

CHILE

Economic Freedom Score



World Rank: **7** Regional Rank: **1**

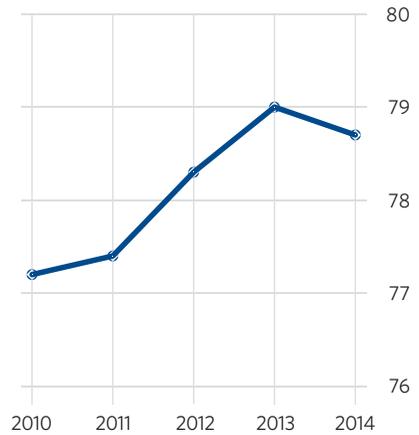
Chile's economic freedom score is 78.7, making its economy the 7th freest in the 2014 *Index*. Its overall score is slightly lower than last year, with an improvement in investment freedom offset by combined declines in labor freedom, business freedom, and fiscal freedom. Continuing as one of the 10 freest economies in the *Index*, Chile enjoys the highest degree of economic freedom in the South and Central America/Caribbean region.

Over the 20-year history of the *Index*, Chile has been consistently rated one of the “mostly free” economies, achieving economic freedom scores above 70. Three of the country's 10 economic freedoms—freedom from corruption, investment freedom, and financial freedom—have recorded score gains of 20 points or more since 1995. Sustaining Chile's high level of regulatory efficiency and market openness, monetary freedom and trade freedom have notably improved as well.

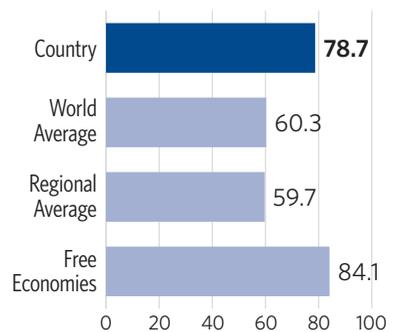
As a global leader in economic freedom, Chile continues to uphold principles of limited government through prudent public finance management that has kept public debt and budget deficits under control. The country's active participation in the ongoing Trans-Pacific Partnership negotiations reflects its steady commitment to trade and investment liberalization.

BACKGROUND: From 1990 to 2009, left-of-center governments largely maintained the market-based institutions and economic policies established under the 17-year rule of General Augusto Pinochet. However, under the center-right Alianza coalition, which took power in 2010, President Sebastian Piñera has raised corporate taxes and personally intervened to stop the construction of a coal-fired electric plant that had cleared all regulatory hurdles. None of that has satisfied the left, and large street protests have become an ongoing problem for the government. Despite Piñera's clumsy political leadership, Chile still has the region's best reputation among foreign investors. It is the first South American country to join the Organisation for Economic Co-operation and Development. Chile is the world's leading producer of copper. The economy is very open to imports but is also an export powerhouse in minerals, wood, fruit, seafood, and wine.

Freedom Trend



Country Comparisons



Quick Facts

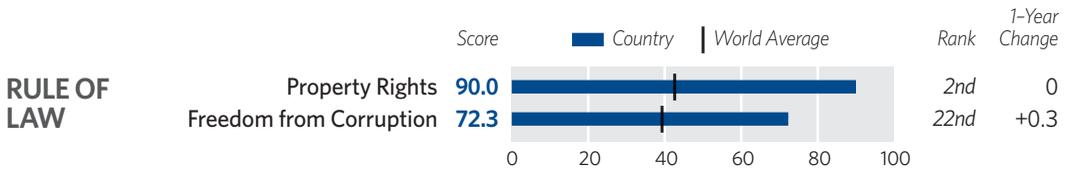
- Population:** 17.4 million
- GDP (PPP):** \$320.5 billion
- 5.5% growth in 2012
- 5-year compound annual growth 3.8%
- \$18,419 per capita
- Unemployment:** 6.5%
- Inflation (CPI):** 3.0%
- FDI Inflow:** \$30.3 billion
- Public Debt:** 11.2% of GDP

How Do We Measure Economic Freedom?

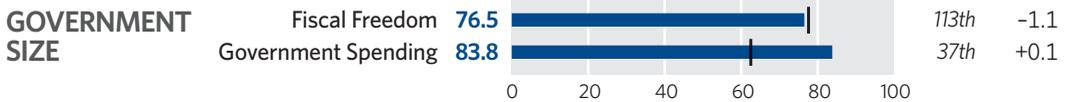
See page 471 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2012 data unless otherwise noted.
Data compiled as of September 2013.

THE TEN ECONOMIC FREEDOMS



The constitution provides for an independent judiciary, and the courts are generally free from political interference. In the past decade, the Chilean Congress passed significant anti-corruption, transparency, and campaign-finance laws that contributed to Chile's reputation for good governance. Property rights are strongly respected, and expropriation is rare. Crime rates have declined significantly in the period from 2009 to 2013.



Chile's top individual income tax rate has been lowered to 40 percent, and the corporate tax rate has risen to 20 percent to cover new education spending. Other taxes include a value-added tax (VAT) and a property tax. Overall tax revenue amounts to 18.7 percent of GDP. Falling commodity prices could tighten revenue, but government expenditure has been stable at 23.2 percent of GDP. Public debt is about 11 percent of the domestic economy.



Incorporating a business takes less than 10 procedures, with no paid-in minimum capital required, but completing licensing requirements remains time-consuming and somewhat costly. Minimum wage increases have exceeded overall productivity growth in recent years. Government price supports for agriculture are less than 5 percent of total farm receipts, one of the lowest rates among OECD countries.



Chile has a 4 percent average tariff rate. It recently joined the Pacific Alliance, which, if counted as a single country, would be the world's ninth-largest economy. Foreign investment is welcomed. The dynamic financial system facilitates high levels of bank usage and provides relatively efficient access to financing. Reforms to improve capital market liquidity and enhance access to financial services for small companies have progressed gradually.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-2.9	Business Freedom	-15.7	Trade Freedom	+19.0
Freedom from Corruption	+22.3	Government Spending	-3.2	Labor Freedom	-8.0	Investment Freedom	+20.0
				Monetary Freedom	+18.0	Financial Freedom	+20.0