

1.1 CHILE: The Country

The republic of Chile is a 4,320 km stretch of land along the southwestern coast of South America. Although one of the longest countries in the world, it ranges from only 96 km to 400 km wide, giving a total area of 757,000 km². Chile is situated between the Andes mountains in the east and the Pacific ocean in the west; it borders Peru on the north, and Bolivia and Argentina on the east. Southern Chile is an archipelago with Cape Horn at its tip.

With the most rapidly growing economy in South America, Chile has enjoyed a GDP growth rate of 8.2% for 1995. Its total GDP for 1994 was US\$ 52.2 billion. Inflation has been stabilized at 8.2% for 1995 with a projected decline to 6.5% by the end of 1996. Chile's population is approximately 13.2 million, with 92% "mestizo" or European descent, and 7% Amerindian. The country is predominantly Roman Catholic (89%), with some Protestant, Islamic and Jewish minorities.

Chile has four distinct geographical regions: the northern desert (one fourth of the country's land area); the high Andean sector; the central valley; and the southern lake district and archipelago. In order to decentralize the administration of existing and potential natural resources, the country has been divided into 13 Regions, including the Metropolitan Region, an area that encompasses the capital Santiago and its surroundings.

The northern part of Chile (Regions I to IV), which includes some of the most barren deserts in the world, is rich in mineral deposits such as copper, gold, sulphur, phosphates and nitrates. The fishing industry is also important in this area. The central valley (Regions V to X) has the largest population and contains most industrial and agricultural development. Climatic conditions make forestry and agriculture of considerable importance in this area. The far south of Chile (Regions XI and XII), which includes Tierra del Fuego, the largest island in the southern archipelago, is mostly dedicated to cattle and sheep raising. The area produces some natural gas, but concentrates mainly on petroleum production.

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 reversals 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.