The Issue and Its Rural Context
Globalization and Restructuring in Rural America

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Globalization and Restructuring in Rural America
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Rural America and the World Market

- Competition in primary products
- Competition in manufacturing & services new reality
- Technology and trade agreements drive globalization

- Multifiber Arrangement (MFA) signed in 1974
  - 10 percent U.S. clothing is imported
  - Services out-sourcing is science fiction

- MFA ended December 2004
  - 80 percent U.S. clothing is imported
  - Call centers, back-office functions, and R&D globally mobile
The Return of the Open Global Economy

- Restoration of the pre-1914 trading system
- Mid-20th Century saw beginning of this restoration
  - Bretton Woods Accord
  - General Agreement on Tariffs and Trade (GATT)
  - “Containment” and the Cold War

- The 20th Century’s end: “The Washington Consensus”
  - Exchange rates market driven
  - global average tariffs were 40 percent, now 4 percent
  - Property rights globally acknowledged
Textiles Liberalizes Slowly

- 1974-2004: Multifiber Arrangement quotas were inevitable for almost any developing country
  - Comparable to a 20-30 percent tariff
  - U.S. and EU apply to prevent “market disruption”

- U.S. & EU manufacturers began “outward processing”


- MFA’s end sealed with Uruguay Round Agreement
  - Phased quota removal complete by 2005
Incremental Liberalization: 1995-2004

- U.S. and EU reduce barriers to regional trading partners (e.g. Mexico, Turkey, Romania) and low-income countries (e.g. Kenya, Lesotho)
- Size of quotas granted elsewhere allowed to grow
- 2002: first significant quota elimination
  - China’s first year of WTO membership
- But 80 percent of MFA quotas left until 2005
- Textile “safeguards” for China through 2008
  - In 2003 U.S. safeguards limit some products to 7.5 percent growth
Clothing Imports, U.S. and EU: 1990 and 2003

Billion dollars

- Hong Kong, Japan, Korea, & Taiwan
- India
- China
- Regional partners, e.g. Mexico or Turkey
- Other countries

Clothing Prices and Imports, U.S.

Index, 1990 = 100; and percent imported

- **Import share**
- **Price index**
Developments since January 2005

- China’s exports to U. S. grow as much as 1,000 percent
- India’s apparel production 29 percent higher
- U.S. textile and apparel job losses accelerate
- Apparel production falls in Italy, Spain, France, and Taiwan, (Italy and Taiwan, 20 percent)
- Japan’s clothing imports fall slightly
- Nepal’s exports down 48 percent; Morocco’s 33 percent
- Factory closures reported in Czech Republic, Malawi, Kenya, Lesotho, Swaziland, El Salvador, and Cambodia
Turkey and Argentina apply safeguards to China
U.S. applies additional safeguards to China
EU moving towards safeguards

China announces industry price monitoring boards
China announces export taxes; increases export taxes; removes export taxes when safeguards announced

WTO Council on Trade in Goods meeting cancelled over textile quota study proposal
China’s wages are one-tenth U.S. wages; India’s and Bangladesh’s are one-half China’s.

Transportation costs far less a barrier than before.

Communications costs falling even more.

Tremendous expansion of international telecommunications bandwidth has opened a new frontier.

Services no longer necessarily sourced domestically.
Conclusion

- Restructuring is far from an exclusively U.S. concern; Removal of barriers like MFA will improve efficiency and raise real incomes around the world.

- This morning’s speakers to address:
  the benefits and costs of globalization,
  the rural context of globalization,
  import penetration,
  textile worker displacement,
  the new economy and rural America,
  the vulnerability of jobs to offshoring.