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# Globalization Within the European Wine Industry: Commercial challenges but producer domination<sup>1</sup>

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## Introduction

Since 2000, a widespread consensus amongst practitioners and commentators has emerged that the European wine industry is 'in crisis'. Public demonstrations, blockades and acts of industrial sabotage have grabbed the newspaper headlines whilst collective and public actors have accumulated diagnoses and proposals for reform (Berthomeau 2001; César 2002; Wine & Spirits Intelligence Service Ltd 2002; EC, 2006). Many of these social mobilizations and analyses ascribe surpluses and price falls to an allegedly unregulated form of 'globalization' which, through encouraging new entrants in the form of New World wines, has led not only to market disruption but also to a change in the product itself. In short, globalization is perceived as a threat to European methods of growing grapes, transforming them into wine, selling this product and, more fundamentally, to the professional identity of all those involved in these processes.

In proposing an alternative explanation of the relationship between globalization and wine which places political work at the centre of analysis, this chapter first adapts the interdisciplinary analytical framework presented in this book's introduction to the study of the European wine industry (section 1). Once 'vinified', this framework is then applied in order to identify the sites within which political work has been invested since the beginning of the 1990s (1) (sections 2-4). Precise causal hypotheses are developed in the next section. At this stage, we simply wish to underline three general claims made throughout the text.

- the cause of change or its absence in this industry is the 'political work' engaged in by private, collective and public actors operating within and across global, European, national and regional negotiating arenas;

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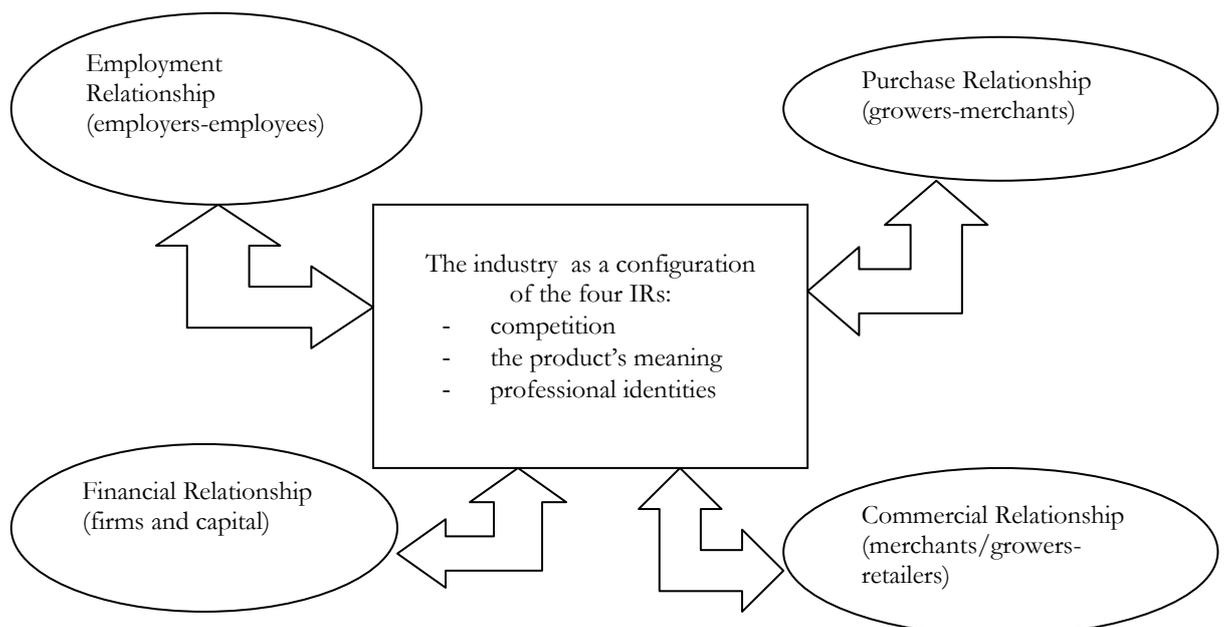
- identifying where and over what issues political work has taken place within the European wine industry provides a means of grasping its particular relationship between economics and politics;
- studying the instrumentalization of references to territory in and around this relationship sharpens a focus on political work as a means of understanding the causality of change in the regulation of an industry or the resistance it inspires (Carter and Smith, 2008).

## 1. Studying the Politics of the European Wine industry

We first identify the spaces where mediation over the regulation of the European wine industry is played out (1.1). Only once this disciplined description is in place, can one then begin to analyze the ‘political work’ which has brought about and given life to the institutions that structure these spaces (1.2), before developing causal hypotheses regarding the type of work (and ‘workers’) this has encompassed over the last fifteen to twenty years (1.3).

### 1.1 Wine’s Instituted Relationships and Spaces of Mediation

**Figure 3.1: The European wine industry as an Institutional Order (IO) of four Institutionalized Relationships (IRs)**



The four Instituted relationships (IRs) which together make up this industry first concern the interdependencies and areas of conflict which actors within a territorialized productive system (growers, co-operatives, merchants) have developed with four sets of 'partners'. In the Bordeaux region, for example, the Employment IR directly concerns relations between growers and their workforce on the one hand and merchants and their employees on the other. The Financial IR is played out around the financing of both growers and merchants by banks and other sources of finance. The Purchase IR is essentially a set of rules that regulate relations between growers and merchants by defining how and where grapes should be grown, turned into wine and sold to wholesalers. Finally, the Commercial IR concerns relations between wholesale sellers of wine and retailers. Although each of these IRs is clearly different from the others, within all of them institutionalized norms set limits upon actor behaviour. These norms have frequently been transformed into formalized rules through the intervention of collective and public actors. For example, certification systems determine the right of a wine to bear a geographical designation, eg. 'Bordeaux' or 'Bourgogne' (thus affecting the Purchase IR), whilst labelling laws dictate how this designation can be displayed on bottles sold in retail outlets (a serious constraint within the Commercial IR). In this way, each IR thus also needs to be seen as one of four sets of rules, many of which can be enforced by collective or public actors.

In short, we conceptualize the wine industry as an institutionalized configuration of actors, practices and representations which, through its IRs and the articulations which exist between them, simultaneously structures market transactions as well as collective and public action. At this stage, we wish simply to underline three advantages of conceptualizing the European wine industry in this way.

The first is that it allows one to show that institutions are not 'outside' the wine market but are rather an integral part of it. Consequently it will be argued here that institutions -defined as systems of rules (Thelen and Steinmo, 1992; Stanziani, 2003, 2005)- constantly provide the framework within which market competition in the wine industry takes place. As Swidler (1986) has so cogently underlined, institutions are not only constraints upon market competition, they also provide the very conditions under which such competition can durably take place.

A second advantage of examining the organization of the wine industry in this manner is to highlight that institutions and public policies have not been imposed upon growers and

merchants by EU and national politicians and civil servants. In reality, the vast majority of rules in the wine industry were initially proposed by grower and merchant representatives before being 'co-produced' into binding legislation. Moreover, these rules are generally implemented with considerable involvement by practitioner representatives.

A third and final advantage of conceptualizing the European wine industry in this way concerns the question of institutional change. In this industry it is particularly important to reject simplistic and culturalist analyses of 'old world immobilism' in favour of careful analysis of the successive attempts that have been made over the last fifteen years to transform the IRs of this industry. Simply noting that today's wine institutions in Europe are remarkably similar to those of yesteryear utterly fails to examine why, despite a constant flow of propositions and debate, policy change has taken place at a relatively leisurely speed. As will be shown below, in this industry, causes of change or stasis are neither 'cultural' nor 'economic'. In both cases they are fundamentally political.

## **1.2 Political work within Europe's wine industry**

The politics of any industry takes concrete form through two phenomena: alliance-building and argumentation. The building and the maintenance of alliances within the wine industry is political because this is how interdependence is engaged with, be it co-operative or competitive. Discourse construction, delivery and dramatization are political because, during the definition and defence of the interests and goals of intra and inter-organisational action, values are at issue (Kandil, 1998). The politics of wine thus encompasses the range of activities which alliance-building and argumentation entail, as well as the linkages made between them. From the point of view of empirical research, the construction and activation of alliances and arguments can be discerned through examining two processes which occur within each of the four IRs: the problematization of issues and their politicization.

The concept of problematization enables one to capture how the difficulties actors face within the wine industry have not spontaneously become issues that are accorded the attention and action of collective or public actors. Rather collective or public 'problems' have only arisen as a result of work carried out by certain actors to convert the difficulties experienced within isolated private firms into problems that a sufficient number of actors have been convinced into believing

are shared (Rochefort and Cobb, 1994). Such problems are accorded one or both of the following types of legitimacy.

The first of these types are collective action problems which stabilize when a problem's definition is accepted as mirroring that of an interest group. In the European wine industry, such groups have at least four spatial manifestations: the guild representing a geographical wine area (the *terroir* of an *Appellation d'origine contrôlée* –AOC– or a 'vin de pays'); regional 'interprofessions'; national committees of regional bodies (eg. the French national committee of AOCs: le CNAOC); and EU level confederations of national grower and merchant organizations.

The second type of legitimacy given to a 'shared' problem in the wine industry is 'public'. Public problems occur when their definitions are validated by politicians or civil servants, ie. by actors who ostensibly work to further the public interest (Padioleau, 1982). In France, for example, members of parliament from wine-producing areas (*les députés du vin*) were traditionally vectors for the transformation of collective problems into public ones. Since the 1950s, however, such a process has been more likely to take place through civil servants working in the Ministry of Agriculture or the *Institut National des Appellations d'Origine* (INAO).

Be they collective or public, institutionalized problems set the framework and agenda within which discussions over the regulation of an industry take place. Consequently, these problems also set limits upon the content of policy instruments that are devised, adopted and implemented within the industry, often setting in place institutionalized norms, processes, expectations and 'path dependencies' (Lascoumes and Le Galès, 2007). Indeed, in the wine industry, the link between problems and instruments is a constant object for political work both for advocates of change and those who seek to resist it. For example, in certain areas where the 'quality' of wine is defined as a problem, instruments have been established in order to regulate grape growing and wine-making practices more strictly.

Research into problematization is essential but insufficient because although political work is always their cause, the problems which structure the organization and the regulation of an industry are never automatically 'political' or 'technical'. Instead these terms are category-forming labels which are attached to problems over the course of negotiations about the definition of issues and instruments that could be devised to alleviate or solve them (Dubois and Dulong, 1999; Lagroye, 2003). Politicization thus needs studying from an angle that highlights the use of

categorization during the building of arguments employed during intra and inter IR negotiations. In addition, one needs to closely, and simultaneously, examine the relational activity involved in presenting and dramatizing these arguments.

In the wine industry, a particularly clear example of this political work concerns the spatial and certifying categories such as AOCs which have been used to differentiate products, create collective brands and segment markets. At both national and local levels, the construction of these categories in the first half of the 20<sup>th</sup> century was the result of a long and often stormy debate between proponents of this form of interventionism and their more liberal opponents. One of the reasons the former won this debate is because they successfully politicized a linkage between territory (*terroir*) and wine quality that was couched in the language of values and symbols (Capus, 1947). The second reason this politicization was effective is that proponents of AOCs forged effective alliances for the delivery and dramatization of their line of argumentation. Indeed, this example provides a clear illustration of a political enterprise which took its membership not only from wine growers but also from within the French administration, parliament and judiciary.

In summary, within the European wine industry, problematization and politicization are the processes that make up the political work through which its four IRs have been built, challenged and continuously reconstituted. At any point in time, the industry as a whole is a configuration of these four IRs that has emerged as a cumulative result of this political work.

### **1.3 Causal Claims**

Largely inspired by a combination of (usually implicit) neo-classical economics and rational choice theory, the orthodox narrative(2) of Europe's wine crisis attributes the growth of wine surpluses and falls in prices to the following chain of 'facts':

1. Since the 1960s, consumption of wine has fallen within producer countries thereby increasing the importance of export markets both within and without the EU;
2. Since considerably reducing production levels in the 1980s, EU production rates have remained relatively constant overall but increased in certain regions;
3. Since the mid-1990s, competition for export markets with wines from outside the EU has increased dramatically. Benefiting from lowered tariffs and lower overheads, economies

of scale, less restrictive rules and greater marketing budgets, New World wines have replaced EU wines in many export markets.

4. Faced with all these changes, EU and Member States public authorities have 'stood by while Rome burns'. More precisely, they have systematically been accused by growers and merchants of developing public policies which instead of enhancing their competitiveness and chances of survival, are actually harmful to their short and long-term interests.

Rather than engaging directly with the normative dimension of this orthodox narrative, the remainder of this chapter takes issue with a number of its analytical premises, propositions and conclusions. More precisely, although the 'facts' presented in points 1 to 3 are not disputed, each of these, part 4 and the theory of action behind them contain a number of major flaws which lead the narrative as a whole to overlook or oversimplify the politics of the wine industry. Instead, it will be shown that even if debates within at least three of its IRs have undergone substantial change since the beginning of the 1990, the pressure for change has distinct and identifiable origins which are not shared by all three. More precisely, three claims will be made.

First, we argue that the reinstitutionalization of two IRs -Employment and Finance- has occurred principally at the level of the firm without entailing collective or public action (section 2). Instead the causes of this change lie in a politics that has essentially taken place within the Commercial (section 3) and Purchase (section 4) IRs.

Second, we claim that within and between these two IRs the cause of change is more complex than first appears. We argue that the initial cause of change lies within substantial upheavals in the Commercial IR. However, this deinstitutionalization has provoked relatively little political work from either collective or public actors. Instead, their diagnoses and proposals for change have been concentrated upon the Purchase IR. Not only has this IR proved difficult to reinstituionalize, its political saturation (ie. the tendency for many issues to be politicized) has also meant that the industry as a whole has undergone relatively little displacement.

Third, it will be argued that the relative neglect of the Commercial IR in favour of the Purchase IR has been caused by the continuing power of growers as opposed to merchants or representatives of public authority. In explaining this asymmetry, the electoral strength of growers should not be ignored. However, its fundamental cause is the enduring omnipresence of growers across all four IRs, their capacity to mobilize territory as a powerful legitimizing strategy,

the relative political weakness of merchants and the passive connivance of civil servants and politicians.

## **2. Objects of change but not its cause: Employment and Finance**

Changes in employment conditions and capitalization are often presented as classic signs of globalization. On the one hand the institutions which regulate labour are seen as weakening in the name of 'flexibility' and increased productivity. On the other, the liberalization of the international movement of capital is identified as the cause of mergers undertaken in the name of vertical and horizontal integration. In the case of European wine since the late 1980s, firms and collective and public debates within both the Employment and Finance IRs have certainly been effected by trends of this nature. However, neither have thus far undergone significant reinstitutionalization nor, consequently, have they brought about a shift in the industry as a whole. This is because although labour and finance issues clearly effect firms, they have seldom been problematized or politicized.

Historically, labour relations have of course played a major role in the evolution of Europe's wine industry. Since the end of feudalism, in all wine-producing regions property ownership has obviously undergone significant change. In more recent years, mechanization, the enlargement of farms and the concentration of wine merchants have all contributed to this process. Notwithstanding the importance of these trends, however, for growers most change in this issue area took place well before the 1990s. Between 1990 and 2003, it is important to note that while total area of vines in the EU fell by 0.7% per year, the average (wine) farm size only rose from 7.6 to 9.2 hectares (EC, 2006, 111-112). Most European wine grapes therefore continue to be produced by thousands of relatively small holdings, each employing few salaried workers. Unfortunately much less systematic knowledge is available about Europe's wine merchants (Réjalot, 2003). Indeed, a recent 160 page report by the European Commission (2006) on the 'economy' of the wine sector contains virtually no information about them. As we show below, concentration of these firms has been the global trend but in Europe the fragmentation of this part of the industry is still a principal feature. In short, for both merchants and growers, over the last twenty years labour relations have not re-emerged as objects of collective or public action. Consequently the Employment IR's debates and rules have been marked by continuity and remarkably little overlap with the other three IRs which structure this industry.

In the case of the Finance IR, debates have undergone considerably more change yet its rules have again remained remarkably stable. More precisely, although the definition of the problem of finance has changed within a number of large and medium-sized firms, this issue has not led to widespread agenda setting or the transformation of rules, policy instruments and processes.

An initial means of examining this question is through presenting the three types of firms, each with their own form of finance, which have come to structure the world wine industry since the mid-1980s: multi-beverage multinationals, large specialized wine-making companies and small or medium-sized independent firms. Over the last twenty years, four multi-beverage multinationals have emerged: Diageo, LVMH, Allied Domecq, and Pernod-Ricard. Products of intense merger activity in the 1980s which initially entailed beers and spirits, all these groups have steadily increased their involvement in the production and selling of wine.

Table 3.1. *Multi-beverage Multinationals involved in the World Wine Industry (2005)*

<i>Company</i>	<i>Wines and spirits (meuros)</i>	<i>Wine sales only</i>	<i>Examples of wine brands</i>
Diageo	10.737	492	Barton & Guestier, Piat d'Or, Moët & Chandon (Fr), Tanqueray, Beaulieu Vineyard (USA)
Pernod Ricard	6443	755	Alexis L, Fontenoy (Fr), Palacio de la Vega (Sp), Jacob's Creek, Wyndham estate (Aust), Montana (NZ), Campo Viejo (Sp)
LVMH Moët Hennessy, Louis Vutton	2994	993	Cheval Blanc, Château d'Yquem, Veuve Cliquot (Fr), Newton (US), Cloudy Bay (NZ)

Source: Company web sites and Pomarici 2005

Around twenty *companies specialized in wine* make up the second category of firms in this industry. Within this category, five companies are particularly large.

Table 3.2. *The World's Top Five Specialized Wine Companies in 2005*

<i>Company</i>	<i>Wine sales (meuros)</i>	<i>Examples of brands</i>
1. E & J Gallo (US)	985	Gallo, Carlo Rossi, Bartles & James
2. Constellation Brands (US & Aust)	950	Opus One, Robert Mondavi Coastal
3. Fosters wine estates (Aust)	na	Penfolds, Yellow Glen
4. Castel Frères (Fr)	689	Blaissac, Villa Veroni
5. Val d'Orbieu (Fr)	na	Cordier, Listel, Vins de Pays d'Oc

Source Pomarici 2005 and company internet sites.

The third and final type of firm within the world wine industry is made up of a range of small and medium-sized firms. Whilst most growers of grapes in New World countries tend strongly to sell their product to one of the above-mentioned companies to be vinified and marketed, many European growers continue to make and sell their own wine. Others sell their wine in bottles through wholesaling merchants. Others still send their grapes or their wine in bulk to co-operatives and merchants to be vinified and sold. This variety of practices mirrors the fragmentation of the wholesale or merchant dimension of the European industry. In certain regions, merchants have experienced mergers and acquisitions which have led to the enlargement of the capacity of each individual firm (Jesus Oliveira Coelho and Rastoin, 2001; Albert and Martin, 2001). For example, in the Bordelais, a number of ‘family’ firms have been bought out by large commercial groups (ex. De Luze, Calvet, Eschenauer, Cruse, Ginestet).

Table 3.3. *Ownership of the largest wine merchants in the Bordelais*

<i>Company</i>	<i>Owner</i>	<i>Brands</i>
1. Castel	Pierre Castel	Baron-de-Lestac, Blaissac, Malesan
2. Johanès Boubée	Carrefour	Grand Moment
3. Grands vins de Gironde	JJ. Mortier et cie	Vins de châteaux
4. CVBG	Thiénot	Dourthe, Kressman
5. Les caves de Landiras	Grands chais de France	Louis Eschenhauer
6. Baron Philippe de Rothschild	Philippine de Rothschild	Mouton Cadet, Cuvée Barons et Baronnes
7. Cordier-Mestrezat	Val d’Orbieu	Cordier Prestige, L’exception Cordier
8. Ginestet	Taillan	Ginestet, Villa Burdigala, Mascaron
9. Yvon Mau	Freixenet.	Yvecourt, Premius

Sources : Réjalot (2003, annexe 1) and Internet sites of the companies concerned(3).

There is thus no doubting that over the last twenty years the financing of wine firms has undergone significant change throughout the world. For many European growers and merchants, new sources of finance have been deemed necessary in order to expand, modernize equipment and improve the productivity of their businesses. In some regions (eg. the Médoc), refinancing has entailed changes in ownership with outsiders such as insurance companies buying wine *Châteaux* as investments. In others, for example the *Midi* (Torrès, 2005), wine companies from outside the *vignoble*, and in particular from the New World, have attempted to obtain a foothold. Meanwhile, European wine companies have frequently financed the expansion of New World wines and their respective productive systems. However, notwithstanding these intra-firm trends, little change in the IR that governs the financing of wine companies has occurred. Of course, representatives of some of these firms, and the larger ones in particular, have supported trans-industry political enterprises which have sought to liberalize the movement of capital. For example, groups such as Pernod Ricard have been consistent supporters of both the completion

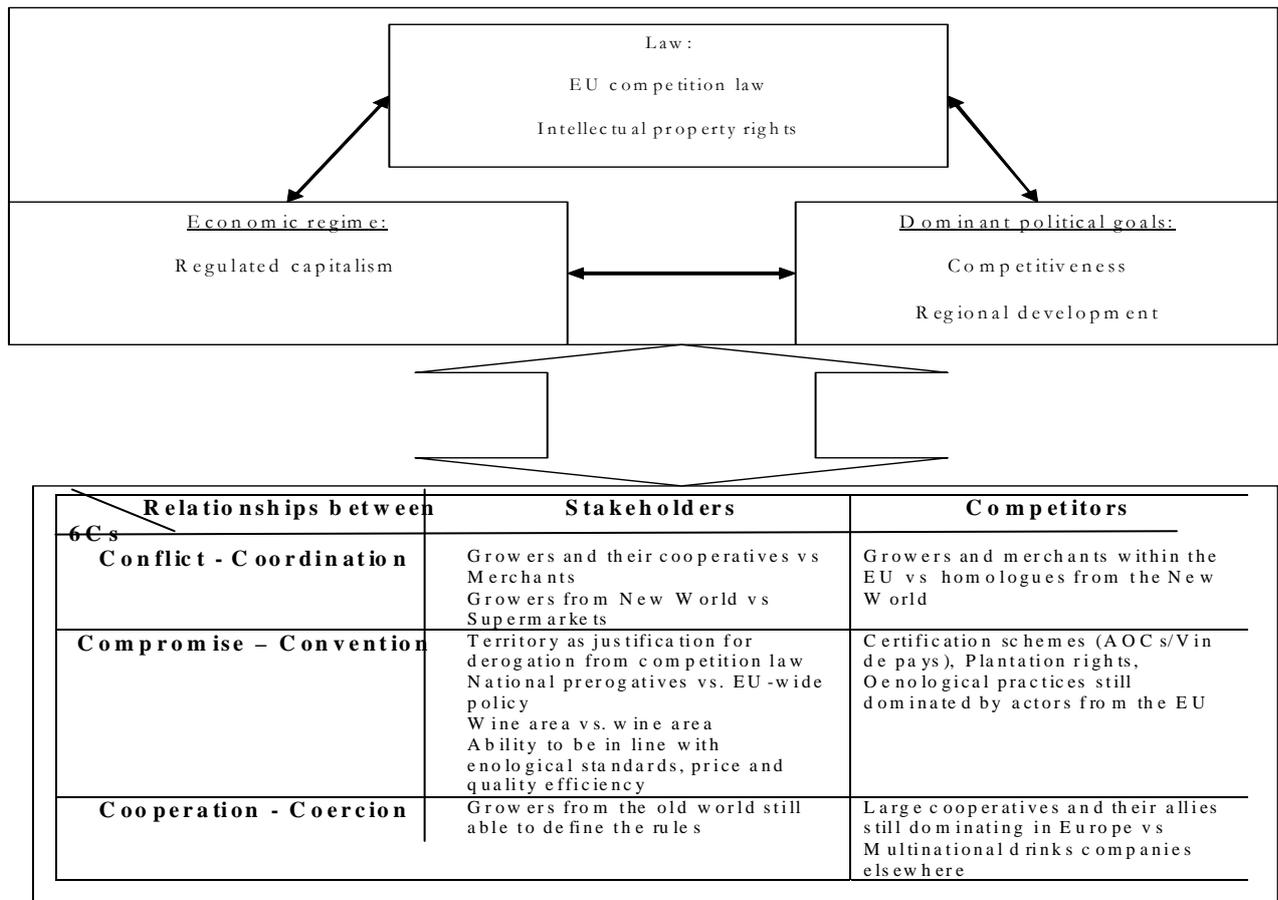
of the EU's single market and the establishment of the WTO. However, our research unearthed no evidence to show that within the wine industry itself the issue of liberalizing the movement of capital has been transformed durably into a collective or public problem. Just as importantly, the pressure to merge and/or vertically integrate that wine wholesaling companies have recently experienced has not engendered change in the way the profession of wine merchant is represented at regional, national and European levels. In the Bordelais, for example, owners and managers from the same handful of companies as in the 1970s continue to invest in collective action at this level whilst representatives of even some of the larger firms continue to freeride on this activity. Moreover, one of the conditions of representing the interests of merchants as a group continues to be the avoidance of any collective action which might question or challenge the way individual firms finance and run their respective businesses.

In summary, within the European wine industry the issue of finance has certainly undergone considerable modification over the last fifteen to twenty years. However, just as with the Employment IR, such change has occurred essentially at the level of individual companies. Within these spaces, power relations have played a significant role. However, despite isolated and regionalized cases of politicization (Torrès, 2005), the involvement of collective and public actors in these IRs has been remarkably muted. This observation strongly supports our contention that, at least over the last two decades, political work within this industry has been undertaken elsewhere.

### **3. The initial site of political work: a problematized but non-politicized Commercial IR**

In the wine industry, the Commercial IR concerns the relationship between retailers and wholesalers (merchants but also producers who sell their own wine). In Europe, this IR is incarnated on the one hand by relations between growers and merchants and their respective buyers (supermarkets, off-licence chains, etc.), and on the other hand by relations between official representatives of each of these professions.

**Figure 3.2: The Commercial IR in Today's European Wine Industry**



On the surface, debates within this space of mediation have recently been dominated by issues that include the quality of wine, pricing, labelling, marketing and distribution. Behind these terms lie deeper divisions over the meaning prescribed to wine and battles over how its contemporary consumption has been problematized and politicized (3.1). Just as revealingly, and despite the importance of distribution and retailing, much less political work has been devoted to these activities (3.2).

### 3.1 The political conversion of changing patterns of consumption

Consumption patterns for wine have changed massively since the 1960s. First, in producer countries, much less wine per capita is being consumed. Second, this product is increasingly drunk in many countries where little or no wine is produced (eg. the UK). Third, there has been a general shift away from 'table wines' without regional identification (*Vin de table*: VdT) towards what the EU labels as regionally specific and 'quality' wines (*Vins de qualité produits dans les régions*

*déterminées: VQRDT*). Fourth, since the mid 1990s, the EU has experienced a sharp rise in imports of ‘New World’ Wines which have successfully competed with Europe’s own wines.

Table 3.4. Principal Countries of Wine Consumption (1000 tonnes) (CE, 2006, pg. 21)

	<i>Average for 1992/94</i>	<i>Average for 2000/02</i>	Evolution (%)
France	5,249	4,426	- 16
Italy	4,262	3,937	- 8
USA	1,896	2,719	+43
Spain	2,247	2,317	+3
Germany	1,922	2,101	+9
Argentina	1,591	1,231	-23
China	524	1,128	+115
UK	710	978	+38
Russia	648	607	-7
Australia	455	603	+32
South Africa	672	585	-13
Portugal	525	496	-6

Table 3.5. Principal Wine Buying Countries (1000 tonnes) (CE, 2006, pg. 27)

	<i>Average for 1991/93</i>	<i>Average for 2001/03</i>	<i>Change (%)</i>
Germany	1000	1180	+18
UK	650	1050	+61
USA	250	550	+120
France	580	490	-16
Russia	250	320	+28
Netherlands	220	280	+27
Belgium	220	260	+18
Canada	150	240	+60
Denmark	120	200	+67

Tables 3.6 and 3.7. International trade of wine in the European Union (Eur 15: CE, 2006, annexe 10)

In 1000 hl

	1991	1993	1995	1997	1999	2001	2004
Imports	2315	2667	4648	5562	6485	8823	11657
Exports	9584	12167	9876	12250	11589	12328	13944
Difference	7269	9499	5228	6688	5104	3505	2287

In Millions of Euros (constants 1995)

	1991	1993	1995	1997	1999	2001	2004
Imports	291	375	541	994	1404	2004	2091
Exports	2150	2204	2255	3122	3540	3617	3790
Difference	1859	1829	1714	2128	2136	1613	1699

The combined effect of these four trends has clearly had a major impact upon most European wine producers and merchants. At the level of the firm, new markets have had to be sought and

competed in whilst either developing new products (eg. AOC wine in the Midi) or striving to retain market access and prices for older ones (eg. generic Bordeaux's). However, within different spatial configurations of the industry -regional *vignobles*, national wine sectors or that of the European Union- it is striking to note how vaguely this challenge to the Commercial IR has been problematized around two issues: wine quality and collective marketing.

Still omnipresent in the discourse of today's representatives of the wine sector, a concern for improving the quality of wines produced in Europe has been a collective and public problem since at least the early 1970s. As we shall see in section 4, the most powerful and durable effect of a discourse on wine quality has been to reorientate policy objectives and instruments whose target has essentially been the grape-growing and wine-making practices of individual growers, merchants and co-operatives. This manner of defining the problem of European wine has been consistently framed by a range of producer-led political enterprises situated within each *vignoble*, aggregated using national representative bodies and defended in Brussels through the wine committee of the Europe's principal agricultural interest group: COPA-COGECA. According to these political enterprises, the solution to market disruption caused by new patterns of consumption is to weed out 'poor quality wine' using a combination of incentives (subsidies for grubbing out vines and for modernizing wine-making equipment) and disincentives (plantation rights, maximum yields).

Notwithstanding the impact such policy instruments have had upon the quantity and content of wine produced in Europe, in problematizing the commercial IR in this way actors deliberately or unconsciously have sidestepped a dilemma around which it has proved much more difficult to develop political enterprises: should one make a wine and expect the consumer to buy it? Or should one analyze a market, decide what the consumer wants and then alter one's product to fit that demand? Whilst certain actors, particularly growers, resist the second commercial strategy using highly symbolic language about their product ('standardization', 'Parkerisation'...), others see a 'demand-led' strategy as preferable or even inevitable. In both cases the imprecision of terms such as wine quality and demand (be it current or future) is caused by the social representations and values used to construct these terms.

This fundamental uncertainty over what the consumer wants is reflected in a second aspect of the politics of wine addressed in our study: collective marketing in general and advertising in particular. Although a consensus between European growers and merchants has emerged about

the need to increase marketing budgets in order to compete with new entrants from the New World, debate and cleavages emerge about how and why this money should be spent. Individual wine firms have always marketed their own products and of course continue to do so. Instead, the change that has gone on in the Commercial IR over the last fifteen years concerns marketing that is collective. A fraction of this is EU sponsored, a little is national but most is regional:

Table 3.8. *Advertising investment in the French wine industry in 2002*

	Amount (millions of euros)	Share (%)
Firms with branded table wines	2.8	8.2
Firms with branded AOC wines	12.8	37.1
Interprofessions with table wines	1.5	4.3
Interprofessions with AOC wines	15.3	44.1
Firms that use postal and internet selling	2	5.7
TOTAL	34.6	100

Source : ONIVINS Infos n° 109, December 2003, pg. 10

Although these figures have increased significantly in percentage terms, much is made within the industry about the gap between such budgets and that enjoyed by large Australian or American brands (here the case of Pernod Ricard's Australian brand *Jacob's Creek* is often cited because it sells more than 65 millions bottles a year. Its success is attributed to the policy of this firm that refuses to allow the price of a kilo of grapes to be more than 10% of the price of a bottle of the finished product. Réjalot, 2003: 113). In Smith, de Maillard and Costa (2007, chapter 6), we focused upon the most powerful levy-funded interprofessional body in France (and perhaps in Europe if not the world): the *Conseil interprofessionnel des vins de Bordeaux* (CIVB). Over the last twenty years, this organization has vastly increased its advertising budget and range of actions. Moreover, it has attempted to transform Bordeaux into a 'brand' through obliging firms in the region to harmonize parts of their labels. However, advertising strategies are highly controversial and are currently being revised, whilst branding Bordeaux has not attracted widespread support from either within the industry or from public authorities.

Overall then, since 1990 some reproblematisation of the Commercial IR has taken place over the issues of wine quality and collective marketing but this has generally been incomplete. Importantly, retailers are still considered to be outside the sector, not an integral part of it. In other words, they are the targets and/or the recipients of actions, not actors whom growers and merchants have sought to involve in reframing and reinstitutionalizing the Commercial IR.

### 3.2 Retailing as a non-problematized and depoliticized issue

Indeed, if the relationship between producers and merchants from the wine industry on the one hand and retailers on the other has not been the object of sustained problematization, the political work that has been carried out contains even fewer attempts to politicize this issue area. Instead, most if not all of our interviewees from the industry adopt an attitude of ‘resigned acceptance’ as regards three issues over which retailers are directly implicated: the importation of New World wines, the power of supermarket chains and the labelling of European wines.

As we saw above, the rise in New World imports is clearly linked to the lowering of tariffs imposed by the 1995 GATT agreement. These tariff reductions have sparked some protests in regions such as the Midi. Mostly, however, there is ambiguity on this point. In the Bordelais, for example, producers and merchants may be suffering from increased competition from New World wines in markets such as the UK. However, the GATT agreement has also enabled them to penetrate lucrative new markets in Asia. More generally, our interviews suggest that most merchants and growers have come to consider that EU policymakers simply cannot ‘swim against the tide of increasingly open markets’. In short, once a highly politicized issue, today imports of wine are now generally framed as an institutionalized part of the European Wine Industry’s Commercial IR.

If international trade is now conceptualized as being ‘beyond the reach of politics’, the same can certainly be said about the power of supermarkets within the retailing of wine. As with other agricultural products, wine producers occasionally publicly protest about the pricing strategies adopted by these retailers. For example, growers in Bordeaux have complained about their wine being sold for as low as 1 euro a bottle. However, little collective and no public action has been undertaken to discourage supermarkets from lowering their prices. Just as importantly, no such action has been taken to encourage these retailers to maintain the diversity of the wines that they stock and thus provide an access to markets. Instead, as Marette and Raynaud (2003) have underlined, the subject of supermarket power has occasionally been politicized around issues of their geographical implantation or price margins (*marges arrières*). However, the power of these companies is generally considered an a-political issue.

Table 3.9 – Trends in types of wine retailing in France (%)

	2002	2004	2006
Hyper and supermarkets	62	62.1	63.5
Hard Discount	16.6	19.2	20.9
Specialized shops	19	16.7	14.3
Grocery Shops	2.4	2	1.3

Source: VINIFLOR stats 2007

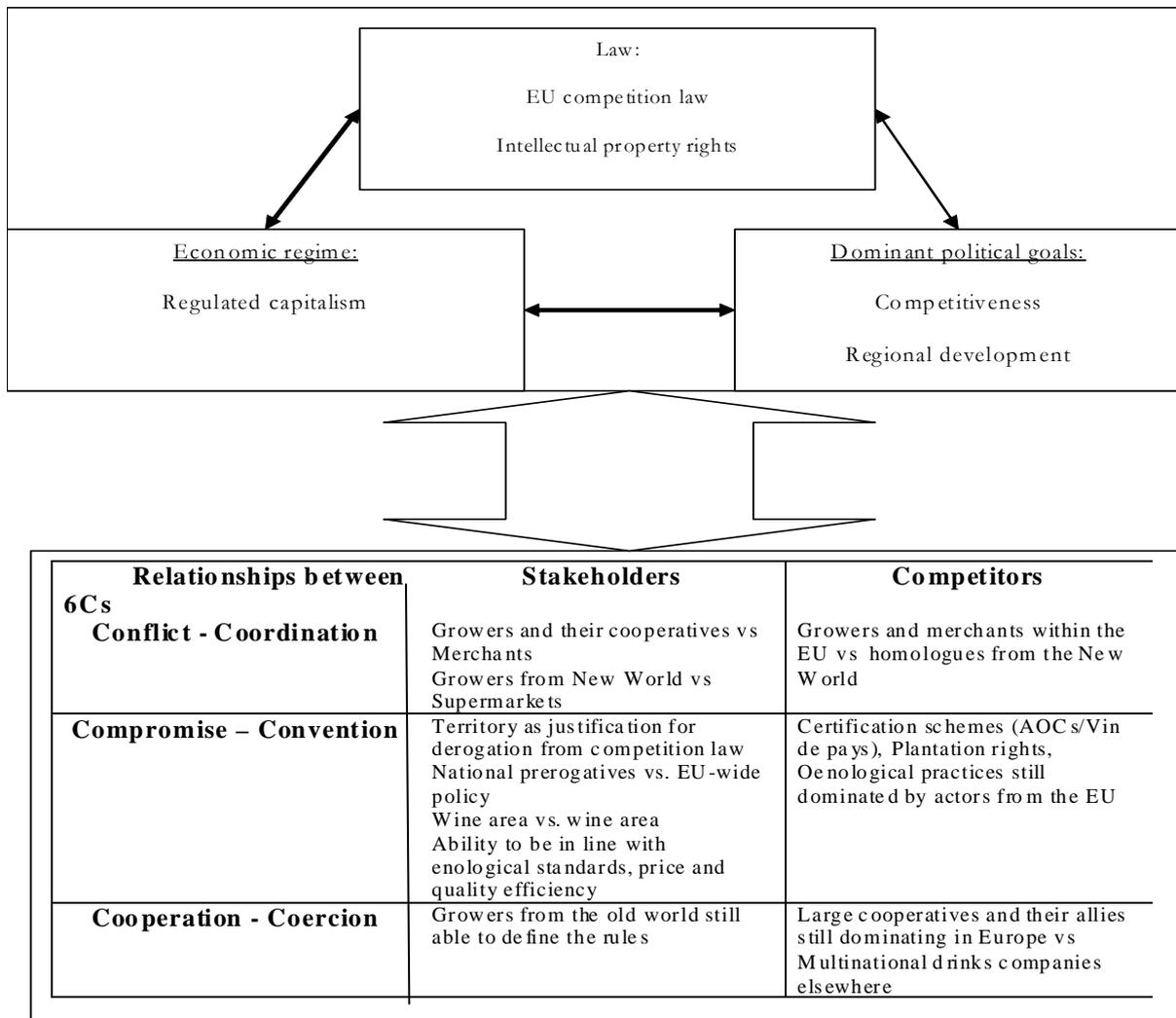
The third and final issue debated within the Commercial IR but that has rarely given rise to a politicized framing within this space of mediation concerns the labelling of European wine. The categories used to present wine from this continent (AOCs, *vins de pays*) are frequently criticized as ‘too complicated’ by representatives from the New World. More precisely, these categories impose on producers and merchants precise rules about what can and cannot feature on a wine’s label. Representatives of supermarket chains often support the New World view on this issue and justify their choice to import wines from outside Europe because this supply is ‘simpler’ and ‘what the consumer wants’. From the point of view of our analysis of political work in the European industry the issue of labelling is highly revealing because very few actors publicly defend the European way of presenting wine. However, within the industry itself, the labelling and certification schemes it reflects give rise to constant and often heated debate. This contrast between an absence of politicization but ongoing struggles to problematize highlights a fundamental trait of the European wine industry: its categorization of wine is not framed as an issue to be dealt within the Commercial IR, but rather as a problem that needs to be tackled within the Purchase IR.

In summary, far from being an issue just for private operators, the European wine industry’s Commercial IR has sporadically yet surely become a significant subject of debate for collective actors. Nevertheless, within European, national or regional arenas, the framing of this problem is far from stabilized, has rarely given rise to sustained political work and seldom to the emergence of durable political enterprises. Finally, the absence of retailers and public authorities from negotiations over this issue area provides further indication of the continued political importance attached to the Purchase IR.

#### 4. A politically saturated Purchase IR: the weight of grower influence

In the European wine industry, the Purchase IR essentially concerns relations between growers and merchants and their respective representatives. In this industry, this IR is strongly marked by the sedimentation of policy instruments that put in place since the end of the 19th century.

**Figure 3.3: The Purchase IR in today’s European wine industry**



Having first outlined the extent and the nature of the political work undertaken within this IR (4.1), this section then proceeds to show how and why the actors who dominate the regulation of this space also dominate the European wine industry as a whole (4.2).

#### 4.1 The omnipresence of politically worked policy instruments

All the four IRs which make up this industry are marked by rules, norms and expectations that have been institutionalized over time. However, those which structure European Wine’s Purchase IR are not only particularly abundant but most often take the form of two types of legally enforceable policy instrument. The first endeavours to regulate the quantity of wine produced whereas the second seeks to orientate its ‘quality’. In briefly describing these

instruments, the intensity of the political work undertaken to develop and maintain them will be underlined.

Within the EU, three instruments have been developed to set limits upon the quantity of wine which is produced and allowed to enter the marketplace. The first is a system of plantation rights. Introduced in 1976 and set for the EU as a whole, these rights to grow wine-producing grapes operate through national quotas which are subsequently regionalized and managed by national administrations. Introduced at a time of massive wine surpluses, these rights correspond to a problematization of Europe's wine industry as being in a state of structural overproduction. Advocated by the European Commission but also the French government, plantation rights were thus seen as a means of limiting and orienting production. Since then this problematization has not been frontally challenged. However, through adroit use of decision-making processes within the European Council of Ministers, plantation rights have not been consistently applied with great rigour. Indeed, these rights actually increased between 1999 and 2007. In short, within EU and national arenas, this instrument attracts political work from growers that consistently has inflationary results. Generally this work has not been politicised at the scale of the EU. However, within national decision-making arenas representatives of some regions regularly and publicly denounce the favouring of other wine regions. For example, in France growers from the *Midi* frequently consider they have lost out to producers of Bordeaux wines.

The second policy instrument used to limit the quantity of European wine is a system of subsidies for grubbing out vines (*primes d'arrachage*). Again, this instrument was introduced across the EU in 1976 in order to curb production and reduce that of table wine in particular. For example, it was used massively in the 1980s in regions such as the Midi (Laporte and Touzard, 1998; Genieys, 1998). More precisely, table wine without geographical designation was identified by many actors, and those from the European Commission in particular, as the segment of EU production that was causing surpluses and reducing prices. Although their initial introduction sparked considerable and politicised opposition, increases in subsidies to grub out vines have since been sought after by the representatives of numerous wine regions and their allies within national governments. In 2006, the Commission proposed to reinvigorate this policy in order to cut back production (EC, 2006), a change ultimately supported by the EU's Council of Ministers, albeit at reduced levels, in December 2007. Indeed, this instrument is so firmly ingrained within the Purchase IR that most actors within the industry do not even conceive of a reform of its regulation which would not include subsidies for vine destruction.

The third and final instrument used in Europe to control the quantity of wine on the market are *distillation aids*. These subsidies encourage merchants to remove unsold wine from the market by transforming it into a product that can be sold as raw material for the spirits industry. Distillation aids are supposed to be used only in periods of ‘crisis’. However, since their introduction throughout the EU in the 1970s, their use has often been routinized at considerable cost to the EU budget. For this reason, the European Commission are not consistent supporters of this instrument. However, growers, merchants and representatives of government in producer member states generally are and have frequently politicized the problem of distillation in order to defeat opponents within the EU’s Council of Ministers (eg. in December 2007).

Alongside these ‘quantitative’ policy measures, the Purchase IR of the European wine industry is also structured by two types of instrument designed to orientate the ‘quality’ of Europe’s wines. The first of these concerns *the definition of wine*. Before the EU’s Common Market Organization was first set up in 1970, the definition of this product had been the subject of considerable problematization and politicization focused upon the use of added sugar. Actors in certain producer states (notably Germany) were in favour of this practice whereas their counterparts from other states considered it abhorrent. Eventually a compromise was reached and a definition acceptable to all became institutionalized throughout the EU. More recently, however, the issue of definition has been the object of reproblematicization and politicization because of the perceived threat of New World wines. Produced within states who’s definition of wine imposes fewer, or indeed no, restrictions upon what winemakers can or cannot add during winemaking, these products have been seen by actors across Europe either as effective competitors who’s definition of wine should be copied or as unprincipled traitors who’s wines should be vilified or even outlawed.

The second policy instrument used in Europe in order to encourage and improve wine quality are systems of *certification* based upon geographical designations (AOC or Vin de Pays). Encouraging the production of wine that is certified both for its origin and its quality has been seen as the antidote to the difficulties of the European wine industry since the beginning of the 20<sup>th</sup> century. Since then, the notion of origin has been institutionalized not only to provide geographical designations with legal protection, but also to regulate grape-growing and wine-making practices on the one hand and facilitate collective marketing on the other. In short, the link between certification, origin and quality has been problematized and institutionalized. However, since the

early 1990s and again partly due to competition from less regulated New World wines, this collective and public problem has become the object of considerable political work. For example, opponents of certification claim that standards of certification are not sufficiently restrictive and that implementation has been lax. Moreover, some of these actors underline that because AOC wines are regulated on a national basis, the European Commission has been left without any levers for influencing this (increasing) part of the European wine industry. In the case of wine, as in many others, the EU is not a neatly drawn multi-level polity within which the competencies of EU-wide, national and regional arenas are clearly and permanently defined (Carter and Smith, 2008). Instead, this industry is regulated through a multiplicity of decision-making mechanisms which, moreover, are constantly cleaved by a deep-set distinction between arrangements for table wine and those for wines with a geographical designation (De Maillard, 2001). In the case of the former, key arenas are composed of representatives of regions such as the Midi and Puglia, national ministries of agriculture, organisations such as the French VINIFLOR and the Commission's DG Agriculture. Meanwhile, the regulation of wines that have a geographical designation (AOCs in France, VQPRD in the terminology of the EU) is undertaken by representatives of regions such as Bordeaux and Bourgogne. Here DG agriculture is virtually absent, whereas national ministries are present but tend strongly to follow the orientations shaped by producer dominated regulatory agencies such as the French INAO.

In summary, the five policy instruments described above together constitute a set of inter-linked issue areas around which the regulation of this industry's Purchase IR has been shaped over time. As we have briefly seen, each instrument is currently dominated by the representatives of growers. In order to analyze this domination, however, one needs to grasp how the political work engaged in by these actors has enabled them to not only influence the rules and relations which structure the purchasing of wine but to extend their power to encompass the regulation of the entire European wine industry.

#### **4.2 The Purchase IR and domination within Europe's wine industry: the crucial significance of territory**

Contrary to what many commentators believe, growers do not dominate the regulation of this industry because of their electoral strength or their capacity to disrupt public life through violent demonstrations. Rather their continuous political power stems from the durability of neo-corporatist political enterprises which continue to lock growers and public actors into a relation

of interdependence on the one hand whilst locking out representatives of wine merchants, as well as dissident growers, on the other. Working from the citadel of their impregnable position in the Purchase IR, growers' representatives exert influence over the other three IRs and thereby over the four key traits of the industry as a whole: its production, its commercialization, the definition of its product and that of its professional identities. These actors have attained this position through ensuring that they are omnipresent inside the decision-making bodies located within and across the IRs. In order to understand how growers have obtained and maintained such access, however, a purely sectoral line of investigation is insufficient. Instead, it will be argued that political usages of references to territory cut across sectoral logics and, in so doing, provide a key for understanding grower strength, merchant weakness and public actor passivity. More precisely, as our work with Cairtóna Carter has shown elsewhere, territory is not only a variable which actors take into account when defining policy orientations. It is the principal cause of the 'political assignment' of authority to make such decisions (Carter and Smith, 2008).

A first political usage of territory in the wine industry is to justify the protection of each wine region using the policy instruments presented in section 4.1. This point can amply be illustrated using argumentation made publicly by the representatives of individual wine regions or national administrations. For instance, representatives of the Bourgogne wine interprofession highlight that their work to regulate their sector is carried out 'in the general interest'. More tellingly still, the European Commission has recently gone so far as to stress that 'in many regions the value of wine production represents more than 30% of its total agricultural production' (CE, 2006, 11; see table 10).

*Table 3.10. Europe's ten principal wine regions (source: CE, 2006: 118)*

	Area of vines (1000 ha)	Holdings with vines (1000)	Wine and regional agricultural production (%)
Castilla-La Mancha	538.4	62.8	...
Languedoc-Roussillon	286.4	27.0	44.8
Aquitaine	154.6	16.0	36.1
Puglia	110.8	69.5	9.2
Sicily	106.6	54.6	8.2
Norte	98.9	97.4	20.0
Provence Alpes C. d'Azur	91.5	10.0	23.0
Veneto	87.5	54.5	16.3
Extremadura	82,9	9.9	...
Poitou-Charentes	81.1	10.7	4.8

The Commission's report subsequently concludes by underlining the socially and environmentally 'problematic' effects that any widespread 'delocalization' of production would cause (2006, 144).

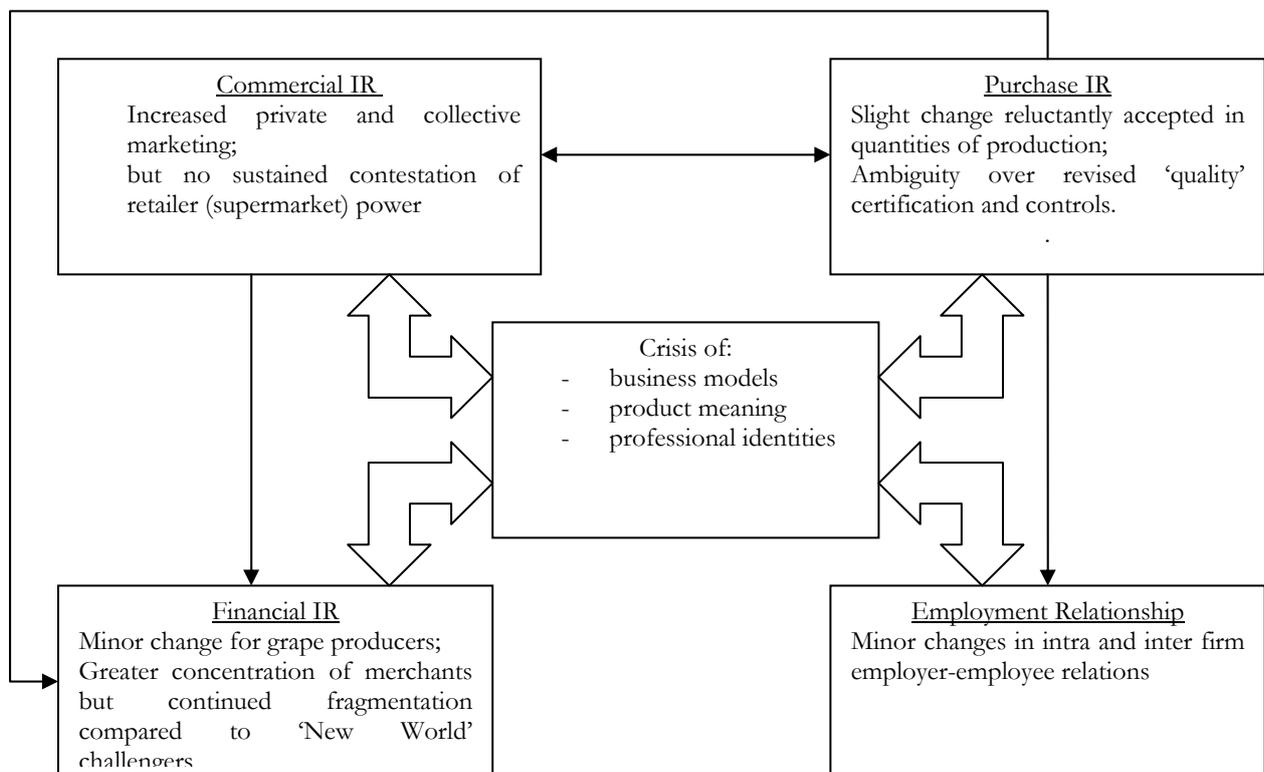
This construction of current reality and of the future of the industry is a typical example of how and why the mobility of wine production between European regions is highly constrained. The definition of public problems and policy instruments tends strongly to lock in 'territorial rents' and thereby shore up the power of actors who already dominate each wine region. Moreover, through their multipositional presence in national and European decision making arenas, representatives of these regions have a continuous impact upon the regulation of the European wine sector as a whole.

Ultimately then, the effect of territory upon the regulation of this industry concerns the arguments, symbols and techniques of dramatization used to advocate or resist change in the problematization of issues and the formulation of policy instruments. Consequently, and contrary to the postulates of rational choice theory, advocacy of change or its resistance cannot simply be explained in terms of 'economic' interests and studied as processes of conscious preference formation and strategy making. Of course, objective interests and tactical reasoning are an important part of any industry's regulation. However, their force or weakness depends upon *how* an interest is presented and alliances between actors take shape, endure or collapse. Here studying the political usage of territory again provides a salutary means of understanding such processes because territorial references are omnipresent in the problematization and politicization of issues and instruments. More precisely, European growers in particular have, thus far at least, succeeded in founding their legitimacy to represent wine regions and the sector as a whole by invoking what wine means not only for its producers and makers but for 'the general interest'. In so doing they have successfully updated symbols and cognitive frames in such a way as to present themselves as the modern defenders of a valued tradition, rather than as reactionary protectionists of territorial rents. In contrast, neither merchants nor representatives of public bodies have been able to mobilise references to territory in such a politically effective way. Merchants tend to present themselves instead as business-people, an image which in much of Southern Europe does little to augment their legitimacy to intervene in the regulation of producer-dominated industries. Meanwhile, for their part public actors, such as national or Commission civil servants, either submit to grower-inspired politicizations of territory or engage in vague and symbol-less references to national or the European interest. In summary, one can only fully understand how representatives of producers have mobilized references to territory in order to shore up their position within European wine's Institutional Order by grasping the abdication of merchants, politicians and public officials within its arenas (Carter and Smith, 2008).

## Conclusion

This chapter has uncovered three principal findings about the way the European wine industry has interpreted and reacted to globalization. First, it has underlined the fundamental importance of political work (or its absence) in each of the four IRs of the industry. The employment and finance IRs have not been problematized or politicized over the last 15-20 years. The Commercial IR has undergone some problematization but only at the level of collective problems. In contrast, massive quantities of political work have been devoted to the Purchase IR. Globalization is not therefore an anonymous and subjectless ‘trend’ that effects all parts of an industry simultaneously and in the same manner. Rather, it has been used to facilitate intra-firm change (employment and finance) or to marginally adjust collective marketing (commercial). However, as stasis in the Purchase IR underlines, globalization can also produce gridlock when producers are left to fight amongst themselves by the weak or non-intervention of merchants and public actors. In short, globalization has been used within arguments for or against regulatory change are endogenized into an industry such as wine through the differentiated political work conducted within and between each of its four IRs.

**Figure 3.4: The European wine industry’s destabilized Institutional Order**



Second, within and around the Purchase IR, debates and negotiating outcomes have been strongly shaped by policy instruments from the past and descendants of the political enterprises which founded them. Growers traditionally dominated these enterprises and continue to do so, partly because of the political resources they have developed through constructing arguments and building alliances, partly because of the ‘inappropriate’ political work undertaken by merchants and dissident growers in order to change the regulation of the industry. As section 4.2 has just underlined, growers have been particularly adroit in appropriating linkages between their policy objectives and references to territory which legitimize the equation of grower interests with those of the public interest. Overall, therefore, the case of European wine validates our claim that studying the use of ‘territory’ during processes of institutionalization firstly enables research to reveal important linkages between industry-specific and trans-industry debates and negotiating arenas. Secondly, such a perspective also provides a means of sharpening the concept of political work so as to better grasp how, today, overlaps between differing scales of regulation (sub-state, state, EU, WTO, etc.) are the subject of continuous debate and powering within each industry. In this way, ‘globalization’ can be studied through the debates and alliance-building it prompts around the question of ‘political assignment’, rather than merely, and simplistically be described as an anonymous and exogenous force which has given rise to ‘multi-level governance’ (Carter and Smith, 2008).

Finally, the chapter highlights how public authorities have not only strongly tended to follow their respective growers but also resisted the emergence of a common European wine policy which, conceivably, could have been legitimized as a vehicle for combating the negative effects attributed to ‘globalization’. It would be excessive to lay the blame for this industry’s current disarray upon this non-policy. However, it certainly contributes to a pattern of regulation consistently marked by collective and public inaction over ‘commercial’ issues on the one hand and, on the other, heavily path dependent intervention over issues framed around the territorialized interests of growers.

#### Notes:

1) The empirical analysis synthesized here has been published in book form (Smith, de Maillard and Costa, 2007). Research data was compiled using a range of statistics, analysis of the specialized press and more than sixty interviews with representatives of the wine sector. We take this opportunity to thank Jacques de Maillard and Olivier Costa for their contribution to this research.

2) Bevir and Rhodes consider that narratives of this type explain social action by: *'pointing to the conditional and volitional links between the relevant beliefs, preferences, intentions and actions'* (2003: 20). In the wine industry, examples of the narrative we are about to describe include the journalism of Deroudille (2003) and the geography of Hinnewinkel (2004).

3) Réjalot (2003) underlines that it is impossible to isolate out the Bordelais component of figures on turnover for these companies.

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