

Regime Change in Chile

Why in news?

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Centre-right politician 'Sebastián Piñera' has been elected as Chile's President recently.

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What is significance?

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- Chile is undergoing rapid political transformation, due to the recent introduction of proportional representation system.

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- This has effectively ended the two-party dominance characteristic of the past 3 decades and accelerated the assertive emergence of leftist politics.

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- Notably, the left drives its support base from the new middle classes that shot to prominence during the South American commodities boom of past decade.

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- The new government is expected to prioritise the establishment a constituent assembly to draft a new Constitution as promised.

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- Also, Mr. Piñera's victory raises expectations of the country's return to the robust economic performance, which currently below 2%.

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What would be the foremost challenge?

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- Chile's mining lobby wants regulations on permits to be eased, in order to

capitalise on global demand for copper – a major export commodity.

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- Mr. Piñera also promised easing labour regulations and reducing corporate taxes in the run-up to the elections.

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- While fulfilling these promises will be key to reviving growth, it won't be easy as the leftists hold a sizable strength in the congress.

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- As the middle class have been vouching for further improvements in welfare programs, it would be difficult to curb spending in areas like education.

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- Hence, Mr. Piñera will have to walk a tightrope between the competing demands of the businesses and the social welfare programs.

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What is the emerging trend in Latin America?

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- With Mauricio Macri as President in Argentina, Mr. Piñera's return signals a further consolidation of the centre-right in Latin America.

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- This rightward political swing is expected to spread across the region, as governments scheduled to face the electorate are mired with problems.

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- Economic consolidation is a critical priority in the region, as effects of the plummeting commodities markets in recent years is still being felt.

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Source: The Hindu

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