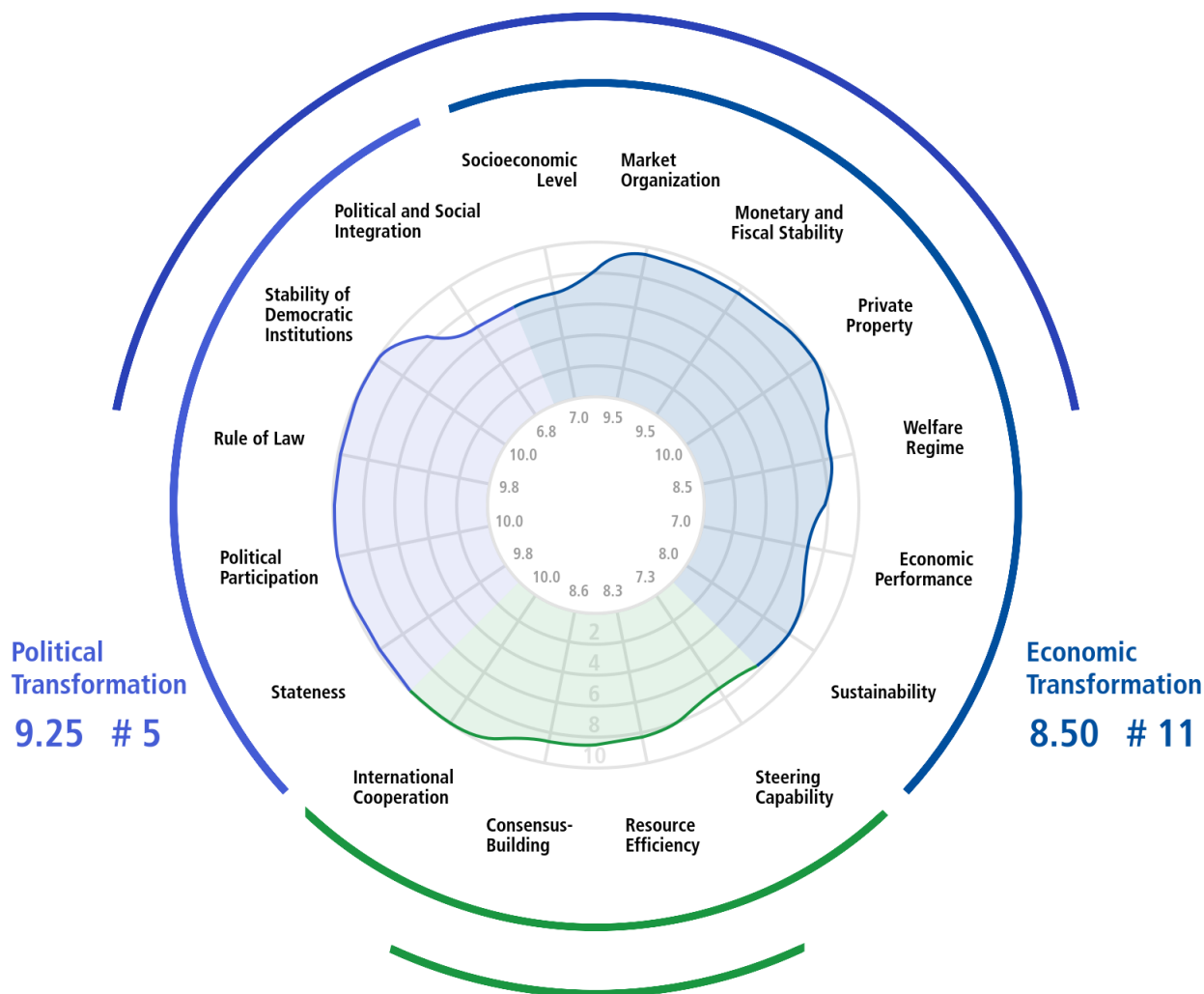


Chile

Status Index

8.88 # 7

on 1-10 scale out of 137



Political Transformation
9.25 # 5

Economic Transformation
8.50 # 11

Governance Index

7.08 # 7

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	19.6	HDI	0.855	GDP p.c., PPP \$	30209
Pop. growth ¹	% p.a.	0.6	HDI rank of 189	42	Gini Index	44.9
Life expectancy	years	78.9	UN Education Index	0.829	Poverty ³	% 1.7
Urban population	%	87.9	Gender inequality ²	0.187	Aid per capita	\$ -

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

During the period under review, Chile attempted to cope with the repercussions of the political and socioeconomic crisis it has faced in recent years. This crisis included the ongoing political turmoil that had its origins in the social unrest of 2019, marking the end of the post-Pinochet democracy era, also referred to as the “democracy of accords.” Additionally, Chile had to contend with the wide-ranging effects of the COVID-19 pandemic. However, Chileans proved to be undecided about the direction of their own democratic future, as demonstrated by the question of a new constitution and the outcome of general elections in 2021.

To address the profound political crisis that followed the social upheaval of 2019, political stakeholders agreed to manage the turmoil by launching a constitutional reform process. The 2021 elections held to select members of the Constitutional Convention saw a significant surge in support for the left, allowing them to secure nearly two-thirds of the seats and, as a result, exclusive authority over the constitution’s draft. However, during the constitution-drafting phase, the popularity of the Convention sharply declined, and numerous proposals failed to resonate with voters. Additionally, the economic and social situation deteriorated in 2022, leading to a substantial victory for the “rejection” option in the September 4 referendum, with a margin of 61.8% versus 38.2%. Nevertheless, political stakeholders responded positively to the collapse of the constitutional process, reaching an agreement in early 2023 to launch a new constitutional reform process, with elections for the new Constitutional Council scheduled for May 2023.

Gabriel Boric emerged as the winner of the presidential election in November 2021 with 55.8% of the vote. Boric led a new left-wing coalition that brought together the Communist Party with new parties like the Democratic Revolution and the Social Convergence. The traditional Concertación parties, as well as the right-wing Alliance coalition, which had dominated the “Democracy of Agreements” for over 30 years, were significantly weakened in this election. Many of these parties had no choice but to join the new government and assume secondary roles. The outcome of the parliamentary elections was unfavorable for Boric, as his coalition failed to secure

a majority in any chamber. Right-wing parties gained control of 50% of the seats in the Senate. The new government, which took office in March 2022, faced additional challenges when the proposed new constitution, actively supported by the government, was rejected. This rejection compelled the government to revise its original approach and adopt more moderate positions.

In terms of economic transformation, Chile experienced significant recovery from the coronavirus crisis in 2021, but progress stalled in 2022. While Chile's overall economic performance remained commendable, it fell short of the expectations of many Chileans. This shift in public sentiment resulted in a notable preference for more "conservative" issues, including the economy, crime, and immigration. The 2021 recovery, marked by a GDP growth rate of 11.7%, was driven by a substantial increase in domestic demand, boosted by government social welfare packages and pension fund withdrawals. However, external shocks and internal imbalances led to a harsh economic adjustment in 2022. Faced with a significant increase in inflation, the central bank responded vigorously, resulting in a decline in the growth rate to 2.7%, with GDP per capita growth reaching only 1.7% in 2022. Consumption weakened notably in the latter part of the year, accompanied by a 2.5% decline in real wages, contributing to growing economic and social tensions.

History and Characteristics of Transformation

Chile's recent history has been deeply marked by the era of General Pinochet's dictatorship, spanning from 1973 to 1990. This regime was infamous for severe human rights violations and for introducing a "radical" form of economic liberalism. Under Pinochet, the state reduced its role not only in markets but also in social policies. In 1980, Pinochet implemented a constitution that served as the foundation for his economic model while allowing for the organization of democratic opposition, leading to his defeat in a 1988 plebiscite. Subsequently, free presidential and parliamentary elections took place in 1989, resulting in the victory of Patricio Aylwin, a candidate representing the center-left Concertación coalition.

Between 1989 and 2005, the Concertación consistently won elections. The Aylwin government (1990 – 1994) prevented a return to authoritarianism, achieved economic stability and reduced poverty. It also established the Commission on Truth and Reconciliation to investigate the number of individuals killed or "disappeared" during the military regime. Subsequent Concertación governments, led by figures such as Christian Democrat Eduardo Frei Ruiz-Tagle (1994 – 2000) and socialists Ricardo Lagos (2000 – 2006) and Michelle Bachelet (2006 – 2010), adhered to a similar agenda. They aimed to combine market-driven economic growth, increased political and economic openness to the world, and enhanced social inclusion through higher investment in education, housing, health care and pensions. During this period, Chile experienced rapid income per capita growth, leading to significant reductions in poverty rates and notable improvements in social indicators. This transformation shifted the country from being predominantly working-class to becoming largely middle-class, empowering citizens and fostering a sense of themselves as

rights-holders. Democracy was consolidated and deepened, with a major constitutional reform in 2005 eliminating the last vestiges of authoritarianism. However, citizens also grew increasingly disengaged from political parties, resulting in a steady decline in electoral participation over time.

In 2009, the political right regained the presidency for the first time since 1958. The Piñera government largely maintained the economic and social policies of its predecessors. Nevertheless, 2011 witnessed historic protests organized by university students advocating for free higher education and a significant reduction in market-driven elements in the education sector. These student demonstrations prompted a leftward shift in the Concertación, which distanced itself from the right and aligned with the students' demands. This transformation led to the formation of the New Majority (Nueva Mayoría) coalition, which included the Communist Party. Despite voter abstention rates surpassing 50%, the Nueva Mayoría achieved electoral success in 2013, securing a majority in both houses of Congress and returning Bachelet to power. Her government pledged tax reform, educational reform, and a new constitution, though it ultimately fell short on the latter. As economic growth slowed due to declining copper prices and dwindling business confidence, Bachelet's administration faced declining popularity. Simultaneously, the political landscape saw the emergence of new left-leaning parties with more radical stances, further weakening the center-left coalition. Trust in political institutions continued to erode during this time.

In March 2018, Piñera began his second term as president, vowing to revive economic growth. However, his second administration struggled to fulfill its promises. By October 2019, just 16 months into his term, Chile has experienced a powerful wave of protests, many of which turned violent. As the government grappled with maintaining public order, key political stakeholders reached an agreement to establish a Constitutional Convention tasked with crafting a new constitution to be ratified through a referendum.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The Chilean state has an unquestionable monopoly on the use of force, and its authority to enforce laws is not questioned. As reported in the 2022 BTI report, the only partial exception refers to the Araucanía region, where Mapuche groups challenge the state’s hegemony over the territory, calling for land redistribution and greater autonomy. For this reason, in 2021, the Piñera Administration declared a state of emergency.

In 2022, however, the violence continued. More than 415 episodes of rural violence (attacks on trucks, intentional fires, wood theft, and the like) were reported, according to the National Prosecutor. The new political authorities also suffered violence. In March 2022, the new Minister of Interior Izkia Siches traveled to the Araucanía with the aim of visiting some Mapuche communities. However, she could not fulfill her objective. Upon her arrival in the area by car, gunshots were heard, compelling her to return. Subsequently, even though there was some initial hesitation regarding the continuation of this policy at the start of its term, the government opted to maintain the state of emergency.

Also, in recent years, drug gangs – including international ones – have increased their presence in Chile. The 2021 Report of the National Prosecutor’s Drug-Trafficking Observatory shows that in 2021, 197 people were indicted for crimes involving both drug offenses and homicide, which marks a sharp increase from the 40 to 70 typical of previous years (and up from just five per year in 2010/2011).

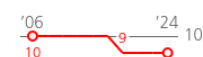
The question of who qualifies as a citizen has not been a relevant political issue in Chile. Every citizen has the same rights, and all individuals have the right to acquire citizenship without discrimination. Every group, in principle, accepts the legitimacy of the nation-state, and no one claims not to be part of Chile.

Despite the aforementioned factors, the Constitutional Convention engaged in a debate concerning the issue of state identity, particularly in the context of deliberating on the proposed renaming of Chile as a “Plurinational State.” Proponents of this idea contended that the proposed definition did not aim to “divide” the state. However,

Question
Score

Monopoly on the
use of force

9



1

State identity

10



1

critics of the draft raised doubts about this argument. It's worth noting that the draft was ultimately rejected, meaning there will be no alteration in this regard. In fact, the agreement outlining the rules for the new constitutional reform process explicitly declares the Chilean nation as "one and indivisible."

Chile is a secular state, as defined by the constitution of 1925. The current constitution and laws do not reference religious dogmas. They ensure religious freedom and the neutrality of state power in religious matters.

The lack of substantive debate on this issue during the work of the Constitutional Convention (CC) confirms that the freedom of religion is not a pertinent political matter. Two additional observations are noteworthy. First, the Catholic Church's influence on public affairs continues to decline, as it has not been relevant to any political issue in the past five years. Second, studies of public opinion provide evidence that Chileans are increasingly less religious. For instance, a 2007 poll showed that 93% of the population professed a belief in God, whereas in 2021, that number dropped to 70%.

Chile has a well-developed administrative structure that operates throughout the whole territory, allowing for a relatively efficient implementation of public policies and low levels of corruption (according to different international comparative measures). In 2016, a new civil service law came into effect, reinforcing meritocratic procedures for hiring top state officials. However, the system is still criticized because it still leaves space for arbitrary dismissal and hiring on political grounds.

Access to basic services such as drinking water, sanitation and electricity is widely guaranteed, with the only exceptions being remote areas or those severely affected by the 12-year drought. Similarly, access to the education system is also guaranteed and mandatory for all levels of schooling. The public health care system covers approximately 75% of the population, and it is considered the most efficient in Latin America. The remaining population is covered by a regulated private health insurance system. The pandemic presented a significant challenge to the health system, which responded satisfactorily. The successful anti-COVID-19 vaccination program further demonstrated the strength of the system. The judicial system operates nationwide and is accessible to all citizens. The tax collection system also functions relatively well, with tax evasion estimated at 4.2% of GDP, according to ECLAC.

No interference of religious dogmas

10



1

Basic administration

10



1

2 | Political Participation

Elections are held regularly, and democratic rights are fully guaranteed in all electoral processes. No political actor that supports democratic values and rules is excluded from competition. Electoral competition in Chile is both free and fair, and no relevant actor has questioned the fairness of Chilean electoral processes.

Elections are organized by and autonomous state office, the Electoral Service (SERVEL). The strength of the electoral institutions was confirmed during 2020 and 2022, when Chile conducted ten electoral events, all of which were conducted without significant problems.

The effective power to govern by the democratically elected political representatives is fully guaranteed. There are no veto actors challenging the powers of elected officials. As noted in previous BTI reports, different reforms have removed all provisions that gave the military influence on political matters.

As in any democracy, there are non-elected actors, such as pressure groups (i.e., entrepreneurs), that are very active in the political discussion of various issues. However, these actors can be described as “veto powers.”

From another point of view, the existence of supermajority quorums for reforming the constitution and other laws has long been discussed. Finally, just before the September 2022 referendum, a constitutional reform was passed (law 21841). This reform establishes that any constitutional reform now requires the support of 4/7 of the parliamentarians in both chambers, as opposed to the previous requirements of 3/5 or 2/3. Additionally, supermajority quorums for laws, such as the quorum for organic laws, which used to be 4/7, were eliminated in January 2023.

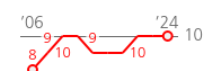
Freedoms of association and freedom of assembly are fully guaranteed by the constitution. and there are no de facto restrictions on exercising them, despite the existence of some regulations, such as those related to the organization of street demonstrations, which require prior permission from the corresponding authority.

The police faced severe criticism for their actions during the large-scale protests in 2019 and 2020 and have faced allegations of numerous human rights violations. Consequently, legal proceedings were initiated in the subsequent years to hold those responsible accountable. As of January 2023, 26 police officers and one member of the Navy have been convicted for their involvement in crimes related to the repression during the social unrest.

The emergence of the pandemic obligated the government to impose severe restrictions on the right to free movement (Chile had one of the longest lockdowns in the world). Although some people criticized these measures, most accepted them as necessary in the context of a health crisis. At the beginning of 2022, most restrictions were lifted, with only limitations on attendance for indoor meetings and the use of masks in certain locations, such as hospitals, being maintained.

Free and fair elections

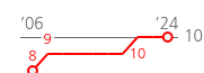
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Effective power to govern

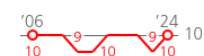
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Association / assembly rights

10



1

Freedom of opinion and freedom of the press are constitutionally guaranteed and respected by all governments in Chile. Journalists can perform their duties without restrictions. Additionally, the transparency law grants citizens broad access to the activities and decisions of authorities. A 2022 study by the Council of Transparency, which asked journalists to evaluate the information access of public institutions, suggests that the system functions relatively well. They gave it a grade of 4.8 on a scale of 1 to 7, with promptness in delivering information being the aspect with the lowest score. However, it should also be noted that numerous reports during 2019 and 2020 indicated that journalists faced repression by the police while covering demonstrations.

All in all, media outlets are not subject to restrictions when it comes to covering sensitive issues. They are effective in their role as watchdog, unearthing scandals affecting politicians and state institutions. In recent years, for instance, they have run agenda-setting stories on corruption within the army and the police, illegal campaign donations or fraud inside municipalities. This role is valued by the public and is protected by the courts. During the pandemic, journalists played a key role in forcing the government and other institutions to provide ample information about the measures taken to cope with it and their results.

Regarding the structure of the media system, the criticism has been aimed at the fact that the main newspapers belong to two business groups associated with the economic and political right. In the realm of TV and radio, media ownership exhibits more diversity, including a significant degree of foreign ownership and the presence of a prominent public TV channel. Nevertheless, there exists a wide variety of online media outlets that represent a range of political viewpoints. Consequently, people have broad access to various information sources without experiencing significant restrictions.

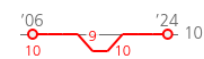
3 | Rule of Law

The constitution guarantees the separation of powers, and all actors comply with constitutional provisions. The various branches of government work independently and serve as a check on each other. The constitution is designed around a formally strong president who has important powers in different areas – administrative, legislative initiative and veto, emergency powers and appointment of different authorities. At the same time, the Congress also has oversight powers and participates in the legislative process. For any bill to be approved, the consent of both branches is needed. Enacting laws unilaterally is not possible.

Since no president has had a majority in both houses of Congress since 1990 – except for very short periods – the Chilean system is characterized by a tradition of constant negotiations between the executive and parliament to make the most important legislative decisions. As a result, the system operates within a framework in which both powers fully respect each other's constitutional powers. This has simultaneously helped consolidate and strengthen the role of Congress in the political system.

Freedom of expression

10



1

Separation of powers

10



1

The independence of the judiciary was strengthened during the first decade of this century, and it can act without significant interference from other branches of government. In general, there are no major conflicts between the judiciary and other branches of government. The autonomous office of the Comptroller General serves as another check on the actions of the executive branch. Finally, the Constitutional Court is another important independent check on legislation. However, its role has been the subject of intense debate in recent years, as it has prevented some legislative decisions from taking effect. With regard to the appointment process, it is criticized for allowing the appointment of political actors who do not have sufficient legal expertise. Likewise, its powers to decide on the constitutionality of a law before it can enter into force – known as an *ex ante* decision – are sharply criticized, as this could limit the autonomy of legislative actors.

The Chilean judiciary is independent and performs its functions appropriately. It is free from interference by other institutions or private actors. In general, there have been no significant conflicts between branches since 1990, as all fully respect the functions and duties of each jurisdiction.

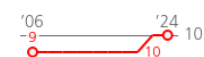
Judicial power is institutionally differentiated, and there are mechanisms for the judicial review of legislative and executive acts. The judiciary is also largely free of corruption. In fact, very few cases have been brought against judges in recent years.

The efficiency and transparency of the judiciary increased with the reform of the penal code (2000 – 2005), which introduced oral proceedings, the Public Prosecutor's Office and district attorneys and strengthened the public defender. There has been criticism of the judiciary's internal evaluation procedures and the transparency of its internal processes and judicial decisions. For example, academic studies have found serious inconsistencies between the rulings of the Supreme Court and even individual judges, some of whom seemed to change their votes and opinions randomly over time.

The judiciary has demonstrated great independence in preserving due process and resisting public calls for harsher sentences for minor offenders. Moreover, the judiciary has exhibited complete independence in investigating and sentencing individuals, including both citizens and state officials, who faced charges during the 2019 social revolt. However, there are certain matters that have become topics of public debate. One such matter is the system for appointing judges, which is believed to be highly politicized due to the involvement of other branches. For instance, the judiciary, president and Senate are all involved in the process appointing members of the Supreme Court.

Independent
judiciary

10



Abuse of office is typically prosecuted under criminal law. In recent years, numerous proceedings have been initiated in relation to this issue. The army and the national police (carabineros) were involved in the most significant cases. In early 2023, several officers, including high-ranking ones, received various penalties, including imprisonment.

In 2021 and 2022, additional cases have emerged involving different institutions, particularly municipalities. One such case is the “luminaries case,” wherein multiple municipal authorities have faced prosecution for showing favoritism to companies when purchasing materials for public lighting. Two other cases held particular significance, such as the situation in the municipality of San Ramón, where a former mayor faced charges of money-laundering and illicit enrichment related to drug trafficking. Similarly, in the municipality of Vitacura, a former mayor is accused of embezzling approximately \$30 million in public funds.

There have also been allegations of corruption and illegal campaign financing at the parliamentary level. Some of these allegations are still under investigation. The most high-profile case is related to the passing of a Fisheries Law in 2012, in which some parliamentarians were accused of receiving side payments from the companies involved. In late 2020, two former parliamentarians were convicted of bribery and fraud. One of them was sentenced to almost seven years in prison.

Civil rights are guaranteed by the constitution and laws and respected by state institutions. The legal system also provides citizens with different mechanisms to appeal to the courts to safeguard their rights.

Violations of civil rights were rather rare. In fact, for several years, annual reports of violations were consistently low. The National Institute of Human Rights (INDH) does not mention any significant problems in this regard (with the partial exception of cases of unlawful coercion exercised by officials against persons deprived of liberty). Accordingly, the reports mainly emphasize the need to advance in the recognition of the rights of certain groups, such as Indigenous peoples.

In 2019, the landscape shifted dramatically. Against the backdrop of the October 2019 social unrest and the heavy-handed response by the police, the issue of human rights violations took center stage in political discourse. Claims of serious breaches of civil and human rights found support across a wide spectrum, including international organizations like Human Rights Watch, Amnesty International, and a UN special envoy.

Within this context, the INDH has filed a total of 3,626 complaints against state officials for various transgressions, ranging from “beatings” to “firing,” which refers to the indiscriminate use of shotguns by the police against civilians, as well as instances of sexual assault. As of October 2022, INDH data indicated that 187 members of the carabineros and the army had been prosecuted, with 18 of them convicted. Nonetheless, many court cases are still in progress.

Prosecution of office abuse

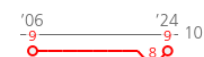
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Civil rights

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Similarly, various stakeholders have advocated for the necessity of a “reparations policy” to provide support to victims of human rights violations during the social unrest. Responding to these calls, President Boric announced the implementation of specific measures in August 2022. By November 2022, 367 individuals had received a “charity pension,” with the pension amount varying based on the severity of the violation. However, the prospects for enacting a comprehensive law addressing this issue appear limited.

Finally, other human rights-related issues have surfaced in recent years, particularly regarding the recognition and protection of civil rights concerning the elimination of discrimination based on factors such as gender, sexual orientation, religion, ethnicity and race. Chile has made substantial strides in this regard, including measures aimed at safeguarding individuals with disabilities and imposing stricter penalties for discriminatory actions. A significant milestone was achieved in 2021 with the legalization of same-sex marriage under Law 21.400.

4 | Stability of Democratic Institutions

Chile’s democratic institutions have been stable and well-functioning since the return to democracy in 1990. Furthermore, successive reforms have significantly improved these institutions, eliminating all remaining constitutional or legal provisions that conflicted with a functioning democracy, notably the role of the military.

In the same sense, reforms have been implemented to decrease the level of centralization of the Chilean state and bolster the municipal system. The primary reform was the introduction of popular elections for regional governors. Consequently, the first election was held in 2021, and the elected officials assumed their positions in July of the same year. So far, there have been no significant conflicts between these governors and the president’s representatives (known as “delegados presidenciales”), who still wield substantial authority at the regional level. In this regard, it is expected that the forthcoming constitution draft (to be discussed in 2023) will address this matter, promoting regional autonomy while avoiding the establishment of a federal system.

The resilience of the institutional system has been confirmed in recent years, despite great stress. On one hand, it successfully managed the 2019 crisis by implementing a process of constitutional reform, which was carried out smoothly. Additionally, following the victory of the “Reject” option in the September 2022 referendum, the political system responded to the new context with a new reform agreement in January 2023. From 2020 to 2022, Chile held eight elections, including the 2021 presidential elections, which the institutions addressed effectively. On the other hand, despite difficulties and tensions, Chilean democratic institutions operate within the established legal framework. When conflicts arise, they are legally resolved. In this sense, actors adhere to the rules of the game, even when the results are unfavorable to their interests, as confirmed by the behavior of the main actors after the constitutional referendum.

Performance of
democratic
institutions

10

'06 -9
'24 10

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Notwithstanding this, the structure of the institutional system has been the subject of intense debate, as confirmed during the discussions of the Constitutional Convention. Therefore, an intense debate on the subject is expected during the constitutional debate of 2023.

In Chile, all relevant political and social actors – including the military – support democracy as the best form of government. Therefore, they all respect democratic procedures and abide by the decisions taken by the authorities. No relevant party promotes the substitution of democracy for another form of government.

This commitment has been affirmed in recent years, which have constituted a particularly significant test of different actors' dedication to democratic rules and institutions. First, in April 2021, all the groups accepted the results of the elections of the members of the Constitutional Convention, which had a highly unfavorable outcome for the right-leaning parties. Second, when the “reject” option (Rechazo) won by a wide margin in the 2022 referendum, dealing a major blow to left-leaning parties, all supporters of the “approve” option (Apruebo) promptly acknowledged their defeat. Furthermore, just three months after the referendum, the main parties (including the Communist Party, which initially had not endorsed the 2019 deal) reached a new agreement to initiate a fresh constitutional process.

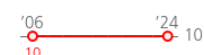
5 | Political and Social Integration

From 1990 to the mid-2010s, Chile's party system was characterized by a relatively low number of relevant parties (5 or 6) and low levels of electoral volatility. It was largely programmatically oriented along a left-right continuum, while political competition developed around two disciplined coalitions. Likewise, the parties showed a relatively high capacity to control the political process and effectively coordinate their parliamentarians. This system was replicated at the local level. However, for the past 10 or more years, the system has begun to show relevant signs of deterioration and progressive deinstitutionalization. Today, at least the left/right division remains fairly stable, as attested by the results of the second round of the 2021 presidential elections, suggesting that a process of fragmentation and partial replacement within each camp is taking place (with newer and more radical alternatives vying to replace the parties of the old status quo).

Trust in political parties has continuously dropped, reaching 4% according to a December 2022 opinion poll. Similarly, aggregate party identification is only at 24%, down from 53% in 2006, although this represents a slight improvement over the 14% of identification registered during the social unrest. Additionally, the system has experienced increasing fragmentation. In 2006, there were seven parties represented in the Chamber of Deputies, with the five main parties accounting for 90% of the seats. Today, there are 23 parties represented, loosely organized around four or five coalitions, and the five largest parties hold no more than 53% of the seats.

Commitment to democratic institutions

10



1

Party system

6



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Furthermore, a qualitative assessment suggests that parties have a very low capacity to control their own members. Thus, it is not only a problem of increasing fragmentation and greater volatility but also one of weak organizations. Although there are no measures of the evolution of the polarization of the party system or the willingness to cooperate among parties, many observers of Chilean politics highlight that parties demonstrate an increasingly lower capacity to cooperate in order to reach decisions at the legislative level.

This situation is very challenging for Chilean democracy. On the one hand, the way that voters evaluate parties – as useless vehicles of representation – may increase the acceptance of alternative forms of representation, such as authoritarian populism. On the other hand, given the high level of fragmentation, the weakness of the party organizations, and the lack of a willingness to cooperate, the ability of the political system to respond to the demands of the electorate will be increasingly lower.

Chile has a variety of interest associations, representing different interests – be they particularist (sectional groups) or generalist (cause groups). These include business associations, solidarity organizations, professional associations, religious communities, labor groups, NGOs and so on. As of the end of 2022, there is no official tally of associations. However, their number was estimated to be around 215,000 in 2020.

Interest groups in Chile engage in a range of activities to express their views in the public sphere. These activities include media presentations, street demonstrations, social media campaigns and formal lobbying efforts. One notable example is the significant number of associations that actively participated in the constitutional process. Through these avenues, the Chilean political system affords numerous opportunities for groups to advance their interests before both the public and government authorities. With the exception of certain small groups, like those in Araucanía, that challenge state authority, there are not many groups in Chile that challenge the system overall.

Specific measures regarding the influence of interest groups on policy decisions, particularly in the legislative arena, are notably absent. However, the consensus among most observers is that since 1990, business groups have wielded more influence than any other category of groups, particularly when it comes to economic decisions. Nonetheless, it is widely believed that their influence on policy decisions dwindled somewhat after October 2019, while the clout of citizen groups, spanning various types, experienced a significant upswing. Nevertheless, due to the absence of more comprehensive studies on the subject, rendering an assessment of the actual power of each interest group type remains challenging.

A related matter pertains to the collaboration among interest groups. It is generally observed that the Chilean system, aside from business interests, is characterized by competition among these groups.

Interest groups



Chile demonstrates relatively high support for democratic principles and processes, but this is accompanied by mixed-to-low levels of satisfaction with how democracy functions and low levels of trust in many democratic institutions. This situation has led experts to categorize Chileans as “dissatisfied democrats,” as indicated by LAPOP’s research.

According to LAPOP 2021, Latinobarómetro 2021, and the Centro de Estudios Públicos (CEP), nearly two-thirds of the population believe that democracy is preferable to any other form of government. However, satisfaction with democracy remains notably low, with Latinobarómetro reporting rates at 18%, while LAPOP’s data shows 29% satisfaction.

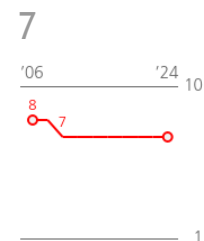
Notwithstanding the above, the December 2022 CEP poll suggests a significant decline in support for democracy and, concurrently, a substantial increase in support for authoritarian alternatives. Specifically, 19% (compared to 11% in 2019) expressed the view that an authoritarian regime could be preferable to a democracy, and 25% (up from 17% in 2019) believed that authoritarianism might be better at times. Nevertheless, it remains uncertain whether this uptick in the “acceptance of authoritarianism” will continue in the near future. Historically, Chileans have displayed a strong commitment to democracy, which was reaffirmed in recent electoral events, notably the high turnout for the constitutional plebiscite.

Levels of trust in institutions, particularly those integral to a functioning democracy, such as political parties and Congress, continue to be alarmingly low. For instance, according to the CEP poll, trust in parties and Congress hovers around 10%, while trust in the government and the courts remains below 20%. Trust in social organizations like labor unions or churches fluctuates between 20 and 25%. Only the police and universities enjoy relatively high levels of public confidence, with approximately 50% trust.

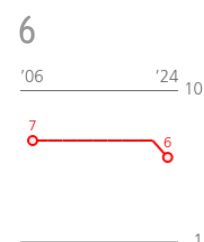
In line with the aforementioned points, Chile demonstrates remarkably low levels of interpersonal trust. According to a December 2022 CEP poll, only 9% of Chileans expressed a general trust in others, while 90% to 91% held the opposite view. In comparative terms, the Latinobarómetro 2020 survey reveals that merely 17% of respondents agree with the statement that “one can trust most other people.” While this is not as dire as in other Latin American countries – with only Uruguay reporting rates exceeding 20% – Chile’s levels remain significantly lower than those exhibited by leading advanced democracies. A recent Ipsos study places these democracies’ trust levels at around 30% to 40%.

As mentioned above, the organizational landscape of Chilean civil society appears to be varied and diversified, with a significant number of civil society organizations engaged in a wide range of issues. However, comparative studies indicate that people tend to prefer not to participate in collective action groups. In fact, according to the latest data from the World Values Survey (WVS), participation in any type of group is less than 18%, a much lower number compared to countries such as Uruguay or advanced democracies.

Approval of democracy



Social capital



This picture notwithstanding, we also observe that Chileans engage in solidarity initiatives, particularly in response to natural disasters or during national solidarity campaigns, such as the Telethon. The 2022 Telethon event, for example, raised \$48 million for disabled children. Additionally, several long-standing philanthropic organizations in Chile operate in a highly professional manner and on a large scale.

II. Economic Transformation

6 | Level of Socioeconomic Development

Chile has made significant progress in combating poverty and exclusion over the last few decades. According to the UNDP Index of Human Development, it ranks first in Latin America with a score of 0.855 on a scale of 0 to 1. Particularly noteworthy is the reduction in the poverty rate, which has seen a significant decline. The World Bank reports that the poverty rate, defined as people living on less than \$6.85 a day, fell from 29.9% in 2006 to 7.5% in 2017. However, in subsequent years, some contradictory trends have emerged. Thanks in large part to cash transfers during the pandemic and withdrawals from pension fund accounts, which combined accounted for nearly 30% of the GDP, the poverty rate dropped to 2.1%. However, in 2022, as transfers ended and withdrawals ceased, the poverty rate increased to 10.5%. Chile has also made substantial progress in other social indicators, including an increase in life expectancy to 79 years (up from 72 in 1990) and a significant decrease in infant mortality rates to 6.17 per 1,000 (down from 9.12 in 2000).

From another perspective, it is important to highlight advancements in gender equality. According to the Gender Inequality Index from the United Nations Development Program (UNDP), Chile was ranked as the least gender-unequal country in Latin America and 47th in the world in 2021, with a score of 0.187 compared to 0.512 in 1991.

Notwithstanding this progress, Chile still faces substantial problems related to structural conditions, which also explain much of the social and political conflict that has marked the political process in recent years. Even though the Gini Index has fallen significantly since 1990 (57.2), it is still very high – 47.9 in 2022 (44.9 in 2020). In the same vein, Chile faces important challenges in different areas. For example, in housing, there is still a deficit of 650,000 households. This problem has become more acute in recent years as a consequence of a rapid increase in population due to immigration. At the same time, big inequalities in quality exist between the public and private schools in the education system.

Question
Score

Socioeconomic
barriers

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Economic indicators		2019	2020	2021	2022
GDP	\$ M	278493.3	254096.1	316713.6	301025.2
GDP growth	%	0.7	-6.1	11.7	2.4
Inflation (CPI)	%	2.6	3.0	4.5	11.6
Unemployment	%	7.3	11.1	9.4	7.8
Foreign direct investment	% of GDP	4.9	4.5	5.0	6.9
Export growth	%	-2.5	-0.9	-1.4	1.4
Import growth	%	-1.7	-12.3	31.8	0.9
Current account balance	\$ M	-14505.5	-4952.3	-23193.4	-27101.8
Public debt	% of GDP	28.3	32.4	36.3	38.0
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-2.8	-7.2	-7.7	-
Tax revenue	% of GDP	17.7	16.2	19.6	-
Government consumption	% of GDP	15.2	16.0	14.7	14.4
Public education spending	% of GDP	5.6	5.6	-	-
Public health spending	% of GDP	4.8	5.5	5.2	-
R&D expenditure	% of GDP	0.3	-	-	-
Military expenditure	% of GDP	1.9	2.1	1.9	1.8

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Chile's economic order has strong institutional foundations. Government policy largely focuses on the tasks of general assurance and maintenance of the rules of the game. It provides for a neutral organization of regulations consistent with market competition. This regulatory framework and its enforcement have gradually improved over time.

Nevertheless, the state's oversight role historically has been comparatively weak in some areas, allowing for the concentration of market shares and uncompetitive behavior by incumbent firms. Market competition is consistently facilitated at all levels, even though some price collusion scandals have emerged in the last few years. Administered pricing plays no role in the country's markets, with the minor exception of some price-cushioning mechanisms (e.g., fuel).

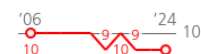
The currency is convertible, markets are contestable, there is wide freedom to launch and withdraw investments, and there are no significant formal entry or exit barriers. Both capital and labor are accorded a substantial degree of mobility. The informal economy is relatively small in size. In 1998, it reached 39%; however, in the following years, it decreased considerably. According to the National Institute of Statistics (INE), 27.1% of jobs in 2022 (26.5% in 2021) were informal, meaning approximately 2.4 million people have informal jobs. Informality among women is slightly higher than among men. A 2022 ILO Report indicates that Chile has the second lowest level of informality in Latin America at 27.4%, trailing behind Uruguay with 21.9%.

Companies are relatively easy to start, and red tape is comparatively minimal. Aside from tax treatment intended to benefit SMEs, there is no market discrimination based on company size. Even though no major rule changes are expected in the near future, there are many areas in which it is necessary to introduce reforms. The OECD's 2022 Chile Economic Survey highlights, for example, that cumbersome legal procedures at the local level hinder economic activity. In the same way, it warns about the number of cases of price collusion that are being investigated and the need to simplify the regulatory environment (i.e., remove obsolete rules).

Chile's relatively small national market means market concentration is often an issue, even if the economy is open and thus exposed to international competition. Chile is confronted with market concentration in areas such as air transportation, cable TV and the pharmaceutical sector, among others.

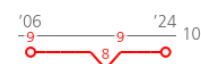
Nonetheless, over the past two decades, Chile's anti-monopoly legislation has become increasingly mature and effective. The Tribunal for the Defense of Free Competition (TDLC), established in 2003, is responsible for preventing, correcting and penalizing anti-competitive conduct. The office of the National Economic

Market
organization
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Competition policy
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Prosecutor (FNE), which represents Chile in the International Competition Network, is an investigative body that can present cases to the TDLC. Together, they investigate and resolve cases involving abuse of dominant market positions, competition restrictions by cartels and/or entities, disloyal competition, and market concentration. Since 2010, this has resulted in several high-profile cases where companies have been fined for engaging in uncompetitive behavior across various industries, such as poultry, pharmacies, tissue paper, transport and supermarkets. According to a 2022 FNE report, since 2010 it has filed 19 legal actions, all of which were accepted by the TDLC. Similarly, the Supreme Court has not overturned any decisions made by the TDLC in this regard. As of early January 2023, the FNE was conducting investigations in several markets, including insurance, school textbooks, public purchases, gas supply and the funeral business.

Successive legislative improvements, including a 2009 law that established a leniency system providing incentives for cartel participants to defect, have significantly enhanced the capacity of the FNE to detect collusion. Another legislative reform in 2016 raised fines to twice the amount gained through misconduct and redefined collusion as a criminal offense punishable by up to 10 years in prison. The law also mandated preventive merger control for companies exceeding a specified sales threshold, as advised by the OECD. In early 2020, a bill proposal was introduced for discussion, aiming to grant the FNE additional intrusive powers to identify uncompetitive behavior and to amplify penalties for collusion.

Chile is one of the world's more open countries regarding trade. Foreign trade is widely liberalized, with uniform, low tariffs and few non-tariff barriers in place. Liberalization has expanded and consolidated under the post-1990 democratic governments. The state does not intervene in free trade but supports national exports through a network of institutions linked to the economy. Free trade has been encouraged by over 70 international and bilateral agreements with NAFTA countries, China, the European Union, Latin American and Asia-Pacific countries. These agreements extend to more than 50 trade partners, representing nearly 95% of Chile's overall trade. As a result, Chile's effective average tariff was a mere 0.77% in 2022, and the simple average of the MFN applied total tariffs was 6.0 in 2021.

In the last two years, some further steps have been taken, but not without problems. Chile was one of the main promoters of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP-11) under the Bachelet administration (2014 – 2018). Piñera's government endorsed it enthusiastically but faced strong opposition as left-of-center parties voiced doubts over its content and could not obtain the consent of the Senate. Initially, the Boric administration strongly opposed the treaty. However, after their defeat in the constitutional referendum, they had to accept the approval of the CPTPP-11. Likewise, in December 2022, after five years of negotiation, Chile and the European Union reached an agreement to modernize their existing association agreement.

Liberalization of
foreign trade



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Since the banking crisis in the early 1980s, Chilean governments have implemented sound institutional foundations for a solid banking system. These foundations are oriented toward international standards, with functional banking supervision, minimum capital equity requirements and advanced disclosure rules. A major law approved in October 2018 upgraded the governance of the banking sector by merging the banking, insurance and securities regulators into a single agency, the Committee for Financial Markets (CMF). This merger aims to provide integrated supervision of the entire financial system under the remit of a collegiate decision-making body. This law also incorporated the requirements of Basel III into national law, specifying a gradual, six-year transition period. A full implementation of the new rules will take place in 2024.

Two other regulatory changes must be underscored. First, in 2020, a Financial Portability Law entered into force, aiming to facilitate the transfer of financial products from one financial institution to another. This change is intended to reduce costs and the duration of processes while increasing competition in the market. Second, a fintec and so-called open banking law was approved, expected to go into effect in February 2023. Its objective is twofold: to encourage the provision of financial services through technological means and to regulate activities such as crowdfunding platforms. Additionally, it regulates the exchange of customer financial information between finance service providers.

According to a recent report from the central bank, the Chilean banking system is solid as of the beginning of 2023. Following the pandemic, defaults have slightly increased, although to a limited extent. Moreover, the bank's ratio of capital assets is high, and significant liquidity buffers are in place. Furthermore, significant voluntary provisions were implemented during the pandemic, accessible in instances of acute deterioration in portfolios.

8 | Monetary and fiscal stability

The maintenance of low and stable inflation rates is one of the pillars of Chile's economic model and is the primary objective of Chile's central bank's (BCCh) monetary policy. The BCCh is both formally and substantially independent. It is managed by a council composed of five members appointed by the president together with the Senate for a period of 10 years. The Minister of Finance may attend and has the right to speak at council meetings. The decisions and main debates are published online. The president of the BCCh also regularly meets with and informs the Senate Finance Committee. Central bank autonomy has broad support across all political sectors.

Banking system

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Monetary stability

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Inflation and foreign exchange policies are pursued in concert with other economic policy goals, as cooperation between political, financial and monetary authorities is the norm. The BCCh orients its monetary policy toward achieving an inflation rate between 2% and 4% per year, as measured over a two-year horizon. Decades of stability and policy consistency have earned the BCCh a high level of credibility; therefore, the expectations of economic agents have remained anchored in this range. The end-of-year inflation rate in the period from 2010 to 2020 was between 2% and 4% in eight of 11 years (and between 1% and 5% in all 11), with rates of 3.0% in 2019 and 3.1% in 2020. However, low rates could not be held in 2022. Given the external conditions and the strong increase in internal demand (fiscal transfers and withdrawals from pension funds amounted to almost 30% of GDP), yearly inflation reached 12.8% (with a peak of 14% in August). This forced the monetary authorities to adopt a harsh monetary policy (the central bank interest rate reached 11.25%), with fiscal policy moving in the same direction to tightly control public spending. As a result, it is expected that in 2023 inflation will descend to 4.5% to 6%, and it will return to its historical ranges in 2024.

In 1999, the BCCh adopted a freely floating exchange rate. This policy has successfully resisted pressure from the powerful export sector during periods when the dollar has been weak against the Chilean peso. As an exceptional measure aimed at maintaining domestic price stability, the BCCh is authorized to intervene in the currency market. The BCCh effectively executed this intervention after the protests in 2019, which caused an initial sharp devaluation of the peso. Additionally, at the onset of the pandemic, the BCCh established a 24-month credit line with the IMF for potential use in times of need. However, by the end of 2020, the dollar had returned to its typical levels in relation to the peso. In early 2021, the BCCh announced a \$12 billion dollar-buying program to increase reserves to 18% of GDP. Subsequently, in July 2022, following another significant rise in the dollar resulting from both internal and external factors, the BCCh implemented a new intervention totaling approximately \$25 billion. As of January 2023, the dollar had decreased by 23% from its peak.

Fiscal stability has been a hallmark of the Chilean economic model since 1990. In 2001, this stability was formalized through a fiscal rule based on the principle of structural (or cycle-free) budget balance, which was subsequently incorporated into the Fiscal Responsibility Law of 2006. In 2013, the transparency of the rule was enhanced, and a fiscal council was established to evaluate compliance with it. In 2019, the council was further empowered and granted independence from the government.

Nonetheless, Chile has never fully regained structural balance since the 2008 financial crisis, as the parameters and enforcement of the rule have been subject to small ad hoc changes. The original aim of achieving a structural surplus equal to 1% of GDP gradually shifted to a goal of a 1% deficit, which was not ultimately achieved.

Fiscal stability

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Instead, governments since 2014 have opted to pursue policies aimed at gradually converging toward the 1% deficit rule rather than actually attaining it. Consequently, public debt has steadily risen, increasing from a record low of 3.9% of GDP in 2007 to approximately 25% by the end of 2018.

In October 2019, the protests triggered a significant economic and political shock, causing the government to abandon its commitment to deficit convergence. Instead, they proposed a substantial increase in spending for the 2020 budget. The subsequent onset of the pandemic delivered an even more substantial blow to the economy. In June 2020, the government and the opposition reached an agreement in Congress to establish a flexible fund worth \$12 billion to be used over a period of 24 months for income protection, health care and economic recovery. As a result, actual expenditure experienced significant growth, amounting to 33.5% of GDP in 2021 (up from 29.3% in 2020), while public debt reached 36% of GDP.

In 2022, the incoming administration nominated the former head of the central bank as the finance minister, signaling a commitment to continue Chile's tradition of fiscal prudence. Accordingly, the extraordinary (and substantial) subsidies and cash transfers that were instituted during the pandemic were successfully phased out. According to a January 2023 report from Banco Santander, 2022 was characterized by strong fiscal control. As a result, the year closed with a 25% drop in public spending. Similarly, tax revenue notably increased, partly due to efficient tax collection and lithium royalty, which contributed approximately \$4 billion. Consequently, revenue grew by 7%, resulting in a fiscal surplus of 1.1% of the GDP at the end of the year. This stood in contrast to the 7.7% budget deficit in 2021. Public debt fell for the first time in 10 years, reaching a forecasted 35%.

However, a deterioration in fiscal figures is expected for 2023. According to the budget law, spending is projected to grow by 5.5%, while revenue is expected to fall by 9%. As a result, an increase in public debt to 37% and a fiscal deficit of 2.2% of GDP are anticipated. In this regard, authorities have indicated that the structural deficit would reach 2.1% of GDP. Looking ahead, it is anticipated that the public debt will level off at around 41% of GDP (below the "prudent" ceiling of 45%) in the following years. Additionally, the structural deficit is expected to be reduced to 1% of GDP by 2025.

9 | Private Property

Protection of private property is one of the main pillars of the constitution. It guarantees the right to develop any economic activity according to the law, protects individuals from potential discriminatory treatment by the state when engaging in economic activities and enshrines the right to acquire any kind of goods. Additionally, it provides individuals with various legal mechanisms to safeguard their property rights in court. Expropriation is only permissible for reasons of public interest and requires equitable compensation for owners. The constitution explicitly safeguards private water property rights as well. Similarly, Chile's trade agreements incorporate diverse mechanisms for property protection, encompassing areas such as investments, industrial property and intellectual property.

The issue of establishing territorial compensation as a means of addressing the problem of violence in Indigenous areas has been under discussion for a long time. As stated in the 2022 BTI report, since the 1990s, Chile has primarily implemented a strategy of purchasing land from private owners at market value and redistributing it to Indigenous communities. The proposed new constitution seeks to go beyond this approach by establishing a commission tasked with developing a policy for the restitution of land to Indigenous peoples.

The Chilean market economy is primarily driven by private enterprises, which serve as the cornerstone of its economic framework. These private entities are involved in various sectors, ranging from offering public services like water and electricity to managing pension funds. They also wield substantial influence in health care and education. This dynamic has emerged due to extensive privatization efforts during the authoritarian regime and the subsequent privatization of state-owned enterprises in the 1990s, particularly in the electricity and water supply sectors. As a result, the government now possesses only a limited number of enterprises, with its primary role centered around copper production and market regulation. Privatization initiatives are currently not on the agenda.

Contemporary discussions surrounding this matter revolve around lithium extraction. The government intends to create a state-owned company for this purpose, although the precise extent of the company's involvement in lithium extraction remains uncertain.

The structure of the Chilean economy has been the subject of considerable controversy in recent years. For example, one main point of discussion has been the nature of the pension system and the role of the Administrators of Pension Funds (AFPs). Retirement pensions are generally limited in Chile, a fact that has fueled support for pension reform and increased state intervention aimed at ensuring better benefits. The draft constitution aimed to address this demand by giving the state a more directive role and introducing new principles that govern social security policy, such as solidarity, integrality, equity and participation.

Property rights

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Private enterprise

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In more general terms, the anti-competitive behavior of private enterprises in different areas (i.e., tissue paper, poultry) has been subject to strong criticism, generating support for more state regulations. The constitutional draft also addresses this point. As the discussion continues, it is expected that the new constitutional draft will establish new and stricter rules on the matter.

10 | Welfare Regime

The Chilean social security system, despite not having changed its basic structure since the 1990s, has expanded its coverage and services in the last few decades and now serves almost the entire population. However, the services it provides are of low quality, which was one of the issues addressed in the demands made during the social unrest of 2019.

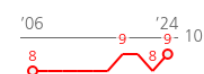
Chile's public health system, administered by the public institution FONASA, covers the health care needs of around 78% of the population. Public spending on health is close to 5.9% of GDP, which is low compared to advanced democracies and several Latin American countries. However, studies indicate that the Chilean system is the most efficient in Latin America. Since the mid-2000s, a system of explicit guarantees of timely health care for 87 (as of 2023) serious health conditions has been particularly effective in improving access. Further progress was made in 2022 when Boric's administration announced the end of the obligation of FONASA affiliates to make out-of-pocket co-payments for the services they receive. However, the system still shows many weaknesses. For example, a 2022 official report indicated that, on average, the waiting time for a consultation with a specialist is 478 days.

Parallel to the public health system, there is a private one that serves about 22% of the population. This system functions similarly to private insurance and is managed by private entities, known as ISAPRES. Undoubtedly, this system offers superior services to the people, such as better hospitals and expedited access to specialists. Consequently, this persists as one of the most significant disparities between the wealthy and the less fortunate.

The pension system, the main pillar of which has been, since the 1980s, the private pension fund administrators (AFP), was supplemented by a second pillar provided by the state due to the increasingly obvious shortcomings of the private system. In 2008, a tax-funded minimum pension scheme for individuals over the age of 65 from the poorest 60% of households was implemented. As of 2022, this program has been renamed the Universal Guaranteed Pension (PGU) and has undergone substantial improvements. The minimum pension amount was raised to approximately \$250, roughly equivalent to the poverty line, while the coverage became nearly universal, encompassing all individuals over the age of 65 (with a minimum of 20 years' residency in the country). The only exceptions are the wealthiest 10% of the population within that age group and those already receiving a pension exceeding \$1,250.

Social safety nets

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Poverty protections have significantly strengthened over time. Cash transfers during the pandemic were among the highest in the world, reaching 9% of GDP and benefiting 16 million people (excluding only the richest). The government also tops up the wages of low-wage earners (guaranteed minimum income – IMG), ensuring formal-sector workers have a disposable monthly income of about \$430 (January 2023). Unemployment insurance with individual compensation accounts, supplemented by a solidarity component, is available. Additionally, there are approximately 80 social programs that target the socially vulnerable, including temporary conditional cash transfers for families living in extreme poverty. Other subsidies and programs are focused on education and housing.

Overall, the system provides significant protection to the poorest and, increasingly, to the middle classes. However, the generosity of transfers and the quality of services are areas for improvement. Additionally, incorporating the large flux of undocumented immigrants and informal workers that the country has received in recent years remains a pending task.

With regard to this topic, a basic principle of the constitution is that one state duty is to ensure that people participate in national life with equal opportunities. This norm notwithstanding, Chilean society exhibits many weaknesses in this regard. However, equality of opportunity has improved over time, even though it remains a major topic in the political sphere, given the persistence of deep inequalities in many areas.

The education system, which segregates by socioeconomic status, is identified as one of the main obstacles to solving the problem of inequality. For example, only 9.1% of all schoolchildren attend private schools, while 35% go to public schools, and another 54% go to subsidized schools (“educación subvencionada”). These schools differ markedly in terms of the general quality of the service they provide. Even though this is not necessarily the best parameter, of the 100 schools with the best results in the university entrance exam, 99 are private. Accordingly, the youth of poorer strata have more difficulty accessing higher education (and the better universities).

Nevertheless, over the last 30 years, access to higher education has expanded dramatically, greatly enlarging the professional class. Free higher education was introduced by Bachelet’s government in 2016 for students whose families belong to the poorest 60% of the population. According to data for 2022, 475,000 higher education students (around 36% of the total) are exempt from paying tuition. Another 150,000 receive other benefits, such as scholarships and subsidized loans.

Chile has also made important advances in terms of gender equality, introducing a set of regulations that move in that direction. At the institutional level, for example, a 2015 electoral reform introduced candidate gender quotas. As a result, the percentage of women deputies grew from 15.6% in 2013 to 22.6% in 2017 and to 35.5% in 2021. According to the World Bank’s measurement of women’s rights and



economic opportunities, Chile achieves a score of 77.5 (on a scale of 0-100), which is higher than the global average (75.2). Additionally, it is considerably higher than its own score in 1970 (33.2). However, it remains much lower than the average for OECD countries (94.6).

The Constitutional Convention widely considered the enactment of new rules that ensure the equality of women. The agreement for a new constitutional reform, in turn, established that men and women must be equally represented in the bodies in charge of drafting the new constitution. In this sense, it is expected that the new draft will ratify the principles of equality between men and women.

However, there is also a consensus that women are still disadvantaged at other levels. For example, in the workplace, there is a 22-percentage-point spread between the genders. It is estimated that nearly 600,000 women of working age do not have a job, a figure much lower among men. Similarly, the wage gap remains high at 21.7%.

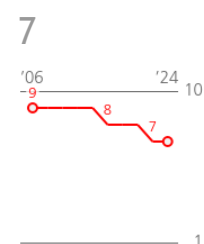
11 | Economic Performance

Chile's economy has experienced a prolonged process of slowdown in terms of economic (and productivity) growth. In the 1990s, economic growth averaged 6.1% per year, while in the 2000s it averaged 4.2%, and in the 2010 to 2019 period it was 3.3%. This is somewhat expected, as Chile's income has narrowed the gap with wealthier countries. However, Chile is no longer closing that gap at a significant rate. Despite this, Chile still outperformed most Latin American countries in terms of growth during the 2010 to 2019 period. In 2021, the economy experienced a growth of 11.7%, thanks to a strong increase in domestic demand supported by the government's social assistance packages and withdrawals from pension funds. These factors together accounted for nearly 30% of GDP.

However, the imbalances generated in 2020 and 2021 led to a harsh adjustment of the economy in 2022. The central bank responded quite aggressively to the strong rise in inflation, which reached a 30-year high of 14% in August 2022, by raising rates to 11.25%. This caused a decline in the growth rate, which was 2.7% in 2022. For its part, GDP per capita growth, which had resumed in 2021 at 11.1%, slowed down to only 1.7% in 2022 (ECLAC). Accordingly, consumption moderated strongly in the second semester.

Investment experienced a significant rise in 2021 (17%) but then fell sharply in 2022, partly due to the uncertain political process. Unemployment, following a sharp pandemic-induced increase to 11.2% in 2020 and 9.1% in 2021, continued to decline in 2022 to 8%. However, it is important to note that significant problems persist as labor participation remains low. While nominal wages saw a considerable increase in 2021, the effects of inflation resulted in a drop of about 2.5% in real salaries in 2022. A further weakening of the labor market is anticipated for 2023.

Output strength



Given these conditions and a very complex international scenario, the central bank forecasts a negative growth of -1.5% in 2023. Additionally, a decrease in inflation is expected, ranging between 4% and 5% in 2023. It is not until 2024 that positive growth rates would return, reaching 2.5% of GDP, in line with the Chilean trend level. However, higher growth rates are not anticipated in the near future.

12 | Sustainability

Environmental concerns are increasingly taken seriously by Chile's political leadership, in accordance with growing citizen awareness of this issue. Since 2010, Chile has established an environmental policy structure that includes a Ministry of Environment, an Agency for Environmental Impact Assessment, and an Environmental Enforcement Superintendent responsible for overseeing environmental matters. This framework has facilitated significant advancements in the technical evaluation of environmentally sensitive, large-scale investment projects. However, it has also been susceptible to political interference from authorities responding to popular opposition against many such projects, such as Hidroaysen or Punta de Choros investment projects. Additionally, courts have displayed an increasing willingness to rule against major mining and energy interests and impose penalties for non-compliance with environmental regulations. The Boric administration has affirmed Chile's commitment to environmental protection, with one of its initial decisions being the ratification of the Escazú treaty.

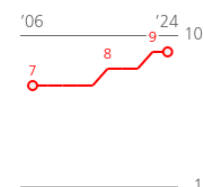
Chile is among the world leaders in terms of its commitments to decarbonization. It has made a significant effort to change its energy matrix, with the objective that, by 2050, 70% of its energy will come from renewable sources. Since 2016, solar and wind generation has experienced rapid growth. By December 2022, these sources had contributed 27% of the total electricity generated, surpassing coal plants (26.5%). In 2013, a law mandated a minimum of 20% by 2025. Coal-based thermoelectric power plants are scheduled to be shut down by 2040 at the latest, although authorities are considering advancing the closure to 2030. By 2022, there were 10 operational carbon plants (25 in 2020). Additionally, there is cross-party consensus and a published national strategy to position Chile as a leading global producer of green hydrogen by 2040.

At the same time, Chile has introduced several environmentally friendly taxes, which collect 1.34% of the GDP (lower than the 2.1% average of OECD countries but above the Latin American average, 1.19). In addition, the state has implemented subsidy programs for households to finance the installation of photovoltaic panels.

Chile was ranked 65th out of 180 countries in the 2022 Environmental Performance Index, ahead of the other South American countries.

Environmental
policy

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For over 15 years, education and R&D have been a focus of public debate. This is because there is a consensus on the idea that, despite certain positive aspects, the system has many weaknesses and deep reforms must be undertaken.

Chile has one of the highest enrollment rates in Latin America at all levels of education for both men and women. The literacy rate is around 97%. According to the U.N. Education Index, which measures average years of schooling for adults aged 25, Chile has a rate of 0.829, similar to Slovakia, ranking 16 among BTI countries. However, the education enrollment of children under 5 years of age is one of the lowest among OECD countries. In its 2022 report, the OECD strongly recommended increasing coverage in early childhood education.

Partly as a result of the pandemic – school closures totaled 260 days between 2020 and 2021, the highest figure among OECD countries – Chile recorded a 24% increase in the school dropout rate between 2019 and 2022. Additionally, absenteeism rates rose by approximately 40%. Within this context, the pandemic unveiled disparities in education access, particularly regarding the digital divide, between students with greater and lesser resources.

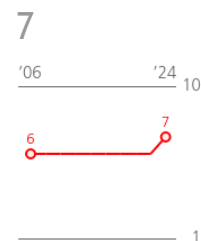
According to World Development Indicators (WDI), Chile spent 6.5% of GDP on education in 2022 – a figure that has risen continuously over time (3.8% in 2008). The OECD average is 4.9. Nonetheless, Chile spends proportionally more on tertiary students than on primary or secondary students, which undermines equality. In fact, according to the Ministry of Education, in 2022 the average state spending per college student was \$10,400, compared to only \$4,300 per high school student.

Despite the good coverage rates, the overall quality of the school system is relatively low. According to the 2018 PISA tests, Chile ranked 60th in mathematics, 46th in science and 44th in reading out of 79 countries, most of which were non-poor. This level of performance is similar to that of Greece and Serbia in the latter two categories. Nevertheless, Chile was the best performer in Latin America.

Chile has a thriving university sector with private and public providers as well as elite institutions that draw students and scholars from across Latin America. Despite its small size, two Chilean universities rank among the top 200 in the world, placing them among the top ten in Latin America (QS World University Rankings 2022). Over the past 15 years, the university system has become increasingly focused on research. However, there are limited connections between universities and the private business sector.

Though some export sectors – such as copper, wine and cherries – have incorporated advanced technology into their production processes, most companies are unenthusiastic about research and development (R&D), despite tax incentives. In fact, private companies spend less on R&D than the government. In 2022, Chile invested a mere 0.4% of its gross domestic product (GDP) in R&D, a rate that has remained nearly unchanged since 2008. With this in mind, the government set a goal in 2022 to increase spending until it reaches 1% in the near future. Despite these circumstances, according to the World Bank, Chile filed more international patents in 2020 than any other country in Latin America except Brazil and Argentina.

Education policy /
R&D



Governance

I. Level of Difficulty

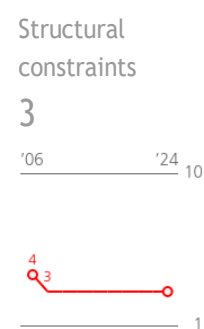
The political leadership is not limited by structural constraints that significantly hinder its ability to exercise its powers. Nonetheless, leaders face certain constraints of a different nature. These constraints are primarily associated with the country's location and geography. A major consideration in this regard is the country's high exposure to natural disasters, particularly earthquakes (such as the 8.8 earthquake of 2010, which resulted in tens of billions of dollars in material losses). Similarly, new risks have emerged, such as an ongoing 12-year drought in central Chile.

Second, Chile has a small and relatively undiversified economy that heavily relies on imported fossil fuels. Consequently, the country is highly susceptible to shifts in global commodity prices, especially those of oil and copper.

Third, the lack of social cohesion and a functioning system of representation in the country make it more challenging for any government to implement structural reforms.

Chile was hit relatively hard by the COVID-19 pandemic. According to the Health Authority, since 2020 there have been more than 5 million cases, and 63,500 people have died (roughly 0.33 deaths per one million people, similar to the United States). The pandemic has also had important economic consequences, as activity shrank by about 6% in 2020 and unemployment soared. In 2021, the economy rapidly recovered (GDP growth of 11%), driven by the increase in consumption rates. The context of the pandemic, however, also allowed for showcasing some strengths of the Chilean state, as evidenced by its highly successful vaccination program.

Traditions of community organization are relatively strong in rural regions (13% of the population). However, it is much weaker in urban areas, especially in larger cities. Opinion polls provide solid evidence in this regard. First, they show that interpersonal trust is very low among Chilean people, reaching 17% (the average in Latin America). Second, participation in civil society organizations is relatively low. For example, only 17% say they participate in any Church and only 10% in a sports club. Participation in labor or solidarity groups does not reach 10%. A 2022 ECLAC report on social cohesion in Chile provides additional evidence on related topics: almost 85% of people say that they “never” or “almost never” participate in political activities. Additionally, only 37% of the population say they have engaged in solidarity activities “more than twice.” The report also states that these low numbers have not positively changed in recent years, even after the social unrest of 2019.



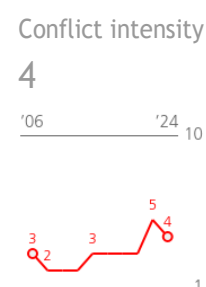
Nonetheless, public and media campaigns for solidarity, such as those organized after major natural disasters, tend to be highly successful. Additionally, there are some well-known, well-established and professionally operating NGOs that are trusted when it comes to their use of donations. Among the most well-known NGOs, for example, are the Teletón Foundation, which has been helping disabled children since the 1980s, and Techo, which works on housing provisions for those residing in shantytowns.

From 1990 to 2010, conflict intensity in Chile was relatively low. This has changed over the last decade as various social movements, including student movements and those of local associations, environmental organizations and labor unions, have begun to more actively defend their interests. They have organized massive demonstrations and engaged in a variety of lobbying activities. These activities were always carried out within normal limits, as were party politics. One exception to this was the Mapuche conflict. For at least 15 years, different Indigenous groups have, based on a land claim debate, resorted to violent actions that challenge the power of the state. Despite having implemented various policies over the years, successive Chilean governments have been unable to resolve the conflict.

Things changed dramatically in October 2019, when massive protests emerged in most major cities that were accompanied, in many cases, by looting and burning. The demonstrations and violence continued for several weeks, while the government failed to maintain public order. Many political actors (parties, social movements, especially from the left) interpreted these events as a massive demand for deep changes to be made to the Chilean political and economic structure. Some of them also justified (or, at least, did not condemn) the violence as a political means. As part of an effort to end the violence, an agreement to initiate a process of constitutional reforms was reached. However, violence and protests continued, and only the emergence of the pandemic brought more control over public order.

These events significantly changed Chilean politics. Political conflict became much more intense among political groups as the political discussion was no longer focused on introducing marginal changes to the system but on overhauling it. In this context, the political distance between individual parties and the conflicts between them increased significantly. Simultaneously, the Mapuche conflict continued, escalating to high levels of violence.

In sum, political conflicts, facilitated by growing political distance between parties, a lack of cooperation and weak political leadership, have become much more intense since 2019. However, it must also be noted that the political elite has reacted in a very positive way to the failure of the constitutional process by reaching an agreement to initiate another one in 2023. In this sense, at least at this level, political actors have demonstrated a greater willingness to cooperate.



II. Governance Performance

14 | Steering Capability

From 1990 onward, successive governments were led by presidents and party coalitions that exhibited a relatively high commitment to long-term policies, particularly in economic and foreign policy. In this regard, they had clear priorities and pursued coherent policies that were expected to endure. These governments' strategic capacity and the programmatic consensus between the main political coalitions contributed to these efforts. Furthermore, the governments' ability to prioritize and organize their policy measures has been facilitated by a relatively efficient public system and a network of technical agencies. Additionally, governments have sought the expertise of external sources. Expert commissions have provided support for most reform projects, as well as for some regulatory impact assessments and strategic planning units.

Nevertheless, the capacity of governments to maintain strategic priorities has deteriorated over time as the old cross-party policy consensus has weakened, parties have lost their internal discipline, and protests and social movements have pushed for reforms.

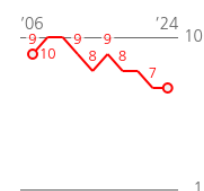
The last Piñera administration (2018 – 2022) and the current Boric administration are good examples. In the first case, after the events of 2019, the government lost almost complete control of the political process. Since then, it has been obligated to adopt and implement policies that were at odds with its preferences – the most important being the launch of a process of constitutional reform, an idea that the government had ruled out in 2018.

Boric's administration, which campaigned promising an ambitious reform program, also faces a very difficult scenario. First, it is a minority government. Second, the hard defeat in the constitutional referendum showed that the programmatic preferences of the government (many of them were "included" in the rejected draft) do not have the support of the majority of the population. Third, in this context of political weakness, there is no major incentive for the opposition to cooperate, especially if Boric insists on his original program. Consequently, it seems that the government will have to significantly change its original priorities.

Question
Score

Prioritization

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Like the Piñera administration, the Boric government faces a very complex political scenario. Even though it can change in the near future, it seems highly probable that this administration will not be able to successfully carry out its program. Various factors inform this assessment:

First, as in the case of the former administration, the opposition holds the majority in both chambers. In the Senate, conservative parties have half of the seats. In the Chamber of Deputies, the situation is slightly different, with the conservative parties controlling around 43% of the seats. Therefore, in order to secure majority support for any proposed bill, the government must negotiate with the right-of-center parties.

Second, the government's popularity is exceedingly low. By the end of 2022, all opinion polls indicated that no more than 30% of the population approved of the government's performance.

Third, since the government's primary objective was the approval and subsequent implementation of the new constitution, the defeat in the referendum effectively left the government "without a program" to execute. Additionally, an economic recession was anticipated for 2023.

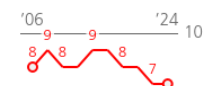
As a consequence, the government opted to focus its legislative efforts on a few central topics, such as pension, tax and labor reforms. It is impossible to say at this point if the government will prove successful. Despite the unfavorable context, the government could find some "spaces for negotiation" with opposition parties. The fragmentation and lack of unity among them could be helpful. At the same time, if the government moderates its positions, opposition parties could be open to approving some initiatives. In any case, the government will have to concede a lot in order to succeed.

In general, Chilean governments have demonstrated an ability for policy learning and flexibility in policymaking. Learning is institutionalized at different levels, especially in a state-bureaucratic apparatus with significant continuity over time and between administrations, both in core personnel and in the implementation of programs. These efforts mostly build on previous initiatives rather than starting anew. Similarly, legislative debates always consider the country's past experience on the issue, as well as that of other countries, particularly advanced democracies. A notable example in this regard has been the continuous modernization of anti-corruption legislation since 2003.

Agencies monitor the implementation of each public policy – a requirement in the rules of procedure of the public administration – though internal controls are more procedural than goal-oriented. Additionally, each government establishes its own monitoring mechanisms regarding the implementation of its strategic policies. The system also relies on knowledge exchange, including through international cooperation. Virtually all public bodies, including the judiciary, participate in

Implementation

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Policy learning

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international forums and follow international technical standards in their procedures. The system also relies on recourse to think tanks, academic experts and practitioners, including commissions and standing committees for the study of new policy proposals. The Budget Office (DIPRES), which has informal but substantial authority over line ministries, sometimes conducts in-depth impact evaluation of programs and may recommend modifications or, less frequently, suppression of ineffective programs.

Governments have also demonstrated flexibility, enabling them to seize windows of policy opportunity in order to implement reforms. For instance, at present, the government and opposition are exploring new strategies to address the increasing issue of criminality. Another example of the political actors' determination to learn from previous experiences is the recent decision to embark on a new constitutional reform process.

15 | Resource Efficiency

According to comparative studies conducted by international institutions, Chilean governments effectively utilize the majority of their human, financial and organizational resources. In 2018, the Inter-American Development Bank (IADB) conducted a study encompassing 16 Latin American countries, which revealed that Chile exhibited the lowest level of wasteful public spending within the region. Specifically, the study determined that Chile's overall "technical inefficiency" in spending amounted to 1.8% of its GDP, which is half of Uruguay's (3.7%), a quarter of Argentina's (7.2%), and less than half of the regional average (4.4%). Similarly, the World Bank's government effectiveness index positions Chile as the second-most effective country in Latin America, surpassed only by Uruguay. Unfortunately, there is a lack of detailed analysis regarding the specific outcomes resulting from this spending.

Resource use is subject to the detailed and effective oversight of an autonomous public agency – the Office of the Comptroller General – which determines the legality of the state administration's actions. The agency is widely respected, with extensive powers that have broadened in recent years. Since the mid-1990s, there has been a comprehensive modernization process in public management, which has progressively deepened. One key agency is the Budget Office (DIPRES), which is attached to the Ministry of Finance. The Budget Office approves expenditures according to the budget law and regularly monitors their efficient management.

Chile's civil service is considered to be the most developed in the region. In 2003, the Senior Public Management System (SADP) was created to ensure that top civil servants were hired on a meritocratic basis rather than a political one. Since then, several reforms have been introduced to strengthen the civil service. A major reform was enacted in 2016, aiming to prevent massive replacements of top officials when

Efficient use of assets

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governments changed, though with limited effectiveness thus far. Legal loopholes still allow the incoming administration to fire top officials, even in “non-political” areas, and replace them with political allies. Furthermore, there is still significant discretion in hiring consultants and advisers at high political office levels. For instance, a recent report indicates that during 2022, the Boric government had replaced over half of the heads of service chosen by the SADP in its first eight months in office – the highest rate since 2010.

In general, Chilean governments have proved successful in coordinating the implementation of policies. This success can be attributed to the structure of the polity – a centralized country with a (formally) strong presidential system. On one hand, government administrative decisions do not require the approval of external authorities to be implemented. On the other hand, when disputes arise among ministers, the president has the final say on the matter.

The recent implementation of an important decentralization – namely, the direct elections of regional governors – did not substantially alter this pattern. This is because the new authorities only have few executive powers. Therefore, since they took office in July 2021, no relevant conflicts over the distribution of power between governors and the executive have emerged.

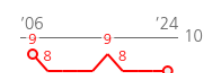
Apart from the members of the cabinet, Chilean presidents are typically advised by a small office of personal counselors. Although this office is not formally part of the state bureaucracy, it performs vital tasks, such as defining the strategic planning of the government. It is not uncommon for some of its members to be viewed as more influential than ministers or parliamentary leaders.

Even though it is difficult to make an accurate evaluation, it is obvious that not all ministers inside the government are equally important. Since 1990, finance ministers have been particularly significant in setting the overall policy direction and adjudicating between competing policy interests. Within the Finance Ministry, a key role is played by the Budget Office, which possesses in-depth knowledge of line ministries and their policies. Additionally, the General Secretariat of the Presidency (SEGPRES) plays a vital role, as it is the ministry responsible for conducting relationships with the parliament.

Although the structure of the system facilitates coordination and rapid decision-making, it also has weaknesses. A major one is that the decision-making system is extremely dependent on the capabilities of the top. Therefore, when the president fails to fulfill his or her functions, the entire system is damaged.

Policy
coordination

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Chile ranks fairly well in comparative corruption rankings. However, the emergence of several – and sometimes very serious – cases of corruption led the political elite to take successive measures to combat corruption. Over the last 30 years, corruption scandals have hit different institutions, such as important ministries, several municipalities, the police and armed forces, courts, and political parties (campaign financing), among others.

A key measure to combat corruption was the Transparency Law of 2009, which has significantly increased citizens' and media's access to information about the activities of public institutions. Additionally, in 2009, a Transparency Council was established to ensure that state agencies fully comply with the transparency law. In 2014, laws were enacted to enhance transparency and integrity in municipalities, where most scandals have occurred. These laws also include a lobby law, which necessitates the disclosure of authorities' and public officials' agendas and the establishment of a lobbyist registry. Subsequent to that, in 2016, the probity law was revised to incorporate measures aimed at preventing conflicts of interest among public servants. Then, in 2018, a law (Law 21.121) was implemented to impose stricter penalties for corruption within the civil service and to classify acts of corruption within private firms as a crime.

With regard to the specific problem of corruption in politics, several measures have been adopted, with the most important being the legal reform of 2016. This reform was a response to a major scandal involving party financing that emerged in 2015. Among other measures, it requires the public disclosure of all political donations and establishes limits on these donations and campaign spending. In 2021, a new law was enacted to introduce additional regulations on campaign spending.

Auditing of state spending is performed by the Comptroller General of the Republic, whose oversight functions also help prevent large-scale corruption.

16 | Consensus-Building

Chile's main political actors agree on democracy as a strategic long-term goal of transformation. In that sense, no relevant actor (social or political) promotes the substitution of democracy for another form of government. Nevertheless, there are differences regarding the specific structure of democratic institutions. These differences appeared during the debates of the Constitutional Convention. Major issues included determining the structure of the parliament (bicameralism or unicameralism, or any intermediate formula), the degree of autonomy of the regions, the role of the Constitutional Court, and the distribution of legislative competences between the president and Congress.

Since 1990 to the mid-2010s, Chile's main political parties have shown no significant differences regarding their preference for a market economy as a strategic goal of transformation. In this sense, the debate revolved around how to improve economic institutions. Demands for the substitution of the economic model were only endorsed by minor political parties.

Anti-corruption policy

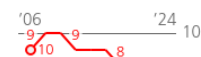
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Consensus on goals

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This scenario changed somewhat over the last five to 10 years with the emergence of new political forces (especially from the left of the political spectrum) that demand a deep transformation of the structure of the Chilean economy and a desire to leave neoliberalism behind. They are particularly critical of the role of private actors in areas such as health care and the pension system, the use of market mechanisms in the management of natural resources, or some of the provisions of free trade agreements that limit the state's room to maneuver in economic policy. Accordingly, they argue for increasing the role of the state in the economy, not only as a regulator but also in the management of certain critical areas, but not an eradication of market economic principles.

The Boric administration, which initially propagated a more “radical” discourse, has since significantly tempered its tone, particularly since the referendum. In that sense, the current debate about economic reforms focuses on making changes within the limits of a market economy.

In Chile, there are no major anti-democratic political actors. Moreover, all the constitutional norms that granted the armed forces powers to veto the decisions of elected authorities were removed. Their hierarchy is fully committed to the democratic constitution.

Though some politicians demonstrate sympathy for foreign leaders with less-than-democratic credentials, such as Bukele, Maduro, Ortega or even Bolsonaro, this appears to be done in a rather symbolic manner. They do not claim that Chile should adopt an authoritarian form of government.

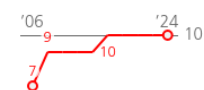
However, as stated, in recent months, the polls have shown an increase (among the public) in support for “non-democratic” options. In this context, an issue of the current political debate is whether the political climate is now more favorable for the emergence of “authoritarian” alternatives. As of January 2023, no actors have explicitly adopted an authoritarian discourse. Nevertheless, this cannot be ruled out, especially considering the growing significance of issues such as immigration and the fight against crime in Chilean politics.

The main cleavage in Chilean society is linked to social and economic inequalities. In this sense, the central issue of the political debate revolves around determining the mechanisms necessary to address the structural inequalities that impact Chilean society, such as the pension system, access to health services and the education system.

But, as highlighted in the BTI 2022 report, the Chilean political debate has changed considerably since 2019. Since then, on the one hand, differences regarding the economic model have intensified among political actors. As stated, important political actors (especially from the left) have started to advocate for a major transformation of the economic model, as evinced by Boric's statement that Chile will be the “tomb of neoliberalism.” In that sense, the political distance between major political forces has significantly increased in Chile, reaching its highest point in the period between 2019 and 2022.

Anti-democratic actors

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Cleavage / conflict management

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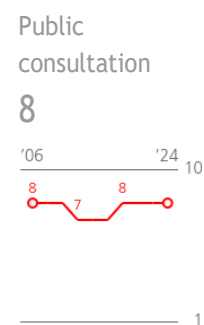
These deep differences notwithstanding, the main political forces agreed on implementing a constitutional reform process as a way to resolve the country's acute political conflict. Throughout 2020 and 2021, tensions among political actors remained high, but the emergence of the pandemic helped to temporarily alleviate the situation. However, in 2021, as the pandemic began to recede, the political conflict regained intensity. Decisions made by the Constitutional Convention regarding the draft's contents and the development of electoral campaigns contributed to this escalation. Against this backdrop, the political climate was characterized by significant distance among political forces, which was evident at the legislative level, where parties displayed very little willingness to cooperate.

Gabriel Boric was elected president (by ballotage, after obtaining only 25% of the vote in the first round), while no coalition gained a majority in parliament. The new government set the approval of a new constitution as its primary first objective. A victory in the referendum would have reinforced it and helped decisively initiate a major transformation of the Chilean economy. However, the plan failed.

In this context, Chile finds itself in a difficult situation. First, because the profound differences among political actors are still there. Second, because the political leadership, including both the president and party leaders, is very weak. Third, because in a scenario of high fragmentation, no party in the conflict has demonstrated a strong willingness to cooperate. Therefore, the Chilean context offers limited opportunities for advancing agreements on policies that address the problems affecting Chilean society. Despite these challenging circumstances, recent developments allow for some optimism. The most important development is the agreement to carry out a new constitutional process.

As a democratic political system, Chile's decision-making process is open to the participation of civil society actors. At the legislative level, parliamentary committees are the main venue for interest groups that want to express their opinion regarding the bill proposals. Additionally, they can directly convene personal meetings with specific parliamentarians or executive authorities. Even the courts, such as the Constitutional Court, are lobbied by social actors. Civil society groups also actively participated in the deliberations of the Constitutional Convention, which opened various instances for that purpose. According to a recent report, more than 1,700 people participated in the public hearings held by the convention and its committees. Civil society groups are also involved in other phases of the policy process. For example, some policies are implemented through partnerships with NGOs. Another way they have participated is through their involvement in ad hoc commissions that presidents have created to make proposals for coping with specific issues, such as electoral reform.

Academic research has provided evidence regarding the "volume" of participation and "who" participates. First, at the legislative level, the volume of participation is rather low. For example, on average, no more than four interest groups participate in the discussion of legislative bills (in advanced democracies, it is much higher).

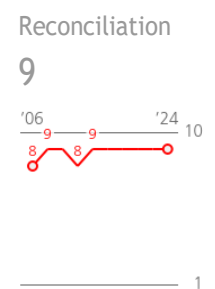


Second, if we look at “who participates,” we see that some interests are “more represented” than others. For example, around 40% of the interventions before the legislative commissions are made by groups representing business interests. At the executive level (meetings with authorities), the figures are even more unbalanced. Of course, this picture is limited to what happens at the institutional level. There are other venues for participation (i.e., public demonstrations) that can be preferred by interest groups and are not considered here. In fact, a great number of organizations were very active during the demonstrations of 2019–2020, pushing forward the constitutional process.

When Chile returned to democracy, it undertook a lengthy process to address the legacy of massive human rights violations perpetrated by the authoritarian regime in power from 1973 to 1990. This process included several initiatives. The first significant milestone was the 1991 report of the Truth and Reconciliation Commission, which confirmed the existence and identities of the disappeared or murdered victims. In 2003, the Valech Commission followed, gathering information and providing benefits to individuals classified as victims of torture and political imprisonment. In December 2009, the Museum of Memory and Human Rights was inaugurated.

In this context, moreover, trials against members of the armed forces for various crimes continued. By December 2022, over 490 individuals (primarily former military officers) had been convicted, with 201 currently serving prison sentences. As a result, by the end of the 2010s, the issue of human rights violations during the dictatorship had diminished in importance and was no longer a significant political concern.

The situation is different regarding human rights violations committed during 2019 and 2020. Since then, several members of the police and armed forces have been prosecuted, and some of them have been convicted. Furthermore, human rights associations, civil society groups and leftist parties have advocated for the implementation of a policy to compensate the victims. However, legislative measures do not have a real chance of being approved in parliament. Therefore, the government has attempted to address the issue by implementing administrative measures, including pecuniary compensation for life. As of November 2022, 367 people have received some form of benefit.



17 | International Cooperation

Chilean governments have actively used international aid initiatives since the 1990s to advance their strategic goals, which are focused on human and economic development. Aid projects have primarily focused on areas such as climate change, renewable energy and education. For instance, the European Union and Chile have developed close cooperation, encompassing initiatives aimed at promoting social cohesion, strengthening institutions, implementing gender policies and enhancing the competitiveness of small enterprises. Similarly, Chile has collaborated closely with institutions like the IADB and the World Bank. However, net official development assistance has typically amounted to less than 0.1% of GDP.

Since 2018, Chile's income level has rendered it officially no longer eligible to receive development assistance. However, the country continues to engage in cooperation activities. On the one hand, it still works together with international institutions in areas such as climate change. On the other hand, Chile participates in different "South-South" cooperation initiatives with countries in Latin America. These initiatives are primarily focused on technical assistance rather than financial aid.

Since 1990, Chile has been a strong supporter of multilateral cooperation, participating in numerous initiatives. In recent times, for example, in the area of climate change, it has led the initiative "America for the Protection of the Oceans." Additionally, Chile has been an enthusiastic supporter of the U.N. conferences on Climate Change and Human Rights. This commitment was recognized by the international community, and in 2022, Chile was elected as a member of the Human Rights Council of the United Nations.

Chile's commitment extends to the economic level. Economic cooperation through bilateral and multilateral agreements has been at the core of Chilean development strategy for the last 30 years. By 2022, Chile had signed 32 trade agreements.

In addition, Chile has long demonstrated its full commitment to international law, which is a central pillar of its foreign policy. This has been confirmed many times, especially when it has abided by decisions of international courts that have been detrimental to its interests (i.e., courts' decisions on border settlements with neighboring countries). Consequently, Chile has been considered highly credible and reliable by the international community.

Without prejudice to the above, two recent episodes somewhat affected Chile's credibility. However, both issues were resolved in 2022. The first episode pertained to the "Escazú Agreement" on environmental protection, which the Piñera government (2018-2022) refused to sign, arguing that some provisions could have negative effects for Chile. However, one of President Boric's initial decisions was to sign the treaty in March 2022.

Effective use of support



Credibility



The second issue pertained to the ratification of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP11) by the parliament. Piñera's government, strongly committed to ratification, made significant efforts to secure approval in the Senate. However, the opposition parties, particularly the left and social groups, launched a successful campaign to prevent it. Critics argued that the CPTPP11 would severely limit Chile's economic sovereignty. Once in La Moneda, Boric reaffirmed his opposition to the treaty. However, due to a sudden change in circumstances (defeat in the constitutional referendum and a deteriorating economic situation), the Senate approved the treaty in October 2022.

Regional cooperation has been at the center of Chilean foreign policy since 1990. In this regard, administrations have actively promoted and participated in various regional forums or institutions seeking to enhance political cooperation. However, for various reasons, Chile has also chosen to withdraw from certain forums, such as UNASUR (2019) or Prosur (2022). Moreover, when Chile participates in international forums like the United Nations, it generally aligns itself with other Latin American countries.

On the other hand, Chile has sought to deepen its economic relationships with Latin American countries through economic agreements. Accordingly, Chile has signed more than 20 agreements with Latin American countries or groups of them on trade or investment. Additionally, Chile has also led cooperation initiatives to provide aid throughout the region, such as in Haiti.

Despite these efforts and initiatives, it is clear that Chilean policymakers do not agree on further pursuing this matter. That is, promoting mechanisms of regional integration that, for example, imply ceding sovereign rights to supranational institutions.

Since 1990, Chile has also sought to improve its relationships with its neighbors, with mixed outcomes. In the case of Argentina, both countries have managed to solve their main border problems and build a strong cooperation relationship. The relationship with Peru has also improved significantly, especially in terms of economic cooperation. In the mid-2010s, relations became stressed because of the trial before the International Court of Justice regarding the maritime boundary. However, after the decision, both countries decided to continue a relationship of broad cooperation.

Lastly, in the case of Bolivia, and even though much progress has been made especially in economic cooperation, border disputes are still present and will be for a long time. As noted in the 2022 BTI report, in October 2018, the International Court of Justice (ICJ) rejected Bolivia's claim to obligate Chile to negotiate new boundaries. Recently, in December 2022, the ICJ also favored Chile in the dispute over the use of the waters of the Silala River. Observers expect Bolivia to continue to pursue its goals, which will strain the relationship between both countries.

Regional
cooperation

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Strategic Outlook

Chile faces significant challenges in the near future. In 2019, the country embarked on an intricate political process that was ignited by the social upheaval over social and economic disparities, which, in turn, led to the collapse of the fundamental agreement that had shaped Chilean politics for 30 years. However, the planned constitutional process to establish a new social contract ended in complete failure. Therefore, after approximately three years of intense political turmoil, the task of defining the new institutional and economic pillars for the forthcoming decades remained unresolved.

Despite the numerous difficulties they face, the country's main political actors have taken some steps to rebuild the political system on a solid footing. The 2023 agreement on a new process of constitutional reform is a second major opportunity to address institutional problems.

The primary challenge facing Chile's future is achieving consensus on shared rules and common goals, while establishing legitimacy for political and socioeconomic structures. Four urgent challenges emerge. First, it is crucial that the constituent process is conducted in a fair, transparent and inclusive manner in order to ensure process legitimacy. Regardless of the content of the resulting constitution, this high-stakes democratic exercise must symbolically renew Chilean democracy. Second, the new constitution must strike a balance between dispersing political power (through decentralization or granting more powers to Congress) and maintaining an effective governance structure. While Chile has lacked the former, it has strengths in the latter, making the trade-off difficult. A dysfunctional or overburdened constitution carries the risk of adverse consequences that stakeholders should strive to avoid. Third, all sectors of society must engage in a serious debate on reducing inequalities, guaranteeing social rights, and providing sustainable universal minimums. Finally, as a complement to ongoing discussions, Chile must proactively consider a new economic growth strategy that can garner support across the political spectrum in a timely manner.

The renewed constitutional process could be another opportunity for these discussions, but it is likely that the process of reaching a new social and economic consensus will be a much longer-term endeavor. Moreover, the elections to the new Constitutional Council have increased the pressure to find a basic consensus because, unlike the Convention, majorities have largely reversed, and right-wing parties, including the populist Republican Party, have a comfortable two-thirds majority and reject many of the long-hidden demands that gave rise to the 2019 social outburst. A negative outlook would mean that a conservative constitution would sooner or later leave the country back at square one. A more positive outlook would require that the political forces represented in the council recognize its historical significance and put the common good above their particularistic interests.