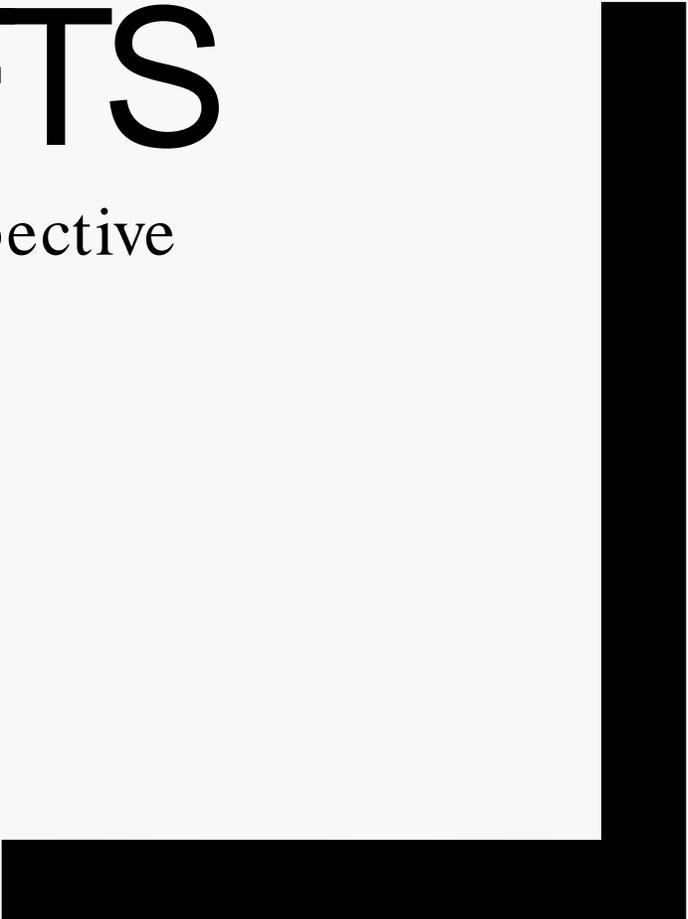




# GLOBAL SHIFTS

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?

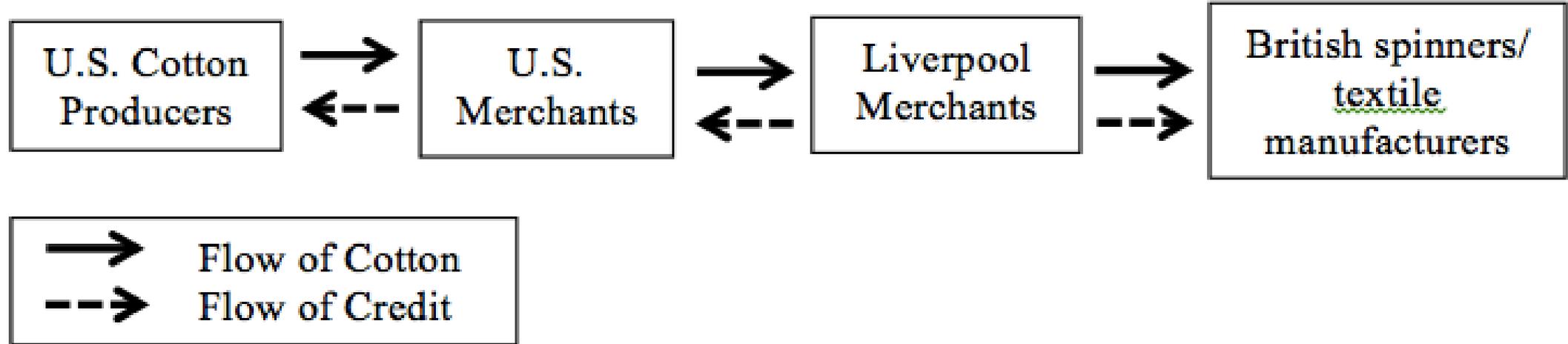
# Quality Standards

- “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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Political Will	

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**Factors shaping challenges**

**US Challenge to Liverpool**

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**Factors shaping challenges**

**US Challenge to Liverpool**

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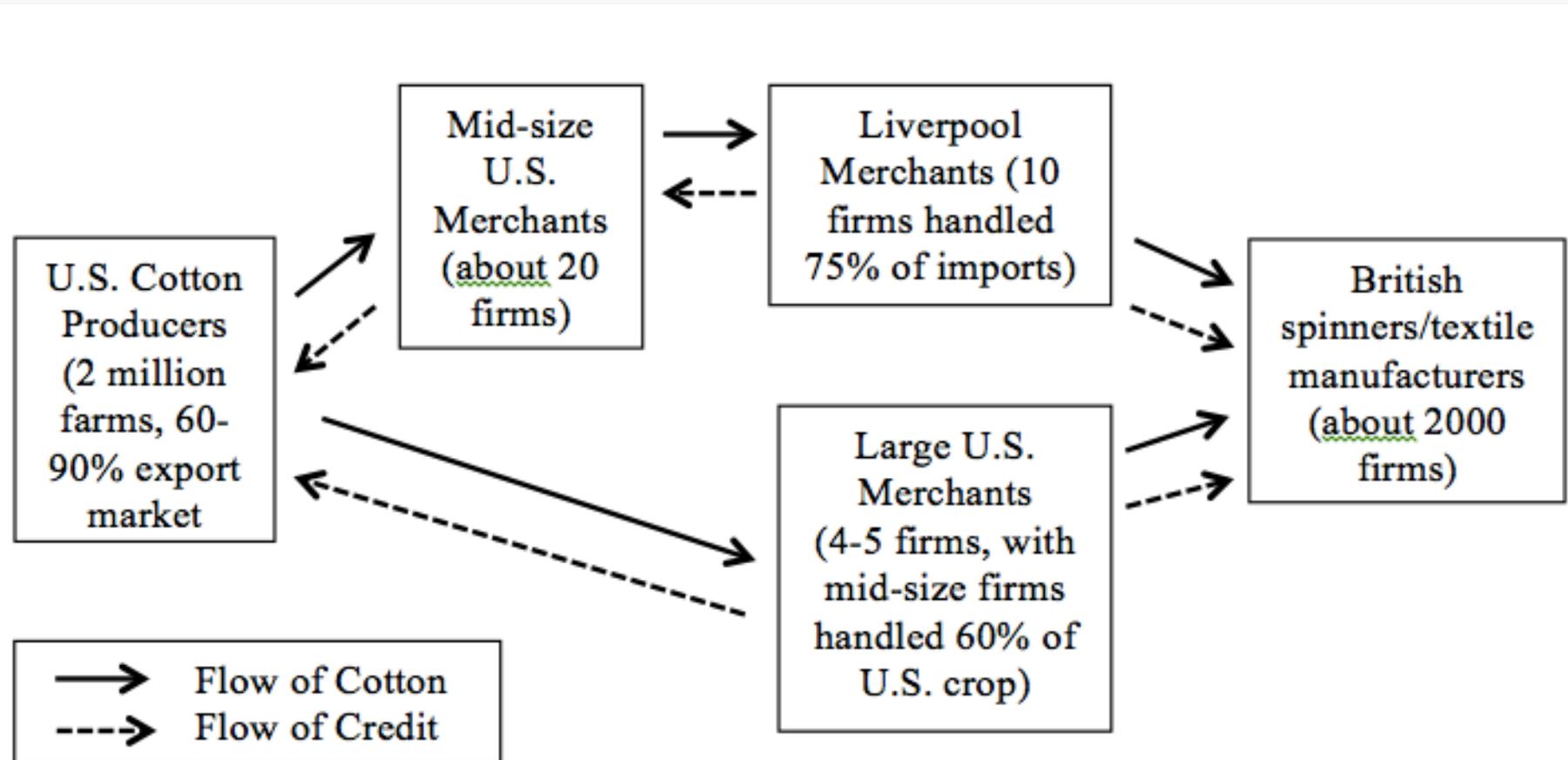
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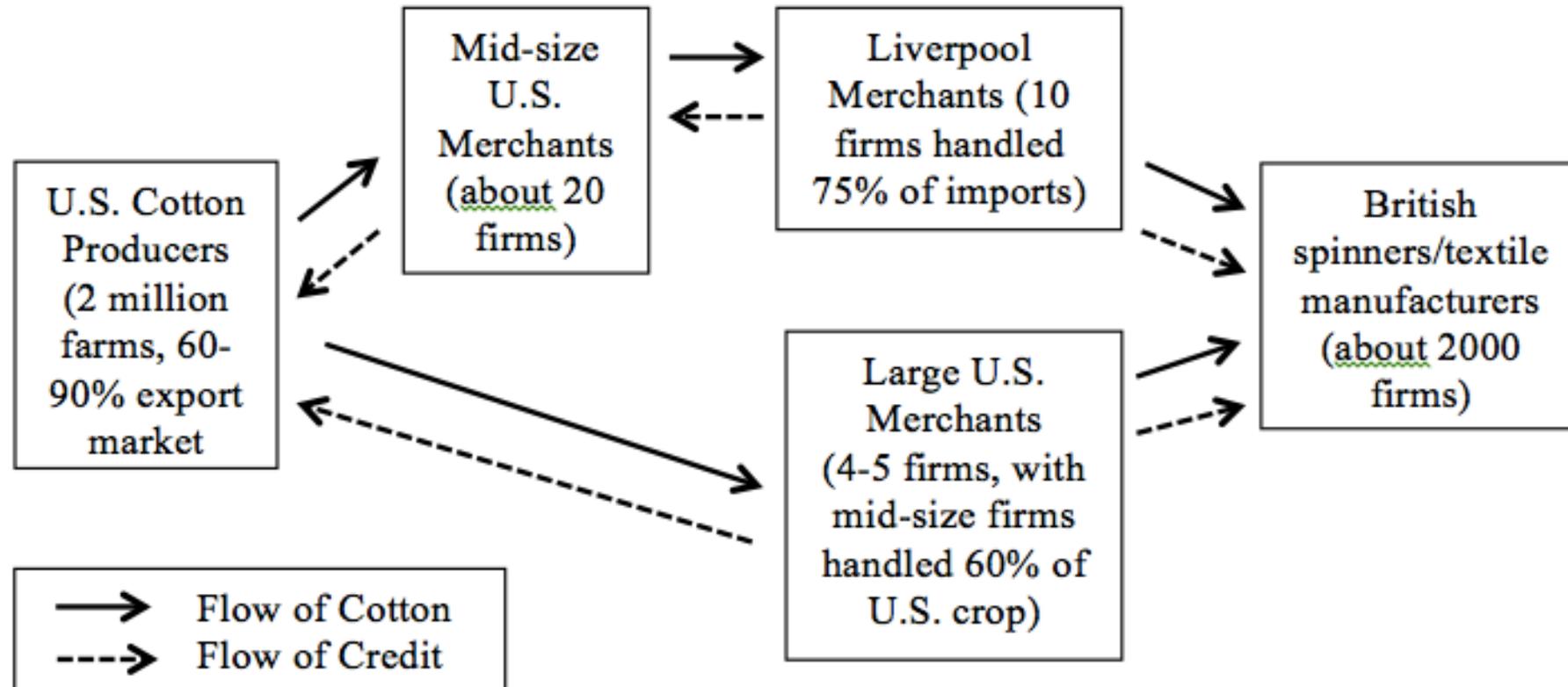
# Emergence of a US Merchant-led Trade Route, 1915 onwards



# Quality Standards: From British to US Governance

Governance Tasks	British-led Governance	US-led Governance
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
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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

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# 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!

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