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FINDINGS

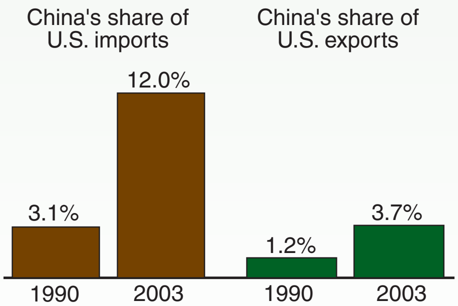
Booming China Trade Presents New Challenges for Rural America


Fred Gale, USDA\ERS

The increasing prevalence of "made in China" labels signals greater competition for many businesses in the rural United States. U.S. imports from China totaled $125.2 billion in 2002, up from $19.3 billion (in constant 2002 dollars) in 1990. Trade with China grew even more in 2003. Preliminary data show that exports and imports had already surpassed their calendar year 2002 totals in the first 10 months of 2003. China's share of U.S. imports rose from 3 percent in 1990 to 12 percent in 2003 (based on January-October totals). Major rural industries, such as apparel, furniture, plastics, and metal products, face direct competition from China. These industries are an important part of the economic base in many rural U.S. communities. However, many other Chinese imports, such as toys and footwear, are displacing imports from other Asian countries; such products are not widely produced in rural America.

China's economic growth is also also creating business opportunities for U.S. exporters. Between 1990 and 2002, U.S. exports to China grew from just $6 billion to $22 billion (in constant 2002 dollars). Only 3 percent of U.S. exports go to China, but that share has more than doubled since 1990. Dramatic growth in China's home construction, furniture, communications, automobile, supermarket, restaurant, education, and tourism sectors is increasing China's demand for imported goods and services. U.S. exports of industrial equipment, electronic components, aircraft, forest products, and animal hides have benefited the most from China's growth. China has been a boon for U.S. soybean producers, whose sales to China have exceeded $1 billion annually in recent years, accounting for about half of U.S. agricultural exports to China.

China's share of U.S. trade, 1990-2003



Data for 2003 are for January-October.
Source: World Trade Atlas data derived from U.S. Bureau of the Census statistics.

Rural U.S. businesses may find many smaller market niches as China grows and opens its retail market to the outside world. U.S. apples, oranges, nuts, wines, cereals, snack foods, meat, and poultry are appearing more often on supermarket shelves and restaurant tables in China. Specialized equipment, machinery, instruments, and technical expertise from the U.S. are in demand as China brings its manufacturing sector up to world standards. Chinese travel overseas is starting to bring extra business to rural U.S. destinations.

China's exports of basic items like clothing, shoes, toys, and household items benefit consumers in both rural and urban areas by keeping prices low. Additionally, many U.S. businesses benefit from lower costs of imported components, machinery, and equipment. W

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This finding is drawn from . . .

"How Does Growing U.S.-China Trade Affect Rural America?" by Fred Gale, *Rural America*, Vol. 17, No. 4, USDA/ERS, Winter 2002, available at:
www.ers.usda.gov/publications/ruralamerica/ra174/ra174i.pdf

Rural America at a Glance

During the 1990s, the U.S. experienced the longest economic expansion on record, with higher earnings and less poverty. Rural areas shared in the Nation's prosperity, leading demographers to declare it the decade of the "rural rebound." However, manufacturing went into a downturn in late summer 2000, and in March 2001, the economy slipped into an 8-month recession. Despite a continuing soft job market, rural areas fared better than urban areas in 2002, with higher job growth and lower unemployment. An analysis of ongoing changes in rural areas helps in assessing strategies to enhance economic opportunity and quality of life for rural Americans.

Overall effects of the 2001 recession on rural areas were mild compared with earlier recessions. Nonmetro employment stayed about level from 2001 to 2002, while metro employment fell. However, the effects were not uniform. Employment levels rose significantly in many nonmetro counties, particularly in the Northeast and the West, while falling in others. Employment losses in rural areas in the South and Midwest were largely a reflection of declines in manufacturing and mining. Average weekly earnings for nonmetro workers were $543 in 2002, about 80 percent of the $685 metro average. Nonmetro earnings, however, increased 1.4 percent during 2001-02, compared with 0.9 percent for metro earnings.

The sharp drop in exports in 2000, induced by a very strong dollar and sluggish world growth, contributed to a sharp decline in manufacturing jobs even before the recession started. Manufacturing employment has continued to drop despite recent export

Rural Governments Face Public Transportation Challenges and Opportunities

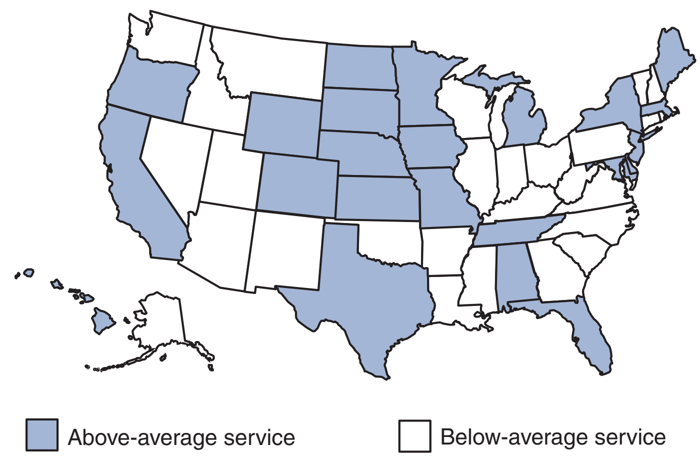
Poor rural households are three times more likely than nonpoor rural households to be without a vehicle. Public transportation serves about 60 percent of all rural counties, including 28 percent with limited service. For low-income rural residents, long commutes and lack of transportation are barriers to working. Limited transportation options also isolate the rural poor from government services and programs designed to lift them out of poverty. To address some of these challenges in rural areas, the Federal Government is providing public transportation through the Job Access and Reverse Commute (JARC) program.

Congress created the JARC grant program in 1998 to complement the 1996 welfare reform act. Administered by the U.S. Department of Transportation, JARC's aim is to transport recipients of Temporary Assistance for Needy Families (TANF) and low-income residents to jobs, training, and other social services. JARC also encourages development of transit services in new areas or expansion of existing services by complementing the transportation assistance from service agencies, such as those providing health care, education, and child support to rural residents.

A recent ERS study found that JARC services were successfully implemented in rural areas. Existing partnerships among local human service providers (such as social service agencies and job training organizations) led to cost sharing and expanded ridership as well as strengthened transit service. Funding from many sources, including Federal, State, and local governments, as well as human service program funds and transit fares, helped to ensure a viable rural transit service. ERS researchers concluded that local and State governments have opportunities to successfully develop and implement rural transit services to serve new locations and to expand existing services (such as bus routes and van service).

Many local communities and States face challenges in implementing the program. Like most rural transit systems, JARC service in nonmetro communities often has high per rider costs due to long distances and low population densities. Funding disruptions at the national, State, and local levels also threaten sustainability of transit service and create public perceptions of service unreliability. Administrative reporting requirements can also delay transit implementation, and electronic reporting systems are often not feasible due to incompatibility with system capabilities in many rural areas. Simultaneous implementation of welfare, workforce training, and transit programs resulted in initial implementation slowdowns and contributed to frequent staff turnover from bus drivers to case workers. Future success of the program in terms of job placement and retention will largely depend on employer involvement in local recruitment and community outreach.

The rural Midwest is well served by public transit



Source: Community Transportation Association of America.

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For more information see . . .

The ERS Briefing Room on Rural Transportation:
www.ers.usda.gov/Briefing/Transport/

increases, disproportionally affecting rural communities. The steep decline in manufacturing jobs seen in 2001 had subsided by early 2003, with job decline at 4 percent in early 2003. Still, from the onset of the manufacturing downturn in August 2000, the share of manufacturing jobs lost was higher in nonmetro areas (19 percent) than in metro areas (14 percent).

Recently released 2001-02 population estimates show a leveling of the "rural rebound," a period in the 1990s when population in most nonmetro counties grew much faster or declined more slowly than in the 1980s. Rural population growth has slowed since the mid-1990s, with a number of counties reverting to population loss. The South accounted for more than half of nonmetro population gains during 2001-02. Population growth in the nonmetro West was nearly twice the rate of the rest of rural America.

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This finding is drawn from . . .

Rural America at a Glance, edited by Karen S. Hamrick, RDRR 97-1, September 2003, available at:
www.ers.usda.gov/publications/rdrr97-1/