Global Rivalries: Standards Wars and the Transnational Cotton Trade

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CHAPTER ONE

Introduction

Our demand is simple: apply free trade rules not only to those products that are of interest to the rich and powerful, but also to those products where poor countries have a proven comparative advantage.

AMADOU TOUMANI TOURE AND BLAISE COMPAORÉ,
presidents of Mali and Burkina Faso, respectively

In a July 2003 op-ed in the New York Times titled “Your Farm Subsidies Are Strangling Us,” Touré and Compaoré made cotton the poster child for demonstrating how negotiations at the World Trade Organization (WTO) failed to address “development.” They charged that the hypocritical trade policies of the United States and European Union contributed to the poverty faced by thousands of small farmers in West Africa. At the same time, they pointed to a broader crisis: the legitimacy of global rules that privileged Western firms and states was quickly unraveling.

These West African leaders were not alone in posing this challenge. Brazil had filed a complaint against US cotton subsidies through the WTO’s Dispute Settlement Body in 2002. With this challenge, Brazil made a similar charge: if the United States and its powerful corporate allies wanted the rest of the world to abide by its rule-governed system of “free” trade, the rules would have to apply to everyone. In the eyes of many, the Brazil-US dispute would be a test of the legitimacy of the WTO.

The WTO was launched in 1995 to create binding rules to establish a liberalized trading environment on the global stage. Leaders of Western countries and international organizations insisted that a liberalized economy was in the best interests of the entire global community. The promise to countries in the global South was not just that neoliberal policies would increase trade, but that, in the words of WTO Director-General Renato Ruggiro, “most important of all, by opening their economies these countries accelerate their development” (1998).

These promises, however, soon proved empty. As Touré and Compaoré
attest, the trade policies of the United States and the European Union have been deeply hypocritical. They have aggressively pursued liberalization in services such as banking, insurance, and telecommunications—sectors in which the North holds a clear competitive advantage—while continuing to protect their agricultural sectors where the global South could make gains. While WTO rules compel African cotton producers to compete in markets dominated by powerful Western corporations and to privatize their state trading enterprises, the United States has continued to pour billions of dollars into subsidies for their cotton growers and exporters. Rather than deliver development, this asymmetrical application of trade rules has depressed global market prices for Southern export crops like cotton and allowed the United States to dump its cheap farm commodities on liberalized markets in the South.

The deep conflict over US cotton subsidies loomed large at the annual meetings of the International Cotton Advisory Committee (ICAC) that I attended in September 2005. This conflict had been at the heart of the collapse of WTO negotiations in Cancun in 2003. Now, the ICAC, an international commodity organization, was meeting just months before further WTO negotiations in Hong Kong. Sitting in a session on government policy, I saw the Cancun stalemate reproduce itself before my eyes. Delegations from Brazil and the “Cotton-4” countries of West Africa (Mali, Burkina Faso, Benin, and Chad) pointed to US subsidies as “a blatant injustice” and called on the ICAC to issue a formal statement demanding their rapid elimination. The US delegation brushed off these charges, insisting that the ICAC “was not a negotiating body” and that they could not support such statements.

While the US delegation wanted to avoid movement on the subsidy issue, they appeared to have a different priority for the ICAC meetings: to move toward an agreement on a single set of cotton quality standards, and a common instrument for measuring fiber quality, that would replace the existing mismatch of national standards and smooth global trade. The US Department of Agriculture (USDA) had been working with cotton fiber scientists in Germany to demonstrate that the standards and measurement system used in the United States could be extended on a global scale and still supply the reliable measurements demanded by the transnational merchants that dominated the trade.

Resistance to the US proposal to extend their standards and measurement system on a global stage was unambiguous. Officials from various African countries repeatedly raised concerns that the capital-intensive measurement instrument used in the United States was not appropriate for
countries in the global South. "Isn't there a moral duty to reduce the costs of implementing the system?" appealed a representative from Mozambique. Other delegations from the global South accused the USDA standards of being biased toward US cotton. Fiber scientists tried to cast quality standards as technical and apolitical rules that merely served to reduce the transaction costs of trade. However, for firms and states from the global South, it appeared that even if subsidies were eliminated and a so-called "unregulated" market was achieved, these new rules would still stack the deck against the global South.

A few days later, however, I discovered that it was not the challenge from ICAC delegates that most concerned the US government delegation and the cotton producers, textile manufacturers, and merchants that it represented. One afternoon I found myself sitting amongst an audience of cotton merchants—the most powerful actors in the cotton trade—at the parallel conference held by the merchant-dominated association, the International Cotton Association (ICA). For merchants, the ICAC was a forum to influence states and national policies. The ICA conference, on the other hand, was about packing in business meetings with clients from around the world and schmoozing over drinks in the hotel lobby. Few people actually attended the conference presentations.

But on this particular afternoon, the presentation hall was crowded for a talk by a representative from China. Since the early 2000s, China had become a textile and apparel powerhouse. Importing close to 40 percent of all transnationally traded cotton, it had acquired both significant sway in the cotton market and the listening ears of the merchant community. A key issue in the presentation was quality inspection for cotton imported into China. The representative from a quasi-private Chinese trade association, the China Cotton Association, ran through a host of problems that the government quality inspection office had found with recent imports, including seeds in cotton from Africa and rat excrement in cotton packing from the United States. As she continued down her list, a low grumbling could be heard from the crowd. Transnational merchants were looking for a piece of the Chinese pie, but this meant negotiating with the Chinese government and Chinese firms over trade rules—in this case, how cotton quality, and thus price, would be verified when cotton was imported into China. When the presentation was over, merchants jockeyed to ask questions but became unsettled by the Chinese representative’s vague responses. Finally, a merchant from one of the largest cotton trading companies in the world jumped to his feet, and audibly frustrated, questioned the Chinese represen-
tative: would clear rules be posted for quality inspections? The Chinese rep­
resentative smiled, unflustered, responding that rules would be posted on
their website . . . in Mandarin. A few groans and sarcastic laughter emerged
from the crowd.

While comforted by the fact that it wasn’t just me who didn’t under­
stand the rules for trade into China, I was struck by the palpable anxiety
surrounding these rules among representatives of powerful transnational
merchant firms, a handful of who controlled about 50 percent of the trans­
national cotton trade. Wandering back into the hotel lobby after the pre­
sentation, I ran into several USDA representatives. As they debriefed the
Chinese presentation, I saw that it had also put them on edge. They wanted
the Chinese government to adopt their cotton quality standards, they ex­
plained to me, and they would be heading to China to address this issue. Con­
testation over who makes the rules for the global economy—and who
can enforce the rules—would not be easily resolved.

* * *

Conflicts in the cotton trade make this much clear: we are in an era of un­
certainty over the rules that govern global economic integration. Histori­
cally, Western firms and states have largely set the rules for global trade. But
today they face new challenges with the shift to an Asia-centered economy.
The WTO is at a stalemate as a rising group of firms and states are question­
ing the legitimacy of trade rules that privilege the West. At the same time,
the Chinese state is raising the ire of powerful transnational corporations
who can no longer simply impose the rules of the game.

These are not struggles unique to the cotton trade. These new axes of
conflict are rippling across the economy. In the controversial case of cen­
sorship and cyber attacks between China and the global corporate giant
Google, a representative from the Chinese Foreign Ministry warned that
Google must adhere to China’s laws and regulations if it wanted to access
the growing Chinese market (Wong et al. 2010). Trade disputes between
China and the United States over exports of tires, chickens, steel, and au­
tos have multiplied (Cha 2010). Put simply, this is a period of hegemonic
rivalry. The United States and China are competing on a multitude of fronts
over which states and firms will claim the dominance and legitimacy neces­
sary to set the rules governing the global capitalist system.

Nowhere are these tensions more evident than in the simmering stan­
dards wars between China and the West. “Chinese businesses, govern­
ment officials and experts have repeatedly enunciated a strategy that views standards as trade weapons,” explains political scientist Scott Kennedy (2006:45), in part due to a view that Western firms and states have used standards “to solidify Western dominance of markets and force developing countries such as China to remain in an inferior position.” Western firms and states have sounded alarms over Chinese efforts to set new standards not just for cotton and other agricultural products but also for a number of high-profile information and communication technologies, such as wireless security, cellular phones, and supply-chain management (Bach et al. 2006; Suttmeier and Yao 2004; Suttmeier et al. 2006).

These are struggles not over whether global economic integration should advance, but over what kind of integration is desired and on whose terms in a period of hegemonic struggle. Despite deep conflicts, we also see new forms of engagement. Private, state, and civil society actors are rapidly constructing new transnational governance institutions to tackle a wide range of issues, from the harmonization of quality standards to the enforceability of contracts across borders. This transnational cooperation amid a crisis of Western legitimacy raises critical questions. Who makes the rules? How do powerful Western actors construct governance institutions that are enforceable? Under what conditions are the emerging non-Western corporate elite and their state allies, as well as more marginalized firms and states, able to recast the rules to better serve their interests? This book represents an effort to explore these questions through a study of negotiations over transnational quality standards in the contemporary cotton trade.

In this book, I chart a new course for understanding how the rules of the game are made and remade in the global arena. Many attempts to map change in governance institutions emphasize the high degree of uncertainty and hybridity that characterizes institutional transformations in the current era. A rigid world of interstate treaties has been replaced by fluid interactions within more amorphous and diverse “transnational communities” or “webs of influence” (Djelic and Quack 2010; Braithwaite and Drahos 2000). New forms of “experimentalist” governance are emerging as actors try to respond flexibly to a shifting terrain (Sabel and Zeitlin 2010). It seems that the foundations of economic governance are “disaggregating” beneath our feet (see Slaughter 2004). These are not shock-like transformations in institutions but rather incremental changes that are nonetheless transforming the rules of the game.

These accounts provide valuable descriptions of how institutional arrangements are changing. What they lack is a robust explanation of why
institutions change. We are instructed to expect incremental movements toward "something entirely new, unexpected, unanticipated and emergent" (Djelic and Quack 2003a:9). However, we are not given the tools to understand why such incremental yet transformational changes should be expected or why certain emergent outcomes might be more likely than others. The future trajectory of institutional change is indeed uncertain and the stakes are high. As diverse actors—from firms and government agencies to lawyers, scientists, and agricultural producers—struggle over what rules will prevail, profits are made and lost, jobs move from one country to another, and economic superpowers are born or wither away. It is thus imperative that we garner the theoretical tools to make sense of this uncertainty and chart the range of future possibilities.

The crux of my argument is this: hegemonic rivalries shape strategies to change institutions. As coalitions of powerful firms and states create institutions to expand the scale and scope of the global economy, they unleash new competitive dynamics that both give rise to new rivals that seek to take control of these institutions and generate marginalized actors that seek to challenge their destructive effects. Periods of uncertainty over whose rules will prevail in the global economy are thus the result of the patterns of conflict generated by projects of market liberalization. Just as the hegemonic coalition led by the British state and firms faced challenges to its free trade imperialism in the early decades of the twentieth century, so too is the hegemonic coalition led by the US state and transnational firms facing challenges to its own free market project in the early decades of the twenty-first century.

Actors' positions within these broader conflicts over the organization of the global capitalist system shape their preferences, bargaining power, and thus strategies in institutional struggles. This conflict-driven process of institutional change is inevitably incremental in nature. New rivals remain dependent on the existing arrangements that stimulated their own rise to power, yet seek to redirect these institutions to privilege their own interests over those of already dominant actors. This was the situation faced by the US state as it sought to take control of the institutions governing the cotton trade in the early 1900s and is now the predicament of the Chinese state as it faces US-dominated institutions. These rivals must first imitate existing institutional arrangements before they can overtake them.

The institutions that result from these conflict-driven processes are also inevitably hybrid as dominant actors are compelled to reconstitute their own rules to protect their institutional privileges. Facing growing chal-
Challenges from both new rivals and marginalized actors, dominant actors do not simply cling to existing rules. Instead, dominant actors reconstruct the rules to at once appease their challengers and protect their institutional privileges. Just as Britain sought to retool its institutions governing the cotton trade to stave off challenges from both rivals and marginalized actors within the United States, the US state and transnational merchants reconfigured their existing arrangements in the contemporary era to appease rivals in China and marginalized actors in the global South. The new, hybrid institutions that emerge from these dynamic interactions reflect and instantiate the broader geoeconomic and geopolitical transitions among rivaling hegemonic coalitions.

Forwarding this argument, I develop a theory of institutional change within the global capitalist system. In doing so, I intervene in the ongoing debates about globalization and institutional change in two ways. The institutionalist literature has emerged as a prominent approach to studying institutional change in the global arena. Institutionalist scholars have attempted to map "transnational governance in the making," an approach that captures the complex dynamics among a wide diversity of actors operating within and across national and supranational governance arrangements (Djelic and Sahlin-Andersson 2006:2). These scholars offer compelling accounts of how institutions change and how new institutions are forged through trial-and-error processes of experimentation and innovation within the constraints of existing institutions and shared cultural frames. I build on these accounts by grounding them in a theory of conflict. I see struggles over institutions and institutional change as emerging out of the concrete class relations and material and ideological circumstances characterizing the actually-existing global capitalist system. I demonstrate how experimentation and innovation in rule-making processes must be embedded within an analysis of historically specific institutional and systemic power relations. In short, institutionalist accounts tell us how transnational rules are made. But it is only a theory of institutional change within the global capitalist system that can tell us why certain actors can redirect the rules of the game to serve their interests and why other actors accept or reject these rules. The lineages of this type of approach can be traced to scholars in the Regulation School, the neo-Polanyian tradition, and the world-systems approach, among others (e.g., Aglietta 1979; Arrighi 1994; Block 1994, 2007; Block and Evans 2005; Streeck 2009; Wallerstein 1974).

The second intervention addresses those scholars who do place emerging transnational governance institutions within the dynamics of capitalism.
This scholarship often emphasizes the rise of transnational firms that can largely set the rules of the game as a defining characteristic of global economic integration (e.g., Robinson 2003; Sklair 2001). In doing so, scholars tend to focus on a singular axis of struggle between a global elite—a transnational capitalist class and its state allies—and the marginalized actors and social movements who may challenge dominant firms and institutions. Yet these accounts give little attention to the growing geoeconomic and geopolitical uncertainty in the global economy. The rise of the so-called "emerging economies" in China and India is recasting the terrain of struggle in new and complex ways that cannot be mapped by focusing solely on powerful Western firms and their state allies or even on the struggle between global elites and social movements. Rather, as I will demonstrate, the struggle over transnational rules of the game is at once a struggle among global elites and social movements, among powerful Western firms and emerging rivals in countries like China and India, and among states in a competition to transform their roles and activities to influence transnational governance. It is by understanding the dynamic interplay across these different axes of struggle within the historical development of the global capitalist system that we can make sense of institutional change in periods of hegemonic rivalry.

THE LIMITS OF INSTITUTIONALISM

How do existing institutions change and how are new institutions and rules constructed in the transnational arena? This question has become a central problematic in institutionalist approaches to globalization. Indeed, recent scholarship has refocused the analysis on institutional change, rather than persistence and reproduction, and on the strategic role of actors in creating change. These scholars have identified key mechanisms that illuminate how change occurs. Yet, they are limited in their ability to explain why institutions change and why they change as they do.

The limitations of institutionalist accounts of change are rooted in their treatment of power. Alford and Friedland (1985) suggest that power operates at three levels: the situational level, the institutional level, and the systemic level. The exercise of power at the situational level represents contestation over the "plays of the game." That is, actors struggle over direct power relations, or over their relative ability to command obedience from other actors. At the institutional level, contestation focuses on the "rules of the game." Actors vie to influence institutional design such that their interests become reflected in rules for how the institution will operate, set
agendas, and make decisions. Finally, contestation at the systemic level means a struggle over the game itself. For example, the Cold War could be characterized as a struggle over the game, as the United States and the USSR competed over what game or system—capitalism or communism—should be played. Institutionalist scholars focusing on change lack a robust theory of conflict as they focus on situational and institutional power, largely to the exclusion of systemic power.

A key contribution of change-oriented variants of institutionalism has been to move beyond a focus on institutional reproduction and persistence. Historical institutionalists have tended to see institutions as highly durable given that actors develop interests and strategies that serve to reinforce existing arrangements (e.g., varieties of capitalism approach of Hall and Soskice 2001). This approach emphasizes the path-dependencies that limit the likelihood of changes that will fundamentally transform social relations. Significant change occurs only in the event of an external shock or serendipitous incident that can reroute institutions onto a new path dependent trajectory (e.g., Krasner 1984). Historical institutionalists thus emphasize the power of institutions to shape behavior and tend to underemphasize the ability of actors to shape institutions and to intentionally shape them to serve their interests (Chorev 2007; Crouch 2005: chapter 2; Streeck and Yamamura 2001; Thelen 2004). Put differently, scholars critique historical institutionalism for focusing on institutional power while giving little attention to situational power.

In contrast, scholars who have refocused on institutional change put situational power at the center of their analysis as a way to understand how institutions can change without an exogenous shock to punctuate its self-reinforcing equilibrium (Djelic and Quack 2003b, 2007; Mahoney and Thelen 2010; Sewell 1992; Streeck and Thelen 2005; Thelen 2009). From this view, sources of endogenous, incremental change can be found in the relation between institutions and the social activities they seek to govern. Specifically, these scholars see institutional change as emerging due to the gap between formal rules and the ability to enforce them, or, as Streeck and Thelen put it, the "gap between the ideal pattern of a rule and the real pattern of life under it" (2005:14, original emphasis). Formal rules are always incomplete and ambiguous, making implementation unpredictable. Rules can embody counterposing ideals, loopholes, or inconsistencies, which give actors—and particularly rule-takers—opportunities to resist implementation, or to reinterpret the rules to better serve their interests (Clemens and Cook 1999; Djelic and Quack 2003b; Halliday and Carruthers 2009). As
actors creatively strategize around the contradictions within and between existing institutions, change is possible. Small, incremental changes can culminate in consequential change that does not just reproduce existing social relationships but instead transforms them (Streeck and Thelen 2005). In short, by refocusing attention on strategic action, these scholars demonstrate that, while the rules of the game shape the plays of the game, at the same time, the plays of the game can influence the rules of the game.

The problem is that institutionalists focusing on change give little attention to the nature of the game itself, or the power relations defined by the system itself—in this case, the global capitalist system. This limits the explanatory power of their accounts. While these scholars recognize that resistance to existing rules can generate change, they are largely unable to explain why actors resist the rules to begin with. This is not to say that institutionalists do not account for conflict. To the contrary, many accounts see conflict as endemic to institutions. But, by ignoring systemic power, they lack a theory of what the conflict is about. They assume actors’ resistance to formal rules rather than providing a theory of conflict that would explain actors’ resistance, as well as their strategies to direct institutional change.

Some scholars focused on institutional change do attempt to theorize conflict. However, their theories largely take the form of typologies that leave the systemic roots of power and conflict unspecified. For example, Halliday and Carruthers (2009) study the transnational harmonization of bankruptcy laws. These prominent sociologists of law see “global” and “local” actors clashing over the harmonization of governance arrangements. They argue that the conflict is shaped by two dimensions of power: the balance of power between the national and global; and the cultural and social “distance” between global and local actors. The “distance” between actors, they suggest, indicates “how far apart the two sides of the interaction are at the outset” (2009:22). The greater the distance in terms of institutional preferences, the greater the likelihood of conflict. The balance of power “helps to determine which side is more likely to be moving toward the other” in the process of negotiating (2009:22–23).

But, one might ask, what is the source of the “distance” between “global” and “local” actors’ institutional preferences and how might that shape the circumstances under which one side would move toward the other? Is this “distance” simply due to the lack of interaction, thus requiring time for actors to come to common understandings? Or is it the kind of social and cultural distance that emerges from a specific history of unequal relations that breeds distance in institutional preferences as well as resistance and
mistrust (e.g., Roberts and Parks 2007)? Halliday and Carruthers offer us a typology of actors and their potential orientations but, as Burawoy might put it, provide no “basis or source for particular patterns of conflict” (Burawoy 1979:9).

The lack of attention to systemic power further limits the ability of institutionalists to explain why changing institutions ultimately take the form that they do. These scholars emphasize the potential for highly novel institutional arrangements to emerge in the global arena. In doing so, they critique cultural institutionalists, such as world society scholars, who see organizations worldwide converging onto similar institutional forms through a process of mimetic isomorphism (e.g., Boli and Thomas 1999; Drori et al. 2003; Meyer et al. 1997). For institutionalists focused on change, actors do not simply adopt common institutional designs to gain legitimacy on the global stage, nor are institutions simply becoming more similar. Instead, institutions can take diverse and innovative forms through the dynamic interplay between the rules of the game and the plays of the game. Strategic actors, such as institutional entrepreneurs (DiMaggio 1988) or bricoleurs (Campbell 2004), manipulate meanings and symbols, organize key constituencies, and create “new solutions out of an admixture of preexisting elements” as they actively cultivate the legitimacy of their preferred rules (Halliday and Carruthers 2009:28; Campbell 2004; Djelic and Quack 2003b).

The problem with this account is that the possible forms that new institutions might take seem endless. Innovation is limited by actors’ abilities to imagine new combinations of existing institutional fragments. By neglecting systemic power, institutionalists do not explain how the game itself puts limits on what kind of institutional change is possible. Moreover, they overlook important factors that shape why some actors are better institutional entrepreneurs than others or why some are particularly adept bricoleurs.

Part of the problem is that institutionalist approaches tend to theorize history rather than historicize theory in their approach to institutional change. Theorizing history is the common approach to modern social science. From this view, the problem to be explained is cast in general terms: how do institutions change? The answers are transhistorical: institutions change through the interplay of cultural frames, institutional path dependencies, and strategic action. In short, institutionalists provide a theory of the general properties of institutions that is considered applicable across space and time. In accounts at this level of abstraction, the underlying causes of institutional change remain a mystery. Wolfgang Streeck argues that what institutional analyses “failed (and in fact never intended) to do
was to account for the historical emergence and the pervasiveness of the sort of change that it had been developed to capture—its location in time and space as well as its direction and driving forces” (2011:139). Streeck (2009, 2010, 2011) has recently sought to embed his earlier institutionalist analyses (e.g., Streeck and Thelen 2005) within a theory of capitalism.

In short, institutionalist approaches to transnational governance have generated a rich conceptual vocabulary for understanding institutional change and institution-building. But they are divorced from the specificities of the socioeconomic orders that construct and are constructed by these institutions. That is, institutions are abstracted from the global capitalist system. If our goal is to understand why institutional change occurs and why new institutional arrangements take the form that they do, “these are questions a framework that takes capitalism for granted cannot even pose, let alone answer” (Burawoy 1979:12). What is needed is a historicized theory of institutional change as it is constituted by and constitutive of a socially and spatially specific economic system.

EMBEDDING INSTITUTIONS IN THE GLOBAL CAPITALIST SYSTEM

A theory of institutional change in the global capitalist system focuses on understanding why the rules of the game change and what form those changes take. Institutional power cannot be understood in isolation from situational and systemic power. Rather, these levels of power must be understood as necessarily intertwined and in dynamic interplay. Struggles over the rules of the game will be influenced both by the plays of the game and the game itself. The rules of the game can change as actors challenge or circumvent them through their strategies in the plays of the game. Moreover, the nature of the game itself—in this case, global capitalism—and broader struggles over how it should be organized shape the range of possible institutional rules and achievable goals (Wright 1994:93). In short, struggles over the rules of the game must be understood as embedded within material and discursive contestation at all three levels.

This requires theorizing the specificities of institutions within the global capitalist system. Institutions emerge and change in relation to the particular dynamics of global capitalist development—that is, institutions and the economy are mutually constituting spheres of activity, neither of which can function without the other (Block 1994; Block and Evans 2005). This perspective runs counter to institutionalist scholarship (Streeck 2009) but also to orthodox economics and neo-Marxist accounts that ignore the role of in-
stitutions in the construction of capitalism. Rather than seeing the capitalist economy as expanding according to an internal and independent logic, capitalism must be understood as a “constructed system” (Block 2002:223). The global economy is made and remade through political struggle over the institutions that shape capitalist relations and the distribution of the benefits and costs of capital accumulation. From this perspective, we can understand capitalism as an expansionary system but also emphasize that, as a product of political struggle, the potential trajectories of capitalist development are diverse. As such, understanding institutional change is critical as it is tantamount to understanding the development of capitalism.

This approach has the potential to ground the abstract conceptualizations of institutional change offered by recent variants of institutionalism. Institutions must be understood not in abstract form but as constructed to facilitate certain configurations of capitalism. As Karl Polanyi (1957 [1944]) suggests, the historical trajectory of capitalism as an institutionalized social order can be understood as unfolding through successive political projects in which powerful firms and states attempt to extend capitalist market relations in ways that serve their perceived interests in market liberalism. On a global stage, hegemonic coalitions of states and firms have historically pursued liberal market projects to expand capitalist markets across space and to capture the benefits of this expanded trade (see Arrighi 1994; Silver and Arrighi 2003). Just as the hegemonic coalition led by the British state and firms sought to secure their geoeconomic dominance over potential rivals in the United States and Europe, the contemporary neoliberal coalition led by the US state and transnational firms has sought to capture the benefits of expanded global trade for themselves over competitors in China. In order to pursue these projects, firms construct—and compel states to construct—a constellation of governance institutions that facilitate and enforce privatization, commoditization, and market liberalization on an ever more extensive scale. Rules that foster market expansion, such as quality standards, can be understood as embedded within such broader projects of market liberalism.

This conceptualization of institutions runs counter to historical institutionalist accounts that see institutional design as a product of historical contingency and serendipitous events (see Mahoney 2000). While institutions are historically specific and contingent, they are also intentionally planned. This does not mean that a single institutional entrepreneur or small group of actors can just willfully construct an institution in order to secure their preferences. Institutions are always the product of political struggle and compromise. Moreover, intentionally constructing an institution does not
mean that the rule-makers must fully understand the problems to be solved at the outset (or at any time during the rule-making process), nor that they accurately identify the solution that would best achieve their preferences. Institutionalists are correct in suggesting that rule-makers construct institutions through processes of experimentation. However, seeing institutions as designed within the global capitalist system means that actors' perceived interests in institutional design, and their ability to pursue these interests successfully, are structured by their position within the competitive dynamics of capitalism. In short, projects of market expansion are often lopsided, scattered, and pieced together in a trial-and-error way as actors seek to solve the problems they face given their position within historically and spatially specific processes of capital accumulation.

Liberal market projects are both material and discursive in nature. Actors construct discursive legitimations in particular contexts and with the aim to inform, steer, and legitimate particular projects of liberal market development. Drawing on the work of Edward Said (1978), Ngai-Ling Sum (2000) demonstrates how particular historical configurations of capitalism are constructed through processes of "othering," or the discursive construction of certain people, places, practices, and governance arrangements as fair, just, or superior, while constructing the rest as "others," that is, people and practices that are unfair, inferior, or even dangerous. For example, US discourses promoting neoliberal trade policies in the 1970s and 1980s "othered" Japan's more protectionist economic and political institutions as "unfair" trade practices.

This view of the role of ideas departs significantly from much of the literature on institutional change. Like their conceptualization of institutions more generally, cultural and change-oriented institutionalists see the role of discourse in institution-building in highly abstract terms. They see "world cultural scripts" or "legitimation mandates," such as science, representation, or procedural fairness, as shaping actors' ability to construct institutions as legitimate (Black 2008; Halliday and Carruthers 2009; Meyer et al. 1997; Quack 2010). However, these discursive constructs seem to appear from nowhere (Schwartzman 2006) and/or are presented as transhistorical principles of legitimacy that can be applied at any time and place. Discourses must be understood as constituted in particular places and periods in relation to the historical development of the global capitalist system. Constructed in relation to concrete patterns of social struggle, these discourses shape how actors come to understand the problems posed by the existing economic organization and the rules that support it.
NEW PATTERNS OF CONFLICT WITHIN PROJECTS OF MARKET EXPANSION

The trajectory of capitalist development is never wholly constructed by these political projects of market liberalism and the material relationships and discursive constructs that define them. When powerful actors construct governance institutions to support a project of market expansion, these institutions can mold the real pattern of economic life to serve their aims to a significant degree. But they also generate new dynamics that can make the enforcement of formal rules difficult. Because capitalism is a relational and thus conflictual system, institutions that facilitate it create particular patterns of social conflict. Understanding institutional change thus requires grasping the types of social conflict that market-facilitating institutions generate, particularly on a global scale. These new patterns of conflict reshape actors' preferences, bargaining power, and strategies to challenge and reconstruct existing institutions.

Liberal market institutions generate new axes of conflict that destabilize the institutions themselves. While taking historically and spatially specific forms, there are two key axes of conflict that liberal market institutions generate: conflicts emerging from the creative and the destructive dynamics of liberal market expansion. As both Karl Marx (1976 [1867]) and Joseph Schumpeter (1976 [1942]) have emphasized, the extension of market discipline has both creative effects, which stimulate technological and organizational change and provide new opportunities for some actors to improve their competitive position, and destructive effects, which undermine competitive positions and livelihood strategies. As actors' competitive positions and relative bargaining power shift, these creative and destructive dynamics generate distinct types of conflict.

The creative dynamics of liberal market institutions generate conflict by giving rise to new rivals capable of challenging the institutional privileges of dominant actors. Market-facilitating institutions intensify interfirm competition. In doing so, they set off a creative process that stimulates technological and organizational innovation. Firms seek to create new technologies and products, design new strategies to minimize costs and control workers, and attain new economies of scale and speed to ensure their survival. In David Harvey’s words, “The struggle to maintain profitability sends capitalists racing off to explore all kinds of other possibilities” (1995:106). In this competitive process, it is not necessarily already-dominant firms who win out. To the contrary, the unintended outcome of the creative moment
of liberal market projects is often the emergence of challengers who rival the economic power of previously dominant firms as competition drives the consolidation of capital. In short, liberal market projects generate new rivals that enjoy increasing bargaining power vis-à-vis dominant actors. These new rival firms can use their enhanced bargaining power to circumvent or challenge existing rules.

The second axis of conflict emerges out of the destructive dynamics of liberal market institutions. Political projects to extend market relations across the globe seek to secure the rights of capital over labor and other marginalized actors. Firms use political power to protect rights to private property at the expense of the rights of workers and other marginalized groups. As Gill puts it, the central goal of market liberalization is to “subject the majority of the population to the power of market forces whilst preserving social protection for the strong” (1994:407). By privileging the pursuit of profit over societal well-being and sustainability, liberal market institutions threaten established ways of making a living. As Karl Polanyi (1957 [1944]) has argued, the destructive dynamics of deepening market relations generate social conflict, which can make the enforcement of liberal market institutions difficult. That is, these actors marginalized by liberal market projects are compelled to defend “established and widely accepted social compacts on the right to livelihood—in other words, [they are] in part fueled by a sense of ‘injustice’” (Silver 2003:18).

This argument follows Polanyi’s claim that liberal market projects generate social conflict and spur countermovements for societal protection. However, I argue that distinct types of “push-backs” against liberal market projects often derive from different axes of conflict and thus are more diverse than Polanyi suggests and can take competitive rather than protective forms. In essence, a more complex terrain of struggle must be mapped in order to understand the trajectory of institutional change. To do this, I draw on both neo-Marxist and especially world-systems analyses of systemic chaos during periods of hegemonic rivalries (e.g., Arrighi 1994; Arrighi and Silver 1999; Wallerstein 1974).

**Strategies for Contesting Liberal Market Institutions**

By identifying the underlying causes of conflict, we can understand not only why actors contest institutions but also the types of strategies they pursue. Given their particular positions within these shifting dynamics, different actors develop distinct institutional strategies, or efforts to reconstruct in-
TABLE 1.1. Actors’ Institutional Positions and Strategies in Relation to Dominant Actors’ Liberal Economic Projects.

<table>
<thead>
<tr>
<th>Actors</th>
<th>Position within Liberal Market Projects</th>
<th>Institutional Position</th>
<th>Institutional Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominant</td>
<td>Established institutions to facilitate their interests in market liberalism</td>
<td>Privileged by the existing institutions</td>
<td>Preservation Strategy to reconstruct institutions in ways that preserve existing institutional privileges</td>
</tr>
<tr>
<td>Rival</td>
<td>Improved bargaining position due to creative dynamics of market liberalism</td>
<td>Disadvantaged by existing institutions but capable of competing for institutional privileges</td>
<td>Redirection Strategy to reconstruct institutions to privilege their preferences rather than those of currently privileged actors</td>
</tr>
<tr>
<td>Marginalized</td>
<td>Deteriorated bargaining position due to destructive dynamics of market liberalism</td>
<td>Disadvantaged by existing institutions but not capable of competing for institutional privileges</td>
<td>Protection Strategy to reconstruct institutions to minimize their disadvantages</td>
</tr>
</tbody>
</table>

Institutions to achieve their preferences. In particular, I identify three types of institutional strategies that are stimulated by these axes of conflict. This argument is depicted in Table 1.1.

Emerging Rivals and Redirection Strategies

The bargaining power of emerging rivals increases through the creative dynamics of liberal market projects. From this enhanced position, new rivals pursue redirection strategies that aim to transform institutions to privilege their interests over those of dominant actors. But why would these emerging rivals want to change the rules of the game if they rose to power through the use of these rules? The answer to this question lies in the nature of market-facilitating institutions themselves. That is, firms generally do not attempt to construct institutions that intensify market discipline in general but rather develop institutions that serve their particular interests. Firms pursuing a project of market liberalism prefer institutional designs that create advantages not just for capitalists over workers but for certain capitalists over others and certain places over others. Rules that facilitate market liberalism thus represent what Santos (1995) terms globalized localisms, or
rules developed in a particular context to serve specific interests that are then imposed on others.

Because of this, emerging rivals face the problem of institutional incongruities, or a mismatch between the social, cultural, material, and technological conditions assumed by the existing institutional arrangements and the actual conditions in which rivals are embedded. Institutions are constructed in a particular place and time and carry with them a host of social, cultural, material, and technological conditions that cannot necessarily be replicated with ease. Thus, as the power of rival firms and states grows, we are more likely to see effective challenges to the enforcement of dominant rules.

In their study of private, transnational arbitration, Yves Dezalay and Bryant Garth (1995, 1996) elucidate this point. They demonstrate how Western firms, lawyers, and arbitrators sought to build a system of private business dispute settlement as part of the legal framework to facilitate market expansion on a global stage. However, even though all the players involved had a common interest in creating a transnational legal field that would be autonomous from state courts, firms and arbitrators struggled over which firms and which places would be privileged by these governance institutions. By successfully prevailing over the continental European arbitral tradition, Anglo-American lawyers, arbitrators, and the firms they represented won the ability to “play by their own terms” (Dezalay and Garth 1995:52).

This goes against the grain of many accounts that focus on the rise of transnational firms and private authority as the defining characteristic of globalization. In this view, a transnational capitalist class is characterized as triumphing over states and workers in its unified goal to push a liberal market agenda across the globe (Robinson 2003; Sklair 2001). However, this overwhelming focus on the power of transnational firms neglects the contestation among these firms and their implications for governance institutions. As Schrank suggests, we must consider “the possibility of a cosmopolitan-but-combative capitalist class” (2005:94; see also Kaup forthcoming; McMichael 2001). Firms do not simply create institutions to privilege the interests of capital over labor nor do they create a level playing field for competing firms. Rather they create institutions that serve their specific—and geographical—interests over those of competing firms.

Even quite powerful firms and/or states, however, do not easily prevail over the institutionalized power of already-dominant firms and states. In their redirection strategies, rivals face the problem of institutional dependence. That is, rivals are dependent as they remain reliant on the existing
arrangements even as they attempt to redirect them. It was the institutions established by the dominant actors that created opportunities for rivals to emerge. Rivals are thus unlikely to simply replace these institutions. Instead, they incrementally reconstitute these institutions to better privilege their preferences. Nowhere is this clearer than in the debate over voting power in the World Bank and International Monetary Fund. Emerging rivals like China and India do not seek to dismantle these institutions of US hegemony. They seek to gain greater influence within them and redirect them in their favor. From this view, conflict-driven processes of institutional change are inevitably incremental as rivals must retool and revise the existing rules.

In his provocative book, *Playing Our Game*, MIT political scientist Edward Steinfeld argues that the ability of Chinese firms and the Chinese state to change the rules of the game to better serve their interests is complicated by the fact that their economic and political power has grown within “a game created and defined by the world’s advanced industrial economies, most notably the United States” (2010:24). China has willingly, or through the stipulations of outside organizations like the WTO, engaged in what Steinfeld calls institutional outsourcing. That is, in order to facilitate its spectacular economic growth, the Chinese state and Chinese firms have imported a range of institutions from a currency management system to, as we will see, a system of cotton quality classification. Just replicating these institutions domestically is a daunting task. It requires that certain practices, technologies, expertise, people, tools, and standards must be transferred from one context to another. Adopting a new currency management system, for example, requires not only new technologies but also new forms of formal and tacit knowledge and even new types of bureaucrats. The ability of the Chinese state or Chinese firms to not only replicate but also redirect such institutions to serve their interests is highly uncertain.

From this view, historical institutionalists’ attention to path dependencies of existing institutions is critical, so long as we contextualize them within particular trajectories of institutionalized global capitalist development. Actors construct governance institutions to solve the problems they face given their historically and spatially specific position within processes of accumulation. These institutions then carry with them complex and historically specific constellations of knowledge/expertise, technology, materiality, discursive legitimations, social roles, and relationships that cannot be cast aside, transplanted elsewhere, or redirected to serve different interests in a simple and straightforward way.
Marginalized Actors and Protection Strategies

While emerging rivals may pose the greatest threat to the institutional privileges enjoyed by dominant actors, marginalized actors too advance challenges that can be effective. Marginalized actors' bargaining power is undermined by the destructive dynamics of liberal market projects. Lacking the bargaining power to compete for institutional privileges, these actors pursue protection strategies, which seek to reconstruct institutions to minimize the disadvantages marginalized actors face.

Rachel Schurman and William Munro (2010) demonstrate these dynamics in their study of struggles between activists and agribusiness firms over the governance of biotechnology. They reveal how agribusiness firms, and particularly the biotech giant Monsanto, sought to piece together a global legal framework to privatize and commodify life forms through the protection of intellectual property rights for genetically modified (GM) seeds. Activists from the United States to Zambia, however, saw these institutions as having destructive effects, linking them to a range of issues from the loss of genetic diversity to the intensification of rural poverty and inequality by forcing small farmers to purchase rather than save and replant their seeds. These were not simply struggles over material well-being but also discursive struggles to define what is fair and just. Biotech proponents saw GM seeds as “good technologies” that were profitable and had the potential to feed the world’s growing population. Opponents, in contrast, saw Monsanto’s aggressive attempts to sell their seeds around the world as evidence of “greed and economic rapaciousness” (2010:189). As such, these activists launched what we might call protection strategies to contest these governance arrangements that privileged a small group of corporate elite over the environment, food security, and farmers around the world.

In this way, we can see how more marginalized players, particularly as they organize together, can be “strategic actors” or “institutional entrepreneurs” who search out loopholes and weak points in existing institutions in order to challenge them, much as institutionalists would suggest. However, by understanding these challenges as resistance to the destructive effects of market liberalism, we are able to understand why this contestation occurs. Marginalized actors contest governance institutions that they perceive as threatening their established livelihoods and their ideas about what is fair and just.

Marginalized actors will not necessarily be successful in their attempts to challenge liberal market institutions. Contrary to institutionalist accounts
that have difficulty specifying why some actors are more effective than others, situating them within processes of capital accumulation helps us to understand the relative abilities of different players to effectively operate as institutional entrepreneurs. Protection strategies are, by nature, waged by actors who have relatively little power compared with dominant firms and states and who see their rights and resources undermined by liberal market projects. Given the limited bargaining power of marginalized actors, protection strategies are only rarely the decisive factor in struggles over institutions. However, as social movement scholars have demonstrated, the kinds of claims that such movements make and the discursive frames that they construct can influence the strategies of more powerful firms and states and shape the form that the resulting governance institutions will take (see Smith and Wiest 2012).

Despite the influence that protection strategies can wield in struggles over governance institutions, we cannot assume that their strategies will take progressive forms. Recent analysts have argued that both the global justice movement and the religious Right in the United States can be seen as reactions to the destructive effects of liberal market projects (see Evans 2008; Block 2007, respectively; see also Harvey 2005). This is because both of these protection strategies are shaped by actors’ positions not only within social and spatial patterns of accumulation pursued by a given liberal market project, but also within historically and contextually specific social and cultural dynamics. Indeed, marketization and commoditization projects generate historically and spatially specific protection strategies that can take a wide diversity of forms (see also Brenner et al. 2010; Mansfield 2004).

**Dominant Actors and Preservation Strategies**

It is not only emerging rivals and marginalized actors who seek to reconstitute the existing institutional structure. Dominant actors, too, play a critical role in spurring institutional change. This at first seems counterintuitive. Dominant actors create institutions like quality standards to facilitate trade and reflect their preferences over those of workers, other marginalized actors, and rival firms and states. These actors are thus privileged by the existing institutional structure and the organization of the global economy it engenders and would be reticent to change it.

However, the challenges from both rival and marginalized actors destabilize the existing institutional structure and make the enforcement of rules difficult. In this context, even dominant actors are compelled to reconfigure
existing arrangements in an effort to protect their institutional privileges. Dominant actors develop *preservation strategies* that aim to reconstruct institutions in ways that both appease challengers and protect their institutional privileges (cf. Gramsci 1971). These are not strategies to simply deflect challenges and preserve institutions in their existing form. Rather, given the growing bargaining power of rivals and the potential for marginalized actors to disrupt accumulation patterns, dominant actors are compelled to actively reconfigure the institutional structure in an effort to quell these challenges and maintain what institutional privileges they can.

These conflict-driven processes result in institutions that are inevitably hybrid. This is not because challengers are guaranteed success in their efforts to reconstruct the existing rules but rather because dominant actors' preservation strategies attempt to pacify the challengers by offering some palatable changes. For example, scholars point to the efforts of the World Bank and the IMF to roll out a kinder, gentler neoliberalism in the face of growing popular movements around the globe that challenge their role in upholding the US-led neoliberal project (e.g., Jessop 2002; Barra and Dello Buono 2009). The conflicts generated by liberal market projects thus compel dominant actors to take an active role in stimulating institutional change.

### States and Geopolitical Competition

The axes of conflict I identify represent conflictual relationships among private actors operating in the market. Indeed, these institutional positions (dominant, rival, and marginalized actors) and institutional strategies (preservation, redirection, protection) can be occupied and pursued by private actors. At the same time, however, it is common for private actors to implore states to support their strategy and to pursue it on their behalf. Capitalist firms can—indeed, must—rely on states to create and enforce much of the institutional infrastructure necessary for the functioning of global markets (Block 2007; Chorev 2007; Fligstein and Merand 2002). Because of this, firms and other actors in society compete to influence not only state policies but also state roles in shaping and/or regulating other governance bodies, such as private regulatory agencies or supranational institutions. Actors marginalized by liberal market projects also turn to the state as a site to contest institutions that destabilize their livelihood strategies. Thus, while projects of market expansion necessarily privilege certain actors over others, states often face domestic contestation both over whether market...
expansion is desirable and over whose preferences institutions supporting market expansion will privilege.

From this view, global economic integration does not reduce the role of states in the economy. Instead, it creates new demands on states, or particular branches of states. States are compelled to transform their roles, activities, and even institutional forms in order to participate in or contest particular projects of market expansion in ways that protect its citizens and/or enhance the competitiveness of its domestic firms. As such, states, or coalitions of states and private actors, can also occupy institutional positions as dominant, rival, or marginalized actors. Moreover, coalitions of states and firms can pursue preservation, redirection, or protection strategies, or strategies that attempt to balance several of these elements.

States, however, play a dual role, in that they not only shape the institutional terrain on which firms compete and more marginalized actors secure a livelihood, but also may emerge as competitors in their own right as they compete with other states to capture mobile capital and/or facilitate the competitiveness of domestic over foreign firms. Many accounts of transnational governance institutions tend to underplay the competitive dynamics among states. Anne-Marie Slaughter (2004), for example, provides what is in many ways a paradigmatic study of states’ efforts to transform their roles in an effort to participate in global economic governance. She argues that government officials disaggregate state sovereignty by building transnational networks with their counterparts around the globe to address common concerns such as the harmonization of regulations and cross-border enforcement. While acknowledging that government officials from different countries may have conflicting interests in governance networks, Slaughter insists that they can and do work together effectively by agreeing to “constitutional norms” that ensure “an inclusive, tolerant, respectful, and decentralized world order” (2004:27,29). However, by underplaying the competitive dynamics among states, her account leaves us with unanswered questions. For instance, why would branches of “disaggregating states” choose this high-road strategy rather than pursue dominance within new governance institutions? Why would weaker states choose to participate if a “high-road” approach is not assured? In short, Slaughter’s account overlooks how geopolitical competition shapes the operation and form of networked governance institutions.

This type of approach is short-sighted because emerging rivals—both firms and states—are not only interested in changing existing rules to serve their interests. They also seek the power that comes from controlling the
rules into the future (cf. Strange 1989). Over time, firms' and states' interests in what rules prevail can change in relation to their own shifting competitiveness and due to changes in broader historical circumstances beyond their control. Emerging rivals thus may seek the agenda-setting power that comes from occupying key coordinating roles within institutions. We will see that the Chinese state sought to supplant US control over quality standards. It recognized that the US state gained power from creating the physical representations of quality standards that all others must use. As Drezner insists, we need to consider "the competition by the economic superpowers to win the standard-setting game" (2005:842).

State preferences, however, may or may not align neatly with the preferences of any particular social group in its territory. While coalitions of states and domestic elites are common, these coalitions are neither automatic nor unproblematic. They can be made difficult both by competing elite class fractions within a state with different interests in what institutional strategy to pursue and by the protection strategies of marginalized actors. Thus, critical to a successful preservation, redirection, or protection strategy is coalition building. Actors must develop tactics to reconstruct the existing institutional arrangements to advance and gain broader support for/acquiescence to their project.

Particularly with the rise of transnational firms who are increasingly unmoored from particular state spaces, building a coalition that can successfully restabilize the rules of the game is far from straightforward. Indeed, we will see that transnational cotton merchants, historically aligned with the US state, faced a conundrum given the hegemonic rivalries between the United States and China. While the US state's support for their agenda of private transnational governance could be secured, transnational merchants were reticent to tie themselves to a sinking ship. In this context, transnational merchants attempted to position their private governance as geographically neutral and thus compatible with either Chinese- or US-led hegemony in the future.

In sum, I argue that conflict over institutions like quality standards must be understood as constituted by and constitutive of broader struggles over the organization of the global capitalist system. Both challengers and dominant actors attempt to use strategies institutionalists identify in their efforts to transform institutions. Actors draw on, reconstitute, and mix historically
specific institutional fragments in the struggle to create and legitimate new rules in their interests. They engage in discursive *bricolage* as they seek to shape ideas about who can legitimately set rules (e.g., states vs. firms); what kind of rules can be set (e.g., those that facilitate or hamper trade); and how they can be set (e.g., on the basis of scientific findings, or through democratic procedures). In short, the dynamic interplay between institutions and strategic action that institutionalist scholars emphasize remains critical in this account. However, it is only by understanding the underlying conflict that we can understand why institutional change inevitably involves this dynamic interplay and results in hybrid institutions.

Actors’ preferences and relative bargaining power in a particular institutional struggle are shaped by their positions within a broader conflict generated by the efforts of dominant firms and states (or hegemonic coalitions) to establish institutions that extend market discipline on a greater scale and in a geographical configuration that benefits them. In response, other firms and states (emerging rivals for hegemonic power and weaker actors) attempt to challenge and redirect these institutions to reconstruct the global capitalist system in their favor. By identifying the underlying causes of conflict and the strategies actors pursue, my approach allows a careful analysis of the (possible) transition from one hegemonic coalition to another as struggles across a multitude of sectors ultimately instantiate this broader geo-economic and geopolitical transition.

**WHY COTTON?**

The struggle over who makes the rules for the global economy is being fought on a myriad of battlegrounds across a wide range of sectors. Yet, cotton is in many ways an ideal lens through which to explore the dynamics of institutional change. In the contemporary era, conflict in the cotton trade cuts across critical fault lines in the global economy. Western transnational firms and states face challenges to their position as rule-makers not only from some of the weakest actors in the global economy, such as states and cotton producers in West Africa and their social movement allies, but also from some of the emerging giants, most importantly, China.

But cotton has long been a commodity at the center of historical transformations in global capitalism. Cotton was one of the most important commodities linking the industrial revolution in Britain with slavery in the United States and the social, economic, and political devastation that the slave trade wrought on communities in West Africa. In an ironic twist, we
see these same nations linked by cotton again, yet this time in a different constellation of social relationships. West African producers now compete with those in the United States on the global market. They do not, however, compete as equals. The farms of US producers are much larger (averaging around 1,000 acres) with highly mechanized operations. Their counterparts in West African countries work small plots of land (2-7 acres), which they plant, weed, and harvest by hand. While US producers are known for providing reliable supply in great volumes, it is widely agreed that West African producers not only grow cotton at a lower cost ($1.32/kg vs. $1.42/kg of lint) (Chaudhry 2008), but also produce cotton of some of the highest quality (Fok 2005). Although cotton exports are a rather insignificant slice of US trade, West African states accrue between 30 percent and 40 percent of their foreign exchange earnings from cotton exports (Baffes 2004).

With privatization and the liberalization of markets in the 1990s and 2000s, these two sets of cotton producers were drawn into more direct competition and were increasingly linked to the same powerful middlemen. A handful of transnational merchants were coming to dominate the trade in not just cotton but a diverse portfolio of agricultural commodities. As these merchants competed to construct global sourcing networks and to manage the risks of commodity trade on the futures market, they claimed control over the critical link between geographically dispersed cotton producers and geographically dispersed and relatively small-scale textile manufacturers as textile and apparel production shifted from Western Europe to Asia. This position as key middlemen gave them significant power to direct the benefits of trade in their favor.

The growing dominance of transnational firms vis-à-vis states, workers, and agricultural producers in the global economy has itself been deemed a critical shift in historical social relations. But in the early 2000s, the cotton trade became a key battleground for another potential shift: would the balance of power in the global economy shift increasingly to Asia, and particularly to China? The phase-out of the Multi-Fibre Arrangement (MFA) from 1995 to 2005 liberalized trade in apparel and, paired with the accession of China to the World Trade Organization (WTO) in 2001, shifted the geography of apparel and textile production. China burst on the scene as the largest producer of textiles and apparel—and the largest importer of cotton—in the world. For China, cotton was a critical commodity that linked the fate of its agricultural producers with the competitiveness of its textile and apparel firms, the foreign exchange that they earned, and the millions of workers that they employed. Approximately 20 million people are directly involved
in the textile sector in China, and apparel and textiles accounted for 15 percent of China's total export value in 2005 (Alpermann 2010; FAS 2006). More than a hundred million farmers and farmworkers are involved in the production of cotton in China (Alpermann 2010).

As these policy shifts augmented the economic power of China, they also gave new teeth to the crisis of Western legitimacy in the cotton trade. These policy shifts consolidated the power of three key actors: the Chinese state, the US state, and transnational cotton merchants. As of 2012, none of these actors has been capable of setting new rules of the game. Rather, the first decade of the twenty-first century was a period in which the Chinese state, the US state, and transnational merchants were competing over who could claim authority in the global cotton trade. That is, they competed over who could translate their economic power into legitimate and enforceable institutional rules.

The contemporary cotton trade lets us explore two stories that are critical to understanding both the crisis of Western legitimacy and emerging forms of transnational cooperation for economic governance. First is the story of weaker actors—in this case, cotton producers, small merchants/ginners, and states in West African countries (and other cotton-producing countries around the globe)—who are challenging the Western liberal market project that again subordinates them, albeit in new ways, in the global economy. The second story is of increasingly powerful actors, such as the Chinese state and Chinese textile manufacturers, who aspire to set their own rules for global trade. Perhaps most interesting is how the two stories intertwine. Together, these stories allow us to explore how the growing power of transnational corporations, and their allies in Western states, is upset by shifting geopolitical dynamics. And they allow us to consider what this means for the construction of new transnational governance institutions and the ability of weaker actors to have their voices heard in these negotiations. In essence, these stories reveal the diverse axes of conflict and institutional strategies—redirection, protection, and preservation—that are generated by liberal market projects, and the hybrid institutions that result.

**WHY QUALITY STANDARDS?**

It is this varied group of firms and states in cotton-producing and -importing countries, as well as an amalgam of scientists, arbitrators, and trade association representatives, who negotiate economic governance in the cotton trade. And it is within these broader shifts in the power dynamics among
them that I explore negotiations over a key economic governance institution: quality standards, and the mechanisms to settle disputes over quality. Admittedly, at first glance, quality standards seem to be a terribly mundane, technical issue that should hardly demand our attention. The reality, however, is quite the opposite (see Busch 2000).

Economic sociologist Jens Beckert (2009) sees quality standards as solving the problem of valuation—a key coordination problem that must be solved to allow the creation of markets and their continued operation. Trade requires actors to come to an agreement over how the quality of a commodity will be evaluated and thus what price it will command. As such, Beckert considers understanding quality standards as one of the “founding problems for the sociology of markets” (2009:247). How an agreement on quality is reached is far from a straightforward, technical problem to be solved. Quality standards do not evaluate the “intrinsic qualities” of a good or service; rather they make some qualities visible while obscuring others (Daviron and Vagneron 2011; Thévenot 2009). Quality standards thus serve as rules of exchange that “define who can transact with whom and the conditions under which transactions are carried out” (Fligstein 1996:659). As different actors have distinct interests in what standards should be, they have critical distributive consequences.

Quality standards are mechanisms of economic governance that are used in the trade of a vast array of commodities, from bulk agricultural goods like cotton or wheat to sophisticated electronic goods or fine wines. Indeed, some estimates suggest that up to 80 percent of trade is affected by standards or associated technical regulations (Mattli 2001b). Standards do, however, take particular form in relation to specific commodities. Cotton is highly heterogeneous, and the differences in the material characteristics of different types of cotton matter because they influence processing. That is, the material characteristics of cotton influence how cotton fibers are spun into yarn and woven or knit into textiles. Raw material is the most important factor influencing yarn quality, and represents about 50 percent of the cost of yarn (Estur 2004b). Quality is thus the main source of differentiation in end-markets (Larsen 2003), and knowing the quality of the cotton one is buying or selling is key to profitability.

The governance of quality standards involves three key tasks (see Table 1.2). The first is defining quality. This involves determining what characteristics of the cotton should be evaluated to determine its price and establish grades, or the categories used to implement the standards. This is a contentious task as different actors, from Chinese textile manufacturers
and large cotton producers in the United States to transnational merchants and small cotton producers in Benin, have different interests in how quality should be defined. The second task is the creation of benchmark standards. Benchmark standards are physical representations of the “true” value of the different grades or categories. This is considered a critical coordinating function as it is subject to considerable manipulation and serves as the basis for classification and dispute settlement. When cotton is classed for sale on the market, it is compared with these benchmark standards to determine its quality and price. The final task is dispute settlement. If a merchant ships cotton from Benin to China and the Chinese buyer argues that the cotton delivered was not what she ordered, who will settle the dispute, authoritatively determine the quality of the cotton, and enforce this definition? Historically, the settlement of quality disputes has been intrinsically linked with the governance of contracts more broadly and thus rules for “quality terms” in a contract have often been elaborated in conjunction with rules for “technical terms,” such as who will be responsible for storage, transportation, and insurance or how payment will be made.

These tasks for the governance of quality standards must be conducted regardless of whether trade in cotton occurs within a face-to-face market or clear across the globe. However, these tasks and the social relationships that they embody can take distinct form in different locations, at different historical moments, and in relation to the changing economic organization of trade. As we will see in the subsequent chapters, these three governance tasks have also been the key axes of struggle over quality standards throughout history.

I consider negotiations over these governance tasks from 1970 to 2012 in comparison with a similar struggle over quality standards that occurred from 1870 to the 1920s. As we will see, negotiations over these forms of

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**Table 1.2. Key Tasks and Axes of Conflict in the Governance of Cotton Quality Standards.**

<table>
<thead>
<tr>
<th>Key Governance Tasks</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition of Quality</td>
<td>Determining which characteristics of cotton should be evaluated in establishing grades and thus price</td>
</tr>
<tr>
<td>Benchmark Standards</td>
<td>Creating physical representations of the “true” value of the grades which are used as a basis of comparison in manual classification or to calibrate measurement instruments in automated classification</td>
</tr>
<tr>
<td>Dispute Settlement</td>
<td>Adjudicating a conflict over quality and technical terms in a contract</td>
</tr>
</tbody>
</table>
economic governance are conflictual because who makes the rules matters. Whoever can successfully claim authority over quality standards has considerable influence over how the benefits of trade are distributed. As Tim Büthe and Walter Mattli explain, struggles over standards matter for firms and states as “to lose may mean higher production costs, steeper costs of switching to international standards, lower international competitiveness, loss of export markets, and even risk of corporate demise” (2011:12). And for weaker actors, such as small farmers in West Africa, to lose may mean greater livelihood instability—greater difficulty sending one’s children to school and putting food on the table.

RESEARCH STRATEGY

The research forming the core of the book captures the years following two critical turning points in the cotton trade: the shift to liberalized trade in the apparel sector with the end of the Multi-Fibre Arrangement (MFA) in 2005 and the accession of China to the WTO in 2001, which together created an increasingly transnational but China-centered cotton trade. This book follows key actors—transnational and regional merchants, government officials, fiber scientists, contract lawyers and arbitrators, and trade association representatives—from countries around the globe as they navigate this new trading environment and negotiate new global rules to govern their transactions.

When I describe my research on the cotton trade to family, friends, and other scholars, I am commonly asked, what region or country did you focus on? This question reflects what continues to be a deeply embedded methodological nationalism in social scientific research—that is, our tendency to frame research, even research on transnational processes, in nation-state-centric terms. This is not to say that nation-states are no longer pertinent to study. Indeed, the chapters of this book will repeatedly refer to states and state agencies and their roles in transnational governance. Overcoming methodological nationalism means not seeing nation-states as containers for social activities.

To move beyond methodological nationalism in the study of transnational processes, we need to demarcate transnational space as our area of focus. To this end, I used the global commodity chain (GCC) approach as a methodological tool to track actors that are at once linked in the global cotton trade and embedded in place-specific constellations of labor, technology, materiality, science, culture, and discourse (see Collins 2005; Gereffi
Hopkins and Wallerstein (1977, 1986) first introduced the concept of the commodity chain as an alternative to the methodological nationalism that characterized much research at that time. The commodity chain is defined as "a network of labor and production processes whose end result is a finished commodity" (Hopkins and Wallerstein 1986:159). The commodity chain represents a useful analytical tool to study global standard-setting by helping one trace the relationships among diverse actors involved in the sector for which the standards are being made. As Jane Collins explains, commodity chains can help one "grasp the evolving organizational aspects of international trade, the linkages that animate it, the coordination that makes it possible and the new global bodies that regulate it" (2005:4).

In particular, commodity chains can be used to facilitate Philip McMichael's (1990, 2000) "incorporating comparisons" historical comparative method for studying the capitalist world-system. McMichael argues that by comparing the subparts of the world-system, an understanding of the world-system as a whole emerges. McMichael suggests that such comparisons can occur along two axes: space and time. Cross-time comparisons assume that any era in the history of the world-system can be thought of as consisting of particular historical instances or moments that can be compared. Cross-space comparisons, on the other hand, involve comparing subparts in spatially specific locations of a global configuration. McMichael suggests that comparison along either of these axes is sufficient; however, creative combinations of the two are preferred.

The commodity chain serves as a unit of analysis through which to facilitate cross-time and cross-space comparisons. My research methodology involved cross-time comparisons as I compare contemporary negotiations within the commodity chain with those from the 1870s to the 1920s. As well, I compare social relationships along the commodity chain at different points in time within each of these periods. My research also involved cross-space comparisons. Using the GCC methodology, I sought to capture variation both within different nodes of the commodity chain and across different geographic locations. I collected and analyzed three main types of data guided by this sampling strategy. First, I conducted document analysis of news articles, annual reports, minutes from meetings, and policy documents. Second, I analyzed descriptive statistics on changes in cotton production, consumption, and trade globally from 1970 to present from a data set obtained from the International Cotton Advisory Committee (ICAC). Finally, I used a multisited ethnographic research strategy (Collins 2003). This involved conducting approximately 80 semistructured interviews, as
well as observation at four international cotton industry conferences: the 2005 and 2006 annual meetings of the ICAC and the 2005 and 2006 annual meetings of the International Cotton Association (ICA). These conferences brought together state and private sector representatives from cotton-producing and -consuming countries around the world.

My sampling strategy for interviews aimed to maximize potential diversity among actors in terms of their interests and roles in standard-setting. To this end, I interviewed actors in each of the key nodes or positions within the cotton trade: cotton producers, transnational and local cotton merchants, and yarn/textile manufacturers, as well as representatives from trade associations representing these actors (see Figure 1.1). I also sought to maximize geographical diversity by interviewing actors during field visits to China, Benin, and the United States, as well as during the cotton industry conferences I attended in Brazil and England. However, these firms involved directly in the trade are themselves embedded in webs of relations

![Diagram of the Cotton Trade within the Apparel/Textile Commodity Chain]

**FIGURE 1.1.** The Cotton Trade within the Apparel/Textile Commodity Chain.
with a range of other actors, such as states, lawyers, and scientists, who also intervene in standard-setting processes. To capture these actors, I further interviewed government officials, fiber scientists, lawyers, arbitrators, and various firms that provide services to the cotton trade (e.g., inspection firms, shipping firms, insurance firms).

This research strategy was critical not only for capturing institutional change over time through cross-time comparisons but also for capturing diverse axes of conflict. I was able to examine divergent interests in standard-setting between actors at more dominant or powerful nodes of the commodity chain, such as transnational cotton merchants, and those in more marginalized nodes, such as cotton producers. It allowed me to trace the patterns of social conflict between actors within the same node, such as between cotton producers in the United States versus those in West African countries. And finally, it oriented me toward struggles between powerful firms and states, in both competitive and client-based relationships, such as the struggle between Chinese textile manufacturers and transnational merchants and between the US and Chinese states.

**OUTLINE OF THE BOOK**

The chapters of the book explore struggles over quality standards in the global cotton trade. As I trace these struggles, I aim to demonstrate how contestation over specific institutions, such as cotton quality standards, must be understood as constituted by and constitutive of broader conflicts in the organization of the global capitalist system. Actors' preferences, bargaining power, and institutional strategies in these struggles reflect their position within the dynamics of global capitalist development unleashed by liberal market projects. And these conflict-driven institutional strategies generate new, hybrid institutions.

Chapter 2 begins the analysis by turning to an earlier period of globalization from the 1870s to the 1920s. This chapter demonstrates how episodes of institutional change are best understood when situated within broader material and discursive struggles over the organization of the global capitalist system. Merchants from Liverpool constructed their private authority over quality standards and dispute settlement as part of a broader project of British-led market liberalism in the 1870s. While this liberal market project remade the cotton trade in its image to a significant degree, it also unleashed the creative and destructive dynamics of capitalism and generated both new rivals and marginalized actors, particularly in the United States,
who sought to challenge these governance institutions. These challenges brought a conflict-driven process of institutional change. Rivals such as the US state remained dependent on the Liverpool standards and thus needed to master the existing standards before pursuing a redirection strategy to recast them to reflect their preferences. This institutional dependence ensured that the process of institutional change unfolded incrementally. As challenges to the Liverpool standards grew in intensity, Liverpool merchants were compelled to pursue a preservation strategy to reconstitute the rules in ways that would appease challengers while retaining their institutional privileges. The resulting institutions were thus hybrid in nature as the product of the iterative and competitive reconstitution of the rules. Ultimately, the broader shift in the balance of economic and political power toward the United States aided the US state in securing control over quality standards, if in a hybrid governance arrangement that integrated Liverpool merchants in an oversight role. The United States replaced private standards for economic liberalism with national standards for embedded liberalism that nonetheless preserved private authority over dispute settlement. In sum, institutional change was a process shaped by path dependencies, strategic efforts on the part of actors, and their embeddedness in broader, historically specific processes of capital accumulation on a world scale.

In chapter 3, I turn to the contemporary struggle over quality standards. This chapter demonstrates that projects to create new institutions are often trial-and-error, ad hoc efforts, as institutionalist scholars suggest, but they are also driven by competitive efforts to shape the terrain of market competition. Actors create new institutions to solve the problems they face given their historically and spatially specific position within patterns of capital accumulation. The chapter begins by tracing the rise of a US-led liberal market project in the 1970s and the efforts of the US state and transnational merchants to recast quality standards and dispute settlement to privilege their preferences in this liberalizing environment. As the textile and apparel trade became increasingly global, a new US cotton classification system became the de facto global system. However, it was also met with skepticism given the patterns of conflict that emerged in response to the United States' liberal market project. The United States' project was seen as a highly uneven liberalization project that required countries in the global South to liberalize markets while the United States continued to protect its textile and cotton producers from market discipline. At the same time, US and European merchants took advantage of market liberalization to extend their cotton supply and distribution networks, as well as their private authority over dispute settlement, on a global scale. Yet, while trans-
national merchants gained greater power to impose the rules of the game, they also faced limits to the enforceability of their preferred rules. Particularly in a context of growing inequality between trade partners, merchants' private authority over dispute settlement was contingent on the support of states and a transformation in states' organizing logics to serve transnational firms rather than domestic cotton producers or textile manufacturers. In this chapter, we see how actors searched for institutional arrangements that solved particular problems or helped them pursue new opportunities given their particular positions within the US liberal market project. At the same time, the efficacy of these institutions was limited by the patterns of conflict that they generated.

Chapter 4 focuses on a critical turning point in the struggle over quality standards and dispute settlement mechanisms: the creation of the World Trade Organization (WTO). The WTO transformed the dynamics of struggle in the cotton trade in three key ways. First, it intensified the creative and destructive dynamics of the US liberal market project. Perhaps most decisively, this created the conditions for China to ascend to a dominant position in the cotton trade. Three kings of cotton became rivals for rule-making power: the Chinese state, the US state, and transnational merchants. Second, these shifting competitive positions crystallized both a redirection strategy on the part of the Chinese state to reconstitute the rules of the game in its favor and a protection strategy by marginalized cotton producers against the power of US firms, producers, and the state. The Chinese state, as well as more marginalized actors, saw US quality standards and merchants' dispute settlement mechanisms as globalized localisms that cast rules designed to serve the preferences of US cotton producers and textile manufacturers onto the transnational stage and created disadvantageous institutional incongruities given the different social, cultural, legal, material, and technological conditions in their countries. Finally, the creation of the WTO shifted the logic of decision making over standards and dispute settlement. The Agreement on Technical Barriers to Trade (TBT) narrowed the debate over standards through a commitment to base decisions on science and market integration rather than the socioeconomic and distributive implications of standards and technical regulations. At the same time, China's accession to the WTO limited the role of the state in the economy and generated new challenges for both China and transnational merchants in negotiations over dispute settlement.

In chapter 5, I demonstrate why we should expect conflict-driven processes of institutional change to inevitably be incremental in nature. Emerging rivals remain dependent on existing arrangements even as they pursue
redirection strategies to reconstitute them in their favor. China emerged as a powerful rival in part due to the United States' liberal market project and the institutions—from quality standards to the WTO—that facilitated it. Yet, in its redirection strategy to retool existing rules, the Chinese state found itself dependent not only on aspects of the existing standards and dispute settlement rules but also on the broader institutional framework at the WTO that shaped how rules could be made. This institutional dependence made the Chinese state's redirection strategy necessarily focused on incremental changes as it first had to master the existing arrangements before trying to introduce changes. Thus, through its redirection strategy, the Chinese state sought to import and imitate institutional forms from the United States as a way to solve the problems of institutional dependence and institutional incongruities and ultimately overtake these institutions.

Chapter 6 reveals why conflict-driven processes of institutional change result in new arrangements that are inevitably hybrid. Facing challenges from both rival and marginalized actors, dominant actors are compelled to retool institutional arrangements in an effort to preserve their institutional privileges and stabilize existing rules. Indeed, we see that the USDA and transnational merchants launched preservation strategies that aimed to reconstitute the institutional arrangements in ways that would both appease challengers and maintain their institutional privileges. Institutional change thus results in hybrid arrangements as even dominant actors participate in the reconstruction of rules and contribute to a process of track-switching, or the redirecting of these institutions along a new path-dependent trajectory.

Finally, the concluding chapter discusses the implications of this analysis of shifting quality standards and dispute settlement mechanisms for broader debates in the literatures on institutional change and the governance of the global economy. Drawing on comparisons with the historical standards war at the turn of the twentieth century and with other cases of Chinese standard-setting, this chapter demonstrates that specific instances of institutional change must be understood as constituted by and constitutive of broader transformations in the organization of the global capitalist system. Conflicts over the rules of the game in the cotton trade can be understood as reflecting and instantiating the shift from a British-led to a US-led hegemonic coalition, as well as the potential rise of a new hegemonic coalition in which both China and transnational firms are likely to play prominent roles. A theory of institutional change in the global capitalist system thus sheds light on the broader competitive dynamics and power relations that shape who will set the rules of the game into the future.