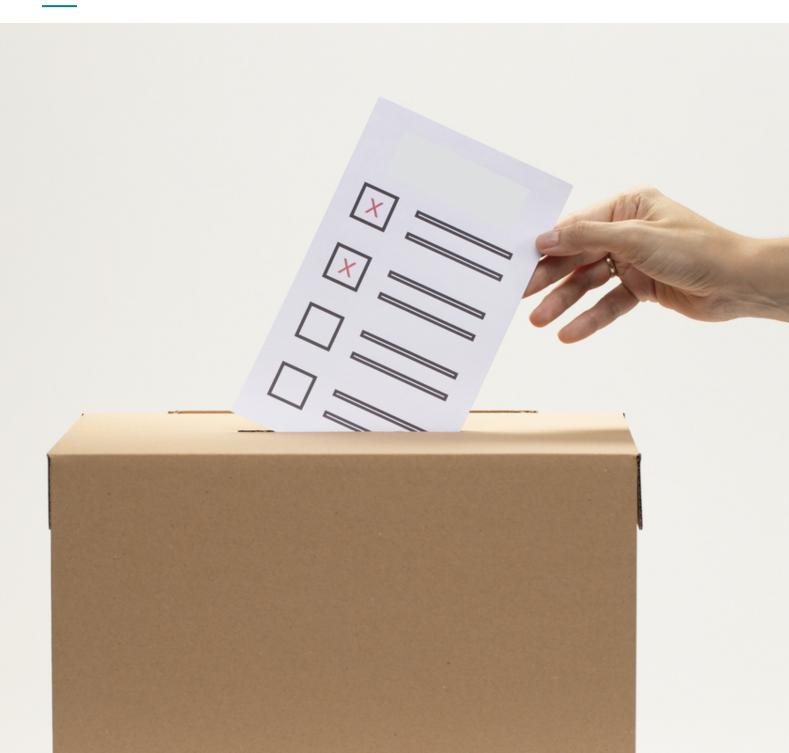


DECEMBER 2021

Chile **Presidential elections Pre-election report**





Executive summary

The General Elections of November 21 produced two winners in José Antonio Kast (Frente Social Cristiano) and Gabriel Boric (Apruebo Dignidad), obtaining 27.9% and 25.8% of the votes, respectively. Since neither surpassed the 50% threshold needed for outright victory, a run-off ballot, scheduled for December 19, will be held where the two candidates will go head to head for the presidency.

While there is little separating Kast and Boric in the polls, politically – in economic, regulatory and social terms – they are poles apart.

Kast comes to the elections on a ticket of boosting the private sector: loosen labor regulations to aid hiring and cut corporate tax, and exempting reinvestments from taxes altogether. On immigration, he has pledged to provide 'tools' for the state to "effectively apply the law". At the same time, he proposes a subsidy scheme for maternity favoring women's Chilean citizenship, which has been decried by progressives as discriminatory toward foreign women and children.

In contrast, Boric favors a progressive tax system with 'vertical and horizontal equity', one in which "those who have more, should contribute more". On immigration, he proposes establishing humanitarian shelters to ease access to emergency housing. He stresses the need for a regulated, orderly and safe immigration policy – and highlights the benefits of interculturality and the 'recognition' of migrants and refugees.

Whoever wins will mark a break from the past 16 years, during which Michelle Bachelet and Sebastián Piñera have alternated as heads of state. The new president will face the task of consolidating power, containing the social demands erupting in recent years and implementing the current constitutional reform process.

Meanwhile, the composition of the country's Congress for the next 4 years was decided at the November elections. The new legislative landscape means the winning party will lack a minority in both chambers and so will need to negotiate across party divides, including with the traditional political forces, to pass their agenda.



Basic questions

What is elected?

The President of the Republic is elected for the 2022-2026 term.

How to vote?

By personal, equal, secret and voluntary suffrage.

How many are the presidential candidates?

Two. Chile will elect in the ballotage between José Antonio Kast (Frente Social Cristiano) and Gabriel Boric (Apruebo Dignidad).

Why is there a run-off election?

Because none of the candidates obtained more than 50% of the votes in the elections held on November 21. On December 19, 2021, a runoff will be held between the two candidates with the highest number of votes obtained.



When will the next government take office?

The new president, as well as the elected congressmen, will take office on March 11, 2022 for a period of four years, ending on March 11, 2026.

Electoral Calendar

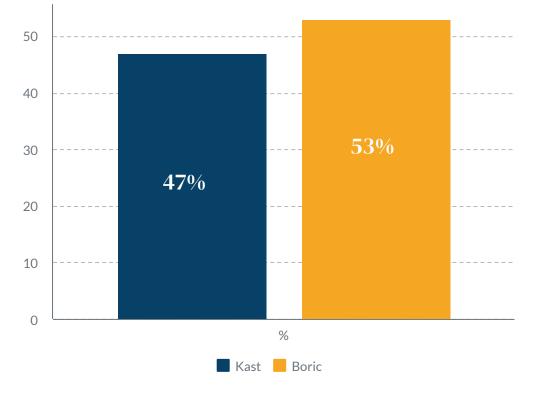
Held every 4 years, ninety days before the end of the current term. This year the elections were held on November 21 and the second round will be held on December 19.



Positioning before the run-off

After the first-round elections on November 21, José Antonio Kast (Frente Social Cristiano) and Gabriel Boric (Apruebo Dignidad) emerged as the two most voted-for candidates but since neither candidate obtained over half the votes cast, a second round run-off election will be held.

Projections on the outcome of this second ballot have changed over the last few weeks. The polls at the beginning of November pointed almost uniformly to victory for Kast. Weeks later, however, when the ban on the publication of polling results was lifted after the first elections, the gap between the two contenders had narrowed, with Boric edging ahead by between 4 or 5 percentage points.



Source: Graph based on polls from local surveys.



Voting in Chile is not compulsory. There are undecided citizens who may decide to vote at the last minute and who are difficult for pollsters to account for. Another factor to bear in mind is to whom the supporters of the losing candidates from the first round have gravitated: mostly toward Kast, in the case of supporters of the current government, and largely to Boric in the case of those unhappy with Piñera's administration.

For example, the Independent Democratic Union (UDI), Sebastián Sichel (representative of the ruling Chile Vamos coalition in November) and even Renovación Nacional (RN) are backing Kast, while the Socialist Party (PS), Michelle Bachelet and part of the Christian Democratic Party (PDC), which supported Yasna Provoste in November, have got behind Boric.

Sunday's result will define the presidency for the period 2022-2026 with the next head of government taking office on March 11 next year along with the renewed Congress, voted in on November 21.





Presidential candidates



Gabriel Boric

He is the youngest candidate. He was president of the Student Federation during 2011-2012 and led protests for public, free and quality education. In 2018 he founded the Convergencia Social party and the Apruebo Dignidad coalition, for which he is running for president. In 2014 he took office as deputy and was re-elected for the period 2018-2022.

<u>Government Plan</u>: It has four cross-cutting themes: "Decentralization, feminism, climate crisis and decent work".

Proposals:

- Increase of the minimum wage and reduction of the working day to 40 hours a week.
- Create a public, free and quality education system.
- Guarantee Internet as a basic service.
- In environmental matters, he proposes a framework law on Circular Economy and Waste Management. In addition, to create a national lithium company.
- Summon a Social Dialogue Commission to face the effects of the pandemic and the global economic crisis in the world of work.
- Tax reform proposal so that "those who have more contribute more": seeks to move towards a progressive tax system, with vertical and horizontal equity.
- Creation of a single health system based on a Universal Health Fund: the Social Security Health Institutions (in Spanish Isapre) will be transformed into additional voluntary insurances.
- Promotion of the law on euthanasia, dignified death and palliative care.
- Presentation of a law for the protection of ancestral seeds and genetic heritage.
- Policy for reduction of food waste.
- Home delivery of medicines for chronic diseases.
- Climate Crisis Adaptation Strategy: focused on productive management with principles of fair ecological transition. The State will be responsible for boosting innovation and digital transformation.
- Decent Work: freedom of association; social security systems; decent wages; and creation of productive jobs, for individual development and the common benefit of the country.



José Antonio Kast

He is a lawyer and current president of the Republican Party. He was deputy and presidential candidate in the 2017 elections. He served as councilman of Buin between 1996 and 2000, and as deputy between 2002 and 2018. Son of a family of German immigrants, he was a historical advocate of the Independent Democratic Union (UDI) until the announcement of his resignation on May 31, 2016.



<u>Government Plan</u>. The central ideas of his government plan are based on three axes: "The Republic, Freedom and the Family".

Proposals:

- Modify the Labor Code to allow freedom of working hours, hourly work and teleworking in the public and private sectors. In addition, establish that all employment contracts must include severance pay for years of service.
- Reform the Antiterrorist Law and integrate the National Intelligence Agency with specialists from the three branches of the Armed Forces, the Carabineros and the PDI.
- Create a specialized unit of the Investigative Police to actively search for illegal immigrants.
- In environmental matters, oversee emissions from industrial complexes to ensure that they comply with current regulations.
- Proposes to reduce VAT from 19% to 17%. It will provide 2% of the companies' profits to the workers through the Bonus Law.
- Decreases corporate taxes to 17% and exempts reinvestments from paying taxes.
- Strengthens the National Competition Court and the National Economic Prosecutor's Office.
- Encourage competition in the banking and electronic payments market.
- Develop telemedicine and promote a new Mental Health Policy.
- Create the Environmental Responsibility Law, standardize fines for environmental damage, strengthen education on the subject and implement a seal on food products that specifies the time required for the degradation of packaging.



Challenges for the next government

With three months remaining before the new government takes charge, whoever wins faces a tough task in negotiating alliances to consolidate power. This is because neither the party of Kast nor Boric made large enough inroads into the two chambers of Congress.

In the case of the Chamber of Deputies, Apruebo Dignidad will hold 37 seats and Frente Social Cristiano 15. This will effectively force either of the two candidates to reach out to and forge agreements with the other two most represented alliances (the current ruling coalition Chile Podemos, with 53 seats, and Nuevo Pacto Social, 37).

The situation is similar in the Senate, with Apruebo Dignidad holding 5 seats and Frente Social Cristiano only 1. Victory for Kast would mean an even tougher challenge for the right-wing candidate to secure wide enough backing, although the current ruling party, with 24 senators, could emerge as a key ally and offer support for different bills.

This scenario has come about because, in the November elections, voters' support for presidential candidates often did not extend to backing their party for Congress. In the case of Kast, support for his party, the Social Christian Front, barely exceeded half the votes he received for his own candidacy.

On the other hand, Kast or Boric will have to factor in the constitutional reform process that is ongoing. For whoever wins, this will rumble on in his first two years in office and may weaken or strengthen his position significantly. The next government will be tasked with implementing the reforms agreed upon, as well as needing to bend to eventual rule-changes mandated by the future constitution.

All this in the context of a pandemic, with the new government needing to pay close attention not only to health issues but also on how this impacts on the economy. To say nothing of the still unresolved social grievances that have simmered since their eruption in 2019. Boric or Kast, the new president will have his work cut out negotiating these and other challenges.

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🗹 info@directoriolegislativo.org

BUENOS AIRES

Av. Entre Ríos 258 3o E (1079), CABA. Argentina + (5411) 5218-4647



WASHINGTON D.C.

1110 Vermont Ave, NW, Suite 800 Washington DC 20005, USA +1(786)828-0675



www.directoriolegislativo.com