

October 10, 2003

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Skilled Workers Mount Opposition To Free Trade, Swaying Politicians

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Staff Reporters of THE WALL STREET JOURNAL

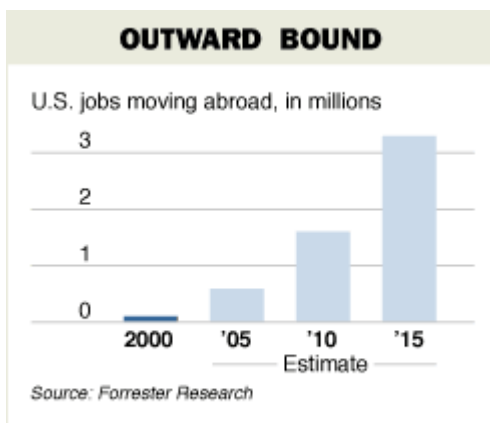
A new anti-free-trade movement is emerging in the U.S., comprising highly skilled workers who once figured they would be big winners in the globalized economy but now see their white-collar jobs moving overseas in growing numbers.

The new opponents to lowering trade barriers are especially vocal, and their complaints already are getting the attention of Congress and the White House. Their concerns got an unexpected boost Thursday when Intel Corp. Chairman Andy Grove, a pioneer in the American high-tech industry, warned that the U.S. could lose the bulk of its information technology jobs to overseas competitors in the next decade, largely to India and China.

Mr. Grove, speaking by satellite at a Business Software Alliance conference in Washington, acknowledged that Intel has been part of the trend he described. Given cost and productivity pressures, the Santa Clara, Calif.,-based semiconductor maker reluctantly "has no choice" but to continue sending work abroad, Mr. Grove said.

The new free-trade opponents include design engineers, skilled machinists, information-technology experts, and chief executives of specialized manufacturing concerns, among others. They long believed they were largely protected from foreign competition because of their advanced degrees, English language skills and the supposed necessity of dealing face-to-face with customers. But now they worry their jobs are at risk.

At the focus of their ire are big U.S. companies that have shifted business to China and India, which are becoming increasingly successful at nabbing service, information technology and high-end manufacturing work that until recently have been the preserve of U.S. firms. Companies seeking to lower their costs have either moved operations abroad or have contracted with foreign companies to supply essential services.



Multinational companies counter that globalization brings benefits. A recent McKinsey study concluded that at least two-thirds of the economic benefit from sending jobs offshore flows back to the U.S. economy in the form of lower prices, expanding overseas markets for U.S. products, and fatter profits that U.S. companies can plow back into even more innovative businesses. "If the economy were stronger, there wouldn't be such a negative feeling" about the offshore work, says Dianna Farrell, director of McKinsey Global Institute.

The white-collar, free-trade opponents are linking up with organized labor and old-line manufacturers, deepening the opposition in the U.S. to liberalized trade and making Congressional passage of any trade pact more problematic. While veteran manufacturing groups are leading the

campaign, the combined forces are turning more politicians into trade skeptics and threatening to arrest a 50-year march toward ever-lower barriers to trade.

The new combatants have made a surprisingly deep impact on policy already, pressuring the Bush White House to get tough on China and handing Democratic presidential candidates a new issue with which to attack Mr. Bush. A number of usually free-trade lawmakers cite the white-collar groups for swaying their votes against such recent measures as trade pacts with Chile and Singapore, although both bills ultimately were enacted. The new activists also rounded up bipartisan support in Congress to let lapse a measure that had temporarily boosted the number of work visas issued to foreign professionals, often from India, to 195,000 annually from the normal 65,000. They also have helped garner support for new measures to shorten the length of time guest workers can remain in the U.S.

"We're not a bunch of whining businessmen, but we needed to focus our anger," says Fred Tedesco, founder of a group called Mad in the U.S.A., which brings together highly skilled manufacturers, and owner of Pa-Ted Spring Co. in Bristol, Conn.

Mr. Tedesco says his company followed a strategy that he thought would preserve its market share. Pa-Ted invested heavily in the latest equipment and has moved into producing ever-more sophisticated products. Among these are tiny clamps made of an exotic alloy used to pinch off arteries in the human body. Still, his business is down 30% in the last two years as big customers relocate abroad and competition grows from ever-more-sophisticated Chinese manufacturers.

The anti-free-trade stance of these groups of professionals comes as a majority of Americans now say that free trade is not worth it because local jobs are lost, according to a recent Wall Street Journal/NBC News poll. The poll found that 54% believe that U.S. companies that send work overseas are giving away jobs.

The wave of professional job losses in recent years sparked grassroots opposition in several states within the past year. Connecticut workers and managers founded TORAW -- The Organization for the Rights of American Workers, which represents information technology specialists, as well as Mad in the U.S.A. Two small manufacturing-company owners in Wisconsin formed SAM -- Save American Manufacturing, which protests Chinese trade practices.

James Pace, a computer consultant, became an early organizer of information technology workers after he realized many of his friends were being laid off due to foreign competition. At first, he thought the problem was U.S. firms bringing in foreign workers on special visas to fill information-technology slots. He then realized the issue was much broader, including moves by companies to set up overseas operations. Mr. Pace, who was active in past lobbying against motorcycle-helmet laws, and colleague John Bauman founded the white-collar group TORAW, which has grown to 180 members in 23 states in nine months.

Tens of thousands of U.S. tech jobs were lost when high-flying Internet companies crashed in the late 1990s, a major cause of the recession. Even though the economy is on the mend, the job market has remained sickly. White-collar worker groups believe that many of their jobs are lost for good. Furthermore, they argue declines will deepen as U.S. companies send more work abroad and replace Americans with lower-paid foreign workers on temporary visas who will later take the jobs to their home countries.

Goldman Sachs & Co. estimates that about 200,000 service jobs, a large percentage in information technology, have been shipped abroad to U.S. foreign affiliates during the past three years. In a report, which does not include foreign outsourcing by contractors, Goldman also says that manufacturers have moved overseas in the past three years as many as 500,000 jobs -- increasingly skilled design and technology positions -- or about 20% of the total manufacturing losses for the period.

Intel's Mr. Grove called on government and industry to create public policy to help reverse what he sees as the growing trend of job losses. He advocated taking 1% to 2% of U.S. agriculture and other subsidies to increase university research and development funding, tightening patent application and litigation requirements, and expanding the number of U.S. households with access to the latest Internet technology.

Brad Matthews is one of the new trade foes. Last year, he earned \$71,000 testing computer programs as a consultant for Citigroup Inc. in Hartford, Conn. But after the 56-year-old lost his job to an Indian firm, he joined TORAW which staged a protest in Manhattan during a July conference on outsourcing. After concluding he'll never land another computer job, he's working as a trucker. (Citigroup declined to comment on Mr. Matthews or its outsourcing policy.)

The Communications Workers of America union is pressuring politicians. In May, Rep. Jay Inslee, a Seattle Democrat, told Indian officials during a trip to New Delhi that he supports outsourcing deals. "Protection is a knee-jerk action," he told his hosts.

But following several sessions with CWA lobbyists after the lawmaker returned home, Mr. Inslee joined with a fellow Washington Democrat in the House two months later to ask for a Congressional study of the economic impact of outsourcing.

Nine states are considering measures to ensure that information processing work required by state contracts is done in the U.S. Last year, a bill in the New Jersey Legislature to limit state computer work to U.S.-based employees stalled because of lobbying by multinational companies. Still, New Jersey forced a computer-services contractor to relocate an 11-employee help-center to Camden, N.J., from Bombay -- at an additional cost to the state of nearly \$1 million a year.

Says Virginia's technology secretary George Newsome: State officials don't dare "say 'offshore outsourcing' out loud."

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Updated October 10, 2003

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