

Chile's New President: Beyond Symbolism

By Daniela Ponce | March 10, 2006

When Michelle Bachelet is inaugurated as Chile's President on March 11, she will be a clear symbol of dramatic change on many levels. Bachelet will be the first democratically elected woman president in South America; a single mother and an agnostic leading a predominantly male-dominated, Roman Catholic society; and a survivor of torture under military dictatorship now in command of her country.

On all these fronts, Bachelet will be a pioneer in her country but what is unclear is whether she will be able to change one of Chile's most pervasive problems, its highly unequal distribution of wealth.

Chile entered the free-trade parade long before its neighbors under general Augusto Pinochet during the 1970. Unchecked free market reforms combined with dictatorship led to astronomical increases in inequality, even by Latin American standards. According to a study by the U.N. Economic Commission for Latin America and the Caribbean, Chile's economic reforms are associated with a continuous upward trend in inequity for nearly 20 years.

When the dictatorship ended in 1990, the country's new democratic leaders' main challenge was to reduce both poverty and inequity levels. They channeled unparalleled investment into the social support infrastructure and managed to reduce 'soft' poverty for those closest to the middle class. Yet, 'hard' poverty, and the heavily unbalanced distribution of wealth continued to be a major challenge.

Even with new leaders, trade liberalization continued to boom, particularly during the term of the previous president, Ricardo Lagos. Chile has signed 40 plus trade agreements in the last 15 years including deals with the U.S., the European

Union, Canada, South Korea, and Mexico. No other country has signed more.

Just as seen here in the U.S. under massive trade liberalization, a "Wal-Mart economy" has emerged in Chile. To serve the low-price demands of consumers in the richer countries, exporters are exploiting Chile's rich resources and using factory production methods to supply cheap fruit and fish to grocery stores across North America, Europe, and Asia. A prime example of this is Wal-Mart itself. The company buys all of its salmon from Chile, which helped the export business there grow by 70 percent in the past five years, according to Charles Fishman, author of the "The Wal-Mart Effect." But there is a huge cost to be paid as well. Fishman explains that Wal-Mart is able to sell salmon for the absurdly low price of \$4.84 per pound, thanks largely to the deplorable environmental and labor practices in remote southern Chile's salmon industry.

Sadly, low pay continues for workers overall in the mining, fishing, and agricultural industries—the same sectors that trade liberalization was supposed to boost. Chile's poorest make less than a \$100 a month. Meanwhile, Chilean corporations are making big bucks, and transnational corporations in Chile are dancing to the new beats of the Latin reggaeton scene.



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Free-traders have crafted pretty macroeconomic indicators to continue to make Chile a precious case study in the U.S. economics textbooks. Chile, however, has been unable to use these new revenues to bolster its social and domestic programs. Ironically, a lack of investment in education has left Chileans unable to read these English textbooks about their “miracle economy” and learn about their own feature story.

What an increasing number of Chileans do know is that their economy continues to produce los excluidos—the excluded. During her campaign, Bachelet had an agenda that spoke to those who dwell in the shadows of Wal-Mart economy. Her economic plan appealed to those who can’t afford to retire, have decent health care, or have high school education for their children. She pledged to “humanize the labor market” and “to correct the dark face of globalization.” The question is, given Chile’s historical alliance with free-trade: Can she?

If Bachelet pursues significant change, she will face powerful economic forces against her. And the U.S. government, which has considered Chile to be one

of their most loyal free-trade allies, will no doubt put tremendous pressure on her to stay in line. On the other hand, she would have allies in many of her neighboring countries. Chile now mirrors a continent that’s falling out of love with the free-trade model. Brazil, Uruguay, Argentina, Bolivia, and Venezuela already made use of the ballot box to bring in progressive governments opposed to openly embracing free-trade at any cost.

President Bachelet has already broken new ground simply by being elected. Her rise to power has inspired women, single parents, and survivors of dictatorship around the world. But she will need to do more than just be a powerful symbol in order to liberate her country from its legacy of inequality.

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