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## A Globalization Winner Joins in Trade Backlash

Exports Boost Iowa,  
 But Workers Still Fret;  
 Campaigns Take Note

By **DEBORAH SOLOMON** and **GREG HITT**  
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WATERLOO, Iowa -- At a John Deere plant here, bright green tractors bound for Brazil, Russia and China roll off assembly lines. Global demand for tractors is good, and that's been good for Waterloo.

Yet over the last couple of years, workers and voters in this blue-collar manufacturing outpost -- and throughout Iowa -- have grown decidedly downbeat about globalization. Trade has become such a hot subject that Democratic presidential candidates seeking support in Iowa's influential Jan. 3 caucuses are turning into trade skeptics, and the issue is splitting traditionally free-trade Republicans.


Iowa's ambivalence is all the more remarkable because the state is on the whole a big winner from global trade. "Iowa, as much as any other state, is on the plus side of the ledger," says James Leach, a 30-year Republican congressman from Iowa who now runs Harvard University's Institute of Politics. "It would be highly ironic if pro-protectionist candidates prevailed in the Iowa caucuses." Trade wasn't always such a high priority: In the 2004 Iowa caucus, Richard Gephardt, the most outspoken Democrat on the issue, attracted so few votes he subsequently pulled out of the race.



As the 2008 presidential election approaches, anti-trade sentiment is percolating across America. It is particularly strong in places like Ohio, where foreign competition has decimated jobs. The latest [Wall Street Journal/NBC News poll](#)<sup>1</sup> conducted earlier this month found that 60% of voters nationwide agreed with the statement that "foreign trade has been bad for the U.S. economy."

Iowa's anxiety stems from a mix of factors, many of which are also at play in other Midwestern swing states. By many measures, the global economy has been good for the state. Boosted by the ethanol and biofuels craze and surging demand for crops and farm equipment world-wide, Iowa's exports are up 77% over the past four years versus 50% nationally. The state's unemployment rate hovers around 3.7%, below the national 4.6% average.

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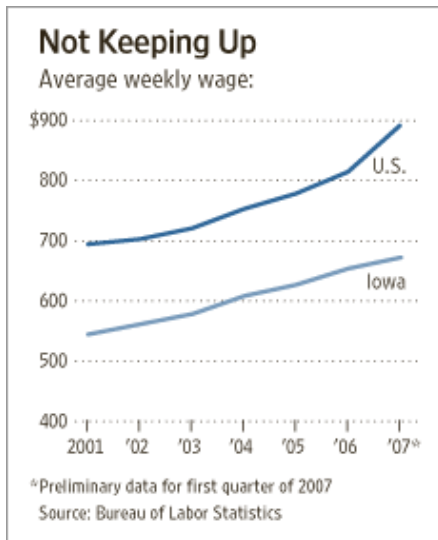
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But the past couple of decades have seen a steady decline in once-prized factory jobs, from a high of 252,700 in 1999 to 231,000 today. Just this year, Iowa lost about 1,800 jobs when appliance-maker Maytag, now owned by Whirlpool Corp., shuttered its plant in its home town of Newton. (The jobs moved to Ohio, but foreign competition was a key reason Maytag was acquired by Whirlpool.) Wages haven't kept pace with inflation, and employers here, as elsewhere, have been paring health and retirement benefits.

Many Iowans blame their difficulties on global trade. A Los Angeles Times/Bloomberg poll of Iowa Democrats conducted in September found that by 42% to 33% they favored a candidate who believes trade pacts hurt the U.S. economy over one who believes they benefit the economy; Republicans were evenly split at 39%. (The balance said they didn't know or hadn't a preference.)

The moods of even the most fortunate workers are clouded by unease. At Morg's Diner in downtown Waterloo (pop. 68,747), **Deere & Co.** worker Tim McBride, 51 years old, knows he is one of trade's winners. Thanks to record commodity prices and large overseas demand for crops, Deere has been adding 25 workers a week. Mr. McBride expects to earn about \$85,000 this year as a member of a team that improves productivity and quality at the company's drive-train plant.



But a year-long layoff in 1984, when a strong dollar was crimping U.S. exports, seared him. More than two decades later, Mr. McBride worries that foreign competition could again put him out of a job. Tucking into a butter-drenched pancake, he laments the ease with which a global economy enables companies to shift jobs to lower-cost countries. "If the people in the United States worked for a dollar an hour, we still couldn't compete," says Mr. McBride.

Most economists argue that changing technology is more to blame for the divergence of economic fortunes. Nonetheless, worker concerns are roiling the political landscape. "Everywhere you go you've got this widespread feeling, especially in the labor community, that all of the wage problems of the middle class are due

to trade," says Austan Goolsbee, a University of Chicago economist advising Democratic candidate Sen. Barack Obama.

Adds Gene Sperling, an aide to former President Bill Clinton now advising Democratic candidate Sen. Hillary Clinton: "Even those of us who are supportive of the open-market policies of the '90s have to take seriously that the large inflow of workers from China and India digesting American jobs is placing downward pressure on wages. That doesn't mean the answer is closing up shop in globalization, but it can't just mean business as usual either."

As a result, Democratic candidates here are responding by making promises that could influence the policies of the next president. On a recent Tuesday, the crowd at Des Moines Area Community College bursts into loud and sustained applause when Mr. Obama vows to make sure "that globalization is not just working for multinational companies."

In Cedar Rapids, workers nod as former Sen. John Edwards tells them that "the negative effects from globalization are rippling through the economy." In perhaps the most telling development, Democratic front-runner Mrs. Clinton says the North American Free Trade Agreement -- which her husband pushed through Congress -- has "serious shortcomings."

Waterloo sits on the Cedar River in central Iowa, a blue-collar manufacturing outpost set amid the state's great sea of farmland. Train tracks cut across downtown and outlying neighborhoods with small homes and neatly trimmed yards. Local radio broadcasts high-school volleyball.

The town is synonymous with Deere, the city's largest employer, which has been making tractors in Waterloo since 1918. Here, the sweet taste of today's prosperity is mixed with sour memories and realities.

For generations, Deere was the place everyone wanted to work. "You got out of high school and you went to work at Deere," says Waterloo Mayor Timothy Hurley, himself a 37-year Deere veteran. "Grandpa was a Deere worker and your father was a Deere worker and so that's what you wanted to be."

That sense of security began to fray in the 1980s, when a general economic downturn combined with a crop-price slump hurt Deere's bottom line. The company began slashing its Waterloo work force, which once employed more than 12,000 workers and is now down to 4,800. One day in 1986, the company posted layoff notices for "hundreds of people," a union official recalls. Sheets with the names were tacked onto bulletin boards near the factory gates.

While the farm economy eventually improved, Deere's employment never rebounded to its previous levels and workers began to see threats from overseas. Tractors made in Waterloo are no longer fully American-made and are instead outfitted with parts from Mexico and Italy. Deere recently completed the acquisition of China's Ningbo Benye Tractor & Automobile Manufacture Co., which makes low-horsepower tractors.

And Deere has pressured the United Auto Workers, which represents Deere's hourly workers, to cut wage and benefit costs. In 1997, the UAW agreed to a two-tiered compensation structure under which new hires would be paid at a lower rate and get less-generous benefits. Today workers start at \$12.01 an hour, about \$4 an hour less than the previous entry-level wage.

Shawn Luck, 32, was hired by Deere under that contract in 2002 and expects to make \$40,000 to \$50,000 this year, far less than Mr. McBride earns. Both are active in the union, and Mr. Luck has come to terms with the differing pay scales. But he says others chafe. "There are some tensions here and there," he says. "I'm not going to lie."

While he acknowledges that "things are going good" for Deere, Mr. Luck is upset about the impact that the global economy is having on wages. "It's a growing issue," says Mr. Luck, who has two young children and worries he's not getting ahead fast enough. His response: going to night school for a college degree. "I'd have some value to somebody," he reasons.

Democratic presidential candidates figure it'll take more than preaching the virtues of higher education to placate trade-wary voters. On the stump, the top contenders say they support globalization but are pledging to oppose trade deals that don't benefit American workers. They are promising to lift wages through tax policies that let middle-class workers keep more of what they earn and by negotiating free-trade agreements with labor and environmental standards.

Such deals would -- in theory -- boost wages here by increasing wages overseas and removing some of the competitive advantages of doing business in other countries, where environmental standards are less stringent.

"My sense is that the families of Iowa have now concluded that the modest benefit to them from cheaper goods that flow through Wal-Mart have been overwhelmed by stagnating wages," says Leo Hindery, the former cable-TV chief who is now the top economic policy adviser to Mr. Edwards. "Iowa, like a lot of states, looks back at Nafta and says, 'Nafta did not work as promised.'" Mr. Edwards criticizes Nafta, which eliminated tariffs and other trade barriers between the U.S., Canada and Mexico, as bad for workers, saying it needs to be "revised" to include labor and environmental standards.

That's spurred other candidates to follow suit, most notably Mrs. Clinton. Mr. Obama, meanwhile, has said he would seek to make Nafta more favorable to the U.S. Mrs. Clinton and Mr. Obama have also backed legislation to punish China for manipulating its currency, which critics say is kept artificially low to give the country a leg up in global trade.

Tough talk on trade may play well in Iowa, but it's upsetting some members of the Democratic establishment, who say the candidates are threatening to unravel one of former President Clinton's enduring legacies -- shifting the Democratic party away from protectionist proclivities.

"It's unfortunate that the Democrats are willing to describe trade as part of the problem," says Robert Reich, President Clinton's labor secretary. He worries the current crop of Democratic contenders will undo Mr. Clinton's progress and potentially enact policies that hurt economic growth. "It's pandering to a misconception in the public. The truth is that trade is good for the U.S. but that some people are burdened by it far more than others. We've got to make them all winners, but you don't make them winners by attacking trade," he says.

Republicans, meanwhile, have made the political calculation that most Americans want to see a continuation of open borders because it means cheaper goods and a stronger U.S. economy. Most are addressing the angst by nibbling around the edges -- promising stronger job protection and wages but steering clear of bashing China or promoting expanded government programs to help the middle class.

But the issue is creating rifts among Republicans. Sen. John McCain, the Arizona Republican, has talked openly of the downsides of trade, throwing his support behind expanding a government program to help displaced workers make up lost wages. Former Arkansas Gov. Mike Huckabee, whose popularity in Iowa is rising, speaks openly of worker concerns and embraces language used by critics of globalization. "There's no free trade without fair trade," he says.

On the other end is former Massachusetts Gov. Mitt Romney, who last month traveled to South Carolina -- a state hard-hit by trade-related layoffs -- to argue for an aggressive expansion of free-trade deals. Mr. Romney calls for better enforcement of existing trade agreements and improved worker-retraining programs.

He also excoriates the Democrats for their approach. During a speech at the Greenwood Chamber of Commerce, Mr. Romney presented a slide presentation where photos of his Democratic rivals were topped with the headline "Democrats' Strategy of Defeat and Retreat: Stop the World We Want to Get Off." Mr. Romney is currently leading polls of Republican

voters in Iowa.

"Trade is a valid issue to discuss," says David Malpass, an economic adviser to former New York Mayor Rudy Giuliani, another Republican candidate. "The mayor wants to discuss it in optimistic, growth-oriented terms, rather than taking the attitude that Americans can't compete with the Chinese, which is at the core of the Democrats' position."

Whether that's a winning strategy remains to be seen. Says Republican pollster Tony Fabrizio: "Not every Republican belongs to a country club. Most of them are average middle-class working families and so the economic pressure of job loss, of outsourcing, those are all things they're sensitive to."

For at least two Deere workers in Iowa, Democrats are winning the argument. Mr. McBride likes what he hears from Mr. Edwards. "When you get in a room and talk with him, you get the feeling he really cares about what happens to the middle class of America," he says. Mr. Luck leans toward Mrs. Clinton, saying her health-care plan would allow unions and management to negotiate more worker-friendly contracts. Both plan to put out yard signs and knock on doors for the 2008 Democratic nominee.

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