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Bachelet returns to the Chilean presidency in major election victory

BY GIDEON LONG

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The Socialist candidate Michelle Bachelet pulled off a dramatic return to Chile's presidency in Sunday's election and quickly promised radical reform to the country's education system, higher taxes on businesses and a new constitution.

Bachelet overwhelmingly won the second round of the election, taking 62 percent of the vote to just 38 percent for Evelyn Matthei, her right-wing rival.

The two women, childhood friends who briefly lived opposite each other on the same street, emerged as the two leading candidates from the first round of voting on Nov.17.

Bachelet's victory sparked wild celebrations as thousands of supporters poured onto Santiago's main street, the Alameda, and at her party's campaign headquarters at the Hotel San Francisco in the heart of the capital.

"We need real change in Chile, not just the cosmetic changes we've seen over the past few years," said Claudia Cifuentes, one of those celebrating on the streets of the capital. "I'm optimistic. I honestly believe this will be the government that Chileans want and after years of disappointment."

Bachelet, a 62-year-old single mother, promised to rule for everyone.

"Now is the time! Now, at last, is the time," she told the crowd.

"We have the people with us, we have majorities in parliament and in the regional councils. The political, social and economic conditions are right. We have the willpower and we are united.

"Today in Chile, a clear majority of people want the changes we're proposing. It's time to get to work."

A pediatrician-turned-politician, Bachelet led this election campaign from the start and never it never looked like she would lose.

“People trust her,” said Kirsten Sehnbruch, professor of public policy at the University of Chile. “This is a country in which trust is quite low on all fronts, so to have a politician at the top in whom you trust is very important indeed.

“She’s very charismatic, she’s someone the average Chilean can relate to, both women and men. She’s become a very able politician. She’s learned a lot in recent years and she did things for people in her first term that they remember and are grateful for.”

The new president will take office on March 11, replacing center-right President Sebastián Piñera.

Bachelet, who ruled from 2006 to 2010, will become the first Chilean leader since 1952 to return to the job. Under the constitution, incumbent presidents are barred from seeking a second consecutive term.

Her second government is likely to be more radical than her first and will enjoy a clear majority in both houses of parliament, something she lacked for much of her first term.

Her center-left New Majority coalition will have 68 seats in the 120-seat Chamber of Deputies and 21 seats in the 38-seat Senate. She should also be able to rely on parliamentary support from a handful of left-wing independents, giving her a clear mandate to push through her ambitious reform agenda.

High on her “to do” list is reform of the education system, which relies heavily on household contributions to top up meager state funding. She wants to turn it into a fully state-funded system within the next six years. As a first step, she has promised that by the end of her four-year term, the state will be paying the tuition fees of the poorest 70 percent of Chile’s higher education students.

That will require money. In total, her education reforms will need extra funding of between 1.5 and 2 percent of gross domestic product each year, according to her aides.

Most of that money will come from tax reform. Bachelet plans to raise Chile’s basic corporate tax rate from 20 to 25 percent over the next four years while reducing the top rate of personal income tax from 40 to 35 percent. She also wants to abolish a mechanism that allows companies to indefinitely defer the payment of tax on their re-invested profits.

Aside from education and tax reform, the third pillar of Bachelet’s campaign is constitutional change. She says Chile needs a new constitution to replace the one drawn up under General Augusto Pinochet

in 1980, and a new electoral system. The current one ensures that the two big coalitions get almost all the seats in Congress, split fairly evenly between them.

One of Bachelet's challenges will be to keep her coalition in check. During her first government, she headed a four-party coalition but this time she represents seven parties. At one end of the spectrum sits the Communists while at the other sits the Christian Democrats. On ethical issues like relaxation of Chile's strict abortion laws and the legalization of gay marriage, they do not see eye-to-eye.

Another challenge will be the slowing economy, which grew by 5.6 percent in 2012 but is expected to slow to 4.2 percent this year. Earlier this month, the Central Bank said it could ease further still in 2014, warning of a potential growth rate of below 4 percent.

The bank painted a somber picture for next year, saying that prices for Chile's main export commodity – copper – would fall, and the country's trade surplus would shrink to \$600 million next year from a forecast \$2.5 billion in 2013.

Some business leaders have complained that Bachelet's left-wing agenda will only exacerbate this slowdown and will drive away foreign investors.

Bachelet's main foreign policy challenges will center on relations with Chile's northern neighbors, Peru and Bolivia. Both countries have taken Chile to the International Court of Justice in The Hague over border disputes. The court is due to rule on the dispute with Peru on January 27, while a verdict in the Bolivian case is not expected for some years.

From January 1, Chile will replace Guatemala on the United Nations Security Council, giving it an important vote on critical issues, including international response to the use of chemical weapons in Syria. Bachelet has said the appointment will enhance Chile's role in shaping global events.