest in pursuing even closer ties, leading them to agree to upgrade and modernise the Association Agreement signed in 2002. They started negotiations on a modernised agreement in November 2017.

President Sebastián Piñera’s centre-right government took office in March 2018. Politically, the situation of the Mapuche indigenous community and stricter migration policies have dominated its first year. The government has also tabled comprehensive proposals for tax and pension reform but has found it difficult to implement its reform programme.

This is largely because it lacks a majority in Congress and faces a much more diverse political landscape than in the past, making it more difficult to gain broad support for its proposals. However, it has benefited from a robust economic recovery that started in 2018 after two years of sluggish growth.

Under President Piñera, Chile has adopted a tough stance against the Venezuelan government, in line with other centre-right governments in South America. Chile played a key role in the launch in March 2019 of the new organisation for regional cooperation, the Forum for the Progress of South America (Foro para el Progreso de América del Sur, PROSUR).
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1 Key issues and developments

- Relations between the EU and Chile are close and have developed on various fronts since the Association Agreement was signed in 2002. Cooperation and specialised dialogues are conducted in many areas and trade and investment flows have grown substantially.

- Negotiations to upgrade and modernise the Association Agreement began in November 2017, reflecting the two parties shared interest in further developing and strengthening their relationship and in bringing the 2002 agreement into line with new political and economic realities, domestically and internationally. So far, the negotiations have been constructive and made good progress.

- President Sebastián Piñera, from the centre-right coalition ‘Let’s Go Chile’ (Chile Vamos) took office for a four-year term on 11 March 2018. This is Piñera’s second term. He also served as president from 2010 to 2014. Piñera was elected in the second round on 17 December 2017 with 54.6 % of the vote. Despite his clear victory, Piñera’s Vamos Chile alliance does not command a majority in Congress. Many more parties are now represented in Congress and the more diverse political makes it more difficult for the government to win support for its proposals.

- President Piñera's government has focused on economic reform, seeking to boost growth and stimulate private investment. It has set ambitious goals for the transition to a developed country without poverty and with 'opportunities for all'. It has tabled comprehensive proposals for tax and pension reforms. In this regard, the government has benefited from a robust economic recovery that started in 2018 after two years of sluggish growth. GDP expanded 4 % in 2018.

- Politically, the situation of the Mapuche indigenous community has dominated the Piñera government’s first year in office. The demands of the Mapuche, Chile’s largest indigenous group, for land and better social conditions have been a central issue since democracy was restored. Piñera took office with a pledge to address their grievances and the lack of economic and social development in the Araucanía region, where most of the Mapuche live. However, the death of a Mapuche activist during a police operation in November 2018 set these efforts back.

- Migration policies has emerged as a major issue. President Piñera has tightened Chile’s traditionally liberal immigration regime and taken measures to curb irregular migration. This must be seen against the backdrop of a huge influx of migrants in recent years. The foreign-born population is estimated to have grown to around 1.25 million at the end of 2018. The number of Venezuelans and Haitians living in Chile has risen in particular. Another sign of the new migration policy was the decision not to sign the UN Global Compact for Safe, Orderly and Regular Migration, adopted in December 2018.

- Under President Piñera, Chile has taken a strong stance against the Venezuelan government, in line with the centre-right governments now in power in most countries in South America. Chile played a key role in the launch in March 2019 of the Forum for the Progress of South America (Foro para el Progreso de América del Sur, PROSUR) to replace the Union of South American Nations (Unión de Naciones Suramericanas, UNASUR).
## European Parliament–Chile: Milestones

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>17-20 December 2018</td>
<td>A delegation from the Committee on International Trade (INTA) visited Chile.</td>
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<tr>
<td>25-26 June 2018</td>
<td>The 26th meeting of the EU-Chile Joint Parliamentary Committee (JPC) took place in Brussels.</td>
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<td>13 June 2018</td>
<td>The European Parliament (EP) adopted recommendations on the negotiations on the modernisation of the EU-Chile Association Agreement. It called for stronger cooperation between Chile and the EU, as like-minded partners in an uncertain international environment.</td>
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<td>14 September 2017</td>
<td>The EP adopted recommendations on the modernisation of the trade pillar of the EU-Chile Association Agreement. The resolution stressed the need to modernise the agreement to take account of the economic and political development over the past 15 years. On the same day, the EP approved the conclusion of an agreement between the EU and Chile on trade in organic products.</td>
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<tr>
<td>13 September 2017</td>
<td>The EP passed a resolution on the EU’s political relations with Latin America, which stated that the negotiations to update the EU-Chile Association Agreement needed an ‘ambitious impetus’.</td>
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<td>15 November 2012</td>
<td>Chile’s President Sebastián Piñera visited the EP, holding an exchange of views with the Committee on Foreign Affairs (AFET) held jointly with the Delegation to the Euro-Latin American Parliamentary Assembly and the Delegation to the EU-Chile Joint Parliamentary Committee.</td>
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<td>10 March 2004</td>
<td>The EP established the Delegation to the EU-Chile JPC.</td>
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<td>27-28 October 2003</td>
<td>The first meeting of the EU-Chile JPC was held in Valparaiso, Chile.</td>
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<tr>
<td>12 February 2003</td>
<td>The EP gave its consent to the conclusion of the Association Agreement between the European Community and its Member States on the one hand, and the Republic of Chile, on the other.</td>
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<tr>
<td>1 March 2001</td>
<td>The EP adopted recommendations to the Council on the negotiating mandate for an association agreement with Chile.</td>
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<tr>
<td>14 December 2000</td>
<td>In a resolution, the EP stated that the best way to support the consolidation of democracy in Chile was to conclude a far-reaching agreement for political cooperation and economic association and cooperation.</td>
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<tr>
<td>June 1998</td>
<td>The chairs of the Foreign Relations’ Committees of the Chilean Senate and Chamber of Deputies and the chair of the EP’s Delegation for Relations with the countries of South America and Mercosur signed the ‘Declaration on the institutionalisation of interparliamentary dialogue’.</td>
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<tr>
<td>24 April 1997</td>
<td>The EP approved the conclusion of the Framework Cooperation agreement between the EU and Chile.</td>
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3 Political situation in Chile

3.1 The 2017 elections and background

President Sebastián Piñera of the centre-right ‘Let’s Go Chile’ (Chile Vamos) coalition took office for a four-year term on 11 March 2018. Piñera was elected in the second round of the elections on 17 December 2017, with a clear majority of 54.6% of the votes, defeating Alejandro Guillier, the candidate of the governing centre-left alliance, the ‘Force of the Majority’ (La Fuerza de la Mayoría).

The election returned Piñera and his centre-right coalition to government four years after they were replaced by the centre-left government under the outgoing Socialist president, Michelle Bachelet. This was the second time Piñera followed Bachelet. He also succeeded her on taking office the first time, in 2010. When Sebastián Piñera leaves office in 2022 — with no possibility of being elected for a third term — he and Bachelet combined will have governed Chile for a total of 16 years.

3.1.1 The 2017 elections

Sebastián Piñera and his centre-right alliance were widely expected to win the election. Michelle Bachelet’s centre-left coalition was perceived by many as worn-out and weakened by internal divisions, a partly stalled reform agenda, corruption scandals and an economic slowdown. Moreover, for the first time since the restoration of democracy in 1989, the centre-left alliance lost one of its constituent components, when the Christian Democrat Party (Partido Demócrata Cristiano, PDC) decided to field its own presidential candidate and candidates for Congress. In contrast, Piñera enjoyed solid support from both the Chile Vamos coalition’s main parties, his own National Renewal (Renovación Nacional, RN) and the Independent Democrat Union (Unión Demócrata Independiente, UDI), which stood united behind his candidacy.

The biggest surprise of the election was that Beatriz Sánchez won 20.3% of the vote in the first round on 19 November 2017. She stood for the Broad Front (Frente Amplio), a left-wing coalition of six political parties and various social and political movements, which took a critical line against both Michelle Bachelet’s governing centre-left coalition and the opposition. In addition, the independent Socialist Marco Enríquez-Ominami won nearly 6% of the vote. Together with the 22.7% won by Alejandro Guillier, these results pointed to a near majority of centre-left voters, despite Piñera’s first-round win.

However, Piñera’s triumph in the second round was more decisive than expected after the first round, when he won 36.6% of the ballot. Apart from Bachelet’s victory in 2013, Piñera received the highest percentage of votes of any Chilean candidate in the second round of an election (more than the 51.6% he won when he was elected president the first time in 2009). Piñera
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As in the 2013 elections, turnout in both election rounds was below 50%.

High abstention rates seem to have become a permanent feature of Chilean elections, following the 2012 electoral reform that made voting voluntary.

The elections could also reflect the gradual erosion of the remarkably stable political system established during Chile’s transition to democracy in the late 1980s and early 1990s.

In general, the high abstention rates and the many votes cast for presidential candidates and political parties outside the two main coalitions seemed to confirm disenchantment with the mainstream political system.

won the biggest share of votes in 13 of Chile’s 15 regions, ranging from 62.4% (La Araucanía) to 43.7% (Magallanes). The Broad Front’s lack of endorsement of Alejandro Guillier in the second round (although Beatriz Sánchez said she would vote for him as a personal decision), was probably the main reason for Piñera’s comfortable win. He also benefited from the votes cast in the first round for the independent right-wing candidate José Antonio Kast, who formally supported Piñera in the second round, and likely a large portion of the votes that had gone to the Christian Democrat candidate.

The high abstention rate in both rounds of the election somewhat tempered the impact of Piñera’s victory. Turnout in both rounds was below 50%. Reflecting this, the total number of votes cast in the first round, 6.7 million, was the same as in 2013 but substantially lower than in the first round of the 2009 elections. Even though more voters — 7 million — turned out for the second round, they were still 265 000 fewer than in the second round of the 2009 polls. Sebastián Piñera only won 26.5% of the total in the second round.

High abstention rates thus seem to have become a permanent feature of Chilean elections, following the 2012 electoral reform that made voting voluntary and automatically registered all citizens aged over 18 to vote. Turnout in the first round of both the 2017 and 2013 polls, at around 47%, contrasts with the 88% turnout in the first round of the 2009 polls, when voting was compulsory (for registered voters, meaning that the relatively low percentage of enrolled voters largely hid the true abstention rates).

The elections resulted in a more diverse political landscape than in the past. The result could reflect the gradual erosion of the stable political system established during the transition to democracy in the late 1980s and early 1990s and the weakening of the two main coalitions that had dominated the political scene since then. There were many presidential candidates by Chilean standards — eight, one less than the unprecedented nine who stood in the 2013 elections. Furthermore, the six candidates from outside the two traditional coalitions (the ruling centre-left ‘Force of the Majority’ and Piñera’s Chile Vamos, plus the PDC) won a combined share 35% of the vote, the biggest share ever won by non-traditional political forces.

The composition of the two chambers of Congress also changed substantially, helped by the introduction of a system of proportional representation. For some analysts, the more diverse political landscape emerging from the 2017 elections has effectively brought the post-Pinochet era to a close.

Overall, the high abstention rates and the many votes that went to presidential candidates and political parties outside the two main coalitions seemed to confirm widespread dissatisfaction with the performance of President Michelle Bachelet’s government between 2014 and 2018 as well as a more enduring, deeper disenchantment with the established political system and a desire for political change and renewal.
3.1.2 Background: President Michelle Bachelet’s government

Piñera’s predecessor, Michelle Bachelet, was elected in 2013 against a backdrop of social unrest and demands for change. Her government sought to address demands for comprehensive social and political reforms.

Despite broad support in Congress, the implementation of the Bachelet government’s reform agenda showed mixed results.

Tax reform was an early achievement. Its main goal was to increase revenues to finance social expenditure and reforms in other areas.

Congress passed new labour legislation in April 2016 that improved workers’ conditions of employment and job security and gave trade unions stronger collective bargaining rights.

The reform of Chile’s electoral system, adopted in January 2015, will stand as an important part of the Bachelet government’s legacy.

Michelle Bachelet won the 2013 elections against a background of social unrest and demands for political and social change. The previous years, during Sebastián Piñera’s first term, had been marked by student protests against the government’s education policy and other social protests. The protests pointed to a more general frustration with the political system that many saw as obsolete and unresponsive to demands from citizens, and persistent social and income inequalities.

The programme of Bachelet’s coalition sought to address the demands for comprehensive social and political reforms. Her governing coalition also opened up to the left, by incorporating the Communist Party of Chile (Partido Comunista de Chile, PC) and putting forward prominent figures from the student and social protest movements as candidates for the Chamber of Deputies. With broad support in Congress, Michelle Bachelet’s government appeared to be in a good position to accomplish an ambitious reform agenda. However, its implementation showed mixed results.

**Tax reform.** The comprehensive tax reform passed by Congress in September 2014 was seen as an early achievement. The reform raised corporate tax rates, increased government revenues by the equivalent of around 3% of GDP in order to finance social expenditure and reform of the education system, but it also aimed to reduce income inequalities. However, business organisations strongly criticised the reform for discouraging private investment and it became associated with the sluggish economic growth of recent years.

**Labour reform.** The reform of Chile’s labour legislation, passed by Congress in April 2016, improved job security and workers’ conditions of employment, extended collective bargaining rights to new groups of workers, increased the role of trade unions and protected the right to strike. It also brought labour legislation into line with international standards. However, it was controversial both with business associations—who argued that it would lead to rising unemployment and less productivity—and with trade unions who were critical of other aspects of the reform. The Constitutional Court (Tribunal Constitucional) ruled that central provisions of the new labour law were unconstitutional, including the obligation that companies negotiate wages only with legally designated trade unions. The rest of the reform came into force on 1 April 2017.

**Electoral and political reforms.** The electoral reform adopted in January 2015, will stand as an important part of the Bachelet government’s legacy. In addition to this reform, two laws were passed regulating the functioning of political parties. The law on the strengthening and transparency of democracy (Para el Fortalecimiento y Transparencia de la Democracia) made party funding more transparent, by introducing public funding, setting new rules for private contributions and lowering the limits for election campaign spending by 50%. The law to strengthen the public and democratic nature of political parties and facilitate their modernisation (Fortalece el Carácter Público y Democrático de los Partidos Políticos y Facilita su Modernización) set
Congress passed a law that legalised 'civil unions', including between persons of the same sex in January 2015.

Congress passed a new law that legalised abortion in some cases in August 2017.

Broad education reforms to make access to quality education, including university, free for all, was a top priority of the Bachelet government.

Higher education reforms include free tuition for students from low-income families.

Civil rights. The reforms in this area were also among the Bachelet government's achievements. A large majority in Congress voted in January 2015 to legalise 'civil unions', including between people of the same sex — a significant change in the traditionally socially conservative Chilean society (divorce was only made legal in 2004). The decriminalisation of abortion (therapeutic abortion became legal in 1931, but was banned again in 1989 by the military government) was widely seen as perhaps President Bachelet's last political success. The Congress passed a law in early August 2017 that legalised abortion in some cases (rape, risk to the mother's life, foetus not able to survive) within the first 12 weeks of pregnancy. Despite these limitations, the proposal was resisted not only by the centre-right opposition, but also by a significant sector of the PDC, contributing to the divisions within the governing coalition.

Education reform. Guaranteeing free education, including at university level, was a top priority of President Bachelet's government. Education reform had been on the political agenda since the 1990s, reflecting broad consensus on the need to improve the quality of education to ensure sustainable economic growth and reduce social inequalities. However, the reform plans provoked strong protests in particular by university students during Bachelet's first term (2006-2010) and especially under Sebastián Piñera's first government. They demanded free education for all, increased funding and grants to students and an end to profiteering in the education sector.

Congress passed a first set of reform measures in 2015, including more funding for state schools and scholarships and ending the possibility for state-subsidised private schools to make profits. Another step in the reform was a law passed in 2016 to raise professional standards in the teaching profession. In 2017 the Congress passed the law that created the Public Education System (Sistema de Educación Pública), gradually establishing a more centralised administration of public education by transferring it from the municipalities to 70 local public education services.

Targeting higher education, Congress adopted a law in December 2015 that introduced free access to higher education for students whose families were among the 50 % of the population with the lowest incomes. It was followed by a bill for a comprehensive reform of higher education tabled in Congress in July 2016. In addition to establishing free access to higher education for the poorest 60 % of students, the proposal set up a new framework for the administration of the sector, including new bodies to supervise and certify universities and other higher education institutions. The Congress finally passed the Higher Education Law (Ley de Educación Superior) on 24 January 2018, enshrining the principle of free access to higher education and finalising the Bachelet government's most
The adoption of a new constitution was a central pledge of Bachelet’s coalition. A large majority in the Chamber of Deputies (102 of its then 120 members) voted for it.

However, many of the reform measures met strong resistance, from the centre-right opposition, parents’ organisations and private school operators. One of their principal arguments was that the reforms strengthened state control over education. The Bachelet government also faced continuing protests from the students’ movement that considered that the reforms did not go far enough to meet the demand for free and universal education. A ruling by the Constitutional Court on 27 March 2018 annulled an important element of the reforms, ruling that the provision of the reform law that banned profit-making entities or individuals from owning or controlling universities was unconstitutional.

**Pension reform.** The government also sought to address the shortcomings of Chile’s pension system, established in the early 1980s by the Pinochet government and based on funds managed chiefly by private companies. Partly in response to growing protests against a pension system that is generally characterised by low replacement rates, particularly for low-skilled workers and women, President Bachelet announced a reform in April 2017 that would gradually increase employers’ contributions to be paid into a new fund in order to increase current pensions and finance future pensions. She also proposed to use the same mortality tables for men and women, thereby raising women’s pensions. However, the government only sent its legislative proposals to reform the pension system to the Congress in August 2017 and they were not approved before the end of its term.

**Constitutional reform.** A new constitution was a central pledge of Bachelet’s coalition. It was intended to replace the 1981 constitution, adopted under the military regime, and would serve as the basis for a fully democratic system, reflecting the deep changes in the country over the past decades and recognising the entire range of civic, political and social rights, including all internationally recognised human rights instruments. The president announced the start of the reform process in October 2015 and launched a ‘civic education’ campaign, followed by a public consultation process that was supposed to lead to the tabling of a proposal for a new constitution in the second half of 2017. However, the process was delayed and the constitutional reform bill was not tabled in Congress until 6 March 2018, five days before President Bachelet’s government left office.

The proposed constitutional reform consolidated basic civil rights, such as the right to due process, and expanded social rights, including equal pay for women and men. It also recognised the indigenous peoples, established the obligation of the state to promote and respect their integrity, rights and culture and ensured their representation in Congress. It aimed to eliminate the ‘super-majorities’ needed to pass certain laws.

Some of the government’s reform proposals were controversial and were resisted by the opposition and various stakeholders. At the same time, maintaining the cohesion of the politically very broad governing coalition — ranging from the Christian Democrats to the Communists and other
Although much of the Bachelet government’s reform agenda was achieved, many reforms were watered down or their goals only partly met.

This helped create perceptions of unfulfilled expectations.

Frequent reshuffles of President Bachelet’s cabinet reinforced the appearance of a divided government.

A number of corruption cases reduced the standing and credibility of the government.

President Bachelet was personally affected by a case of corruption (or non-transparent business methods) related to her son.

The economic slowdown also helped create dissatisfaction with the government.

forces on the left — proved challenging and required compromises. Internal disagreements and splits over proposed laws and the direction and scope of the reforms created uncertainty about the course of the government and the ruling coalition.

As a result, although a great part of the Bachelet government’s reform agenda was actually accomplished, the ambitious goals of many reforms were watered down or only met partially. The high expectations placed in the Bachelet government were largely unfulfilled, contributing to a sense of frustration and loss of confidence in the government. The emergence of the left-wing ‘Broad Front’ alliance and its success in the 2017 elections reflected this frustration and the perception of unfulfilled expectations.

President Bachelet’s government also faced other obstacles, some caused by internal problems, others coming from outside.

Frequent cabinet reshuffles and changes at lower levels of the administration reinforced perceptions of an internally divided government that acted incoherently and was not fully committed to advancing its reform agenda. Only six of the original 22 members of the cabinet remained in post throughout the government’s four years in office.

A number of corruption cases harmed the standing and the credibility of the government, political parties and politicians in general. Most damaging for the government was the so-called Caval case, which directly linked President Bachelet with a case of influence peddling or non-transparent business methods involving her son and his wife. This and other cases spurred a series of initiatives by the government to fight corruption, notably the creation of a special advisory council (Consejo Asesor Presidencial contra los Conflictos de Interés, el Tráfico de Influencias y la Corrupción) to propose measures to fight corruption. Even though Chile has remained one of the least corrupt countries in Latin America, public perceptions of corruption in the government, political parties, Congress and the judiciary have grown in recent years. This has reduced trust not only in Chile’s political parties and politicians, but also in the country’s institutions and social and economic actors.

Perhaps most damaging for the government, economic growth remained subdued during most of Michelle Bachelet’s term, with growth rates barely exceeding 2 %, a low level by Chilean standards. The economic slowdown probably contributed more than any other factor to public dissatisfaction with the government and helped Sebastián Piñera win the elections — not least thanks to his association with the robust economic growth rates recorded during his first term in office, between 2010 and 2014.

3.2 The Piñera government’s first year in office

The change of government has not led to any sudden or radical changes. In his first statements after his election, Sebastián Piñera emphasised his commitment to dialogue with other political forces and announced that his government would seek broad agreement on key policies.
The change of government has not led to any sudden or radical changes. President Piñera has emphasised his commitment to consensus and dialogue with other political forces.

However, the government has had to struggle to win support in Congress for its proposals. The Cabinet of Ministers reflects Piñera’s business background. Half the ministers are independents.

The cabinet of minister were also ministers during President Piñera’s first term in office. Among them are the minister of interior and public security, Andrés Chadwick, who had the same portfolio from 2012 to 2014 and Alfredo Moreno, who was Piñera’s foreign minister from 2010 to 2014 and now is minister for social development. Another key minister, the minister of finance, Felipe Larrain, held the same post throughout Piñera’s first term. Some analysts have highlighted the fact that there are only seven female members of the cabinet, and that none of them have portfolios that are traditionally regarded as weighty.

President Piñera made the first changes to the government in early August 2018, only five months after taking office, when he removed the ministers for education and culture whose performance had been widely questioned. The new culture minister resigned after only four days in the job, following controversial statements about the museum established to commemorate the victims of the military dictatorship.

In policy terms, President Piñera’s government has focused on economic reform, with priority given to boosting growth, making good on the pledges to double growth rates, stimulating investment and creating new jobs. The government sees its role as trying to rebuild confidence in the private sector and among consumers, which the former government’s reform projects — according to its critics — helped to undermine, thereby contributing to declining investment and economic growth.

President Piñera stated in December 2018 that his government had had to confront pressing needs, but also accomplished much, including the economic recovery and the creation of new jobs and 110 000 new enterprises. The year 2019 would be a year of working for the reforms that would transform Chile into a 'developed country, with equality and opportunities for all'. Similarly, on his government’s first anniversary, on 10
March 2019, the president stated that 2018 had been 'a good year' and that his government had worked 'tirelessly' and addressed 'emergencies' neglected by the previous government — among them the immigration issue. He underlined the economic recovery, but also the progress made in the modernisation of Chile, mentioning the initiatives to reform the tax, labour and pension systems. Stating that there was 'still a lot to do', President Piñera referred to the fight against crime and the protection of the middle classes as some of the challenges for 2019.

However, the approval ratings of the president and the government suggest that a large proportion of the public does not share this optimism. While Piñera's approval ratings were close to 60 % after he took office, his popularity seems to have declined ever since. An opinion poll from late April 2019 indicates that his approval rating had dropped to 36 %, while 50 % of those surveyed expressed disapproval of the president.

### 3.2.1 The reform agenda

On taking office on 11 March 2018, Piñera called for a 'new transition', to a developed country without poverty and with 'opportunities for all'. He insisted on the need to reverse the 'economic stagnation' of recent years and regain dynamism and the capacity to grow, invest and innovate. The need to defend the middle classes by giving them more security and opportunities was a key motif in his inaugural speech. Similarly, the president emphasised the need to address the 'serious crisis' in the health system. He also undertook to guarantee access to quality education at all levels, to improve pensions and to fight 'crime, drug trafficking and terrorism', including by reforming the police.

In his first annual 'state of the nation' speech (Cuenta Pública a la Nación) on 1 June 2018, the president outlined several legislative and other initiatives in these five areas. They included the creation of a ministry for the family and social development; a new adoption law; further steps to improve the quality of the education system; the introduction of a new and fairer system for student loans (abolishing the role of the private banks as creditors); a new system for primary healthcare to bring down waiting times; pension reform and modernisation of the tax system. The president also announced the restructuring of the police force and the intelligence services, together with a reform of the financing of the armed forces. Piñera also presented an ambitious public investment programme of around USD 20 billion (the equivalent of approximately EUR 18 billion).

The government has presented two comprehensive reform proposals:

- It submitted a [proposal for a tax reform](#) to Congress on 23 August 2018 that replaces the dual system introduced by the Bachelet government's 2014 reform with a simpler, integrated system. It also introduces a 10 % tax on the provision of digital services in Chile by non-residents. However, the government decided to keep the corporate income tax
Both proposals are currently before Congress.

President Piñera presented the government's plan for a reform of Chile's pension system on 28 October 2018, aimed at increasing pensions and creating special benefits for the most vulnerable, women and the middle classes. The government's reform bill, presented to the Congress on 6 November 2018, includes higher employers' contributions —leading to a final 40% increase in pensions,—, a stronger 'solidarity element' in the system and increased resources for paying pensions to the middle classes and women. It also foresees higher pensions for people who delay their retirement. However, the government envisages keeping the system whereby pensions are based on individual savings accounts and the much-criticised role of the privately managed pension funds.

Both reform proposals are currently being discussed in Congress. So far, the opposition's disagreement with fundamental aspects of them have blocked their adoption. President Piñera has refused to divide the reform proposals to ease their passage through Congress, insisting that they are necessary for the future of the Chilean economy.

The government will not pursue the proposal for constitutional reform presented in the final days of Michelle Bachelet's government. However, it has taken the initiative to carry out two minor reforms:

- As part of a comprehensive package of 12 measures to achieve full gender equality, the 'Woman Agenda' (Agenda Mujer), the government proposed in May 2018 to introduce a new clause in the constitution providing that the state has the duty to promote and guarantee full equality of rights, duties and dignity between men and women and to avoid all forms of violence, abuses and discrimination based on gender. The Chamber of Deputies passed the reform on 31 July 2018, with only one vote against it. However, several amendments to the bill, including the obligation of the state to comply with the principle of equal pay for the same kind of work and to ban all form of discrimination in the workplace based on gender, sex and ethnic origin, did not gather a sufficient majority because the governing Chile Vamos alliance voted against them.

- President Piñera announced on 26 December 2018 another reform of the Constitution to facilitate the mechanism for removing commanders of the armed forces and the paramilitary Carabineros police force. Currently, the President can only remove them by issuing a special 'founded decree' (decreto fundado) and after notifying Congress. The announcement came after Piñera's dismissal of the Carabineros Director General Hermes Soto following the death of a young protestor from the Mapuche indigenous community who was allegedly killed by a special unit of the Carabineros.
### 3.2.2 The Mapuche issue

The situation of the Mapuche indigenous community has been a major issue during President Piñera’s first year in office. The demands of the Mapuche — who number an estimated 1.3 million people and form Chile’s largest indigenous community — for land and better social conditions have been a central issue since the restoration of democracy. They have regularly given rise to unrest, particularly in the La Araucanía region in southern central Chile, where most of the Mapuche live. La Araucanía is the region in Chile with the highest poverty rates and around a third of its population are Mapuche. Protests and demonstrations, including the occupation of farmland and forest plantations by Mapuche activists, as well as arson attacks on the property and machinery of landowners and logging companies, have led to regular outbreaks of violence in the region and conflicts with the Carabineros police force. Some Mapuche activists have died in confrontations with the police over the years, prompting new grievances and protests.

Sebastián Piñera’s first government sought to address the Mapuche issue, partly by modifying some controversial aspects of Chile’s anti-terrorism legislation and a law that gave military courts jurisdiction over civilians, both of which had been applied to imprisoned Mapuche activists. It also recognised the ‘historic debt’ to Chile’s indigenous people and launched the Plan Araucanía 2010-2014 to promote social and economic development in the region. However, although poverty was reduced, initiatives like these did not remove the Mapuche’s grievances. Similarly, in June 2017 President Bachelet officially asked for forgiveness for the ‘errors and horrors’ committed by the Chilean state towards the Mapuche and announced a plan to promote the political participation of the indigenous population, to advance economic development in La Araucanía and to protect the victims of violence.

Piñera took office with a renewed pledge to solve the Mapuche conflict and address the lack of economic and social development in the Araucanía. He presented a plan to promote peace and development in the region (Plan Impulso Araucanía) on 24 September 2018. This was the result of six months of preparations and dialogue led by the minister for social development Alfredo Moreno. The plan outlines a large number of initiatives, including:

- A constitutional amendment to recognise Chile’s indigenous people;
- The creation of a ministry for indigenous people (Ministerio de los Pueblos Originarios);
- A new law to establish quotas (Ley de Cuotas) to promote the participation of indigenous candidates in elections on all levels, accompanied by additional funding to facilitate the participation of indigenous people in the elections;
- Further promotion of access to land for the indigenous population, including by speeding up the regularisation of their ownership of land;
However, efforts to address the problems of the Mapuche community and the Araucanía region suffered a setback with the death of Camilo Catrillanca, a young Mapuche activist, during a police operation on 14 November 2018. Catrillanca was first reported to have died after being accidentally shot in the back by a member of a special unit of the Carabineros police force. However, **the government later stated** that the officer who allegedly fired the shot that killed Catrillanca had destroyed a memory card with a video recording of the incident, and on 29 November a judge **ordered the arrest of four police officers involved in the operation**, accusing them of homicide and obstruction of the investigation. Subsequently, the appearance of other video recordings made by the police contradicted the explanations given by the officers involved. The case led the government to dismiss the Carabineros' Director General, Hermes Soto, and 10 other generals in late December 2018. The governor (**intendente**) of La Araucanía had already resigned in November.

Catrillanca’s death provoked immediate protests, including in Santiago and other cities, and led to a new wave of violence, clashes with the police and arson attacks in La Araucanía. According to estimates quoted in the press, the authorities recorded **89 cases of ‘rural violence’ in November and December 2018** in the region and **558 victims** from 2018 to mid-March 2019. Continuing violence has caused **local companies and farmers to increase their demands that the government restore law and order** in the region, including the declaration of a state of exception (**estado de excepción**). However, the Catrillanca case also shone the spotlight on the government’s security strategy in La Araucanía and what critics see as the militarisation of the region. The deployment of the special anti-terrorist police forces (**Grupo de Operaciones Policiales Especiales**, GOPE) known as the ‘Jungle Command’ (because it trained in the Colombian jungle), who were involved in Catrillanca’s death, was especially controversial. The president announced the GOPE’s withdrawal from La Araucanía on 8 December 2018.

**Talks between the government and different representative of the Mapuche community** on the implementation of the Araucanía peace and development plan resumed in late December 2018. However, it remains to be seen how far the possible continuation of a climate of violence in the region will affect the dialogue between the government and representatives of the Mapuche. It could also deepen the divisions between the **two approaches to addressing the Mapuche conflict**: one focusing on

- Assistance for the victims of ‘violence and terrorism’ in the region;
- The recovery of productive activities in the region, including infrastructure that has been destroyed by ‘acts of violence or terrorism’;
- Public investment of USD 8 billion in the Araucanía region in the years up to 2026. Similarly, the plan envisages private investment of a total of USD 16 billion in the same period. Investment should go to all sectors, including productive activities, infrastructure, healthcare and education.

However, efforts to address the problems of the Mapuche community and the Araucanía region suffered a setback with the death of Camilo Catrillanca, a young Mapuche activist, during a police operation in November 2018. Catrillanca was first reported to have died after being accidentally shot in the back by a member of a special unit of the Carabineros police force. However, **the government later stated** that the officer who allegedly fired the shot that killed Catrillanca had destroyed a memory card with a video recording of the incident, and on 29 November a judge **ordered the arrest of four police officers involved in the operation**, accusing them of homicide and obstruction of the investigation. Subsequently, the appearance of other video recordings made by the police contradicted the explanations given by the officers involved. The case led the government to dismiss the Carabineros’ Director General, Hermes Soto, and 10 other generals in late December 2018. The governor (**intendente**) of La Araucanía had already resigned in November.

Catrillanca’s death led to a new wave of violence, including arson attacks and clashes with the police, in the Araucanía region.
Migration policies have emerged as a topical issue. In a partial break with Chile's traditionally liberal immigration regime, President Piñera took office with a pledge to reform migration policies, which are based on legislation from 1975. This must be seen against the backdrop of the steep increase in immigrants arriving in Chile in recent years. The foreign-born population is estimated to have grown from around 200,000 in 2002 to 1,251,000 at the end of 2018, corresponding to almost 6.1% of the total population. Similarly, the number of visas granted to foreigners increased from 68,485 in 2010 to 443,041 in 2018. However, the government has estimated that around 300,000 migrants are not legally entitled to live in Chile.

The composition of the immigrant population has also changed, with countries such as Haiti and Venezuela accounting for a rapidly growing number of arrivals. Chile gave temporary or permanent residence permits to almost 39,000 Haitians between 2014 and 2016. It has also received large numbers of migrants from Venezuela, with around 208,000 Venezuelans estimated to be residing legally in Chile by the end of 2018. Overall, the government has estimated that some 288,000 Venezuelans and close to 180,000 Haitians were living in Chile by the end of 2018. These two nationalities represented 37% of all foreign residents in Chile.

Facing increasing migratory pressures, the president announced on 9 April 2018 a number of measures to reform the migration legislation and reduce irregular migration. They include:

- The opening of an extraordinary, three-month regularisation process for irregular migrants.
- The introduction of a new temporary 'opportunities visa' (visatemporaria de oportunidades) for migrants wishing to come to Chile to work for a period of one year. Another special visa is to be created for post-graduates from the world's 200 leading universities.
- The elimination of the possibility for foreigners staying in Chile as tourists to apply for residence and work permits.
- Special regimes for migrants from Haiti and Venezuela, including new categories of visa for their citizens (to be applied for at the Chilean consulates in the two countries).

The Chamber of Deputies passed a bill on migration (Ley sobre Migración y Extranjería) in January 2019 almost unanimously (by 147 votes). The bill is currently before the Senate.

Meanwhile, the implementation of new administrative rules had led to the expulsion of some 2,000 foreigners who had committed various crimes by the end of 2018. At the same time, 514 Haitians were repatriated under a
Another expression of the Piñera government’s migration policy was the decision not to sign the ‘UN Global Compact for Safe, Orderly and Regular Migration’, adopted in December 2018. A special plan for ‘orderly humanitarian returns’ (Plan de Retorno Humanitario Ordenado), a voluntary scheme offering free returns to Haiti for migrants who undertake not to go back to Chile in the next nine years. In 2019, almost 700 Haitians were reported to have returned in the framework of this operation by early April.

Another expression of the Piñera government’s migration policy has been its decision not to sign the ‘UN Global Compact for Safe, Orderly and Regular Migration’ that was adopted at the Intergovernmental Conference in Marrakech on 10 and 11 December 2018. According to the foreign minister, Roberto Ampuero, the main problem with the compact is that it does not clearly distinguish between regular and irregular migrants and could therefore be used to restrict Chile’s conduct of a sovereign migration policy and its right to define the conditions for the entry of foreigners. The decision was strongly criticised by the opposition.

### 3.2.4 Gender issues

Gender issues have also received considerable attention in recent months. Sebastián Piñera took office pledging to fight gender violence and to strive for total equality of rights and obligations between men and women. He has also advocated adopting a ‘zero tolerance culture’ against all types of violence, abuses and discrimination against women. However, a wave of student protests starting in April 2018 sparked by two cases of sexual harassment in a university helped push the issue higher up the agenda. The protestors focused not only on the specific cases of abuse, but also on a broader feminist agenda, highlighting deep-rooted sexist and discriminatory practices and barriers to equality. Both the government’s launch of the ‘Woman Agenda’ (Agenda Mujer) for full gender equality in May 2018 and President Piñera’s statement (in his 1 June 2018 ‘state of the nation’ speech) of his intention to promote a cultural change, assuming ‘relations of equity and respect’ between men and women, should be seen in this context.

Chile as the fourth country in Latin America and number 72 in the world on the United Nations Development Programme (UNDP)’s Gender Development Index.

The government has also supported the adoption of a Law on Gender Identity (Ley de Identidad de Género) that allows people over 14 years of age to change their name and gender registered in legal documents. The Chamber of Deputies passed the law definitively on 12 September 2018 (by 95 votes to 46), despite many members of the ruling Chile Vamos coalition voting against it.
The elections to both houses of the Chilean Congress (Congreso Nacional) on 19 November 2017 were the first after the reform of Chile’s electoral system approved in January 2015. It introduced a system of proportional representation to replace the peculiar binominal electoral system that was established by military government in 1989 and was widely perceived as a remnant of the Pinochet regime. The binominal system favoured the establishment of two big electoral coalitions, reduced the chances of significant changes in the distribution of seats and made it difficult for forces outside the two main coalitions to achieve representation.

The new proportional representation system redrew the map of electoral constituencies and increased the number of members of Congress: from 120 to 155 in the Chamber of Deputies (Cámara de Diputados) and from 38 to 50 in the Senate (Senado). The new law also established that no more than 60% of a party’s candidates can be of the same sex (in practice, this would guarantee that at least 40% of candidates are women).

The proportional system and the emergence of new political forces — in particular the Broad Front coalition — have led to a much more pluralist Congress, with more political forces represented than at any time in Chile’s recent history. Overall, 17 political parties, representing six different coalitions, and two independents won seats in the Congress. Similarly, the traditionally dominant centre-left and centre-right political blocs’ share of the vote and of the number of seats in Congress fell significantly. While only four of the 120 members of the Chamber of Deputies in the 2014-2018 parliament were not elected on the lists of the two big alliances, the figure in the Chamber elected in 2017 was 26 out of 155.

Similarly, of the 178 deputies and senators elected in 2017, 93 were elected for the first time — an unprecedented number, making up more than half the parliament. The proportion of women in the two houses also increased considerably, from 16% to 23%. The deputies are also younger than before. According to one analysis, the average age of the new Chamber of Deputies was 45.6 years in 2018, compared to 50.6 in 2010 and 65.4 in 2002.

President Piñera’s centre-right Chile Vamos alliance won 72 seats in the Chamber of Deputies (36 of them from his RN and 30 from the traditionally more right-wing UDI), while a newer centre-right formation, EVOP (for ‘Evolución Política’ or ‘Political Evolution’) won six seats.

The parties in the former governing alliance won 57 seats. Forty-three went to ‘The Force of the Majority’, and 19 of them to the Socialist Party (Partido Socialista, PS), which became the dominant party of the coalition. Its three other members — the Party for Democracy (Partido Por la Democracia, PPD), the Social Democrat Radical Party (Partido Radical Social Demócrata, PRSD) and the PC — each won eight seats. The former alliance partner, the PDC, won the third largest share of the vote in the Congress elections, but only 14 of the 155 seats in the Chamber, against its former tally of 19 out of 120.
The Broad Front alliance won 20 seats in the Chamber, an unprecedented result for a new political movement.

The most remarkable outcome of the election was the 20 Chamber seats won by the ‘Broad Front’, an unprecedented result for a recently created political movement. Its deputies come from six different political parties, half of them from ‘Democratic Revolution’ (Revolución Democrática), a party created in 2012 by leading figures of student protests in 2011.

The 17 November ballot also saw the election of 23 new members to the Senate, which will have 43 members until 2022, when it will reach its full membership of 50. The alliance backing the government has 19 seats.

The 17 November ballot also saw the election of 23 new members to the Senate, which will have 43 members until 2022, when it will reach its full membership of 50 senators. Until then, the Senate had 38 members. Of the 43 senators in the 2018-2022 legislature, 20 were elected in 2013. The term for a senator is eight years. Of the 23 seats up for election, the Chile Vamos alliance secured 12, The Force of the Majority seven, the PDC three and the ‘Broad Front’ one. The alliance backing the government only has 19 seats in the Senate, against 21 for the ‘old’ governing alliance, with 15 allocated to The Force of the Majority and six to the Christian Democrats. Overall,
Piñera’s Chile Vamos alliance is six seats short of an absolute majority in the Chamber of Deputies. In the Senate, it needs the support of three other members to reach a majority.

4 Foreign policy and international relations

Since the restoration of democracy in 1990, which put an end to more than 15 years of international isolation, Chile’s foreign policy has been a state policy, based on a broad political consensus, and has therefore been characterised by a high degree of continuity. Successive governments have pursued what have become the main objectives of Chile’s foreign policy, in particular:

- The strengthening trade and investment relations with other countries and regions, following a strategy of 'open regionalism', through creating an extensive network of free trade and other economic agreements with countries, regional and subregional groups in Latin America, North America, Asia and Europe;

- The promotion of multilateralism and international cooperation, including the commitment to peace and security and the protection of human rights, through active participation in international organisations.

The change of government has therefore not led to radical changes in Chile’s foreign policy. However, Chile has taken stronger positions on regional issues, particularly the situation in Venezuela — positions that are now largely shared in the region following the arrival of liberal, centre-right governments in most countries in South America. Similarly, Chile has played a central role in the launch in March 2019 of the Forum for the Progress of South America (Foro para el Progreso de América del Sur, PROSUR) to replace the Union of South American Nations (Unión de Naciones Suramericanas, UNASUR).

Chile’s economic and social development over the last 30 years and the stability of the country’s democratic system have contributed to give it considerable international prestige and a certain status as a ‘model country’. Expression of this has been Chile’s membership of the UN Security Council in three occasions since the restoration of democracy: in 1996-1997, 2003-2004 and 2014-2015. The appointment of former president Michelle Bachelet as UN High Commissioner for Human Rights in September 2018, after the end of her second term (and her appointment as UN Under Secretary General and Executive Director of ‘UN Women’ (UN Entity for Gender Equality and the Empowerment of Women) after her first term), could be seen as another expression of Chile’s international standing.

The participation in UN peacekeeping operations is part of Chile’s multilateral engagement. Chilean observers participated for the first time in a UN mission already in 1949 (the UN Observer Group in India and Pakistan), but it is only after the return to democracy in 1990 that Chile’s presence in peacekeeping operations has become more frequent. The largest Chilean
However, some have seen the decision not to join the 'UN Global Compact for Safe, Orderly and Regular Migration' as going against Chile's traditional commitment to multilateralism.

Chile's commitment to international climate change policies has been underlined by the Piñera government's bid to host the 25th Conference of the Parties (COP) to the United Nations Framework Convention (UNFCCC) following Brazil's withdrawal of its offer to host the conference. The COP 25 is scheduled to take place in Santiago from 2 to 13 December 2019.

In contrast to this, some have seen the government's decision not to join the 'UN Global Compact for Safe, Orderly and Regular Migration' adopted at the Intergovernmental Conference in Marrakech on 10 and 11 December 2018, as going against Chile's traditional commitment to multilateralism.

4.1 Latin America

In Latin America, Chile participates in various initiatives to strengthen regional integration and cooperation, although it was not — in line with the principles of 'open regionalism' — full member of any subregional integration scheme before it joined the Pacific Alliance in 2012. During his first term, Sebastián Piñera was elected co-president (together with Venezuela's then president Hugo Chávez) in 2010 of the then nascent Community of Latin American and Caribbean States (Comunidad de Estados Latinoamericanos y Caribeños, CELAC). Later, in December 2011, Chile assumed the rotating presidency of CELAC; in this quality, Chile hosted the CELAC-EU summit and the subsequent CELAC summit in January 2013.

Trade and economic relations with the rest of the region are important for Chile: eight countries in the region were among Chile's 25 largest export markets in 2018, and seven among the 25 largest suppliers of Chile's imports. Overall, Latin America and the Caribbean account for 20 % of Chile's total foreign trade. This made the region as a whole Chile's second trading partner after China.

From both an economic and a political point of view, Chile has particularly close relations with the Mercosur countries, but it decided in the early 1990s to remain outside the bloc in order to maintain full control over the country's trade policy. Instead, Chile has been an associated member of Mercosur since 1996 and it signed a free trade agreement (FTA) with the bloc the same year. It also participates in Mercosur's political bodies and cooperation mechanisms. In 2018, 10.6 % of Chile's foreign trade was with the Mercosur countries, Brazil being the most important trading partner. Mercosur is particularly important as a source of imports for Chile: the bloc (mainly Argentina and Brazil) provided 14.7 % of all Chile's imports in 2018. In contrast, only 6.6 % of Chile's exports went to the four Mercosur countries, most of them to Brazil. Similarly, the Mercosur countries accounted for 26 % of the stock of Chilean outward investment at the end of 2017, according to Central Bank data.
During Michelle Bachelet’s government from 2014 to 2018, efforts to strengthen relations to the whole of Latin America became more prominent. Similarly, Chile has been an associate member of the Andean Community (Comunidad Andina) since 2006. Chile was one of the founding members of the Andean Group in 1969, but left the group in 1976. Notably, Chile is a full member of the Andean Parliament (Parlamento Andino, Parlandino). Regarding trade and economic relations, Chile concluded FTAs with Peru and Colombia in 2006 and has more limited preferential trade agreements with Bolivia and Ecuador.

Outside South America, Chile signed an initial trade agreement with Mexico in 1991 and a more advanced FTA in 1998. In 2006, this accord was complemented by a ‘Strategic Association Agreement’ (Acuerdo de Asociación Estratégica) that formalised political dialogue and cooperation in various areas. More recently, a meeting in July 2018 between President Piñera and Mexico’s then president, Enrique Peña Nieto, made clear both countries’ interest in stronger trade and investment links. Chile signed an FTA with five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) in 1999 and with Panama in 2006.

During Michelle Bachelet’s government from 2014 to 2018, efforts to strengthen relations with the whole of Latin America became more prominent, focusing on promoting integration and cooperation across the existing subregional blocs. An expression of this was Chile’s role as ‘accompanying country’ in the peace process in Colombia and a somewhat more active role in the Union of South American Nations (Unión de Naciones Suramericanas, UNASUR), for instance in relation to the political crisis in Venezuela. Chile has also worked to raise the region’s profile on climate change policies.

Chile has taken a clear stance against President Nicolás Maduro’s government in Venezuela, notably with its participation in the Lima Group (Grupo de Lima) which gathers 13 Latin American and Caribbean countries and Canada. Since its first meeting, in August 2017 in Lima, when Chile and 11 other countries signed a declaration that condemned the breakdown of democratic order in Venezuela, the Group has become the leading actor in the region’s support for the opposition to the Maduro government.

Under President Bachelet, Chile agreed in November 2017 to facilitate the talks between the Venezuelan government and opposition in the Dominican Republic as ‘guarantor’ (together with Bolivia, Mexico, Nicaragua, Paraguay and San Vincent and the Grenadines). However, given the lack of progress in the talks and the absence of conditions for holding free and fair elections in Venezuela, Chile withdrew from the talks on 1 February 2018.

Since Sebastián Piñera took office and as the situation in Venezuela has continued to deteriorate, Chile has toughened its position against the Venezuelan government. Chile was among the six countries (together with Argentina, Colombia, Mexico, Paraguay, Peru and Canada) that referred the situation in Venezuela to the International Criminal Court (ICC) in September 2018, asking for an investigation into crimes against humanity allegedly committed since 2014. More recently, Chile and the other
Chile has been affected by the high numbers of Venezuelans who have left their country as consequence of its economic, social and humanitarian crisis. The number of Venezuelans residing in Chile has grown to close to 300,000 since 2015.

Since April 2018, Chile has granted a ‘Democratic Responsibility Visa’ to Venezuelan citizens.

Like other South American countries, Chile has withdrawn from UNASUR and taken part in creating a new regional organisation, PROSUR. Chile hosted the presidential summit on 24 March 2019 that gave birth to PROSUR.

4.1.1 The Pacific Alliance and Mercosur

Under President Piñera’s first term, Chile developed close relations with Colombia, Mexico and Peru. Under Sebastián Piñera’s first term, Chile developed close relations with Colombia, Mexico and Peru, reflecting political like-mindedness and the four countries’ geographical position on the Pacific Rim. This led to the creation of the Pacific Alliance (Alianza del Pacífico), which has used the existing free trade agreements between the four countries to create a framework for the liberalisation of trade flows and the development of a joint strategy to access markets in Asia and the Pacific.

The framework agreement formally establishing the PA (Acuerdo Marco de la Alianza del Pacífico) entered into force in July 2015. The group is members of the Lima Group were among the first to recognise the speaker of Venezuela’s opposition-controlled National Assembly, Juan Guaidó, as interim president in January 2019.

Like most countries in South America, Chile has been affected by the high numbers of Venezuelans who have left their country as consequence of its deep economic, social and humanitarian crisis. According to the Regional Interagency Coordination Platform for Refugees and Migrants from Venezuela, some 288,000 Venezuelans were living in Chile as of March 2019 (up from 8,000 in 2015, according to data from the International Organization for Migration (IOM)). This makes Chile the third country in the region to host most Venezuelan migrants, after Colombia and Peru.

Similarly, data from the UN High Commissioner for Refugees (UNHCR) indicate that by 31 December 2018, 208,167 Venezuelans had obtained the legal right to stay in Chile. Chile has since April 2018 granted a ‘Democratic Responsibility Visa’ (Visa de Responsabilidad Democrática) to Venezuelan citizens who apply for it in Venezuela. It gives the right to live and work in Chile for one year but is renewable. By 21 November 2018, 90,464 people had applied for the visa, according to information from the government.

Under President Piñera’s government, Chile has also aligned with other South American countries in withdrawing from UNASUR and creating a new regional organisation, PROSUR. Chile announced in April 2018 (together with Argentina, Brazil, Colombia, Paraguay and Peru) that they would suspend indefinitely their participation in UNASUR. As reason for the withdrawal, Foreign Minister Roberto Ampuero referred to the organisation’s lack of efficiency and its failure to advance regional integration in South America, stating that it had been virtually paralysed and unable to appoint a new secretary general since 2017.

At a presidential summit hosted by Chile on 24 March 2019 in Santiago, eight South American countries (the six mentioned above, plus Ecuador and Guyana) adopted a declaration for ‘the renovation and strengthening of integration in South America’ (Declaración Presidencial sobre la Renovación y el Fortalecimiento de la Integración de América del Sur), giving birth to PROSUR. Roberto Ampuero highlighted the summit and the creation of PROSUR as an achievement for Chile’s leadership in the region.
Chile: the government struggles to implement its reform programme

This led to the creation of the Pacific Alliance, which used existing free trade agreements between the four countries to create a framework for the liberalisation of trade flows.

The clearest expression of Chile’s quest for a more active regional role is the country’s ambition to act as a bridge between Mercosur and the Pacific Alliance, promoting pragmatic cooperation on matters of mutual interest.

Efforts to promote convergence between the two blocs have advanced significantly since 2017.

Closer ties between Chile and Argentina in recent years have contributed to the convergence between the two blocs.

The convergence between the Pacific Alliance and Mercosur is underpinned by the bilateral trade agreements that Chile has concluded with three Mercosur countries. Implementing an ambitious scheme for trade liberalisation. The Additional Protocol to the Framework Agreement, which took effect on 1 May 2016, removed tariffs on 92% of goods traded, with the remaining 8% to be dismantled within different periods, from three to 17 years. Chile’s trade with its three PA partners remains modest — they accounted for 5.9% of Chile’s total trade in goods in 2018 — but they have become increasingly important destinations for Chilean foreign investment: they represented 17.5% of the accumulated stock of all Chilean investment abroad by the end of 2018.

The Piñera government has reinforced Chile’s ambition to act as a bridge between Mercosur and the Pacific Alliance — perhaps the clearest expression of Chile’s quest for an active regional role. Building on its status as a member of the Pacific Alliance and an associate member of Mercosur and on its position as a Pacific country with borders with Argentina and with strong economic and trade interests in both the Pacific rim and South America, Chile has taken a leading role in advocating a ‘pragmatic understanding’ and promoting cooperation between the two blocs.

The attempts to foster convergence between the two blocs began in 2014 but gained significant momentum since the first half of 2017 when Chile and Argentina, respectively, held their rotating presidencies. The four Mercosur countries attended the Pacific Alliance’s 13th presidential summit in Mexico in July 2018, which adopted a joint declaration and an action plan to advance integration between the economies of the two groups.

Chile and Argentina have in many respects taken the lead in the process of forging closer integration and cooperation between Mercosur and the Pacific Alliance. Stronger relations between the two countries in recent years have contributed to the convergence between the two blocs. The already good relationship between Argentina and Chile has gained further momentum since President Piñera took office. This is partly the result of the good personal relationship between Piñera and Argentina’s President Mauricio Macri. Both have a background as private-sector business leaders and are among the richest people in their countries. Similarly, Macri actively supported Piñera’s election campaign in 2017.

President Piñera’s first official visit abroad as president, in April 2018, was to Argentina, a gesture welcomed by Macri. The two presidents’ meeting focused on reinforcing trade and investment relations and on infrastructure development. Similarly, the Chilean president attend the G20 summit in Buenos Aires from 30 November to 1 December 2018 as a special guest of the Argentine G20 presidency.

The convergence between the Pacific Alliance and Mercosur is underpinned by the bilateral trade agreements that Chile has concluded with three Mercosur countries. They complement the existing trade agreement from 1996 between Chile and Mercosur that establishes tariffs, rules of origin, etc. Following the trade agreement concluded with Uruguay in October 2016, Chile signed a trade agreement with Argentina in November 2017. Finally, Chile and Brazil signed a free trade agreement on
Chile’s ties with Brazil have also become closer, particularly since Jair Bolsonaro took office as president of Brazil. Chile’s relations with Brazil have also become closer, particularly since Jair Bolsonaro took office as president in Brazil. Bolsonaro visited Chile from 21 to 23 March 2019 on his first official visit abroad in the region (and the second after a visit to the USA), breaking with the tradition whereby the first visit of a new Brazilian president is to Argentina. During the visit, the two presidents signed 10 commitments to strengthen their relationship. Among them was a pledge to deepen the dialogue and the rapprochement between Mercosur and the Pacific Alliance, including with a view to establishing a free trade area. President Bolsonaro also stressed the close political and economic links between the two countries.

4.1.2 Bolivia and Peru

Chile’s relations with Bolivia and Peru have historically been difficult and marked by territorial disputes. However, Chilean governments since 1990 have been keen to develop bilateral relations despite these outstanding issues.

Bolivia referred a border dispute to the International Court of Justice (ICJ) in April 2013. The ICJ ruled in October 2018 that Chile had no legal obligation to negotiate with Bolivia to reach an agreement granting Bolivia sovereign access to the Pacific Ocean. However, the ICJ’s judgment on the case, published on 1 October 2018, was in Chile’s favour. The Court ruled that Chile had not entered into any legal obligation to negotiate a sovereign access to the Pacific Ocean for Bolivia, as none of the existing bilateral agreements established such an obligation, and that expressions of willingness to negotiate did not constitute a legal obligation. After the ruling, President Pinera made clear that Chile was ready to dialogue and collaborate with Bolivia but that it would defend its sovereignty, asking Bolivia to give up its territorial claims.

An additional territorial dispute arose in June 2016 over the status of the River Silala between the two countries and the use of its waters. Bolivia considers that the Silala, which originates in Bolivia and flows into Chile, is a natural water spring artificially diverted by Chile. Chile considers it an international watercourse and that Bolivia can therefore not claim that it has the right to use its waters. Chile therefore lodged a claim with the ICJ in June 2016, asking the Court to declare that the Silala River system is an...
Chile: the government struggles to implement its reform programme

Chile’s relations with Peru have also been marked by territorial disputes and have been tense at times. However, they have improved substantially since 2016.

The USA

Chile has close ties with the USA. The 2003 FTA between the two countries was the second FTA the USA concluded with a Latin American country. It confirmed the USA’s recognition of Chile as an important economic and political partner, although plans for Chile joining the NAFTA never materialised. Since the FTA entered into force on 1 January 2004, the value of bilateral trade has more than doubled. The US was Chile’s second largest trade partner (representing 16.2% of the total value of Chile’s foreign trade) and export market (with 13.7% of all exports) in 2018, in both cases after China.

Several official visits in recent years have underlined the close political relations between Chile and the US. In March 2011, President Barack Obama visited Chile on his first trip to Latin America outside Mexico. Also President Bachelet visited the White House in June 2014, only three months after she

international watercourse, the use of which is governed by international law, and that it is entitled to ‘the equitable and reasonable use’ of its waters.

Chile’s relations with Peru have also been marked by territorial disputes following the War of the Pacific and have been tense at times. However, both countries have followed a policy of de-linking the territorial disputes from the development of their relations in other areas and have become close partners in the Pacific Alliance. Peru has become an increasingly important trading partner and a prime destination for Chilean investment.

Peru submitted the issue of the maritime frontier with Chile to the ICJ in January 2008. The ICJ judgment, issued in January 2014, modified part of the existing boundary, expanding Peru’s exclusive economic zone by around 50,000 square kilometres of sea, most of which were international waters. Both governments accepted the ruling and agreed to work for a 'rapid and gradual' implementation of the verdict.

Bilateral relations became strained again in 2015, first after allegations that Peruvian naval officers had sold classified information to Chilean intelligence officials, and then after Peru’s Congress passed a bill creating a district in southern Peru including a small piece of land claimed by both countries. However, they improved substantially after Pedro Pablo Kuczynski took office in July 2016 as president of Peru. His visit to Chile in November 2016 allowed the presidents of the two countries to stress the full normalisation of their relations and to announce a new bilateral agenda of ‘convergence, dialogue and mutual respect’. The first binational cabinet meeting between the two countries was held in July 2017, during which several cooperation agreements were signed. Confirming the good relations between Chile and Peru, 14 bilateral cooperation agreements were signed at the second binational cabinet meeting on 27 November 2018 in Santiago, chaired by President Piñera and Peruvian president Martín Vizcarra.
took office. Sebastián Piñera paid his first visit to Washington in September 2018. A joint statement issued after Piñera’s meeting with President Donald Trump on 28 September underlined the two presidents’ commitment to strengthening economic relations and to cooperating on regional challenges, including the crises in Venezuela and Nicaragua. They stressed their commitment to ‘a more enduring strategic partnership’.

4.3 Asia and the Pacific

Chile’s geographical position means that trade and investment relations with Asia and the Pacific have become increasingly important. The country has signed FTAs with many countries in Asia.

Exports to Asia and the Pacific region make up more than half Chile’s total exports.

While Chile’s export-based economic model was initially oriented chiefly towards the USA and Europe, its geographical position means that trade and investment relations with Asia and the Pacific have become increasingly important. The FTAs that Chile has signed with Korea (2003), China (2005), Japan (2007), Australia (2008), Malaysia (2010), Vietnam (2011) and Thailand (2013), the Comprehensive Economic Partnership Agreement signed with Indonesia (2017) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) signed in March 2018 all reflect the strategic importance for Chile of trade and investment links with Asia and the Pacific region. Overall, exports to the countries in Asia and the Pacific region represent more than half of Chile’s total exports.

Chile’s presence and interest in the Asia-Pacific region is reflected in the country’s membership of the Asia-Pacific Economic Cooperation (APEC) forum. Chile joined the APEC in 1994 as the second Latin American country after Mexico. Chile hosted the APEC Summit in November that year, and will do so again in November 2019.

Chile played a pioneering role in promoting trade liberalisation in Asia and the Pacific by signing the Trans-Pacific Strategic Economic Partnership Agreement with Brunei, New Zealand and Singapore in 2005, creating the basis for what later developed into the Trans-Pacific Partnership (TPP). The signing of the TPP free trade agreement in February 2016 by 12 countries in the Pacific Rim (in addition to Chile, the three other original TPP countries, USA, Australia, Canada, Japan, Malaysia, Mexico, Peru and Vietnam) marked an important step in the further consolidation of Chile’s links with its partners in the Asia-Pacific region and the Americas.

Following the US government’s decision to withdraw from the TPP and the demise of the free trade agreement in its present form, Chile was one of the most active of the agreement’s signatories in its efforts to preserve it. Chile hosted the meeting in March 2017 that gathered the remaining ‘TPP-11’ to assess alternatives and set the agenda for the trade negotiations that led to the signing of the CPTPP, or TPP-11, on 8 March 2018. Chile had already signed FTAs or economic association agreements with the other 10 TPP countries. They accounted for close to 14 % of Chile’s total foreign trade in 2018. Chile, together with the rest of the Pacific Alliance, began talks with Australia, Canada, New Zealand and Singapore on their accession as ‘associated states’ in October 2017.
Since 2009, China has been Chile's first trading partner. In November 2017, the two countries signed a revised and expanded FTA.

Chile's trade with China has increased rapidly in the last decade, and China has been Chile's first trading partner since 2009. In 2018, 28.6% of all Chile's foreign trade was with China: 33.5% of Chile's exports went to China, more than doubling the share of Chile's second export market, the USA. Exports to China continue to be concentrated in rather few products: sales of copper represented 76% of Chile's exports to China in 2018. The two countries signed an updated and expanded FTA in November 2017, which among other issues incorporated rules on investment and e-commerce. The Chilean Senate ratified the new agreement, which replaces the one signed in 2005, in October 2018. Under President Piñera's government, relations with China have been further strengthened, notably with the signing on 2 November 2018 of an agreement on Chile's participation in the Chinese 'Belt and Road' initiative.

Chile's trade relations with Japan, its second trading partner in Asia, date back to the 19th century, but increased after the Second World War and particularly in the 1990s. From the early 1990s and until trade with China started to pick up, Japan was Chile's most important trading partner in Asia and the second most single export market after the USA, as well as an important investor in Chile, particularly in the mining and fisheries sectors. Japan was Chile's fifth trading partner (with 6.4% of total trade) in 2018, and the fourth market overall for Chile's exports (with 9.3% of all sales).

In Europe, in addition to the free trade agreement with the EU concluded as part of the Association Agreement, Chile signed an FTA with the countries of the European Free Trade Association (EFTA) in June 2003. Similarly, Chile signed a memorandum of understanding with the Eurasian Union (including Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia) in June 2015 to facilitate economic cooperation. The two parties are reportedly exploring the possibilities of a FTA.

5 Economic and social issues

5.1 Economic indicators

The Chilean economy rebounded in 2018 with GDP growth of 4% after two years of sluggish growth.

The growth rate is forecast to stabilise at 3% and 4% in the coming years.

Chile has had 35 years of almost uninterrupted economic growth since 1984. GDP has expanded each year, except in 1999 and 2009, at rates of between 5% and 10% most years. However, economic growth slowed down significantly from 2013. GDP rose 2.3% in 2015, and then by only 1.7% in 2016 and 1.3% in 2017 (Central Bank figures). These were the lowest growth rates since 1984, with the exception of 1999 and 2009. However, the economy rebounded in 2018, with GDP growth of 4%, according to official data. This was the highest growth rate recorded since 2013.

Most forecast predict that the growth rate will stabilise around 3-4% in the coming years. The Central Bank estimates that GDP will grow between 3% and 4% in 2019 and 2020, and between 2.75% and 3.75% in 2021. The Organisation for Economic Cooperation and Development (OECD)
projected in November 2018 that the Chilean economy would expand by 3.7 % in 2019 and 3.4 % in 2020. The corresponding figures from the International Monetary Fund (IMF) are 3.4 % and 3.2 %. These figures indicate that the Chilean economy is likely to see robust growth in the coming years, although the projected growth rates are somewhat lower than those of earlier years, for instance the annual average growth of 4.6 % recorded between 2010 and 2015.

Economic growth in 2018 was largely driven by the recovery of private investment and consumption. After a drop in private investment in previous years — with gross fixed capital formation being negative between 2014 and 2017 —, this component of the economy grew 4.7 % in 2018, according to the Central Bank. Also, the decline in the growth rates of private consumption, caused by lower real wages and increasing unemployment, was inverted. Private consumption grew 4 %, compensating for a minor increase in government consumption and taking the increase in total domestic demand to 4.7 %, up from 3.1 % in 2017.

The unemployment rate, which peaked in the quarter from June to August 2018 when it reached 7.3 %, has fallen slightly. It was 6.7 % in the quarter December 2018-February 2019.

Due to the slow pace of economic growth and lower international oil prices, which helped reduce transports costs, inflation dropped to 2.3 % in 2017, below the 2.7 % registered in 2016 and 4.4 % in 2015. However, prices rose slightly in 2018, with the inflation reaching 2.6 %. In March 2019, the interannual inflation reached 2.0 %, compared to 1.8 % a year earlier. Against that background, the Central Bank raised the benchmark interest rate in October 2018 to 2.75 % from 2.5 %, a level unchanged since May 2017, and again to 3 % in January 2019. The Central Bank expects the inflation rate to remain at around 3 % this year and the coming years, in line with the Bank’s target.

The fiscal deficit has increased in recent years, reaching the equivalent of 2.8 % of GDP in 2017. However, in line with the Piñera government’s goal of gradually reducing the deficit — maintaining the commitment of successive governments to fiscal discipline and Chile’s high international...
in 2018, helped by stronger economic activity and spending cuts.

The 2019 budget includes a rise in spending of 3.2%, giving priority to education and health services.

The government has partly financed the deficit by raising the public debt.

Public finances are cushioned by two sovereign funds with deposits of nearly USD 24 billion.

The improvement of most macroeconomic indicators is linked to the recovery of the price of copper, Chile’s main export commodity.

credit ratings —, the deficit fell to 1.7% of GDP in 2018. This was helped by a growth in revenues, facilitated by stronger economic activity and a rise in the international copper price, and the fiscal austerity plan (Plan de Austeridad Fiscal) launched in May 2018. Overall, the plan foresees spending cuts totalling USD 4.6 billion between 2018 and 2021. The Piñera government adopted the plan shortly after taking office, following strong criticism of the former government’s fiscal policy, which Sebastián Piñera on one occasion branded as ‘irresponsible and incompetent’.

The state budget for 2019, which was approved by the Congress on 28 November 2018, includes a rise in spending of 3.2% — the lowest in the past eight years — giving priority to spending on education and health services. The government aims to reduce the fiscal deficit further, to the equivalent of 1.6% of GDP, supported by its four-year fiscal austerity plan and higher revenues.

The fiscal deficits in recent years have been financed partly by raising the public debt, taking advantage of low international interest rates. Public debt has grown relatively fast in recent years, from the equivalent of 8.6% of GDP by the end of 2010 to 25.6% by the end of 2018. The government aims to maintain this level in the next couple of years, although it will continue to issue debt to cover the fiscal deficit.

Public finances are cushioned by the two sovereign funds, the Economic and Social Stabilization Fund (Fondo de Estabilización Económica y Social, FEES) and the Pension Reserve Fund (Fondo de Reserva de Pensiones, FRP). The market value of the deposits in the two funds mounted to USD 24 billion by the end of 2018 — 6.4% more than by the end of 2017.

The recovery of most macroeconomic indicators in 2018 and their expected improvement in the coming years is linked to the recovery of the price of copper — Chile’s dominant export commodity — after the slump in 2015 and 2016. The copper price, which remained close to USD 2.10 per pound— with some fluctuations —in 2015 and 2016, recovered strongly in 2017 and reached an average of around USD 3.2 by the end of the year. Prices have fallen and fluctuated considerably since then but have kept a level above the price of previous years, at around USD 2.8 in the first months of 2019. The Chilean Copper Commission (Comisión Chilena del Cobre, Cochilco) under the Ministry of Mining estimates that the average copper price will be on a level close to USD 3.1 in 2019 and 2020, despite concerns about deaccelerating global demand and the uncertainty caused by US-China trade disputes.

### 5.2 Trade and investment

Chile is a relatively small country with a limited domestic market and one of the main drivers behind the expansion of the economy in recent decades has been increasing exports and a high level of foreign trade. The total value of Chile’s external trade represented 56% of the country’s GDP in 2017, indicating a relatively high degree of openness of the Chilean
However, exports of goods fell each year between 2012 and 2016, reflecting a fall in the price of copper and in external demand.

Figure 5:
Chile’s trade in goods in USD million, 2011-2018

The negative trend reversed in 2017, reflecting higher copper prices and growing demand. Both exports and imports grew strongly in 2018.

Figure 6:
Chile’s top five trading partners, 2018

However, the trend of falling trade values reversed in 2017. Exports of goods reached USD 68.86 billion, up 13.4 % from 2016, according to Central Bank data. Also imports grew again, by 10.1 % compared to 2016. Consequently, the trade surplus increased to USD 7.4 billion.

The growing trend in exports continued strongly in 2018, when the total value of exports increased by 9.6 % compared to 2017. However, imports grew by 15.1 %, meaning that the trade surplus shrank to USD 4.7 billion.
Chile: the government struggles to implement its reform programme

Exports are dominated heavily by commodities, particularly copper and agricultural and fishing products.

Trade in services makes up a substantial part of Chile’s foreign trade.

Economic growth has been fuelled by strong capital inflows.

However, after an all-time high inflow of USD 30.3 billion in 2012, FDI flows have fallen significantly. They dropped to only USD 5.9 billion in 2017, the lowest level since 2003.

The renewed export growth primarily reflected higher copper prices — the value of copper exports increased by 21% in 2017 — and increased external demand, but also growing sales of other, non-copper key exports products, such as salmon, processed food products and chemicals, particularly in 2018.

Exports are dominated heavily by commodities, particularly mining products, above all copper, agricultural and fishing products, particularly fruit, and salmon and wine. Manufactured products are largely also based on agriculture and forestry, such as cellulose and paper. Copper sales represented 48.3% of all exports of goods in 2018. Other important export products were salmon or salmon-based food products (13.4%), fruit (7.4%), chemical products (7%), cellulose and paper (5.6%), wood products and furniture (3.5%) and wine (2.1%).

Trade in services makes up a substantial part of Chile’s foreign trade. In 2018, it reached a total value of USD 24.5 billion, corresponding to nearly 17% of the total value of trade in goods. Exports of services reached USD 10.3 billion, the most important ones being transport, travel and other business services. The most important markets for service exports are the USA, Argentina, Brazil and the EU.

Economic growth has been accompanied — and fuelled — by strong capital inflows. Chile is one of the top destinations for FDI in the region, in most years the third after Brazil and Mexico. For instance, in 2015, 11% of all FDI flows to Latin America and the Caribbean went to Chile. Considering the size of the Chilean economy, the relative importance of FDI inflows has been greater for Chile than for most other countries in the region. In 2015, they corresponded to around 8% of GDP (the second highest share in Latin America after Panama).

Investment flows to Chile have followed an upward trend for most of the past 15 years. From 2005 to 2009, the average annual inflow was USD 12.3 billion. They then reached between USD 16 and 30 billion between 2010 and 2015 and an all-time high of USD 30.3 billion in 2012. However, FDI inflows have fallen significantly since then, mainly as a result of lower copper prices and the resulting decline in investments in the mining industry.

After stabilising at a level of USD 20-25 billion from 2013 to 2015, inflows dropped by 40% in 2016 to a mere USD 12.1 billion — the lowest level in a decade — and by 52% in 2017, to only USD 5.9 billion, the lowest figure since 2003. Data for 2018 suggest that this downward trend has reversed: the Central Bank recorded net FDI inflows of USD 6.1 billion, 4% more than in 2017.

Most FDIs have traditionally gone to the mining sector, but have fallen sharply in recent years, with services, including the financial sector and renewable energies the most dynamic sectors. Of the accumulated stocks of FDI by the end of 2017, 28.1% corresponded to financial services, followed by mining with 26.8%, public utilities (electricity, gas and water)
Figure 7: Chile’s FDI stocks, 2008-2017 (USD millions, current prices).

In May 2016, the government launched a new public foreign investment promotion agency ‘Invest Chile’. Chilean investment abroad has grown steadily over the past decade. Chile’s outward FDI reached USD 16 billion in 2015. However, it fell sharply after that.

In view of the diminishing flows of FDI to the mining sector, the government created the foreign investment promotion agency ‘Invest Chile’ in May 2016 as part of a proactive strategy to attract foreign investment. It is tasked with conducting initiatives to promote and coordinate actions to attract FDI to Chile, including the promotion of the country as an investment destination and communicating business opportunities to foreign investors. The hope is to boost investment in sectors such as the food industry, infrastructure, tourism and energy.

The openness of the Chilean economy and the internationalisation of Chilean companies are reflected in the importance of outward FDI flows originating in Chile, making Chile one of the leading investor countries in Latin America. In 2015, FDI flows originating in Chile reached USD 16 billion, exceeding both Brazilian and Mexican outward investments. However, Chilean investment abroad has since dropped substantially, reaching USD 4.8 billion in 2017 (35 % less than in 2016), when Chile was the third largest source of FDI flows in the region after Brazil and Mexico. Most Chilean investments abroad are concentrated in the neighbouring countries. The most important destinations for Chilean direct investments abroad are Brazil, representing 29.5 % of the accumulated FDIs originating in Chile between 1990 and 2017, followed by Peru, Colombia, Argentina and the USA. EU countries represented 4.5 % of Chile’s outward direct investment.

with 5.7 %, and transport with 3.2 %. The main sources of FDI in Chile are the EU, the USA and Canada.

Source: UNCTAD
5.3 Social development

Sustained economic growth and macroeconomic stability, based on prudent and coherent economic policies and structural reforms in a framework of broad political consensus and strong democratic institutions have given Chile the status of a model for economic and social development, in Latin America and for emerging and developing countries in general. Chile's per capita income has been the highest or second highest (after Uruguay) in Latin America since 2007. The World Bank classifies Chile as a high-income economy and the country has been a member of the Organisation for Economic Cooperation and Development (OECD) since 2010. Similarly, in the 2017 Human Development Index, elaborated by the UN Development Programme (UNDP), Chile integrates the (highest) HDI category 'very high human development'. It ranks as the first Latin American country and number 44 in the world, above four EU Member States.

Similarly, three decades of sustained economic growth have been accompanied by broader social development and improved living standards. Data from Chile’s Ministry for Social Development (Ministerio de Desarrollo Social) indicate that the share of the population living in poverty fell from 38.6% in 1990 to 14.4% in 2011, while extreme poverty fell from 13% to 2.8% in the same period. Official figures from 2017, using a different methodology, indicate that the share of the population living in poverty fell from 29.1% to 8.6% between 2006 and 2017. The corresponding figures for extreme poverty are 12.6% and 2.3%. In absolute figures, the number of people living in poverty dropped from 4.69 million in 2006 to 1.53 million 10 years later.

However, Chile's transformation into a fully developed country, catching up with the other OECD countries, faces long-term challenges. Income inequalities and social disparities remain greater than in the OECD countries as a whole and in many other emerging and developing countries. Despite three decades of economic growth and poverty reduction, the redistribution of wealth has been limited and social mobility is relatively low. The Gini coefficient, a measure of income disparities, is 0.454 in Chile (according to OECD statistics, 2015 value), and together with that of Mexico is by far the highest among the OECD countries. Other estimates suggest that the Gini coefficient, measuring all forms of income, has remained relatively stable over the past decade, falling from 0.499 in 2006 to 0.488 in 2017, despite the huge reduction in poverty.

While the poverty rates based on income are low, official figures show that multidimensional poverty, which incorporate a larger set of indicators reflecting people's living conditions — related to health, education, housing and public security, among other factors — affected 20.7% of the population in 2017. This was almost the same level as in 2015, when according to estimates multidimensional poverty affected 20.9% of the
Relatively poor educational standards are obstacles to higher labour productivity gains and international competitiveness.

The economic downturn in recent years has demonstrated that Chile's dependence on exports of a few primary commodities or manufactures based on processed natural resources makes it vulnerable to volatile international prices and/or adverse weather conditions. To reduce this vulnerability, it is necessary to diversify export markets and strengthen non-commodity exports by developing new export products and sectors with a higher degree of added value, including in services. This will again require high levels of investment and more efforts in research and development to ensure the economy's future growth potential, even more so because — despite the current economic recovery — the very high growth rates registered up to 2014 are unlikely to return. In this respect, the OECD has stressed the need to lower 'high entry barriers and regulatory complexity' in some sectors of the economy, improve infrastructure, increase expenditure on research and development and, in general, to implement 'key structural reforms'.

The Bachelet government's reform agenda in many ways attempted to address long-term challenges to Chile's successful model for economic growth and social development, both as regards the key education reform and more specific measures to strengthen the economy's competitiveness and productivity. This last category included initiatives to simplify regulations and administrative procedures, improve access to financing, boost investment in infrastructure and increase service exports. Another initiative was the launch in April 2016 of a national strategic programme to boost the productivity of the mining sector (Programa Estratégico de Minería) through promoting technological capabilities, such as the use of renewable energies, and mining-related services that can be exported or used in other sectors.

Such efforts are set to continue in the coming years. The government's programme for its four-year mandate, entitled 'Let's build better times for Chile' (Construyamos tiempos mejores para Chile) pledges to double the population. In the same two-year period, income poverty fell from 11.7 % to 8.6 % of the population.

The functioning of the labour market, particularly the low participation of women and young people, has been pointed to as an impediment to more inclusive economic growth, while the size of the informal sector is another problem. Relatively poor educational standards among people with the lowest income levels are seen as an obstacle to both further productivity gains and greater international competitiveness.

The OECD has noted that Chile has a problem of low labour productivity, that too many people have only basic skills and that excessive reliance on short-term contracts and inefficient training hinder productivity and growth. In this regard, the OECD has recommended boosting productivity to raise incomes and help finance public services, education and health. The OECD has also recommended additional social and educational spending, including through the ongoing education reform, as well as labour market and social reforms to support inclusive growth.

Similarly, the economic downturn in recent years has demonstrated that Chile's dependence on exports of a few primary commodities or manufactures based on processed natural resources makes it vulnerable to volatile international prices and/or adverse weather conditions. To reduce this vulnerability, it is necessary to diversify export markets and strengthen non-commodity exports by developing new export products and sectors with a higher degree of added value, including in services. This will again require high levels of investment and more efforts in research and development to ensure the economy's future growth potential, even more so because — despite the current economic recovery — the very high growth rates registered up to 2014 are unlikely to return. In this respect, the OECD has stressed the need to lower 'high entry barriers and regulatory complexity' in some sectors of the economy, improve infrastructure, increase expenditure on research and development and, in general, to implement 'key structural reforms'.

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The government’s programme pledges to double growth, boost the investment rate by 3%, promote the creation of quality jobs and reduce income poverty by a third during its four-year mandate. economic growth rate, increase the investment rate by 3%, improve the economy’s capacity to create quality jobs with the aim that nine million people will be in work, and reduce income poverty by a third over the next four years and by half in eight years. To reach these goals, President Piñera’s government has proposed, in addition to its tax reform to stimulate investment and innovation and its pension reform, to simplify legislation and cut red tape, and a plan to boost infrastructure investment. Overall, its goal is that Chile will have become a ‘developed country’, without poverty and with opportunities for all, by 2025.

6 The EU and Chile

EU-Chile relations are close. The 2002 Association Agreement was ambitious and innovative. The EU and Chile began negotiations to upgrade and modernise the Agreement in November 2017.

6.1 EU-Chile relations

Institutionalised relations between the EU and Chile go back to 1967, when the first European Commission Delegation in Latin America opened in Santiago de Chile. Shortly after the restoration of democracy in Chile, the European Economic Community (EEC) and Chile signed a Framework Cooperation Agreement in December 1990. It set out various areas for cooperation, including economic and trade cooperation and investment and industry, science and technology, social development and regional integration. It was complemented by the signing, on 18 December 1995, of a Joint Declaration that established a regular political dialogue, including on the highest political level. The Declaration emphasised the beginning of a closer and deeper relationship.

A more comprehensive Framework Cooperation Agreement was signed in June 1996. It introduced new fields of cooperation, in trade, economic and business cooperation, energy, the environment, social development, the fight against drugs and drug trafficking, among other areas. The agreement explicitly set out the objective of preparing a political and economic association, including through trade liberalisation.

Negotiations on an AA opened in 1999 and culminated with the signing of the agreement on 18 November 2002. The Agreement, the first association agreement concluded by the EU with a country in Latin America, entered into force on 1 March 2005. It comprises three strands:

- a chapter on political dialogue, including the participation of civil society and the European and Chilean Parliaments;
The Joint Consultative Committee of civil society was set up in 2016. It has 18 members, nine representing the European Economic and Social Committee (EESC) and nine representing Chilean civil society. It met most recently in Santiago in December 2018.

The Joint Consultative Committee (JCC) of civil society provided for in the AA was established in 2016. The task of the Committee is to assist the Association Council in promoting dialogue and cooperation with civil society and to meet regularly with civil society organisations to inform them about the implementation of the AA and gather suggestions for its improvement. The JCC has 18 members, nine representing the European Economic and Social Committee (EESC) and nine representing Chilean civil society organisations. The JCC’s third and most recent meeting was held in Santiago de Chile on 6 and 7 December 2018. It addressed issues including investment and cooperation, decent work and the informal economy, the sustainable development agenda and proposals to reinforce the role of the JCC.

The importance of the EU-Chilean relationship has been underlined by a number of visits and high-level contacts in recent years:

- As president pro-tempore of the CELAC, Chile hosted the first EU-CELAC summit in Santiago on 26-27 January 2013.

- In June 2015, President Michelle Bachelet visited Europe, including Italy and France, before attending the second EU-CELAC summit in Brussels on 10-11 June. Bachelet met with the heads of government of Germany, Greece, Luxembourg, the Netherlands and the UK on the sidelines of the summit. In May 2016, she visited Sweden and the UK, and in March 2017, Portugal.

- President Sebastián Piñera visited Europe for the first time in his second term in office in October 2018. In addition to visits to France, Spain, Germany, Belgium and the Vatican, the Chilean president met with the president of the European Commission, Jean-Claude Juncker, and the High Representative Federica Mogherini in Brussels on 12 October 2018. During his first term, Piñera visited Europe several times. Following visits to Portugal, the UK, Germany and France in October 2011, he visited Belgium, the European institutions — including meetings with...
the presidents of the European Council, of the Commission and of the European Parliament—, the UK, Spain and Turkey in November 2012.

The then Commissioner for Industry and Entrepreneurship and Vice President of the European Commission, Antonio Tajani, visited Chile on 24 January 2013 with an European business delegation, on a ‘mission for growth’ to promote trade and investment relations and help European enterprises take advantage of business opportunities in Chile. Tajani represented the EU at President Bachelet’s inauguration in March 2014.

More recently, the High Representative Federica Mogherini visited Chile on 30 May 2017. She met with, among others, President Bachelet and Foreign Minister Heraldo Muñoz. The High Representative has met with Chile’s current minister of foreign affairs, Roberto Ampuero, on various occasions. These include a bilateral meeting on 17 July 2018 on the sidelines of the EU-CELAC ministerial meeting and a meeting in New York on 12 March 2019.

The European Commissioner for International Cooperation and Development, Neven Mimica, visited Chile from 3 to 5 October 2018. During his stay, the Commissioner met with, among others, Minister of Foreign Affairs Roberto Ampuero, the minister for social development Alfredo Moreno and representatives of the Chilean private sector, and attended a high-level dialogue on ‘Development in Transition’, organised by the EU, the Chilean government and ECLAC.

6.2 The modernisation of the Association Agreement

The shared interest in further developing and strengthening EU-Chile relations and cooperation led both parties to agree to update the 2002 AA to bring it into line with new political and economic realities, domestically and internationally. During President Sebastián Piñera’s visit to the EU institutions in November 2012 it was agreed to upgrade the AA and strengthen bilateral links in all aspects, including by considering proposals for ways to deepen trade and other economic relations. The 12th meeting of the EU-Chile Association Committee, on 6 November 2014, confirmed the commitment to modernise the three pillars of the Agreement and agreed, as a part of that process, to establish new dialogues in a number of areas of mutual interest: security and defence, education, energy, gender issues, corporate social responsibility, and small and medium enterprises.

As the last step before the start of the negotiations to update the EU-Chile AA, the Council approved on 13 November 2017 the negotiating directives. They state that the negotiations should lead to a modernised AA as a
coherent, comprehensive and up-to-date framework for the EU’s relations with Chile, broadening the scope of the 2002 AA and adjusting it to new political and economic global challenges, the ‘new reality’ of the EU-Chile partnership and the level of ambition of other agreements concluded by the parties. The directives stressed that the new agreement should provide for strengthened political cooperation on foreign and security matters and reflect the ‘new pattern’ of EU-Chile cooperation, including the ‘transformative nature’ of the 2030 Agenda and the role of international development cooperation in achieving the sustainable development goals.

The points highlighted in the negotiating directives include:

- Strengthening cooperation on bilateral, regional and global issues.
- The importance of a strong and effective multilateral system, and the recognition of sustainable development as an ‘overarching objective’. This implies the need to respect, promote and implement international environmental and labour agreements and standards, and the commitment not to promote trade or foreign direct investment by lowering domestic environmental, labour or occupational health and safety legislation and standards.
- The modernised AA should ‘advocate the widest possible scope for cooperation’ and in principle not exclude any field of activity. The directives set out 42 different areas of cooperation.
- On trade, the directives establish a number of objectives, including further liberalisation of trade in goods and services, with access to public procurement opportunities; the elimination of unnecessary non-tariff barriers; addressing the particular challenges faced by small and medium-sized enterprises; a high level of investment protection; a high level of protection of intellectual property rights, including geographical indications; ensuring that international trade contributes to sustainable development; and, the commitment to ‘communicate with’ all relevant stakeholders from civil society, including the private sector, trade unions and NGOs.
- The directives also state that a new agreement should create an Association Parliamentary Committee as a forum for cooperation for members of the EP and of Chile’s National Congress.

The negotiations were officially launched on 16 November 2017, followed by an initial round of negotiations that focused on organisational aspects and the overall structure of the agreement. The negotiations follow a two-track approach, with parallel negotiations on the political and cooperation aspects of the agreement and on trade.

So far, there have been four negotiating rounds. The second round (and the first round of substantive negotiations) on trade issues took place from 15 to 19 January 2018 in Chile, and on the political and cooperation chapters on 1 and 2 February 2018. The third round on trade issues took place from 28 May to 1 June and on the political and cooperation chapters on 21 and
The EU and Chile have reportedly reached agreement on a substantial part of the political and cooperation chapters. 22 June 2018, both in Brussels. The fourth negotiating round on trade took place from 1 to 5 April 2019. After that round, the parties made clear their commitment to advance in the negotiations, but also that there was still much work to do.

The EU and Chile have reportedly reached agreement on a substantial part of the political and cooperation chapters, although some potentially more complex issues, such non-proliferation, have not yet been addressed. The third negotiation round addressed a number of these issues, ranging from human rights, gender and security to cooperation on education and culture, digital policies and sustainable development. After the talks, the parties stressed that the exchanges had been fruitful and that there was a high degree of convergence between them.

6.3 Cooperation and policy dialogues

On the basis of the Association Agreement, the EU and Chile have established special policy dialogues in a range of sectors. The EU also conducts a regular human rights dialogue with Chile.

A framework agreement for Chile’s participation in EU-led civilian and military crisis management operations entered into force on 1 October 2015.

On the basis of the 2002 AA, the EU and Chile have established special policy dialogues in a variety of different sectors. They include dialogues on gender issues, employment, industrial cooperation, energy, raw materials, innovation, standardisation, regional polices, the environment and sustainable development, tourism and space.

The EU maintains a regular dialogue with Chile on human rights. The eighth and most recent meeting in the framework of this dialogue took place on 13 December 2017 in Santiago. Among the issues addressed at the dialogue meeting were multilateral cooperation on human rights, the strengthening of the institutional framework and public policies to promote human rights, LGBT persons and indigenous people, human rights and the private sector, and the rights of women and gender equality.

Dialogue and cooperation with Chile also take place in the framework of the Common Security and Defence Policy (CSDP). Following Chile’s participation in the EU military operation in Bosnia and Herzegovina (ALTHEA), the EU and Chile signed on 30 January 2014 the ‘Framework Participation Agreement’ for Chile’s participation in EU crisis management operations. This agreement provides the legal basis for Chile’s participation in EU-led civilian and military crisis management operations, reflecting the country’s commitment to contributing to peace and security and to further developing cooperation with the EU in the area of peace, security and defence. The agreement entered into force on 1 October 2015.

Another achievement was the launch in May 2015 of cooperation to use the EU Copernicus programme to work together in the field of using satellite earth observation data for environmental purposes. The agreement signed with Chile was the first one with an international partner to use the Copernicus programme and its data.

The circular economy is another emerging area of cooperation. It received a boost by the Commission-led Circular Economy Mission to Chile from 25 to 26 April 2016. In high level meetings with the Chilean authorities and between European and Chilean companies, the participants discussed
issues such as resource efficiency and the sustainable use of natural resources, eco-innovation, chemicals, and waste and water management. As part of the cooperation in this area, the EU is supporting projects in different regions in Chile to prevent and mitigate the effects of climate change.

Triangular cooperation with third parties is also emerging as an area of collaboration between the EU and Chile. On 11 June 2015, in the margins of the EU-CELAC summit, Chile’s then foreign minister Heraldo Múñoz and Commissioner Neven Mimica signed a Memorandum of Understanding on International Cooperation, providing a framework for joint cooperation with third countries and focusing on poverty alleviation.

As an upper-middle-income country, Chile no longer receives bilateral development cooperation aid from the European Commission. Cooperation with Chile is based on the Partnership Instrument, introduced in the financial framework for 2014-2020, with new formulas and priorities for cooperation to reflect the objective of developing and promoting the shared interests of Chile and the EU, rather than on a donor-recipient relationship. Similarly, Chile is eligible for regional cooperation programmes, notably Eurosocial, Euroclima+, Erasmus+ and the cooperation programme on drug policies, COPOLAD. Chile is also eligible for actions financed under horizontal EU external action instruments, including the European Instrument for Democracy and Human Rights (EIDHR), with priority given to actions related to economic, social and cultural rights, business and inclusion, and non-discrimination, including women and girls’ rights and gender equality.

In addition to cooperation, Chile is eligible for loans from the European Investment Bank (EIB) to support private sector investment. The first loan to Chile was signed in December 1994. Following the signature in March 2010 of a new framework agreement with Chile, in May 2011 the EIB granted a loan of EUR 55 million for financing the construction of the Laja Hydro Power Plant Project. In June 2014, the EIB announced a framework loan of a EUR 150 million to Banco Santander Chile for funding projects contributing to climate change mitigation. The loan was granted under the EIB’s Facility for Energy Sustainability and Security of Supply (ESF).

6.4 Trade and investment relations

Since the entry into force of the EU-Chile free-trade area, there has been a significant increase in trade and investment flows. Since the trade chapter of the AA entered into force in February 2003, the EU and Chile have eliminated practically all tariffs. Nonetheless, trade flows have been erratic, particularly since 2012. In the years after 2003, trade between the EU and Chile expanded considerably, reaching a record total value of EUR 18.93 billion in 2011. Overall, the value of EU-Chile trade increased by 81 % between 2004 and 2011. In that period, EU exports to Chile increased by 145 % while imports from the country grew by 53 %.
However, the value of bilateral trade in goods largely stagnated between 2012 and 2016. In 2016, it reached its lowest level since 2004.

After two years of stagnation, the value of bilateral trade in goods dropped in 2014 to EUR 16.01 billion, 12.2 % lower than in 2013. This development mirrored the overall trend in Chile’s external trade and largely reflected the evolution of the price of copper. Overall trade flows recovered slightly in 2015, but the increase was due solely to a growth in EU exports to Chile. This trend continued in 2016: EU exports to Chile grew by a mere 2.8 %, while imports from Chile continued their downward slide, reaching a value of EUR 7.35 billion, their lowest level since 2004.

Trade then recovered robustly in 2017 and 2018. The value of trade reached EUR 18.4 billion in 2018, almost the same as in the record year 2011.

However, in line with the general evolution of Chile’s foreign trade, trade with the EU expanded again in 2017 and 2018. EU imports from Chile increased to EUR 8.25 billion in 2017, or by 12.3 % over 2016, compensating for the fall in the five previous years. The EU’s exports to Chile only grew by 2.3 % but reached their highest value, EUR 8.79 billion, since 2013. Trade exchanges continued to grow in 2018, when they reached a value of EUR 18.4 billion, only EUR 500 million lower than in the record year 2011. This time, the growth was chiefly due to growing EU exports to Chile, which increased by 13.6 % and reached an all-time high of almost USD 10 billion. In contrast, the EU’s imports from Chile only grew by 3.2 %. As a result, the EU’s trade surplus more than doubled, going from EUR 607 million in 2017 to a record EUR 1.54 billion.

Chile was the EU’s third trading partner in Latin America in 2018, after Brazil and Mexico.
important trade partner after China and the USA. Until 2009, the EU was Chile’s main trading partner.

The composition of Chile’s trade with the EU is different from that of other Latin American countries, as agricultural products (food, including fish, and raw materials) represent a less significant part of EU imports. They represented 42.1% of all EU imports from Chile in 2018. Fuels and mining products represented 37.2% of all imports from Chile, reflecting the importance of copper imports. Trends in recent years point to a relative increase in European imports of agricultural products (in 2006, they represented 21% of all imports from Chile) and a corresponding relative decline in the importance of mining products (from 70% of all imports in 2006). The EU’s sales to Chile are dominated by manufactures (89.5% of all exports in 2018), mostly machinery, transport equipment and chemicals.

The EU is Chile’s first supplier of capital goods.

The agreement between EU and Chile on trade in organic products concluded in January 2017 aims to encourage trade in this area through the recognition of the equivalence of the parties’ respective rules and control systems as regards organic production. Another objective has been to improve protection of organic logos and enhance regulatory cooperation between the EU and Chile.

The EU is the main source of foreign investment in Chile, with investment flows showing considerable increases up to 2014. They reached EUR 7 billion in 2014 but dropped substantially in the following years. Of the FDI stocks registered by the end of 2017, the EU represented around 25%, compared with 12% originating in the USA and 10% in Canada. Spain, the Netherlands, the UK and Italy were the most important sources. European investment in Chile has gone to sectors including mining, services (telecommunications, banking), infrastructure and energy.

According to ECLAC, the growth of renewable energies in Chile has been driven primarily by investments from European companies, which provided 73% of the investments announced in renewables in the past decade. The stock of European FDI were paralleled by outward investment stocks of around USD 10 billion worth of Chilean investment in the EU countries, mostly Luxemburg, the Netherlands and Germany.

6.5 Towards a new trade agreement

An important goal of the modernisation of the AA’s trade provisions is to bring them into line with the trade agreements that the EU and Chile have concluded with other partners since 2002 and which are more ambitious in scope, and deeper and broader in substance than the EU-Chile agreement, which dates back more than 15 years. Chile in particular has actively extended its web of trade agreements, culminating in the signing of the CPTPP, a ‘new generation’ FTA that goes beyond current EU-Chile trade arrangements.
For the EU, an important goal is to incorporate new provisions and issues, as set out in the Commission’s *Trade for All* strategy of 2015. These include trade and sustainable development, providing for compliance with international commitments and labour, social and environmental standards; rules to tackle global challenges faced by businesses and consumers (including issues such as the digitalisation of the economy, energy, corruption and gender equality). In this respect, a renewed EU-Chile trade agreement could become an international benchmark.

By modernising and broadening the trade pillar of the AA, the EU and Chile also seek to realise the untapped potential of their trade and investment relations. For market access, this would include further liberalisation of trade in agricultural and food products, where quotas and remaining tariffs limit preferential access, and the removal of barriers on trade in services, investment and public procurement. Improving the regulatory framework for trade in goods and services and for investments would also contribute to this. This includes the elimination of non-tariff barriers, stronger rules on intellectual property rights, including geographical indications, rules on trade in raw materials and energy, as well as investment protection and adopting the public Investment Court System (ICS) as a new mechanism to deal with and settle investor-to-state disputes.

The European Commission has published a [comprehensive impact assessment](#), partly based on a [public online consultation](#), as part of the preparations for the negotiations to modernise the AA’s trade chapter. It has also conducted a more specific [on-line consultation of EU business and companies](#) on modernising the trade chapter of the AA. The preparations include a sustainability impact assessment (SIA) — although it was published after the start of the negotiations — of a future trade agreement. The [draft interim report of the SIA, published on 31 October 2018](#), concludes that a modernised agreement is unlikely to raise general sustainability concerns for Chile or for the EU as its economic effects are expected to be limited, although effects in particular areas or for groups of people ‘cannot be excluded’. Economically, the report estimates that EU exports to Chile would rise between 10 % and 21 %, while Chile’s export gains would be more modest, between 1.4 % and 2.3 % of total exports.

In principle, the trade negotiations should not face major obstacles. Chile has an open economy, it shares the EU’s values and principles as regards an open and rules-based international trade system and the existing bilateral trade agreement has benefitted both parties. However, in areas where the EU has offensive interests, such as public procurement and geographical indications, negotiations may be more difficult. Both are areas where the EU has established an approach in its ‘new generation’ FTAs that differs from what Chile has pursued in its agreements with other countries. Equally, Chilean offensive interests as regards market access for some agricultural (particularly fruit and wine) and fishery products may affect areas that are sensitive for the EU.

On investment, there might be a need to convince the Chilean side of the merits of replacing current bilateral investment treaties with a single set of
Chile may not yet be ready to accept the public Investment Court System in place of investor-to-state dispute settlement mechanisms. Similarly, Chile may not be ready immediately to accept the EU’s proposal for the ICS to replace existing investor-to-state dispute settlement mechanisms. In new areas such the foreseen chapters on trade and corruption (covering issues such as tax evasion and money laundering), gender and trade and sustainable development, the parties will need to identify common goals and agree on legally binding texts, including rules on implementation and possibly enforcement.

The three substantive negotiation rounds that have taken place so far have addressed all the issues covered by the agreement. According to the Commission’s reports, they have been constructive and brought good progress in most areas. The negotiating teams exchanged tariff offers at the fourth negotiating round in early April 2019 and made ‘important progress’ on the text in areas including rules of origin, services, competition and technical barriers to trade. However, initial expectations that the negotiations might be concluded in less than a year have not been fulfilled.

6.6 Outlook for the European Parliament

The European Parliament (EP) has always maintained a strong interest in relations with Chile. It condemned the repression and the violation of human rights during the military regime in the 1970s and 1980s, supported the transition to democracy in the late 1980s and early 1990s and in recent years has focused on strengthening cooperation in the framework of the 2002 Association Agreement.

On 14 December 2000, after the opening of negotiations on the agreement in 1999, the EP passed a resolution on the legal proceedings against General Pinochet and the consolidation of democracy in Chile. It stated that the best way for the EU to support the consolidation of democracy in Chile was to conclude a far-reaching agreement for political cooperation and economic association and cooperation. Later, in its recommendation to the Council on the negotiating mandate for an Association Agreement with Chile, approved on 1 March 2001, the EP stated that the negotiating guidelines should ensure that the agreement would encourage the consolidation of democracy, the rule of law and human rights, on the basis of the principle of economic and social cohesion and of the reduction of social and regional inequalities.

The EP passed a resolution on 14 September 2017 with recommendations for the negotiations to modernise the trade chapter of the EU-Chile Association Agreement. It called for ambitious improvements to market access and for the potential of EU-Chile trade in services to be exploited to the full.
The EP also recommended a strong chapter on trade and sustainable development, specific chapters on gender equality and measures to fight corruption. It called for the investor-to-state dispute settlement approach to be replaced with a public investment court system.

The EP passed a resolution in June 2018 with recommendations for the political and cooperation chapters of a modernised Association Agreement. It stressed the importance of dialogue and cooperation on regional and global challenges and issues such as security and defence and the fight against terrorism and corruption.

Similarly, the EP made the case for a strong chapter on trade and sustainable development to promote respect for labour, social and environmental standards. It also supported the inclusion of chapters on gender equality and women’s empowerment and on measures to fight corruption. The resolution called for the old investor-to-state dispute settlement approach to be replaced with a public ICS. Finally, the EP recommended ensuring ‘the highest possible level of transparency and participation’ during the negotiations through ‘constant and duly informed dialogues’ with all the parties concerned, including business and trade unions and civil society. It also called for the competent parliamentary bodies, particularly the EU-Chile Joint Parliamentary Committee (JPC) and the JCC, to be systematically involved in the negotiations and the implementation of the revised AA, and called for all relevant information to be published for the general public.

The EP’s most recent resolution on Chile, passed on 13 June 2018, included a recommendation to the Council, the Commission and the High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the Commission/on the modernisation of the EU-Chile AA. It recommended strengthening cooperation between Chile and the EU, as like-minded partners in an uncertain international environment and ensuring an ambitious, comprehensive and balanced modernised agreement with Chile. The resolution stressed the importance of dialogue and cooperation on regional and global challenges and on issues such as security and defence, the fight against terrorism and the fight against corruption, money laundering and tax evasion.

Similarly, it called for more exchanges of young people and students and transfers of scientific and technological knowledge and for to stronger relations in the field of international cooperation, among other areas. Likewise, the resolution recommended building a modernised AA on strong parliamentary participation and increasing the input into and the scrutiny of its implementation by the EU-Chile JPC.

Interparliamentary relations between the EU and Chile took a major step forward following the signing in June 1998 of the ‘Declaration on the institutionalisation of interparliamentary dialogue between the EP and the Chilean Congress’ (Declaración de Institucionalización del Diálogo Interparlamentario entre el Parlamento Europeo y el Congreso Nacional de Chile) in Santiago de Chile. The declaration was signed by the chairs of the Foreign Relations Committees of the Chilean Senate and Chamber of Deputies, on the one hand, and the chair of the EP Delegation for Relations with the Countries of South America and Mercosur, on the other. In the declaration, which recognises the EP’s support for Chile’s democratic
The links between the EP and the Congress of Chile were formalised and strengthened with the creation of the EU-Chile Joint Parliamentary Committee (JPC) in the 2002 Association Agreement.

The EU-Chile JPC has welcomed the modernisation of the Association Agreement and strongly encouraged the creation of a new framework for EU-Chile cooperation.

It has stressed that the JPC should have a stronger role in overseeing and scrutinising the implementation of the future agreement.

A delegation from the Committee on International Trade (INTA) visited Chile in December 2018, transition, the two parties agreed to institutionalise their dialogue and to hold regular meetings, in principle every year.

The links between the EP and the Congress of Chile were formalised with the creation of the EU-Chile JPC in the 2002 AA. The JPC, in charge of monitoring the implementation of the Agreement and making proposals to improve its operation, held its first meeting on 27 and 28 October 2003 in Valparaiso, Chile. The Committee has since met twice a year, alternating venues in the EU and in Chile. In addition to addressing the political and economic situation in the EU and Chile, various aspects of the bilateral relationship and issues of mutual interest, the JPC has also made recommendations to the other bodies set up in the AA: the Association Council, the Association Committee and the EU-Chile summits. Most recently, the JPC’s 26th meeting took place in Brussels on 25 and 26 June 2018.

The EU-Chile JPC has repeatedly stated its support for updating the AA to reflect the new realities in bilateral relations. The JPC urged the two parties to set a rapid pace for the talks at its 25th meeting on 22 January 2018. At its 26th meeting, it welcomed the progress made in the negotiations, in particular the results of the third round on the trade and political pillars, and called on the parties to keep up the momentum in the negotiations, with the aim of achieving a final agreement ‘as soon as possible’.

The EU-Chile JPC has frequently underlined the need to strengthen its supervision and scrutiny of the implementation of the updated agreement. At its meeting in June 2018, it stressed the key role of the future Association Parliamentary Committee in ensuring the transparency and legitimacy of the Agreement. It specifically reiterated its call for the institutional framework of a renewed agreement to incorporate biannual meetings of the Association Parliamentary Committee to enable it to fully exercise its powers of political scrutiny, and for that body to enjoy a privileged dialogue with the Association Council and the Association Committee. The JPC also highlighted the need for its co-chairs to attend future negotiating rounds as observers.

In addition to the interparliamentary dialogue in the framework of the EU-Chile JPC, parliamentary contacts and exchanges with Chile have taken place in the framework of the Euro-Latin American Parliamentary Assembly (EuroLat). The Chilean Congress hosted the sixth ordinary plenary session of EuroLat from 23 to 25 January 2013.

Underlining the broad scope of the EU’s relations with Chile, a delegation from the EP’s Committee on Industry, Research and Energy (ITRE) visited Chile from 17 to 21 December 2017. It held talks with members of the Congress, government representatives and business associations, focusing on issues related to energy, the environment and science and technology.

Most recently, a delegation from the Committee on International Trade (INTA) visited Chile from 17 to 20 December 2018. The visit was made under the Committee’s remit to monitor the negotiations to modernise the trade provisions of the EU-Chile AA. Its tasks included gathering information
monitoring the negotiations to modernise the trade provisions of the EU-Chile AA.

on Chile’s economic and productive patterns in order to better understand the goals of the negotiating partner. The delegation met with members of government, the Chilean Congress and civil society organisations, including representatives of the Mapuche community and representatives of business interests.

7 Basic data

<table>
<thead>
<tr>
<th>People and geography</th>
<th>Source:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population</strong></td>
<td>Instituto Nacional de Estadísticas (INE)</td>
</tr>
<tr>
<td>18 419 192</td>
<td>(2017, estimate)</td>
</tr>
<tr>
<td>20 735 289</td>
<td>(2030, forecast)</td>
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<tr>
<td><strong>Capital city</strong></td>
<td>Santiago de Chile 5 250 565</td>
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<td><strong>Other major cities</strong></td>
<td>Concepción 955 658</td>
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<tr>
<td>(provinces, census 2017)</td>
<td>Valparaíso 751 317</td>
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<tr>
<td><strong>Total land area</strong></td>
<td>2 006 096 km²</td>
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<tr>
<td><strong>Poverty</strong></td>
<td>ECLAC: Social Panorama of Latin America 2018</td>
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<tr>
<td>(2013)</td>
<td>8.6 % of population in poverty</td>
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<td>2.3 % of population in extreme poverty</td>
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<tr>
<td><strong>Life expectancy at birth</strong></td>
<td>ECLAC: Social Panorama of Latin America 2018</td>
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<tr>
<td>(2016)</td>
<td>82.4 (women)</td>
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<td>76.5 (men)</td>
<td>World Health Organisation (WHO)</td>
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<td><strong>Literacy rate</strong></td>
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<td>(adult, 2015)</td>
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<th>Economy</th>
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<tr>
<td>GDP (million USD; current prices)</td>
<td>298 172</td>
<td>295 164</td>
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<td>IMF, World Economic Outlook Database, April 2019</td>
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<tr>
<td>GDP growth</td>
<td>4.0 %</td>
<td>3.4 %</td>
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<td>GDP per capita (USD, current prices)</td>
<td>16 079</td>
<td>15 778</td>
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<tr>
<td>Inflation, annual (%)</td>
<td>2.3 % (2017)</td>
<td>2.6 % (2018)</td>
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<tr>
<td>Banco Central de Chile</td>
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<tr>
<td>Unemployment</td>
<td>6.7 % (February 2019)</td>
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<tr>
<th>Rankings</th>
<th>Ranking:</th>
<th>Explanation and source:</th>
</tr>
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<tbody>
<tr>
<td>Corruption Perceptions</td>
<td>27 /180; 2 /20 LAC</td>
<td>Transparency International - Corruption Perceptions Index 2017</td>
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<tr>
<td>Competitiveness</td>
<td>33 / 137; 1 / 18 LAC</td>
<td>World Economic Forum: The Global Competitiveness Report 2017-2018</td>
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<tr>
<td>Inclusive Development</td>
<td>9 / 74 emerging economies; 3 / 15 LAC</td>
<td>World Economic Forum: The Inclusive Development Index 2018</td>
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Map

Source: United Nations