

With his inauguration on March 11, 1994, President Frei and the Concertación Nacional centre-left coalition were able to retain their solid majority in the House of Deputies. At the same time, the election resulted in a continuity of the basic balance of power in Congress between the government and opposition.

The constitutional framework set forth in 1980 during the former military regime has established the fundamental ground rules for political and economic life. The Constitution maintains the traditional separation of powers among the Executive, Legislative and Judicial branches of the State (albeit the Executive branch is marked by greater power in certain forms of legislation, such as taxation). The Constitution also establishes the ground rules in the areas of private enterprise, taxation and the role of the Central Bank, placing a premium upon free-market principles as the guiding force in the development of economic life.

The Frei administration's government policies continue to underscore the economic policies of the Aylwin administration. Frei, a businessman somewhat more to the centre than Aylwin, actively promotes his promise to lead the campaign against poverty. Major domestic issues currently addressed include education, health care, and improved infrastructure. Overall, President Frei has indicated that he will seek a broad consensus on major issues which bode well for continued stability during his six year term in office.

In sum, over the last six years Chile has had a very successful experience of political transition. Both democracy and free markets are consolidating fast, with all major segments of society cooperation in this effort. Competing forces, both in the government coalition and in the opposition have made significant attempts at cooperation, and, in several cases such as tax and labour reforms, broad consensus has been reached. In the final analysis, both political stability and free-market policies have served as a pillar for internal economic prosperity, have strengthened Chile's performance in world markets, and have made it an attractive area for foreign investment.

1.2 CURRENT GOVERNMENT AND POLITICAL CONTEXT

Chile is reaping the fruits of a process of economic reforms initiated in the mid 1970s that has now been consolidated and legitimized in democracy. The political consensus about the need to maintain and strengthen the model of free-market economics is a crucial guarantee against policy reversal in the future. In the past, these sharp policy swings had hampered Chile's economic development.

Chile's return to democracy was initiated with the election of a transitional government led by President Patricio Aylwin and completed with the successful December 11, 1993 elections, giving current President Eduardo Frei 58% of the vote.