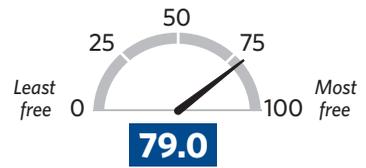


# CHILE

## Economic Freedom Score



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

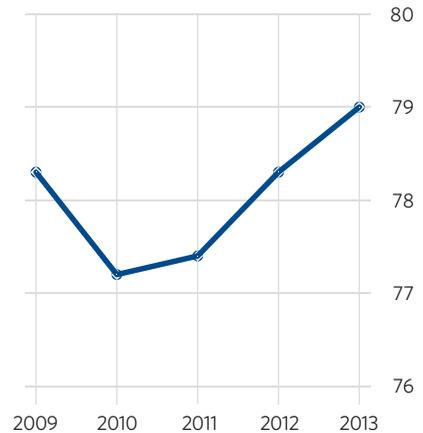
Chile's economic freedom score is 79, making its economy the 7th freest in the 2013 *Index*. Its overall score is 0.7 point better than last year, mainly due to improved scores in investment and business freedoms. Continuing to be one of the 10 freest economies in the *Index*, Chile enjoys the highest degree of economic freedom in the South and Central America/Caribbean region.

Chile continues to be a global leader in economic freedom. With the rule of law strongly maintained by an independent and efficient judicial system, prudent public finance management has kept public debt and recent budget deficits under control.

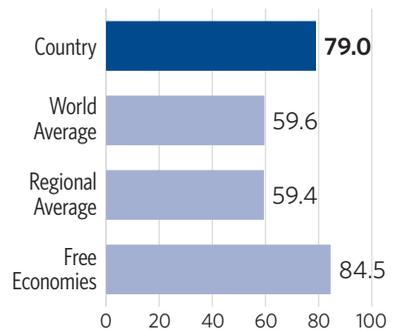
Flexibility and openness have equipped Chile's small economy with an impressive capacity to adjust to external shocks, and its active participation in the Trans-Pacific Partnership negotiations reflects its strong commitment to trade liberalization. Facilitating entrepreneurial activity, sound policy choices grounded in a strong commitment to economic freedom have ensured economic dynamism. The investment code is conducive to long-term growth, and the financial sector remains competitive.

**BACKGROUND:** From 1990 to 2009, left-of-center governments did little to deepen reforms but largely maintained the market-based institutions and economic policies established under the 17-year rule of General Augusto Pinochet. Now, to the disappointment of many market liberals, President Sebastian Piñera and his center-right Alianza coalition, in power since 2010, have raised taxes and intervened to stop the construction of a coal-fired electric plant that had already cleared all regulatory hurdles. Chile has the strongest sovereign bond rating in South America and is the first country from that continent to join the Organisation for Economic Co-operation and Development. It is the world's leading producer of copper. An innovative, countercyclical fiscal policy accumulates surpluses when copper prices are high and operates in deficit only when prices and economic activity are low. This has helped to maintain fiscal balance. 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

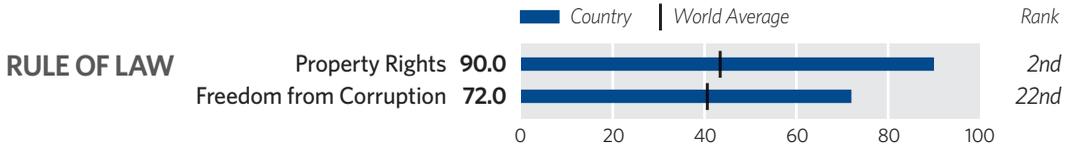
- Population:** 17.4 million
- GDP (PPP):** \$299.6 billion
- 5.9% growth in 2011
- 5-year compound annual growth 3.9%
- \$17,222 per capita
- Unemployment:** 6.1%
- Inflation (CPI):** 3.3%
- FDI Inflow:** \$17.3 billion
- Public Debt:** 9.9% of GDP

2011 data unless otherwise noted.  
Data compiled as of September 2012.

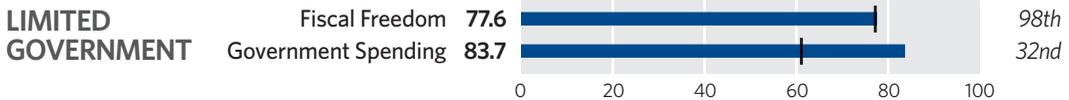
### How Do We Measure Economic Freedom?

See page 477 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

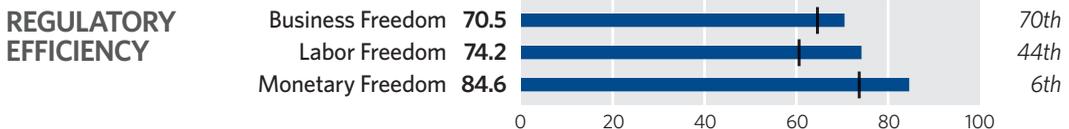
**THE TEN ECONOMIC FREEDOMS**



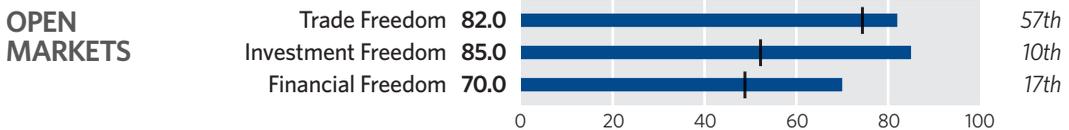
Contractual agreements in Chile are the most secure in Latin America. Courts are transparent and efficient. Property rights are strongly respected, and expropriation is rare. Lingering intellectual property rights concerns involve protection of patents and copyrights, although the government has amended its copyright law, ratified the Trademark Law Treaty, and approved the International Convention for the Protection of New Varieties of Plants.



The top income tax rate is 40 percent. The corporate tax rate increase instituted in 2010 was temporarily lifted during the first half of 2012. Other taxes include a value-added tax (VAT) and a property tax. The overall tax burden equals 17.3 percent of GDP. Government spending is 23.3 percent of total domestic output. Public debt is about 10 percent of GDP.



Chile has made progress in eliminating regulatory bottlenecks. It takes eight days and seven procedures to start a business, with no minimum capital required. Bankruptcy procedures remain cumbersome. Minimum wage increases have exceeded overall productivity growth in recent years, but labor laws generally facilitate efficient hiring and dismissal procedures. Inflation has risen slightly in the wake of continuing strong domestic demand.



The trade-weighted average tariff rate is 4 percent, and non-tariff barriers are relatively low. Chile has actively pursued free trade deals with many countries. Guided by a transparent and efficient investment regime, foreign and domestic investors generally receive equal treatment. With the well-capitalized and stable banking sector offering a wider range of services, the financial system remains one of the region's most stable and developed.

**Score Changes**

RULE OF LAW	LIMITED GOVERNMENT	REGULATORY EFFICIENCY	OPEN MARKETS
Property Rights	Fiscal Freedom	Business Freedom	Trade Freedom
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
0	+0.2	+1.9	0
0	+1.6	-0.9	+5.0
		Monetary Freedom	Financial Freedom
		-1.0	0