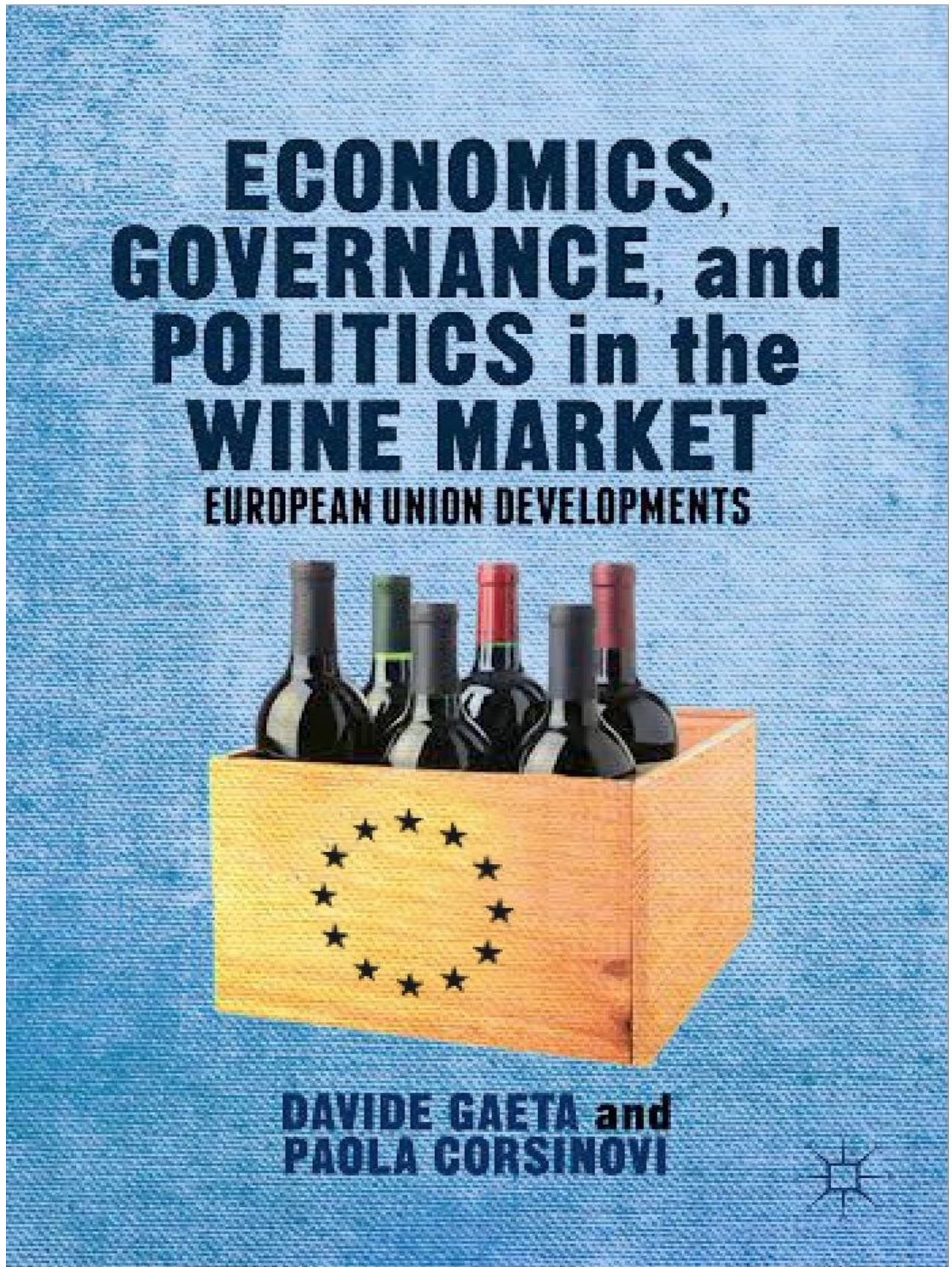


ECONOMICS, GOVERNANCE, AND POLITICS IN THE WINE MARKET  
European Union Developments

Davide Gaeta and Paola Corsinovi



**Authors**      **Davide Gaeta and Paola Corsinovi**

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**About the book:**

Economics, Governance, and Politics in the Wine Market follows developments in European agriculture policies on wine legislation and market trend orientation between political power and market structure, from their inception through recent reforms.

This political economic analysis seeks to explain the implementation of wine policies applied to production management in Europe.

Gaeta and Corsinovi use The Public Choice model to describe bargaining and trade-off in agriculture wine policy by governments, producers, and critical industrial organizations. They argue that market problems cannot be analyzed without an understanding of the motives and processes behind upstream policy decisions.

With the book’s theoretical approaches and famous case studies, readers become agricultural wine experts capable of navigating the current complex wine market of the European Union

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## PREFACE

Should you ever come to ask a wine producer what is one of the main problems they and their activity face, they will probably tell you "bureaucracy"!

Perhaps a somewhat predictable statement, but one which can certainly be understood in at least two different ways.

It is most likely that when the wine producer says bureaucracy they mean the huge number of standards and rules that govern the market in which they operate, but which also generate costs, both in terms of information and time, that in turn contribute to reducing their holding's margins.

Your response, however, would perhaps contain a subtext of criticism of the system; the second, this time, more subtle or less predictable. When the producer bemoans bureaucracy, they are not referring simply to the apparatus that governs public administration in the weberian sense. Instead, they are referring to the fact that the system does not work or perhaps to what they see as the root cause of this: excessive State intervention in the market.

And so the question arises of whether the existence of the legislative labyrinth that the wine sector is lost in is justified or whether it is benefitting someone.

While we will leave it up to the reader to discover the answer to this in the pages of this book, we will nonetheless introduce it here. Perhaps the birth of the tentacled monster that is the code for vine and wine can be provocatively and somewhat paradoxically traced back both to urgent requests from holdings to policy-makers to intervene with market laws and rules and to the policy itself which aimed to correct (or perhaps remedy) its own failings, which continued to exist.

We should not be surprised therefore that the wine sector is one of the most highly regulated markets. Instead, we should ask ourselves whether this is done in a fair and effective manner.

This book will examine the wine-production sector, but aims to cover the broader topic of the relationship between the State and the market and, more specifically, the relationship between public choices and pressure groups; an issue which is dear to the heart of the theory of Public Choice.

Pressure group actions aimed at the public decision-making system usually take the form typical of an exchange: on the one hand, a request for a re-distributive policy in favor of their own interest groups, and on the other, the political need to maximize consensus or simply survive. State action, used to rebalance market failings, is called on for its controlling function.

Although within the dynamics of negotiations for a new law both methodological individualism and lobbying come into play, with the most cohesive group coming out on top.

These considerations make it immediately clear what characteristics we wanted to give to this manual for wine sector policy and, in particular, who the desired audience is.

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The book was created for university students, but need not be reserved to only the immediately relevant faculties. Instead, we hope that it will be an instrument for debate in studies on political science and decision-making models. We also hope that it will be put to good use by those who, in venturing beyond the technical aspects of specific legislation, encounter this fascinating world for the first time and are able to then deepen their own knowledge.

Our broader intention, and one which we feel we have achieved, was to write a European manual, but for it not to be exclusively "Eurocentric". Of course, there are references made to our country of origin, Italy, and these may very well have influenced the book. This is both because it is difficult to avoid such an influence and because Italy was and still is a political heavyweight on the European scene, particularly when it comes to agriculture and wine.

At the same time, the experience we have gained over the years within some of the main European lobby groups has certainly influenced the way we write as well as our positions. However, we have attempted to be as objective as possible towards the situation and the agenda of work, which have characterized the last thirty years of wine sector reform.

Using three broad and distinct, yet interconnected, themes, the text follows the development of Community agriculture and wine policies from their inception right through to the final reform in 2013. The first chapter focuses on the decision-making mechanisms which regulate European legislative action in the light of the new aspects introduced by the Lisbon Treaty.

Chapter two contains a reconstruction of the wine sector legislative system with market analyses looking at the evolution of both supply and demand and particular attention is paid to the barriers to and restrictions on international trade, which continue to penalize the sector's competitiveness.

The interaction between pressure groups and public decision-makers is examined in chapter three by looking at the conflict between the legislative system and the market. This chapter covers the main lobbying cases, which have characterized the most delicate issues of the reform of the Common Market Organization for wine. Market management, production rules, trade and international agreements are all taken as a case history in an attempt to understand how this particular tangle is unraveled (or complicated further). Legislative simplification, which is so often talked about, but in our opinion never achieved, concludes our examination of sectoral lobbying action.

In an attempt to overcome the risk of "*disciplinary provincialism*", the red thread running through this text and the main message that we wish to convey to our readers is the conviction that we cannot analyze market problems unless we understand the motivation and processes behind the political decisions that are upstream from economic actions in the strictest sense.

Without placing excessive emphasis on the fact, but simply with the pride of having been able to create a work which we hope will be useful, the analysis found in this book of the evolution of

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the Common Market Organization for wine is also to a certain extent the story of European Union development.

It is a story made up not only of contradictions and failings but also of the long battles, painful defeats and huge successes, which have contributed to making this wonderful sector a model for the economic development of markets, both national and international.

### **BOOK ENDORSEMENTS**

"A solid, insightful analysis with a focus on the role of bureaucracy and heavy-handed regulation of European wine markets. Political economic academics will find the analysis contained in this wonderful book instructive and the basis for generating many testable hypotheses, while wine industry participants will gain an improved lens on market and regulatory dynamics in Europe."

**Gordon Rausser, Robert Gordon Sproul Distinguished Professor, University of California, Berkeley, USA**

"A comprehensive study on the political economy of the wine industry in the European Union, the world's largest wine producer. . . This book fills a void in the current wine economics and wine politics related literature and has been overdue for at least three decades."

**Karl Storchmann, Clinical Professor, New York University, USA; Managing Editor, *Journal of Wine Economics***

"The EU is the largest wine market in the world, but also the most regulated. This book is the first to provide an overview of the many regulations in the EU wine sector, their emergence, and the political economy factors behind it. I believe it will be an important reference work for scholars, businesses, policy-makers, and whomever is interested in the EU wine market"

**Johan Swinnen, Professor and Director, LICOS Centre for Institutions and Economic Performance, University of Leuven, Belgium**