

ПОЛІТИЧНІ ПРОБЛЕМИ МІЖНАРОДНИХ ВІДНОСИН

УДК 327(045)

CHILE: HOW TO BECOME AN ECONOMIC STAR OF THE PACIFIC REGION?

ЧИЛІ: ЕКОНОМІЧНА ЗІРКА ТИХООКЕАНСЬКОГО РЕГІОНУ?

Pavlo Ignatiev

Doctor of Political Science, Professor at the Chair of International Regional Studies of the Educational and Scientific Institute of International Relations of Taras Shevchenko National University of Kyiv. E-mail: pavloi@yahoo.com orcid: <https://orcid.org/0000-0002-8179-4687>

Iuliia Tsyryfa

Ph.D. in Political Science, Associate Professor at the Chair of International Regional Studies of the Educational and Scientific Institute of International Relations of Taras Shevchenko National University of Kyiv. E-mail: Julia_Tsyryfa@ukr.net orcid : <https://orcid.org/0000-0002-7641-6964>

Ігнат'єв П. М.

Доктор політичних наук, професор кафедри міжнародного регіоназнавства Навчально-наукового інституту міжнародних відносин Київського національного університету імені Тараса Шевченка. E-mail: pavloi@yahoo.com orcid: <https://orcid.org/0000-0002-8179-4687>

Цирфа Ю. А.

Кандидат політичних наук, доцент кафедри міжнародного регіоназнавства Навчально-наукового інституту міжнародних відносин Київського національного університету імені Тараса Шевченка. E-mail: Julia_Tsyryfa@ukr.net orcid : <https://orcid.org/0000-0002-7641-6964>

Abstract. *Chile is the state actor that became the regional power to be reckoned with despite a relatively small population and tense geopolitical relations with three neighbours – Argentina, Peru, and Bolivia, – while the peculiarities of the national topography make the task of economic development considerably harder. Moreover, at the first sight, the dictatorship of Augusto Pinochet with its notorious repressions hardly could lure foreign investors. The article explains which commodities and services helped the country to reach one of the highest per capita levels in South America*

The authors focus on the specific features of Chile's geopolitical location by highlighting key points of its political and economic interactions with Argentina, Bolivia, and Peru, and also identify important segments of the state's tourism business which turn it into a significant point of cultural and tourist development in the Latin American region. In this vein, the importance of cooperation between Chile and other states in the region in the field of air transportation is emphasized, since this collaboration allows them to actually dominate the airspace and establish numerous tourist and cargo transportations.

The importance of mining which allows Chile establishing cooperation with other regional actors in this sector is emphasized. In addition, the authors highlight the sphere of agriculture where Chilean farmers emphasize fishing, fruit growing and wine production, as well as the subsequent export of these goods abroad due to the small consumption capacity of the domestic market.

Considering Chile's foreign policy interactions with external partners, the authors stress the importance of cooperation with China and the US. These states are noted to have a significant influence on the development of the Chilean economy because they cooperate with it in all critically important sectors. However, the uncontrolled growth of Chinese import flows and the excessive presence of Chinese multinational corporations in the territory of Chile cause certain concerns both in Chile and on the part of the United States.

Nevertheless, the authors conclude that the state's balanced economic policy in the region allowed Chile to gain a worthy place in the economic structure of Latin American trade and increase the pace of its own development.

Keywords: *Chile, China, the US, copper, lithium, fisheries, airlines, tourism, forestry, energy.*

Анатоція. Чилі здобула статус могутньої в економічному відношенні регіональної потуги, незважаючи на відносно незначну чисельність населення, складні відносини з трьома сусідами – Аргентиною, Перу та Болівією, – а також унікальні особливості національної топографії, що суттєво ускладнюють розвиток народного господарства. Більше того, диктатура Аугусто Піночета з її репресіями на перший погляд не могла захочувати іноземних інвесторів приходить у народне господарство. Однак, стаття пояснює, за допомогою яких товарів і послуг країна досягнула одного з найвищих прибутків на душу населення у Південній Америці.

Автори концентрують увагу на специфічних рисах геополітичного розташування Чилі, виділяючи ключові точки політичної та економічної взаємодії з Аргентиною, Болівією та Перу, а також визначають вагомі зрізи туристичного бізнесу держави, які перетворюють її на значимий пункт культурного й туристичного розвитку в регіоні Латинської Америки. В цьому ключі, наголошується важливість взаємодії Чилі з іншими державами регіону в сфері авіаперевезень, що дозволяє їм фактично панувати в повітряному просторі та налагоджувати численні туристичні й вантажні перевезення.

Наголошується на важливості видобутку корисних копалин, котрі дозволяють Чилі налагоджувати кооперацію з іншими державами регіону в даному секторі. Крім того, автори виділяють сферу сільського господарства, в рамках якої чилійські фермери роблять акцент на рибальстві, вирощуванні фруктів й виробництві вина, а також подальшому експорті цих товарів за кордон у зв'язку з невеликою споживчою потужністю внутрішнього ринку.

Розглядаючи зовнішньополітичну взаємодію Чилі із закордонними партнерами, автори наголошують на важливості співпраці з Китаєм та США. Відзначається, що ці держави мають вагомий вплив на розвиток економіки Чилі, адже співпрацюють із нею в усіх критично важливих секторах. Однак, неконтрольоване зростання потоків китайського імпорту та надмірна присутність транснаціональних корпорацій КНР на території Чилі викликають певні занепокоєння як у Чилі, так і з боку США.

Тим не менш, автори доходять висновку про те, що зважена економічна політика держави в регіоні дозволила Чилі здобути гідне місце в економічній структурі латиноамериканської торгівлі та наростити темп свого розвитку.

Ключові слова: Чилі, Китай, США, мідь, літій, рибний промисел, авіалінії, туризм, лісове господарство, енергетика.

Introduction. Chile is widely known as the example of neoliberal miracle of ‘Chicago Boys’ and their centre-left successors who embraced the free trade and continued to pursue the course of liberalization and globalization. But many scientists are trying to understand how the country with widespread inequality could become truly successful as an export powerhouse or whether it was lucky to have the world’s largest deposits of copper ore being extremely vital for modern economy at its disposal.

The paradox of the economic development of Chile is in a narrow internal market, arms race with its neighbours, and the lack of arable land for the agriculture what is defined by towering Andean mountains and extremely limited width of the national coast. Despite this, the country is considered the economic star of South America and demonstrates the dynamic growth of its GDP. The authors are confident that the success of export-oriented growth became possible because of a prudent selection of commodities and services that conquered global markets.

The aim of the article is to explore the principal factors being behind the economic success of Chile with the emphasis on the most important fields of export and to identify the key international partners who greatly contributed to the national success in this field.

Recent literature review. Gonzalo Salinas claims that transportation costs of the Chilean export commodities remain considerable because of unfavourable location of the country but the latter gradually decreased tariffs on foreign trade and developed the logistics and the facilities for the generation of electricity to be more competitive (Salinas, 2021, pp. 10, 16). Thomas Monteiro lists such factors of Chilean economic prowess as USD 15,000 per capita and relatively high purchasing power of the national population, significant natural resources for the benefits of mining industry, established democratic institutions, equal treatment of investors, conducive for business economic

rules, and finally 32 free trade agreements with 66 state actors. At the same time, the author suggests that the country has relatively high level of unemployment and growing debt (Monteiro, 2023). JICA report notes a small size of the domestic market but, at the same time, underlines that several excellent ports of Chile serve as the gateways of Asian products to Argentina and in some cases to Brazil. Moreover, the central zone of the country has great conditions for the development of tourism and agriculture, and it is also distinguished for the quality of human capital (Analysis of export and investment..., p. 18, 27).

Presentation of the main research outcomes. A narrow ‘snakelike’ national territory of Chile is located on the periphery of South America. It shares the third longest in the world border with Argentina that extends itself to 5,300 kilometres along the chain of the Andes Mountains, while its northern neighbours are landlocked Bolivia and important Pacific power Peru whose frontier with Chilean state is rather small by the length (A Patagonia divided...).

The same map suggests that twin towns Arica in Chile and Tacna in Peru are playing increasingly important role in the trade between both neighbours, while the port facilities of Arica are heavily used by Bolivian merchants as well, since it is the closest Oceanic gateway to administrative capital La Paz and important regional city Cochabamba. According to the provisions of the Treaty of 1904 that settled the issues after the Pacific War, Chile provides Bolivia with free transit of goods via its ports of Arica and Antofagasta [Public statement on the treaty of 1904..., 2016]. In general, the coast of this country is the main gateway to the Pacific Ocean for the Western regions of Argentina and for all provinces of Bolivia. As a result, the national ports are always busy and get considerable profits.

The highest in the region Andean summits on the long border between Chile and Argentina are ‘pushing’ a tiny coastal strip towards the Ocean, and, as a result, the arable land is limited. In general Chile can be divided into three regions – the central coast with the climate that is similar to that of Spain, the world’s driest Atacama Desert in the North with extremely small number of rainfalls, and, finally, the South with numerous forests and lakes along with the Patagonia Desert where the scenery of the coastline is almost the same as in Norway. The Pacific coast that exceeds 6,435 kilometres is conducive for fishing activities and for the development of aquaculture, but creates logistical challenges for the supply of goods between different regions. Moreover, the country controls numerous islands including Eastern Island and Juan Fernandez that have considerable tourist value (Our country; Dall, 2016). It is suitable to compare Chile to Israel that is also forced to trade with faraway destinations because of complex relations with its immediate neighbours. If to add the fact that the principal export commodities of Argentina, Peru, and Bolivia are in many cases similar, this strategy becomes even more important.

Chile has 19.5 million residents with 1.8 million of them being the members of tribes. Mapuche Indians are the most numerous and represent the lion’s share of indigenous population, while Diguita and Aymara people are also present in the country in significant numbers (Milesi, 2023). Among them all the most protective of their rights are namely Mapuche people who are constantly demanding the return of native lands and deadly set against the regional activities of Chilean companies working in timber industry. Since 2017, the Southern region of Chile has been the epicentres of arsons of their equipment and plantations (Chilean forestry companies..., 2022). This factor may seriously aggravates the problem of forest fires that is typical for the country.

The political hub Santiago that was named in the honour of the Saint-Protector of Spain has at least 6.9 million residents (Thompson, 2022). The city boasts a significant number of skyscrapers, in particular, famous Gran Torre Santiago located in the financial district that is the highest and has the height of 300 metres and dominates over its central area. The snowy mountains surround the capital that adds a dramatic layer to general positive impression of foreigners about the city, but several dramatic hills allow for a panoramic view within Santiago itself. For example, Cerro Santa Lucia and San Cristobal Hill are both great lookout points for visitors and residents alike. Because of numerous earthquakes the megalopolis has a limited historic core that consists of the Cathedral in Plaza de Armas, the Presidential Palace ‘La Moneda’ (the former headquarters of the national Mint), and the Central Market that was opened for the use in 1872 (10 best things to do in Santiago).

The metropolitan of Santiago commenced its activities in 1975 when line No. 1 was introduced, and today boasts more than 130 stations within 7 lines. The most recent line is relatively modern, as

it was unveiled in 2019 (Santiago Metro...). Probably it is the second largest such strategic object in the region after its counterpart in Mexico City.

Moreover, the capital of Chile has extremely advantageous location for the tourism development, as it is standing at the strategic crossroads between famous Andean resorts 'Valle Nevado', 'El Colorada', and 'Portillo', while only two hours of driving northwest, separate it from Valparaiso port and located slightly to the North of it Vina del Mar resort with several popular beaches and gardens where the residents of Santiago relax during the weekend or attend their summer houses (Chile's sky resort).

UNESCO-protected Valparaiso ('The Valley of Paradise') is the attraction with 15 historic funiculars and colorful houses that are clinging to the hills. A small mountain over the coastal area with Paseo 21 de Mayo is providing a sweeping view of the Ocean (Valparaiso...). The city with 270,000 dwellers is known as the architectural capital of Chile since it successfully catered the needs of ship crews in bunkering services and foodstuff before the opening of the Panama Canal in 1914 and thus enriched itself financially and culturally. It is standing on 40 hills and located at the distance of 120 kilometers away from Santiago next to the coast of the Pacific Ocean (UNESCO heritage site..., 2014). So, visually Valparaiso has much more historic buildings than Santiago de Chile, because it used to be a prosperous historic port.

Chile is relatively attractive in tourist respect since the country boasts 7 UNESCO World Heritage sites in 2024. Among them, one should name the colorful houses on the hills of Valparaiso, unique wooden churches of Chiloe, Sewell mining town on the almost vertical mountain slope that serves as the example of the classic settlement catering the needs of copper-extracting industry, and finally – Rapa Nui National Park on Easter Island in the middle of the Pacific Ocean with numerous enigmatic volcanic stone statues (Chile, UNESCO World Heritage Convention).

The top natural attraction of Chile is in the Deep South. A small and modest town Puerto Natales serves as the gateway to the National Park 'Torres del Paine' that is represented by massive granite mountains, dramatic lakes, and a huge glacier known as the Grey Lake. This place is also inhabited by such representatives of the national fauna as pumas and camelids (Torres del Paine). Its touristic value is further enhanced by the fact that the visitors can depart the National Park, cross the border, and reach after driving some 200 kilometres the main Argentinean natural attraction known as 'Perito Moreno' Glacier with the wall of blue ice that is 60 metres high and 5 kilometres long on the shore of Lake Argentino. A modest Argentinean town Calafate is serving is the main gateway to the natural wonders of this region (Vallejo, 2023).

At the same time, Chile boasts the world's driest Atacama Desert in its North with numerous opportunities to observe the stars in cloudless skies. Located within this extremely arid zone, Valle de la Luna near a small village San Pedro de Atacama is famous for open-air salt deposits and chaotic sand dunes, while other neighbouring areas are known for volcanic activity and distinguished for geysers, hot springs, red rocks with some iron ore, lagoons with clear water that attract migratory birds (10 must-visit places..., 2020).

Chile and Argentina are perfect for combined trips, as it was mentioned before with the example of the Perito Moreno Glacier. But this is not all. Santiago is located within the distance of a short flight to the capital of Argentinean winemaking Mendoza and neighbouring Provincial Park with the highest Mountain of Latin America Aconcagua that is 6,962 metres high. The distance between this famous Mountain and Mendoza town constitutes only 193 kilometres (La Ruta Natural). Chile also shares with Argentina the largest Island of Latin America Tierra del Fuego and controls the southernmost town Puerto Williams on the Island Navarino that is only a small village with 2,000 residents who are represented by the servicemen from the navy base and the fishermen. The residents are putting their hopes on cruise terminal that is being constructed and likely will help to create more jobs in catering industry and agriculture. Its direct competitor is Argentinean town Ushuaia with larger population base (Newman, 2023).

Because of the cold Humboldt Current the beach tourism in Chile is not highly popular, but the coast boasts numerous pools with hot water that visitors are using to warm up before jumping into oceanic waves. San Alfonso del Mar at the distance of 90 kilometres to the west of Santiago is the most famous resort in this respect that is equipped with the pool equal by its size to 20 regular Olympic pools, while several hotel towers are standing next to it (Puterman, 2017). This is just a one

example of a prudent policy that helps to lure visitors from the capital and abroad to the national coastline that is not very attractive.

Chile with only 19.5 million residents is the regional's most influential player in the field of aviation industry, as it hosts 3 airlines – Latam, Sky, and Jetsmart. In 2023, Jetsmart became an important regional partner of American Airlines that is interested in the flights to Chilean cities with their subsequent continuation to other countries of South America. The fleet consists of 24 jets of Airbus A320 family that are unevenly distributed between Chile, Peru, and Argentina, while the new orders of the company include 100 ultramodern jets of the same producer (Garbuno, 2023). Its immediate competitor is the Sky low-cost airline that utilizes some of the most modern aircraft in Latin America. This carrier has 29 Airbus A320s 'Neo' and the main focus of its business model is on the flights within Chile (Romero, 2023).

Back in 2012, the merger of Brazilian TAM and Chilean LAN helped to create the preeminent carrier of Latin America LATAM. The idea behind it was to connect the two coasts of South America – Atlantic and Pacific – and to cater the needs of the population of the whole region by establishing large subsidiaries in all countries with significant population. Despite temporary difficulties of aerial travel during the Covid-19 pandemic, this largest aviation company of the region continues to purchase new jets. Today, it counts on 332 aircraft with 256 of them being the flying machines of Airbus A-320 family for short and medium flights, while the rest is represented by Boeing aircraft for long-haul destinations. Taking into consideration that several Andean countries are important exporters of the products of horticulture like cut flowers, expensive super food, and fresh fruit, LATAM also operates the fleet of 20 cargo carriers that are included in the list of Boeing jets (Our history, *Latam airlines*; Wolfsteller, 2023).

The mining industry is intimately connected to the extraction of copper ore. As it is widely known, the products from this commodity serve as an excellent conduit of the electricity and thus have a great universal value, since they are widely utilized in the manufacturing of cars and electric cars, aircraft, expensive decorations, coins, doorknobs, smart phones, and drugs (Copper: Critical today, tomorrow, and forever). In fact, any electronic device cannot function efficiently without the use of the copper wire. In 2022, Chilean miners extracted 5.3 thousand tonnes of the red ore and provided 24 per cent of global output of copper ore and 30 per cent of lithium. Moreover, the national companies invest considerable funds in the generation of green energy in the desert and use water for mining operations several times (Mining. Overview..., 2023).

In fact, almost all the largest copper mines are located in Chile. Among them Escondida stands out as the main strategic object that contributes 7 per cent of global production of this raw material, while Collahuasi is responsible for 3.1 per cent of it [The top 20 biggest copper mines...]. Because of this, solid international investors are attracted by the economy of scale in this Andean country. The importance of mining industry can be underscored by the fact that in 2022 Chile exported different types of ores to the tune of USD 97.5 billion and the share of copper in this amount constituted a whopping USD 43.8 billion (Despite record exports in 2022..., 2023).

The authors also believe that the investments in Chilean mining industry represent a safe bet. Unlike Peru, Chile is the country where the protests are relatively rare and is confined to the Deep South where Indians are trying to protect their rights on native lands, while the operations in the Andes continue unabated. As a result of constant unrest in mountainous region of Peru, this second largest exporter of copper ore does not provide a stable supply of the commodity to the world market and respectively the global prices of this commodity are growing all the time. The international investors are also wary of Peruvian economy taking into consideration its unpredictability (Aquino, 2022).

The state player working in this field is Codelco ('Corporation National del Cobre') that controls 28 per cent of mines, while numerous multinationals are exploiting the rest of them. As a result, 'Codelco' is the top producer of copper and molybdenum. The last mineral is also important economically, since it is used in the process of making of corrosion – resistant reinforced steel, in the production of lubricants, fertilizers, and different tools or engines. Taking into consideration the leadership of China in this field, it is clear where the molybdenum is exported to. Chile occupies the second place in the world by the output of the production of this useful mineral only after China (Pistilli, 2023; Mining. Overview..., 2023).

Along with Argentina and Peru, the country is the member of extremely important to the global economy 'Lithium Triangle' and produces some of the largest quantities of lithium by utilizing the water in the salty lakes (solars) in the Atacama Desert and evaporating it in order to get the raw substance. The lithium batteries provide the power to electric cars and smart phones, and this light metal is widely used in nuclear reactors as well. Currently, Chile is the second largest producer of lithium only after Australia (Otis, 2022). In 2023, private miner 'SQM' and state-owned 'Codelco' agreed to create in two years the joint venture that will keep working till 2060 under the guidance of 'Codelco'. This state-private partnership is necessary, since Chile may lose the competition against Argentina and Bolivia that are actively luring the investors with new lithium fields, while Chilean zone of extraction of lithium is gradually losing its deposits (Chile's Codelco and SQM..., 2023).

The agriculture of Chile, where arable lands are truly limited, is known for the fruit and vegetables of the temperate belt that are widely popular abroad. The diversity of climatic conditions that are extremely dry in the Atacama Desert, alpine in the Andes Mountains, mild and Mediterranean in Santiago, while continental in the Desert of Patagonia create necessary factors for the cultivation of a wide range of agricultural products and berries. Moreover, the volcanic soils and a considerable number of sunny days are helping the farmers even further. Chilean farmers are effectively taking into consideration the counter-season demand in the North of the region by exporting the fruit and berries of moderate zone to cold countries like the US and Canada during their winter season. As a result, it is the top supplier to the world markets of cherries, grapes, apples, and citrus fruit. The cherries bring considerable profits, while the apples are sold in the largest quantities (Miranda, 2023).

Furthermore, Chilean agriculture is famous for its added value, since almost 99,000 companies are busy in the field of food processing and sell their products via 5 large networks of supermarkets or supply them to the national hospitality industry or abroad (Agricultural sector). The addition of value to agricultural products allows exporting them at more expensive price and to the far away international destinations, while prolonging their shelf life at the same time. This is like the European, Canadian or US practices that define the success of the industry.

The country operates the widest net of supermarket chains in South America to sell its products to as many clients as possible. The record-breaking number of such retail outlets is owned by Cencosud that controls the networks of shops under different commercial names in Chile, Argentina, Brazil, and Colombia, and even has the highest skyscraper in Santiago at its disposal. Its businesses are providing with work 116,000 people and this impressive result was achieved with gradual acquisitions of numerous rival companies in the region (Our history, *Cencosud*).

A small Chile is the number one exporter of wines in Latin America and the fourth largest their vendor in the world ahead of such global players as the US, Australia, and even the South African Republic (Workman). The national farmers are operating in the same climatic belt and the same topography as their counterparts in Argentina, but internal market of the country is considerably smaller, while the strategic location near the coast of the Pacific Ocean allows conducting a brisk trade with the region of East Asia and the overpopulated states of the US Western Coast. As a result, both China and the US are the main consumers of Chilean wines. Like in Argentinean case, the whereabouts of those lands on the deep periphery of South America isolated it from different diseases and many European grapes that disappeared on this continent, have been produced in Chile since colonial times and till present day. Take, for example, Chilean national red wine 'Carmenere' of French origin. The samplings of this grapevine were delivered to Chile in 1850 before the epidemics destroyed them in France and with the flow of time became the symbol of the added value in the agriculture (The story of Carmenere in Chile, 2021). In 2022, the Chilean farmers churned out 1,244 billion liters from the grapes that were collected on the land area of some 129,000 hectares and exported the lion's share of produced bottles. The largest plantations were located in overpopulated central and south-central regions, what also defined an easy access of local population to those drinks. This field of economic activity brought USD 1.9 billion of export earnings during the same year (Gonzalez, 2023, pp. 2, 5, 8).

Chile is also actively competing with Norway as the top supplier of salmon fish to the world markets. The long and rugged coast to the South of Puerto Mont town with numerous fjords is a perfect zone for aquaculture, and because of this the country has the nickname 'Norway of South America'. At the same time, the national territory is located at the vital crossroads between Brazil

and the US with huge population bases, while the coastline of the Pacific Ocean provides it with a convenient route to the main consumer of this noble fish in the countries of East Asia like Japan. In 2022, Chilean farmers sold salmon products with the weight of more than 751,000 tonnes to the tune of USD 6.6 billion with the US being the largest customer with almost a half of import (Evans, 2023).

The commercial success of fish farming has another darker side that includes a heavy pollution of coastal waters with antibiotics or the feces of salmons and the proliferation of huge quantities of feed at the Ocean bottom. The farms are also routinely constructed in the national parks and protected zones (De Augustinis, 2013). Moreover, the Norwegian farmers and other European owners of such facilities in general enjoy calmer seas than the rough Pacific Ocean next to coast of Chile with its unpredictable weather and periodical El Nino phenomenon. El Nino may lead to the escape of the millions of salmons during storms where they prey on a smaller fish. But more importantly, this weather phenomenon is leading to algal bloom that is deadly for marine life in general (El Nino nightmare..., 2023).

The industry of forestry was created during the rule of Augusto Pinochet in 1974. It was decided at the state level to buy the samplings of trees with fast growing circle like Monterrey Pine and Eucalyptus and provide the national farmers who were willing to grow such trees on their land plots with generous state subsidies that covered the lion's share of the costs. As a result, a couple powerful companies emerged that became the principal players in this field. However, occasionally the country, where at least 300,000 people are busy in this field, is suffering because of powerful forest fires, since the plantations are dense and the trees of Eucalyptus are burning extremely fast, while their whereabouts near villages is rather dangerous for residents as well (Kozak, 2017).

Moreover, the country is one of the leaders of green revolution in South America, since more than 35 per cent of electricity is churned out by the energy of sun and wind, while 37 per cent is produced by hydropower stations, what helps to save money on the import of considerable share of fossil fuels. Some projects also allow using the salt as the source of energy (Hughes, 2023).

Both Chile and Uruguay are among the least corrupt state actors not only in Latin America, but in the world in general. In the 2022 Transparency International ranking, Chile occupied the 27th position, while Uruguay – the 14th (Chile. Ranking 2022; Uruguay. Ranking 2022). In the Economic freedom – 2023 list, the Andean country was at the 22th place that represented the second best achievement in the Western Hemisphere only after Canada, while leaving its direct competitor Uruguay in the fourth place. The Chilean economic system is noteworthy for considerable taxes that are aimed to redistribute the wealth between the Rich and the Poor, what remains a challenge for international investors. It is also notorious for a relatively high level of unemployment (Chile. 2023 Index of economic freedom).

In fact, both South American states can hardly be regarded as rivals, since Uruguay is a smaller agricultural twin of Argentina with a tiny population and Chile is highly developed multipurpose economy with the special emphasis on mining, the agriculture of temperate belt with its wines, cherries, berries, and apples, and a great connectivity to outside world.

What countries are responsible for Chilean economic success? Despite the contribution of the US consultants in the field of market reforms in the epoch of Augusto Pinochet, namely China with a significant appetite for world resources stands out as the main culprit of modern Chilean miracle. It is the leader in the world by the number of construction projects and badly needs different copper products. Some 27 million cars were assembled in the country in 2022, among them – 7.1 million electric cars, what makes Chinese demand for copper and lithium products even higher (Chinese automobile output..., 2023). China is also the dominant producer of batteries that contain copper and lithium elements. In 2022, the Chinese share in the manufacturing of batteries constituted 77 per cent of the global output (Bhutada, 2023). Moreover, 'The Middle Kingdom' is among the most important makers of ships, smart phones, and electronics. All this put together defines significant importance of such copper suppliers as Chile and Peru to constantly growing Chinese economy. The author also believes that the periodic political difficulties in the relations with Australia that considers the US as its main security partner force the official Beijing to turn towards Chilean copper, lithium, and wines in order to substitute the similar products of their Australian counterparts.

But not only copper defines the interest of China towards Chilean economy. The country with enormous population is the top consumer of fruit, especially the red ones that bring good luck in the

imagination of Chinese customers who belong to the ranks of the middle class or higher. This can be illustrated by successful export of Chilean cherries to Chinese market. In 2022, the national farmers sold some 331,000 tonnes of those fruit to the East Asian country (Daye, 2023). The same probably concerns the wines and different berries.

In 2005, the partners signed free trade agreement and namely China has been known as the main trading partner of this country since 2009. In 2022, the bilateral trade in goods constituted some USD 38.11 billion, while ‘The Middle Kingdom’ was the largest export destination of the Chilean companies by a wide margin (Yeping, 2023). Chile, sensing the opportunity of profitable trade relations with rising China, accorded the diplomatic recognition to the official Beijing as early as in 1970 and was the first in the region to sign the free trade agreement with this country in 2005. On the other hand, Chinese enterprises consume a considerable share of Chilean mineral export thus making the country less inclined to diversify its economy and hope that the demands from will remain the same. The companies from this East Asian country also own 57 per cent of strategic objects that distribute the electricity in Chile, what makes the dependence even more pronounced (Fernández, 2022).

China is the principal partner of Chile in the field of green revolution. Santiago is in the Valley between several mountains and is suffering badly because of car emissions. The same problem is typical for many Chilean cities and they forced the government to declare the complete switch of the system of transportation of goods and people from gasoline buses to electric buses in 2040. China decided to help with the sales of electric vehicles for public purposes and agreed to supply in 2019 the buses of this type. Such producers as BYD, Yutong and Foton are well-represented in the capital, but this is the namely Foton that is the main player in the transport system of Santiago. In 2021, this company agreed to supply the Andean country with 1022 electric buses (Roberts, 2022).

China, as the world’s largest batteries producer, is stepping up its quest for the extraction of lithium in Chile and in 2018 Tianqi Lithium bought with the loan that was worth some USD 4 billion 23.77 per cent of shares of SQM – the largest Chilean miner of this commodity. It happened so, because Chinese leadership wants to increase the volumes of the production of batteries and electric cars with Chilean raw materials (De La Jara, 2018).

Of course, the relations with the US are also of the paramount importance, since this country is one of world leaders by production of aircrafts, cars, ships, and military equipment, while its consumer market is the fourth largest in the world. In 2003, the US and Chile signed the free trade agreement that became valid during the next year. Moreover, it was the first state actor of South America that concluded such a treaty with a sole superpower. The US trade with Chile in 2022 constituted some USD 35.4 billion and Chile was an important exporter of copper, salmon, lithium, grapes, berries, and citrus fruits (Karst, 2023).

Chile is one of rare players of Latin America whose citizens enjoy the right to travel to the US without visa for 90 days. This opportunity was given to them in 2014 (US relations with Chile, 2023). Mainly developed state actors deserve such a privilege and this South American country did it due to its constant economic successes and considerable per capita income. The authors believe that the education services in Chile are expensive, what may create the preconditions for US universities to open its branches in the country or attract more Chilean students to get the education in the US.

US corporations are active in the Chilean market as well. For example, Walmart is the top provider of US products that purchased in 2009 the net of shops that belonged to *Distribución y Servicio D & S S.A.* Today, it consists of some 393 retail outlets that are well-represented across the national territory (Chile, *Walmart*). The companies from this country also guarantee energy security of Chile. For example, Chicago, Bridge & Iron was responsible for the opening of LNG terminal ‘Quintero’ with the price tag of USD 775 million in 2009. Since that time, the facility in the Quintero Bay has successfully been catering the needs of central region in natural gas. It was done in order to substitute unreliable supply of pipeline fuel from Argentina (Quintero Bay LNG project...). Furthermore, the US Corporation ‘Albemarle’ has been present in Chile since 1984 and controls three factories that churn out lithium products and share collective name ‘La Negra’ (Albemarle inaugurates news...). Finally, in 2021 Codelco and Microsoft struck the deal that stimulated the digitalization of mining operations for the sake of their automation, remote control, and the analysis of the efficiency (Chile’s Codelco partners..., 2021).

But this is the field of aviation where the cooperation of both countries truly shines. In 2019, the US carrier ‘Delta’ bought 20 per cent of the LATAM shares for USD 1.9 billion that allowed partners joining hands and introducing some 435 destinations – more than any other competitor in the region. The same American corporation also agreed to invest USD 350 million in the future projects of mutual interest. Both partners are using terminal No. 4 in New York and terminal No. 3 at Guarulhos airport in the suburb of Sao Paulo, Brazil. However, because of the temporary bankruptcy of LATAM Delta decided to decrease its share to 10 per cent in 2021 (Delta to buy 20% stake..., 2021; Garbuno, 2021).

Moreover, Jetsmart is owned by the US corporation ‘Indigo Partners’ that also controls the most successful Mexican budget airline ‘Volaris’ (JetSmart Airlines). As it was mentioned before, in 2023, Jetsmart became the principal partner of American Airlines in South America that cemented the alliance of both countries even further.

Conclusions. As it is generally known, the epoch of Salvador Allende proved that even rich country could be engulfed by the economic crisis, if to manage the economy improperly and rely on a single export destination. All his successors tried avoiding his bitter mistakes by diversifying the export commodities and creating trade partnerships with free trade agreements and increasing connectivity via ports and airports. In the 2000-s, China stepped in as the largest consumer of Chilean natural resources and the country became too dependent on a single market again. The trade ties with the US are also important, but Chinese needs of raw materials are truly unlimited. Chile is the export powerhouse with its copper products, lithium, molybdenum, seafood, apples, grapes, cherries, and wines; however, the overreliance on ‘The Middle Kingdom’ remains the matter of some concern.

References

1. 10 best things to do in Santiago, *Hotels*, available at: <https://www.hotels.com/go/chile/things-to-do-santiago> (accessed: 09.03.2024).
2. 10 must-visit places in the Atacama Desert (2020, December 2), *Ecochile*, available at: <https://ecochile.travel/10-must-visit-places-in-the-atacama-desert/> (accessed: 01.12.2023).
3. A Patagonia divided: The Chile – Argentina Border (and how to navigate it), *Bicycle Patagonia*, available at: <https://www.bicyclepatagonia.com/blog/exploring-patagonia/patagonia-divided-chile-argentina-border-navigate/> (accessed: 01.03.2024).
4. Agricultural sector. Chile – Country commercial guide (2023, December 7), *Official Website of the International Trade Administration*, available at: <https://www.trade.gov/country-commercial-guides/chile-agricultural-sector> (accessed: 16.01.2024).
5. Albemarle inaugurates news \$500M lithium plant in Chile (2022, June 17), *Battery Industry*, available at: <https://batteryindustry.tech/albemarle-inaugurates-new-500m-lithium-plant-in-chile/> (accessed: 22.03.2024).
6. Analysis of export and investment. Chilean export, *JICA Report*, available at: https://openjicareport.jica.go.jp/pdf/11668795_02.pdf (accessed: 08.03.2024).
7. Aquino, M. (2022, May 17) ‘Peru mining protests risk clogging \$53 billion investment pipeline, industry warns’, *Reuters*, available at: <https://www.reuters.com/markets/commodities/peru-mining-protests-risk-clogging-53-bln-investment-pipeline-industry-warns-2022-05-17/> (accessed: 26.01.2024).
8. Bhutada, G. (2023, January 19) ‘Vizualizing China’s dominance in battery manufacturing (2022-2027P)’, *Visual Capitalist*, available at: <https://www.visualcapitalist.com/chinas-dominance-in-battery-manufacturing/> (accessed: 12.03.2024).
9. Chile, UNESCO World Heritage Convention, available at: <https://whc.unesco.org/en/statesparties/cl> (accessed: 14.03.2024).
10. Chile, *Walmart*, available at: <https://corporate.walmart.com/about/location-facts/chile> (accessed: 21.03.2024).
11. Chile. 2023 Index of economic freedom, *Heritage*, available at: <https://www.heritage.org/index/pages/country-pages/chile#:~:text=Updated%20October%202023&text=Chile's%20economic%20freedom%20score%20is,2024%20Index%20of%20Economic%20Freedom> (accessed: 17.03.2024).

12. Chile. Ranking 2022, *Transparency International*, available at: <https://www.transparency.org/en/countries/chile> (accessed: 17.03.2024).
13. Chile's Codelco and SQM join forces to bolster lithium production (2023, December 27), *BNN*, available at: <https://bnnbreaking.com/finance-nav/business/chiles-codelco-and-sqm-join-forces-to-bolster-lithium-production/> (accessed: 12.01.2024).
14. Chile's Codelco partners with Microsoft to digitalize mining operations (2021, March 25), *NS Business*, available at: <https://www.ns-businesshub.com/technology/chiles-codelco-partners-with-microsoft-to-digitise-mining-operations/> (accessed: 22.03.2024).
15. Chile's sky resort, *Paramount guide*, available at: <https://paramount-guides.com/chile-ski-resorts> (accessed: 11.03.2024).
16. Chilean forestry companies planning a class action lawsuit against government because of arson attacks (2022, September 22), *Mercopress*, available at: <https://en.mercopress.com/2022/09/22/chilean-forestry-companies-planning-a-class-action-lawsuit-against-government-because-of-arson-attacks> (accessed: 04.03.2024).
17. Chinese automobile output, sales rise in 2022 on supportive government policies (2023, January 18), *Fast Markets*, available at: <https://www.fastmarkets.com/insights/chinese-automobile-output-sales-rise> (accessed: 27.03.2024).
18. Copper: Critical today, tomorrow, and forever, *Visual Capitalist*, available at: <https://www.visualcapitalist.com/sp/copper-critical-today-tomorrow-and-forever/> (accessed: 21.01.2024).
19. Dall, N. (2016, March 24) 'Introducing Chile, the Land of Extremes', *SA Expeditions*, available at: <https://www.saexpeditions.com/blog/post/introducing-chile-land-of-extremes> (accessed: 11.03.2024).
20. Daye, C. (2023, January 19) 'Chilean cherry export to China hit new high', *Global Times*, available at: <https://www.globaltimes.cn/page/202301/1284055.shtml> (accessed: 13.03.2024).
21. De Augustinis, F. (2013, February 15) 'Natural paradise in Chile under threat from fish farming', *The Ferret*, available at: <https://theferret.scot/nature-chile-under-threat-from-fish-farming/> (accessed: 28.02.2024).
22. De La Jara, A. (2018, December 3) 'Tianqi buys stake in lithium miner SQM from Nutrien for \$4.1billion', *Reuters*, available at: <https://www.reuters.com/article/us-chile-tianqi-lithium-idUSKBN1O217F> (accessed: 23.03.2024).
23. Delta to buy 20% stake in LATAM (2021, June 24), *One Mile at a time*, available at: <https://onemileatime.com/delta-latam/> (accessed: 11.03.2024).
24. Despite record exports in 2022, hard times ahead for the Chilean economy (2023, January 11), *Mercopress*, available at: <https://en.mercopress.com/2023/01/11/despite-record-exports-in-2022-hard-times-ahead-for-the-chilean-economy> (accessed: 29.01.2024).
25. El Nino nightmare looms for Chilean salmon farmers (2023, September 5), *Salmon Business*, available at: <https://www.salmonbusiness.com/el-nino-nightmare-looms-for-chilean-salmon-farmers/> (accessed: 28.03.2024).
26. Evans, J. (2023, January 27) 'Chile farmed salmon exports suffer contrasting fortunes in key markets in 2022', *IntraFish*, available at: <https://www.intrafish.com/salmon/chile-farmed-salmon-exports-suffer-contrasting-fortunes-in-key-markets-in-2022/2-1-1393420> (accessed: 27.02.2024).
- 27. Fernández, P. A. (2022, August 18) 'Chile's once-pioneering relationship with China is turning into dependency', *MERICS.org.*, available at: <https://merics.org/en/chiles-once-pioneering-relationship-china-turning-dependency> (accessed: 16.03.2024).**
28. Garbuno, D. M. (2021, December 14) 'Delta changes equity stakes in Latam and Aeromexico', *Air Insight Group*, available at: <https://airinsight.com/delta-changes-equity-stakes-in-latam-and-aeromexico/> (accessed: 11.03.2024).
29. Garbuno, D. M. (2023, June 5) 'JetSMART and American Airlines launch alliance', *Air Insight Group*, available at: <https://airinsight.com/jetsmart-and-american-airlines-launch-alliance/> (accessed: 12.01.2024).
30. Gonzalez, S. (2023, March 10) 'Wine production and trade', *United States Department of Agriculture. Foreign Agricultural Service*, Report Number: CI2023-0007, available at:

https://agriexchange.apeda.gov.in/MarketReport/Reports/Wine%20Production%20and%20Trade_Santiago_Chile_CI2023-0007.pdf (accessed: 27.01.2024).

31. Hughes, R. A. (2023, December 12) ‘A powerful energy cocktail: Chile is taking the Latin lead in the race for renewables’, *Euronews.com*, available at: <https://www.euronews.com/green/2023/12/21/a-powerful-energy-cocktail-chile-is-taking-the-latin-lead-in-the-race-for-renewables> (accessed: 16.03.2024).

32. JetSmart Airlines, *Invest Chile*, available at: https://www.investchile.gob.cl/success_stories/jetsmart/ (accessed: 11.03.2024).

33. Karst, T. (2023, August 9) ‘Chile celebrates 20 years of free trade with the U.S.’, *The Packer*, available at: <https://www.thepacker.com/news/industry/chile-celebrates-20-years-free-trade-us> (accessed: 24.03.2024).

34. Kozak, P. (2017, March 3) ‘Did Pinochet-era deregulation cause Chile’s worst-ever wildfires?’, *The Guardian*, available at: <https://www.theguardian.com/world/2017/mar/03/chile-wildfires-forestry-industry-plantations> (accessed: 15.03.2024).

35. La Ruta Natural, *LaRutaNatural.Gob.Ar*, available at: <https://larutanatural.gob.ar/en/must-see/58/aconcagua-provincial-park> (accessed: 11.12.2023).

36. Milesi, O. (2023, January 20) ‘Chile: Mapuches react to rejection of the ‘Pluri-National’, *Havana Times*, available at: <https://havanatimes.org/features/chile-mapuches-react-to-rejection-of-the-pluri-national/> (accessed: 10.03.2024).

37. Mining. Overview. Chile – Country commercial guide (2023, December 7), *Official Website of the International Trade Administration*, available at: <https://www.trade.gov/country-commercial-guides/chile-mining> (accessed: 28.01.2024).

38. Miranda, M. A. (2023, April 18) ‘The Chilean agroindustry: Production and Exports’, *ProducePay*, available at: <https://www.producepay.com/blog/the-chilean-agroindustry-production-and-exports/> (accessed: 16.01.2024).

39. Monteiro, T. (2023, August 31) ‘Chile: No Pain, No Gain’, *Global Finance*, available at: <https://gfmag.com/emerging-frontier-markets/chile-no-pain-no-gain/> (accessed: 09.02.2024).

40. Newman, L. (2023, May 25) ‘Puerto Williams: A journey to the end of the world’, *AlJazeera.com*, available at: <https://www.aljazeera.com/news/2023/5/25/puerto-williams-a-journey-to-the-end-of-the-world> (accessed: 11.02.2024).

41. Otis, J. (2022, September 24) ‘In Chile’s desert lie vast reserves of lithium – key for electric car batteries’, *NPR*, available at: <https://www.npr.org/2022/09/24/1123564599/chile-lithium-mining-atacama-desert> (accessed: 18.01.2024).

42. Our country, *Gob Cl*, available at: <https://www.gob.cl/en/our-country/> (accessed: 14.03.2024).

43. Our history, *Cencosud*, available at: <https://www.cencosud.com/en/nuestra-historia> (accessed: 10.01.2024).

44. Our history, *Latam airlines*, available at: <https://www.latamairlines.com/au/en/about-latam/our-history> (accessed: 08.01.2024).

45. Pistilli, M. (2023, May 3) ‘5 major molybdenum uses’, *Investing News Network*, available at: <https://investingnews.com/daily/resource-investing/industrial-metals-investing/molybdenum-investing/molybdenum-uses/> (accessed: 13.01.2024).

46. Public statement on the treaty of 1904 and free transit with Bolivia (2016, June 18), *Ministerio de Relaciones Exteriores*, available at: https://www.minrel.gob.cl/public-statement-on-the-treaty-of-1904-and-free-transit-with-bolivia/minrel_old/2016-07-08/100706.html (accessed: 11.03.2024).

47. Puterman, S. (2017, July 17) ‘Check out the world’s largest swimming pool’, *Daily Advertiser*, available at: <https://www.theadvertiser.com/story/life/luxury-living/2017/07/17/check-out-worlds-largest-swimming-pool/485771001/> (accessed: 11.01.2024).

48. Quintero Bay LNG project by Empresa Nacional del Petroleo. Chile, *Hydrocarbons Technology*, available at: <https://www.hydrocarbons-technology.com/projects/quinterobay/> (accessed: 21.03.2024).

49. Roberts, G. (2022, August 11) ‘Foton delivering (lots) more EV buses to Chile’, *JustAuto*, available at: <https://www.just-auto.com/news/foton-starts-1022-ev-bus-order-deliveries/> (accessed: 19.03.2024).

50. Romero, M. (2023, November 25) 'Sky airlines takes delivery of a new aircraft after almost two years', *Aviacionline*, available at: <https://www.aviacionline.com/2023/11/sky-airline-takes-delivery-of-a-new-aircraft-after-almost-two-years/> (accessed: 08.01.2024).
51. Salinas, G. (2021, May 27) 'Chile: A role model of export diversification policies?', *IMF Working Paper*, No. 2021/148, available at: <https://www.imf.org/en/Publications/WP/Issues/2021/05/27/Chile-A-Role-Model-of-Export-Diversification-Policies-50220> (accessed: 08.02.2024).
52. Santiago Metro. Chile, *Systra Group*, available at: <https://www.systra.com/en/projects/santiago-metro-network-chile/> (accessed: 19.03.2024).
53. The story of Carmenere in Chile (2021, August 28), *Chile Travel*, available at: <https://www.chile.travel/en/uncategorized/the-story-of-carmenere-in-chile-2/> (accessed: 26.01.2024).
54. The top 20 biggest copper mines in the world, *ABC dust*, available at: <https://abcdust.net/20-biggest-copper-mines-in-the-world-and-dust-control-challenges/> (accessed: 28.01.2024).
55. Thompson, M. (2022, November 15) 'You could retire in Santiago, Chile, on 1,800\$ a month', *Market Watch*, available at: <https://www.marketwatch.com/story/you-could-retire-in-santiago-chile-for-1-800-a-month-11668522341> (accessed: 04.03.2024).
56. Torres del Paine, *TorresdelPaine.com*, available at: <https://torresdelpaine.com/en/torres-del-paine-2/> (accessed: 07.03.2024).
57. UNESCO heritage site dubbed 'Jewel of the Pacific' (2014, April 14), *Bangkok Post*, available at: <https://www.bangkokpost.com/world/404884> (accessed: 13.03.2024).
58. Uruguay. Ranking 2022, *Transparency International*, available at: <https://www.transparency.org/en/countries/uruguay> (accessed: 17.03.2024).
59. US relations with Chile (2023), *US Department of State*, available at: <https://www.state.gov/u-s-relations-with-chile/> (accessed: 26.03.2024).
60. Vallejo, F. (2023, September 24) 'Top 5 must-see in El Calafate', *Go Patagonic*, available at: <https://gopatagonic.com/top-5-el-calafate/> (accessed: 01.03.2024).
61. Valparaiso, Chile port guide, *Celebrity Cruises*, available at: <https://www.celebritycruises.com/ports/valparaiso> (accessed: 11.03.2024).
62. Wolfsteller, P. (2023, December 20) 'Chile's Latam orders five Boeing 787s with GENx engines', *Flight Global*, available at: <https://www.flightglobal.com/fleets/chiles-latam-orders-five-boeing-787s-with-genx-engines/156266.article> (accessed: 23.01.2024).
63. Workman, D. 'Wine exports by country', *Worldexports.com*, available at: <https://www.worldstopexports.com/wine-exports-country/> (accessed: 19.01.2024).
64. Yeping, Y. (2023, June 15) 'China – Chile ties hold great promise for enhanced cooperation under BRI: Chilean Ambassador', *Global Times*, available at: <https://www.globaltimes.cn/page/202306/1292644.shtml> (accessed: 16.03.2024).