Chile
From U.S. Aid Recipient to Stable South American Partner

After sustained foreign assistance support from the United States, today Chile boasts one of the most advanced economies and stable governments in South America. Its citizens benefit from a high standard of living and level of income, helping to launch Chile into a role as a regional and global leader. Chile and the U.S. continue to maintain a mutually beneficial political and economic relationship built on this foundation.

Since its independence, Chile’s economy has focused mainly on the mining of copper, nitrates, and other minerals, and the country has gained significant wealth from international trade. However, shortly after the election of Marxist President Salvador Allende in 1970, the economy entered a period of turmoil. By 1972, Chile was suffering from runaway inflation, high unemployment, and capital flight. Mass nationalization and pay freezes exacerbated these issues and led to Allende’s 1973 overthrow in a coup led by right-wing General Augusto Pinochet.

In the face of inflation that had increased to nearly 800%, Pinochet and his junta rapidly reformed the Chilean economy, instituting widespread market liberalism and privatization. Through these and other drastic measures, inflation was finally brought under control. These reforms were masterminded by a group of young economists who were largely educated at the University of Chicago - evidence of U.S. leadership in education having an impact on emerging economies. However, despite solid economic progress, civil liberties and human rights suffered profoundly under this repressive government.

A 1988 referendum opened the door to true democratic governance once again and led to the end of Pinochet’s brutal military dictatorship. This vote ushered in a new administration in 1990 and established a free and fair political system. Meanwhile, U.S. aid increased to $30 million in 1991 to support the transition to this new democracy, before declining to $2.8 million in 1997.

When the Chilean economy suffered a minor downturn from 1998-2003, the U.S. provided economic support to address this situation. In 2010 it provided support in the form of humanitarian and emergency assistance after an earthquake killed hundreds, in addition to a $14 million grant for nuclear nonproliferation activities.

U.S. Aid Obligations, 1978-2014
However, for the most part, the level of U.S. aid to Chile has remained below $10 million each year since 1995.

Today, Chile’s economy and government are remarkably stable. Chilean mines produce over one third of the world’s copper - more than any other country - and Chile’s wealth is largely based in exports of this resource, as well as other minerals, fruits, and seafood. In addition, Chile’s liberal economic policies and wide-ranging trade agreements have spurred a sophisticated business and finance sector that places it as one of the most developed countries in Latin America. Chile is currently the United States’ 21st-largest export market, with a trade value totaling $13.6 billion in 2017. Foreign development assistance has been almost totally supplanted by bilateral and mutually beneficial scientific and defense collaboration.

U.S. foreign assistance helped to set Chile up for success, and its commitment to free trade has carried benefits to the United States and beyond.