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LATIN AMERICA

Free trade helped Chile, data show

U.S. exports to Chile rose by more than 34 percent in the first year of the U.S.-Chile Free Trade Agreement, the first increase since 1995.

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SANTIAGO, Chile - More than a year after a landmark free-trade agreement between the United States and Chile eliminated tariffs on thousands of goods, figures show that the deal began to pay off immediately. The results are encouraging other South American countries to sign similar agreements, a Chilean official said.

For the first time since 1995, U.S. exports to Chile rose in 2004 over the previous year, by 34.7 percent. Most of that increase came in automobiles, construction equipment and computers.

Chilean exports to the United States also grew last year, by 31.7 percent. The increases were in wood, mandarin oranges and butter, according to the American-Chile Chamber of Commerce in Santiago.

Not all of the increase in U.S. exports was due to the elimination of duties on goods from the United States. For example, with Chilean copper and gold in high demand worldwide, the demand also was up for U.S.-made mining equipment.

Trade between the countries totaled just less than $8.36 billion in 2004, with the United States buying $1.1 billion more from Chile than it sold.

''It's been very positive,'' U.S. Ambassador Craig Kelly said in an interview. ``Exports are up in both directions.''

Eliminating the 6 percent duty on such equipment helped lower its price, said Jorge Brahim, the parts inventory manager for Finning, the Chilean distributor of Caterpillar parts and equipment.

His company's imports of parts from the United States grew 44.1 percent in 2004, to $170 million from $118 million, he said. His imports from the United States are expected to rise another 11.8 percent to $190 million this year.

At the same time, his company is able to offer better prices in Chile because the import duties are gone. An oil filter for a backhoe loader that cost $19.55 in 2003 cost only $18.45 in 2004, he said.

The results with Chile have drawn the interest of Ecuador and Colombia, which are negotiating their own accords with the United States.

Osvaldo Rosales, Chile's chief negotiator, said he had talked to officials from both countries in the past two months about Chile's results and that those officials seemed to be encouraged to press to complete their deals.

The Bush administration chose to negotiate its first free-trade agreement with Chile because the South American country has one of the strongest economies in the developing world, with little inflation, low foreign debt and well-developed roads, airports and ports. Trade negotiators signed the deal in Miami.

Under the agreement, which took effect Jan. 1, 2004, Chile eliminated 90 percent of its tariffs and will phase out the others over 12 years, principally to protect its agriculture industry from immediate U.S. farm competition.

The decline in tariffs wasn't the only benefit. Agrícola Valle Grande began exporting extra-virgin olive oil to the United States in 2004 not so much because of the reduction in tariffs -- they dropped to zero from only 0.2 percent -- but because the accord meant that the United States would be a secure market for years.

''If Chile was already exporting wine to the United States, we thought: Why not olive oil?'' said the company's owner, Elveo Olave.

He expects his sales of $170,000 to the United States in 2004 to reach $500,000 this year.

Beyond the short-term gains, the trade agreement is expected to pay large dividends in the long run for Chile by fortifying its role as the safest place for foreign investors in Latin America, said Richard Diego, the president of the American Chamber of Commerce in Chile.

''Chile sees itself as the Hong Kong or the Singapore of Latin America,'' Diego said. ``This agreement cements this.''