

Clinton and Obama threat to end NAFTA alarms business

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WASHINGTON - U.S. business groups expressed alarm on Wednesday over a threat by Democratic presidential candidates Barack Obama and Hillary Clinton to pull the United States out of the North American Free Trade Agreement if Mexico and Canada won't renegotiate it.

"The rhetoric is getting more vituperative. Now, they're talking about abrogating (the agreement). That would be a disaster for American jobs," said Frank Vargo, vice president for trade policy at the National Association of Manufacturers.

Both Clinton and Obama said during a debate on Tuesday night in Ohio the United States could "opt out" of the 14-year-old pact if Canada and Mexico refuse to strengthen labour and environmental provisions and modify an investment chapter that critics say favours corporate interests too much.

The steps would be aimed at addressing concerns that NAFTA has caused U.S. job losses.

"I have put forth a very specific plan about what I would do. And it does include telling Canada and Mexico that we will opt out unless we renegotiate the core labour and environmental standards," Clinton said.

"I think actually Senator Clinton's answer on this one is right," Obama said. "I think we should use the hammer of a potential opt-out as leverage to ensure that we actually get labour and environmental standards that are enforced."

Although the United States has lost 3 million manufacturing jobs since 2000, overall manufacturing jobs increased during the first years of NAFTA, which went into force in 1994, even though some factories did move to Mexico, Vargo said.

Also, almost all of the growth in imports from Canada and Mexico over the past seven years has been in oil and natural gas, not manufactured goods, Vargo said.

AIMED AT OHIO VOTERS

Christopher Wenk, director of international policy at the U.S. Chamber of Commerce, called Clinton and Obama's comments "troubling," but said they were aimed mainly at Ohio voters who think NAFTA is to blame for a lot of their state's economic woes.

"I think you have to take a lot of what they're saying right now with a grain of salt. There's all kinds of things that are said in primary campaigns to appeal to certain constituencies," Wenk said.

Withdrawing from NAFTA would hurt "a lot of companies that depend on exports to Canada and Mexico," Wenk said. "Fifty-five percent of Ohio's exports go to Canada and Mexico. That is far and above the national average of states."

Thea Lee, policy director for the AFL-CIO labour federation which has long pushed for stronger worker protections in trade pacts, said the Tuesday night debate showed the ground was "definitely shifting" on trade in the United States.

"From our point of view, folks are on record now on a lot of these things and we certainly will be following up," Lee said, adding that the United States had to use the threat of withdrawing from NAFTA to show it was serious.

"If you don't put exit on the table, you don't have much leverage to get a serious negotiation going," Lee said.

Meanwhile, the largest U.S. farm organization said it was not eager to reopen the pact.

"If anything, it's contributed to our positive export picture," said David Salmonsens, a trade analyst at the American Farm Bureau Federation.

Salmonsens said that producers of certain crops, like tomatoes, were struggling to compete with Mexican farmers under NAFTA but the deal had been a boon for exporters of meat, bulk grains, dairy and other crops.

Mexico is the United States' second-largest destination for agriculture exports after Canada, and exports have increased more than threefold since NAFTA took effect in 1994.

That's an important part of an overall surge in agriculture exports, which are expected to hit a record \$101 billion in fiscal 2008.

"The candidates are talking to manufacturers there," not farmers, Salmonsens said.