***The Influence Of Globalization***

***On Cotton Farmers In China***

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**内容提要**

英国脱欧，美国与中国贸易战，coronavirus-19病毒在全世界范围内爆发.欧美发达国家对于全球化提出了质疑，开始逐步宣传反对全球经济一体化.

本文着重分析中国棉花产业在全球化之后的历史进程，说明全球化在其中所起的重要作用.第一章介绍中国在全球化过程中遇到的负面问题.惊人的棉花库存；棉花产量逐年的下降；大量的进口棉花冲击国内棉花市场；内外棉花差价巨大；棉农的收入受损.第二章分析了产生这些负面问题的主要原因.棉农低下的生产效率；政府对市场直接的干预；外部环境变化导致的消费下降.第三章分析了中国如何进行产业改革，应对这些负面问题，并且逐渐差生效果.鼓励在新疆种植棉花；大规模使用机器生产；政府不直接干预市场.截止2019年底，中国成为全球棉花单产最高的国家；中国依然是全球最大的棉花生产国和消费国；中国的棉花库存减少，达到合理水平.

本文分析了中国棉花产业在全球化的过程中，碰到负面的问题与解决这些问题的过程.解决这些问题的方法是通过向发达国家学习而来，同时中国为适应变化不断调整产业政策也发挥了重要的作用.本文的目的是说明全球化过程中碰到问题是必然的，相互学习和适应变化是解决问题的关键.这是全球化和棉花产业带来的重要启示.

**关键词：**棉花，全球化，国际贸易

**Abstract**

In recent years, many important events happened, including brexit of Britain, United States and China trade war and the coronavirus-19. Developed countries questioned globalization and publicized against global economic integration. These countries encountered problems and blamed globalization. Their solution is anti-globalization that is simple and crude.

This paper focuses on the historical process of China's cotton industry after globalization, and explains the important role of globalization in it. The first chapter introduces the negative problems were encountered by China cotton industry in the process of globalization. Such as: terrible cotton inventory; the decline of cotton production year by year; a large number of imported cotton impact on the china cotton market; huge price difference between domestic and foreign cotton; cotton farmers' income damaged. The second chapter analyzes the main causes of these negative problems. Such as: low production efficiency of cotton farmers; direct government intervention in the market; consumption decline caused by changes in the external environment. The third chapter analyzes how to reform for these negative problems. Such as: encourage cotton planting in Xinjiang; large-scale use of machinery production; the government indirect intervention in the market. The solution to solve these problems that is to learn from developed countries and adjust industrial policies to adapt to changes. These two points play a decisive role. By the end of 2019, China was the country with the highest per unit cotton production in the world; China is still the world's largest cotton producer and consumer; China's cotton inventory has decreased to a reasonable level.

The purpose of this paper is to show that it is inevitable to encounter problems in the process of globalization, and the key to solve the problems that is to learn from each other and adapt to changes. This is an important enlightenment brought by globalization and cotton industry.

**Key Words:** Globalization, Cotton,

**Introduction**

The United States launched a trade war with China in July 2018. The coronavirus outbreak in the world in 2020. Recently anti-globalization movement has become a phenomenon that people mention. After the WTO, China's cotton market is highly correlated with the international market. China not only become the world’s largest cotton producer, but also consumer and importer.

This paper will show you the impact of globalization on China's cotton industry. These effects will produce many phenomena. This paper use historical statistics and historical events to explain the reasons for these phenomena. China's cotton industry also encountered serious negative impacts in the process of globalization, such as the economic crisis in Europe and the United States, huge cotton stocks, and the impact on the income of cotton farmers. China gradually solves these problems by learning from the experience of developed countries.

Globalization has brought benefits to developing countries around the world. Now developed countries have encountered difficulties, some of them believe that these problems are brought about by globalization, they preach against globalization in order to safeguard their own interests. I think it's very dangerous. It is easier to evade difficulties and shirk responsibilities than to solve them. In the long run, it will be more beneficial to work with other countries to overcome these problems.

This paper will show you that China's cotton industry gradually achieved results after years of pain and reform. Such as Inventory reduction, price marketization, the highest cotton production efficiency. These achievements make China more confident in adhering to globalization. The purpose of this paper is to tell people that there are always negative problems in the process of globalization. These difficulties can be overcome through mutual learning and cooperation. The positive effect of globalization is greater. We should adhere to the road of globalization.

**Chapter One Negative Influence on Cotton Farmers**

In the first decade of globalization, great achievements have been made by cotton farmers. In 2001, China's garment exports totaled us $53.3 billion. In 2012, China's garment exports totaled $159.1 billion, rise in 17 percent. In 2002, china produced 4.8 million tons of cotton. In 2012, china produced 6.8 million tons of cotton. In 2002, china consumed 6.9 million tons of cotton. In 2009, china consumed 10 million tons of cotton. Foreign trade orders account for a huge proportion of this consumption. The result show that China's cotton farmers are the beneficiaries of globalization until 2009.After the global financial crisis broke out in 2008, globalization brought negative effects to China's cotton industry.

**1.1 Production and Consumption Decreased**

After the 2008 financial crisis, production and acreage declined year by year. In 2008, the area under cotton cultivation was 5.83 million hectares. In 2016, the area under cotton cultivation was 3.38 million hectares, down 40 percent. In 2008, production of cotton was 749 tons. In 2016, production of cotton was 543 tons, down 27 percent. Large Numbers of farmers abandoned cotton for other cash crops.

In 2007, china cotton consumption reached 12 million tons. [However](javascript:;), in 2016, china cotton consumption was 8 million tons, down 33 percent. Based on the 10-year data, this downward trend will continue. A large number of cotton farmers in the mainland have given up planting cotton and switched to other crops.

**1.2 Huge Price Differences between Domestic and Import**

From 2012 to 2015, china cotton price has been higher than international cotton price, the price difference maintained at ￥2000-￥4000 per ton. In 2012, imports was 4.4 million tons of cotton, consumption was 7.9 million tons. Imports soared because of the wide price difference.

**1.3 High Inventory and Price Distortions**

In 2014, end stock of china cotton reached 14 million tons, consumption was 7.4 million tons. Because the Chinese government bought so much cotton, the huge stock did not produce cheap prices. In this way, the interests of cotton farmers are protected. [However](javascript:;) low purchase prices lead to a decrease in farmers' willingness to plant, and eventually choose to plant other cash crops.

**Chapter Two Influencing Factors of Cotton Farmers**

Factors affecting farmers' income will be listed here. We will discuss that factors affect the income of Chinese farmers after joining WTO. These factors also explain the negative effects of globalization.

**2.1** **Natural Disaster**

The growth process of cotton is affected by climatic conditions, such as cold, drought, water-logging, and also threatened by pests. According to the China cotton boom index, the climate was conducive to cotton growth from 2002 to 2016. The result show natural disasters are not the main factor affecting cotton farmers' income.

**2.2 Planting Cost**

The cost of planting cotton  consist of production costs and land costs.Production costs include direct costs (seeds, machine-cultivated, mulch, water, pesticides, fertilizers, irrigation equipment, fuel expenditure on power, technical services, tools, materials, repairs and maintenance, etc.), indirect costs (depreciation of fixed assets, tax, management, finance, marketing, insurance) and artificial cost (family discount on labor and employment cost, mainly for the field management and cost).The cost of land is mainly the rent of circulating land and the rent of self-run land.In 2014, the cost of cotton cultivation in China is ￥2400 per mu, in US is ￥717 per mu. In 2014, the cost of cotton cultivation in China was more than three times as much as American cotton. Since American cotton is mechanized from planting to harvest, China is still in the semi-mechanized era of cotton planting.

**2.3 Purchase Price**

China cotton price is formed through market mechanism. According to the simple price equilibrium theory of economics. When supply is less than demand, the price goes up. When supply exceeds demand, prices fall. There are three types of cotton market price in China, purchase price, sale price and foreign cotton price. Purchase price is that annual transaction price sold by farmers to cotton processing enterprises. Sale price is that the price at which a cotton mill sells to a textile mill. Cotton price is formed in the game of cotton farmer, cotton merchant and textile mill. When sale price and foreign cotton price goes up, purchase price goes up. When sale price and foreign cotton price fall, purchase price fall. If foreign cotton price is substantially lower than the sale price, then the purchase price will fall sharply, and farmers will lose their incomes. The profit of cotton farmers is equal to the purchase price minus the planting cost of cotton farmers. If cotton farmers' profits are too low, they will grow more profitable crops

**2.4 Consumption Decreased**

**2.4.1 Weak Economies in Europe and the United States**

Europe and the United States economy continues to be weak, apparel foreign trade orders decreased year by year. Many economic events have continued to weaken the American and European economies, such as 2008 US subprime crisis, 2009 European debt crisis, 2019 China and US trade war, 2020 COVID-19. In 2014, China's garment exports totaled us $186.31 billion. However, since 2015, the amount of clothing export has been decreasing year by year. In 2019, China's garment exports totaled $151.36 billion, down 17 percent. Since cotton is the raw material for clothing, a reduction in clothing production will lead to a reduction in cotton consumption. In the theory of supply and demand, in a market economy, price decreases when demand decreases and supply remains constant. The lower price of cotton will affect the income of cotton farmers

**2.4.2 Orders Are Shifting to Southeast Asian Countries**

At present, Pakistan, Bangladesh, Turkey and other countries are far cheaper than China's cost advantage. Some of the prices offered by these countries can be as much as 10% lower than those offered by China. At present, the average profit margin of China's textile industry is only 3.9%. Therefore, many orders have to be abandoned.

**2.4.3 Chemical fiber instead of cotton**

In recent years, the increase of production capacity and low price of chemical fiber will lead to the increase of substitution effect of chemical fiber, which restrains cotton consumption to a certain extent. In 2015, China's output of chemical fiber reached 48.31 million tons, accounting for 70 percent of the global total. The proportion of chemical fiber in the processing volume of textile fiber increased from 70% to 84.1% in 2010.

**2.5 Government Purchases**

Chinese government purchases protected farmers' interests but distorted market prices. From 2011 to the end of 2014, China bought and stored 16 million tons of cotton, accounting for 80 percent of the total production, China also imported 13 million tons of cotton during the same period. The Chinese government is paying ￥19,000 per ton, therefore the Chinese cotton price index remained at ￥19,000 per ton from July 2011 to July 2014. Since cotton is a globally traded commodity, China's policies have caused it to spend vast sums of money and support global cotton prices on its own. It could be concluded that the government's direct intervention in the market makes the cotton industry lose its ability to regulate supply and demand.

**Chapter Three Competitive Strategy under Globalization**

China's cotton farmers have not given up on cotton cultivation after coming under intense pressure from global competition. When they meet problems, they learned advanced experience from developed countries around the world to solve problems. China is actively participating in global trade while constantly adjusting the competitiveness of the cotton industry. In 2019, China has become the world's highest yield per unit area, which means it is the most efficient cotton grower.

**3.1 Encourage Planting in Xinjian**

The government encourages the cultivation of cotton in Xinjian. In recent years, great success has been achieved. The cotton planting area in Xinjiang reached more than 1.03 million hectares in 2004. The cotton planting area in Xinjiang reached more than 3.35 million hectares in 2018, accounting for 74 percent of the china's cotton planting area. Xinjiang cotton production is 5.111 million tons, accounting for 83 percent of China's total production. The cotton yield per unit area in Xinjiang reaches 2.05 tons/ha. We will analyze the reasons why Xinjiang can achieve these achievements.

**3.1.1 Natural**

The climate of Xinjiang is very suitable for the growth of cotton, which can produce high-quality cotton. Cotton growth requires sufficient heat resources and precipitation or irrigation conditions in the growing period. Xinjiang is a dry region with long sunshine duration, long frost-free period and high accumulated temperature. A hundred years ago, Xinjiang was not a good place to grow cotton because it lacked water. China has built reservoirs and is able to grow cotton on a large scale in Xinjiang.

**3.1.2 Machines Collect Cotton**

Machine harvesting greatly improves production efficiency and reduces production cost. The U.S. stock market was the first country to use cotton harvesting on a large scale. Because the land in Xinjiang is relatively flat, it is ideal for machine harvesting. In Xinjiang , in 2012, the cost of manual cotton harvesting and planting is ￥1870 per mu. The cost of machines cotton harvesting and planting is ￥1199 per mu. Cost is reduced by 35.8 percent. Machine-picked cotton planting area has accounted for more than 80 percent in Xinjiang in 2019.

**3.1.3 Encourage the establishment of textile mills in Xinjiang**

Government has encouraged companies to set up textile mill there. First, Labor and land costs are relatively low in Xinjiang. In 2018, the disposable income of residents was ￥8,803 per year in Xinjiang, while that was ￥16,421 per year in Shandong. Labor costs in Xinjiang are 50 percent lower than in textile provinces. Second, Cotton is the main raw material for textile mills. A large number of textile enterprises were established in Shandong, Jiangsu and Zhejiang because a large amount of cheap cotton was imported from cotton. Factories can save transportation costs in Xinjiang.

**3.2 Marketization**

Government intervention in the cotton market has led to market failures. In 2016, the government announced the reform of the cotton market, and marketization re-injected vitality into the market. China has learned the experience from developed countries, and made some change. First, Government purchases suspended, and the government sold stocks year after year. That caused that cotton sale price to fall. The sale price was very close to cotton foreign price in 2016. Second, China protects the income of cotton farmers through insurance. The insurance covers the difference between the purchase price and the futures price. It encourages cotton farmers to grow cotton. These approaches will restart the market's self-balancing mechanism. There will be a rebalancing of supply and demand.

**3.3 New China Demand**

China's active participation in global trade has greatly increased the purchasing power of the Chinese people. Increased purchasing power has encouraged the Chinese to spend more on clothing. In 2003, retail sales of consumer goods of the country totaled ￥4.5 trillion. In 2019, retail sales of consumer goods of the country totaled ￥40 trillion , and increased by five times. This part of the increase in demand can offset the decline in demand caused by the disappearance of foreign trade orders.

**Conclusion**

From 2001 to 2019, China joined the WTO as a developing country. The paper studies the impact of global trade on the cotton industry over the past 18 years. I divided it into three stages in chronological order and impact:

1. From 2001 to 2007, the globalization has brought the cotton industry prosperity. Production, consumption and imports have all increased substantially. The income of cotton farmers has increased by a large margin. Globalization made positive impacts.

2. From 2008 to 2015, China's cotton lack of competitiveness, the international cotton influx into China. The Chinese government used uneconomical industrial policies to protect the interests of the farmers, which eventually led to a staggering stock of cotton. Lose the ability of cotton market to regulate supply and demand. The negative effects of globalization have come to light.

3. From 2016 to 2020, China learns technology and management experience from developed countries. China has made the cotton industry more market-oriented through industrial policy reform. China has greatly improved the efficiency of cotton production by introducing technology and changing planting areas. The competitiveness of Chinese cotton has greatly improved. Supply and demand are rebalancing. Globalization make positive impacts again.

On the basis of the finding, the following conclusions relating to globalization on cotton farmers have been reached:

1. Globalization has long boosted the incomes of Chinese cotton farmers.

2. Globalization has increased the efficiency of China's cotton production.

3. Globalization has improved the Chinese government's ability to manage the cotton industry.

4. Globalization has brought competition, boom and bust. Improving competitiveness is key factor.

5. Globalization has brought advanced technology.

I'm also going to ask you some questions to think about:

1. Would China's cotton industry have grown to the size it is today without globalization?
2. Would China grow cotton on a large scale in Xinjiang without globalization?
3. Would China become the most efficient cotton producer without globalization?

The answer is obvious. Before China joined WTO, income of residents was very low, technology of planting was low, and planned economy market efficiency was low. If China does not join the WTO, it will not increase the consumption of cotton substantially, and the scale of cotton planting in Xinjiang will not happened, then large-scale machine planting will not be realized, the management ability of the government will not be improved, and the market efficiency will not be improved. In the end, income of China residents will not increase significantly.

China is lucky, the world has accepted China. According to the theory of comparative advantage and the theory of late development advantage, it is inevitable that China has achieved rapid development in the process of globalization. On the road of development, we will always meet new problems. We should actively cooperate all over the world and find solutions.

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