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GLOBAL SHIFTS

Governing Cotton in Historical Perspective

Amy A. Quark
Associate Professor
The College of William & Mary



Forecasting the Future of Global Cotton Governance

- What does the rise of China mean for the governance of the cotton trade?

Quality Standards

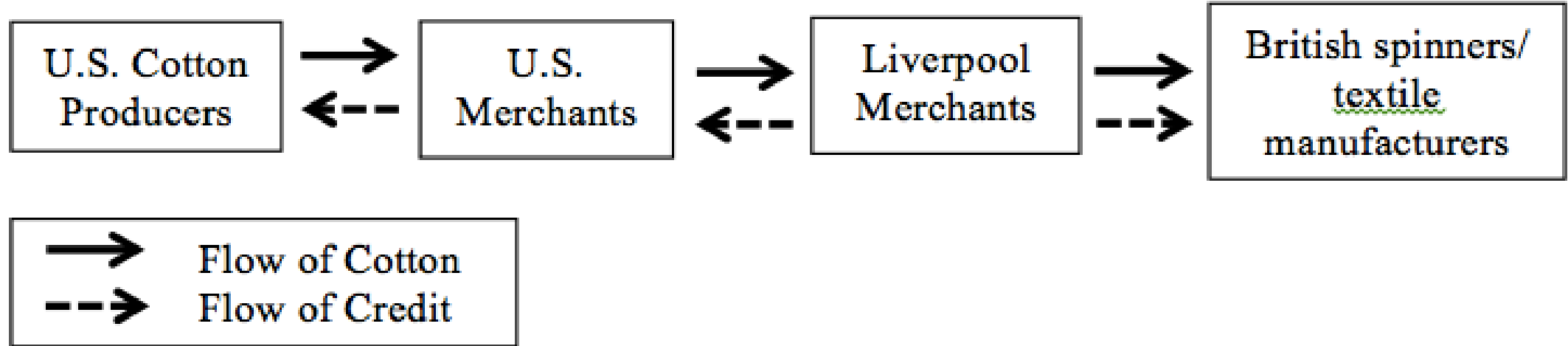
- “New [international] standards can be the source of enormous wealth or the death of corporate empires. With so much at stake, standards arouse violent passions.”
 - *James Barcia, U.S. congressman, Subcommittee on Environment, Technology and Standards, 2001*
- China’s huge market “is ours, but we’ve been passive, not proactive. To negotiate with the other side, we need our own cards to play. Standards are China’s cards.”
 - *Chinese business consultant*

Forecasting the Future of Global Cotton Governance

- What does the rise of China mean for the governance of the cotton trade?

- **What can we learn from the earlier shift from British to U.S. governance of the global cotton trade?**

Dominant Cotton Trade Route, 1800-1915



The First Formal Quality Standards for Cotton: Who makes the rules?

- The Liverpool Cotton Association:
 - *Defined cotton quality*
 - *Created benchmark standards*
 - *Settled disputes (for both quality and technical contract terms) through private arbitration*
- Classing expertise derived from merchants' strategic position and experience operating across multiple markets

Challenges to the Liverpool Standards

“When American cotton reaches the other side, it is arbitrated against an unknown standard before a board of men who represent the buyer and on which no American shipper has any American representative.”

- US official



Liverpool
Standards

| Factors shaping challenges | US Challenge to Liverpool |
|----------------------------|---------------------------|
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Factors shaping challenges

US Challenge to Liverpool

Political Will

- Government investigation into futures markets and quality standards
- Importance of cotton export earnings

Expertise

- 1909 – USDA standards rebuffed by US merchants as invalid
- 1907 onwards – USDA develops fiber science
- 1914 – USDA domestic standards successful with fiber science and merchant cooperation

Pathways to power

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Factors shaping challenges

US Challenge to Liverpool

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Pathways to power

- US merchants call for private solution
- US government calls for compromise

Factors shaping challenges

US Challenge to Liverpool

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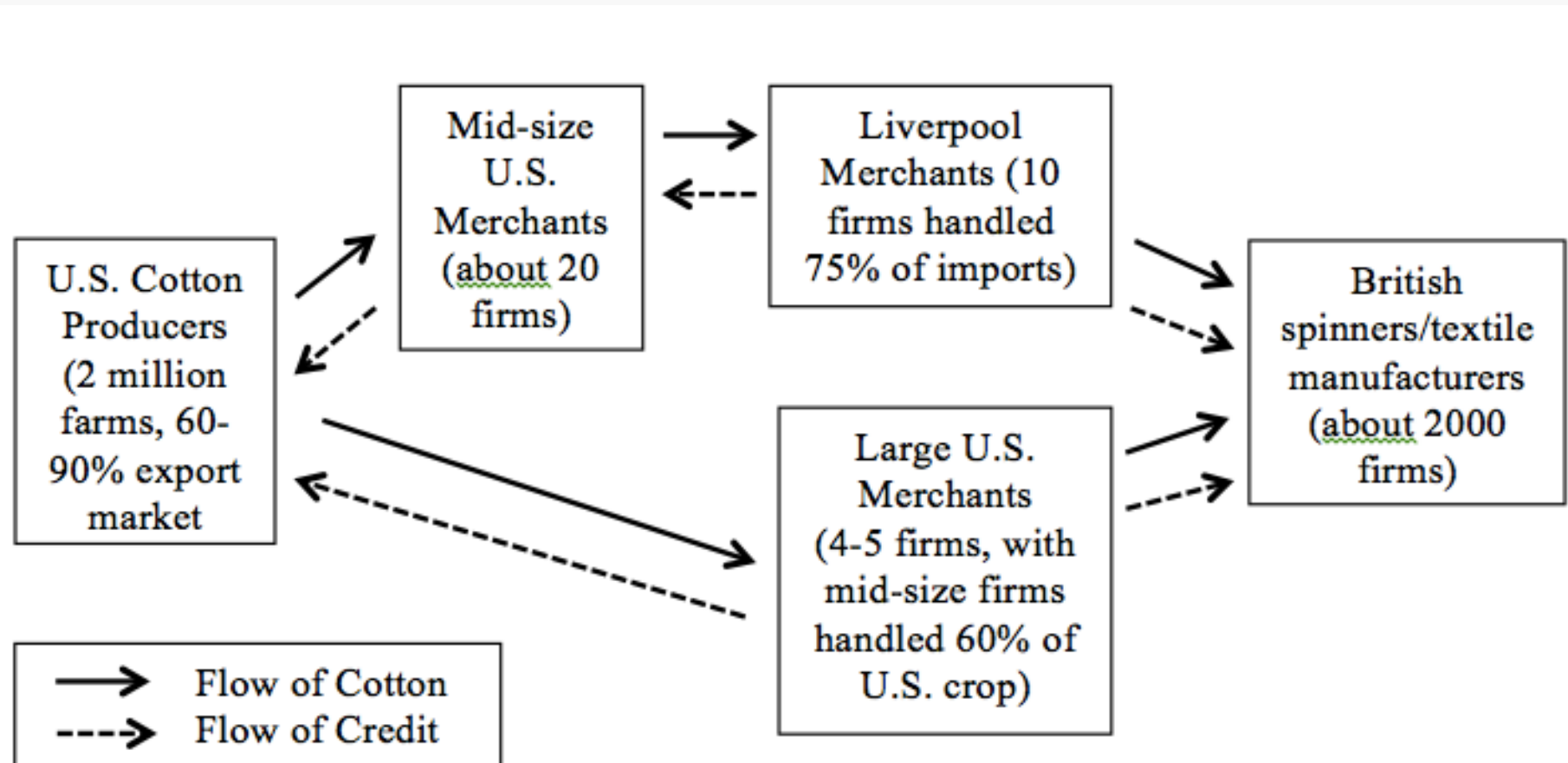
Pathways to power

- Liverpool refuses integration of other stakeholders

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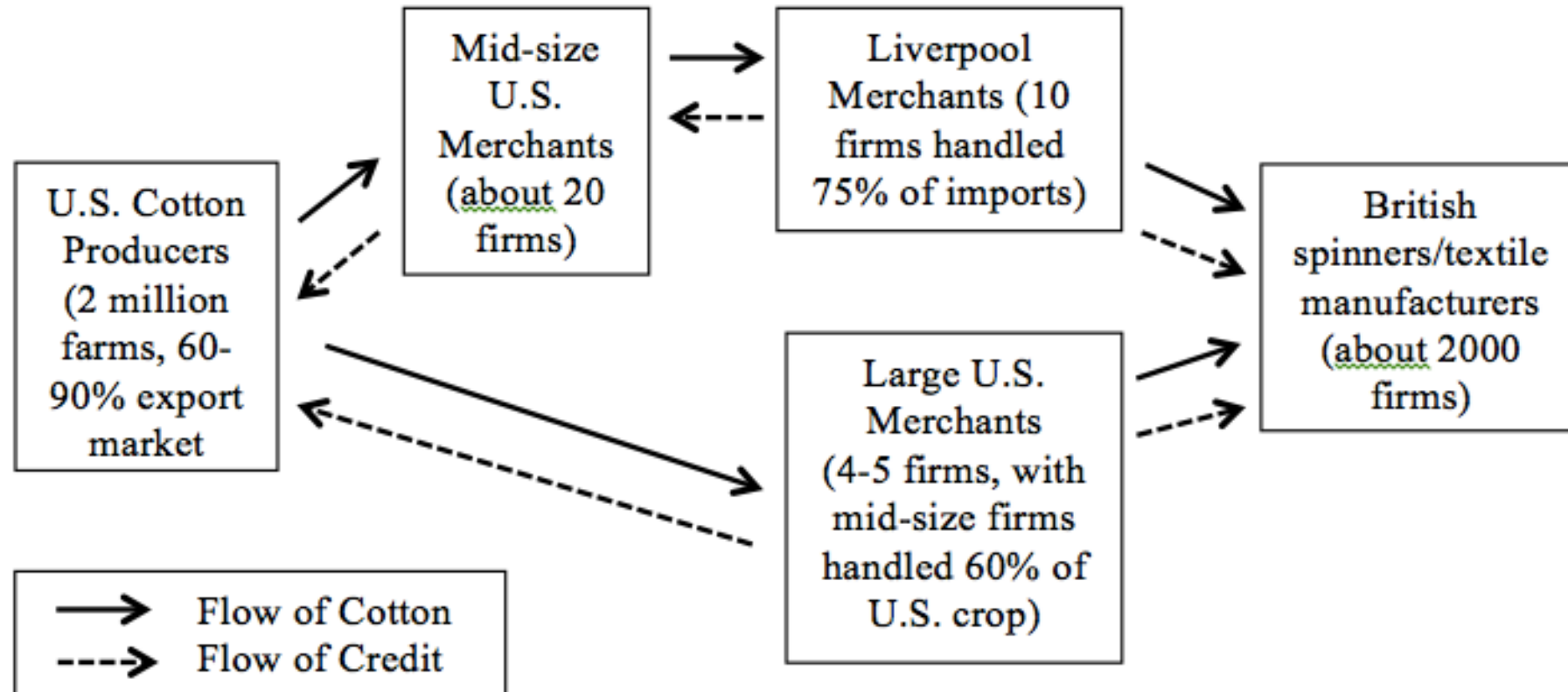
Emergence of a US Merchant-led Trade Route, 1915 onwards



Quality Standards: From British to US Governance

| Governance Tasks | British-led Governance | US-led Governance |
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| Definition of Quality | Liverpool merchants' private trade association, the Liverpool Cotton Association (LCA) | U.S. state |
| Benchmark Standards | Liverpool merchants' private trade association (LCA) | U.S. state |
| Dispute Settlement | Liverpool merchants' private trade association (LCA) | U.S. state |

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| Dispute Settlement | Liverpool merchants' private trade association (LCA) | USDA for quality terms; Private trade associations in the U.S. and Europe for technical terms |

US Standards as the de facto International Standards

- 1996 – HVI calibration cotton standards added to Universal Cotton Standards Agreement
- If other countries adopt HVI classification, they effectively adopt:
 - *US definition of quality*
 - *US benchmark (calibration) cottons*

Challenges to the US Standards



US
Standards

| Factors shaping challenges | US Challenge to Liverpool | Chinese Challenge to US |
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| Result | <ul style="list-style-type: none"> - Universal Cotton Standards Agreement | ??? |

Forecasting the Future of Global Cotton Governance

Potential trajectories:

- 1) Continued US governance without further challenges from China
- 1) A shift to a new Chinese governance institution
- 1) Growing Chinese leadership within existing governance institutions

Concluding Remarks

- Changes in the balance of global economic power affect the governance of globally integrated sectors like cotton.
- However, economic power alone does not determine ability to set the rules.
- Accommodating diverse stakeholders can decrease the likelihood of a more radical shift.
- A set of more balanced international institutions could provide stability against mounting international tensions.

Thank you!

Contact:

Amy Quark

Associate Professor of Sociology

College of William & Mary

Williamsburg, VA

aaquark@wm.edu