

WORLD RANK:

15

REGIONAL RANK:

2

ECONOMIC FREEDOM STATUS:
MOSTLY FREE

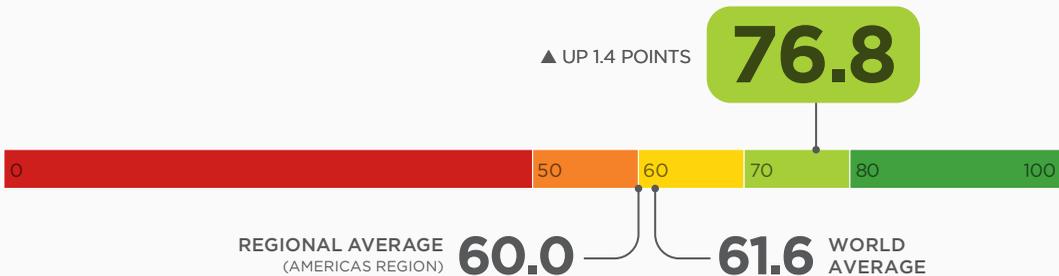
CHILE

Chile's economic freedom score is 76.8, making its economy the 15th freest in the 2020 *Index*. Its overall score has increased by 1.4 points, led by a significant increase in the score for **government integrity**. Chile is ranked 2nd among 32 countries in the Americas region, and its overall score is well above the regional and world averages.

Economic freedom in Chile declined from 2013, when its economy was on the verge of joining the ranks of the free, to 2018 but has been on a positive trajectory since then. The recent acceleration of GDP growth most likely reflects that positive trend.

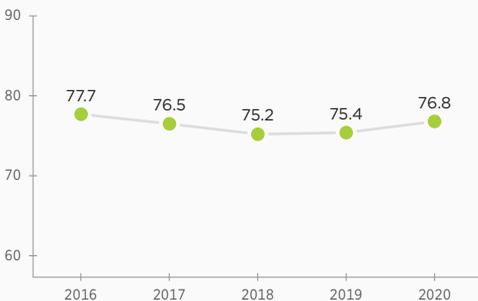
The government's efforts to seek legislative approval of any further business-friendly tax, pension, and regulatory reforms will be complicated by the social unrest that was triggered in October by a hike in subway fares and then disintegrated into riots that took a dozen lives. The forced cancellation of the previously scheduled APEC summit in Santiago reflected a serious deterioration of the rule of law in Chile that could have a negative impact on its economic freedom in the future.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +5.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
18.5 million

GDP (PPP):
\$481.8 billion
4.0% growth in 2018
5-year compound
annual growth 2.2%
\$25,978 per capita

UNEMPLOYMENT:
7.2%

INFLATION (CPI):
2.3%

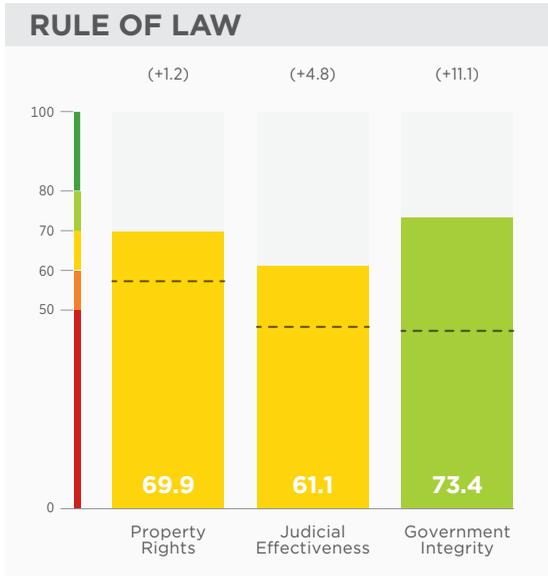
FDI INFLOW:
\$7.2 billion

PUBLIC DEBT:
25.6% of GDP

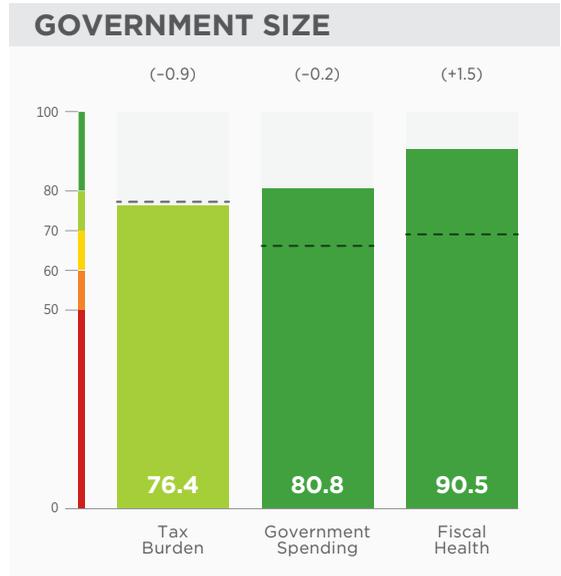
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Chile is the world's leading copper producer, and its exports of minerals, wood, fruit, seafood, and wine drive GDP growth. Center-right President Sebastian Piñera, in office since 2017, has been undermined by stiff resistance from left-leaning parties in Congress. A dramatic escalation of violent antigovernment protests in late 2019 caused the highest level of political instability since the restoration of democracy in the 1990s. Although Chile's solid economic fundamentals had undergirded continued GDP expansion in early 2019, uncertainty caused the economy to contract late in the year. Chile retains the Pacific Alliance's best investment profile, benefits from many free-trade agreements, and led the 2019 creation of the Forum for the Progress of South America (PROSUR), a free-market-oriented regional economic and social cooperation bloc.

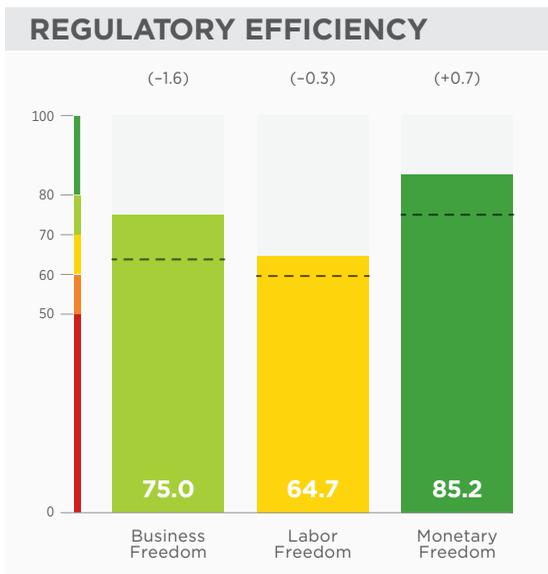
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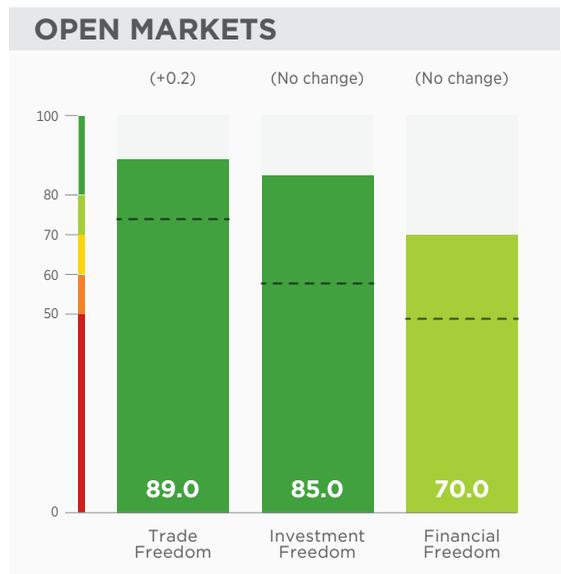
Secured interests in real property are recognized and generally enforced in Chile. Expropriation is rare. There is a recognized and generally reliable system for recording mortgages and other forms of liens. The judiciary is independent, and the courts generally enforce property and contractual rights competently and are generally free from political interference. Chile is the second least corrupt country in South America after Uruguay.



The top individual income tax rate is 35 percent, and the top corporate tax rate has increased to 27 percent. The overall tax burden equals 20.2 percent of total domestic income. Government spending has amounted to 25.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.3 percent of GDP. Public debt is equivalent to 25.6 percent of GDP.



Chile recently modernized some aspects of starting a business and enforcing contracts. The process for gaining approval for large projects, however, has become increasingly unpredictable and time-consuming. Labor laws are generally well defined and evenly enforced. Chile is one of the few countries in the world that is not subsidizing the development of its extensive sources of renewable (wind and solar) energy.



The total value of exports and imports of goods and services equals 57.5 percent of GDP. The average applied tariff rate is 0.5 percent, and 105 nontariff measures are in force. Market openness to investment and an efficient business environment have provided a solid basis for economic dynamism. The financial system facilitates high levels of bank usage and relatively efficient access to financing.