Eminent domains

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China has this year become the world's biggest purchaser of Bordeaux wines. It consumes as yet just over a litre of wine per person annually, compared with 47 litres in France and 37 in Italy (1), so there's plenty of room for growth, for foreign exporters and local producers. The area devoted to vineyards in China has doubled over the past 15 years to 600,000 hectares (2), while Europe is losing vineyards - it now has 3.5m hectares, 800,000 of them in France.

Although grapes have been grown in China for 2,000 years, volume winemaking only started in the 1980s. Until 1990, wine was produced solely in Hebei Province (around Beijing), Shandong Province and the Xinjiang Uyghur Autonomous Region, and was controlled by a few major state enterprises - Changyu, Dragon Seal, Great Wall and Suntime - which still dominate the sector. In the early 2000s, China developed highly successful joint ventures with foreign firms, and agreements were signed with multinationals including Miguel Torres, Domecq, Pernod Ricard and Castel. But while China has opened up its economy, it still holds that agricultural land is inalienable property, and access to it only possible through long-term leases contracted with the government or with local partners.

Joint ventures provided China with knowhow, funds and technology, while limiting imports. The French government invested 2m in establishing a vineyard in Hebei Province, a project later abandoned, although while it ran it formed partnerships, exchanged knowledge about types of wine, and trained the first Chinese wine specialists, such as Li Demei, who is now a leading consultant oenologist. French companies that invested had mixed results. Pernod Ricard withdrew from a complicated partnership, but has kept a presence in the Ningxia Hui Autonomous Region with its Helan Mountains domain. Castel still has a partnership in Shandong Province.

Since 2000, wine growing has been integrated into a government plan to develop western China, which has fallen behind in the economic boom. The Xinjiang, Ningxia and Inner Mongolia autonomous regions and Shanxi Province have become priority investment regions. Local authorities hope that winegrowing will help limit the rural exodus and create jobs. New vineyards, some very small, have sprung up with the ambition to produce quality wines. Irrigation, especially near the Yellow River, makes viticulture possible in desert regions with harsh, freezing winters. (The vines are buried during the winter to protect them from the cold.) Ecologically, the vines help to anchor the sand and therefore reduce the sandstorms that hit China's great cities.

Vineyards in resort complexes

For the past decade, China's nouveaux riches have hired wine and agriculture specialists, and French architects, to set up French-style vineyards - they want to gain AOC status. The *appellation d'origine controlée* guarantees the origin of a wine and ensures standards in production and alcohol content. Domaines Barons de Rothschild (DBR) has established vineyards in the Penglai region (Shandong Province) in a partnership with China International Trust and Investment Corporation. LVMH Moët Hennessy Louis Vuitton is in Yunnan Province in the south, where it has registered the brand name Shangri-La in partnership with Vats Group.

Wine tourism venues, like the replica of Saint-Emilion in Dalian, Liaoning Province, cater to the urban middle class and provide investment opportunities for promoters. In these vast resort complexes, the vineyards are secondary to château-style hotels, golf courses and tennis courts. We were told: "Planting a vineyard gives you the right to have a property lease on land. Businessmen often don't care about the vineyard. With the anticipated urban growth, the vines can be pulled up and they will still have the land rights, which is a big advantage."

For the government, wine symbolises that China is now part of a globalised economy. It wants Chinese wines to have cultural dimensions - wine must be a national brand in the worldwide battle of national brands. A grower in Ningxia said: "I want my wine to become the pride of China. We are becoming capable of producing great wines and we are going to prove it to the whole world." Investment in wine is justified as contributing to China's collective ambition, which leaves little room for individual dreams, although young Chinese oenologists are making visible careers, such as Emma Gao, chief winemaker at the Silver Heights domain and Zhang Jing of the Jiabelan domain, both in Ningxia, distinguished in *Revue du vin de France* and *Decanter* .

There is a major obstacle - lack of suitable land. Consultants are searching China's massive landmass for ideal locations because, as expert Gérard Colin said, "the three main winegrowing regions, Hebei, Shandong and Xinjiang, have no future. The problem in Xinjiang is that burying the vines every winter is very expensive in an area with a shortage of manpower. I won't even mention the problems of irrigation and water shortages. In Hebei, the cities are encroaching at an impressive pace and farmers prefer to leave the land and work on building sites, where they earn more money." In Shandong, according to Bruno Paumard, "very high heat and humidity trigger many diseases and there's a limit to what you can do with chemicals... we have yet to find the ideal place to make wine." Despite that, in 2012 China became the fifth largest producer in the world and should rapidly make it to the top three (3).

Agrifood groups buy abroad

China's major agrifood groups are acquiring vineyards abroad. Trading giant Cofco owns Château de Viaud in Bordeaux as well as the 800 hectares of the Bodega Bisquertt in Chile (which has a trading agreement with China) and is trying to acquire vineyards in Australia. Chinese companies are also buying up foreign brands to distribute them directly at home. Wang Quang owns Bellefont-Belcier, a major Saint-Emilion *grand cru classé.* Chinese purchasers have bought 50 domains in the Bordeaux area, in some cases to protect their wealth from political reversals in China. Although there are more than 7,000 vineyards in Bordeaux, those acquisitions caused an outcry in France. Whether Chinese companies abroad or foreign companies in China, the industry is rapidly becoming transnational (4).

In China, the increase in production is primarily to satisfy growing domestic demand - more than 80% of which is for Chinese wine (5). There is a difference between what people drink and what they buy, because wine has become part of the ubiquitous gift-giving culture. Most wines tasted in cellars cannot be bought on the market. A cellar master told us: "We have no problem selling our wines because my boss has connections with the local authorities and we give them a large amount of our wine. Then the party bosses oblige companies to buy our production, so our bottles end up as gifts at political banquets. This is not a supply and demand market... our entire economy functions like that. Getting into the real consumer market is another matter." The interdependence of companies creates mutual obligations to purchase and beverages are no exception to the dominant logic of *guanxi* (relationship networks). Very often the bottles end up as status symbols in the homes of local cadres, never to be opened.

Wine culture has been encouraged as a social practice. The government has run media campaigns demonstrating the health benefits of wine in the hope of reducing the consumption of strong drinks such as *baiju,* a grain-based spirit. Television reports stigmatise Party members seen drunk at banquets where the *baiju* flows, and the government would prefer land devoted to its production to be used for growing food. Yet social drinking is a prerequisite among the political and business classes for forming relationships of trust. "If you don't drink it will be taken as a lack of respect for your business partner," said a French wine trader. "You have to get completely drunk and share a moment of intimacy before you sign a contract. Things are going well for me, but my liver is paying the price."

"We don't drink wine, it's too expensive. We prefer *baiju,* " said a peasant working in a vineyard in Hebei Province. *Baiju* is still popular and China's 600 million working-class men and women will always prefer it, or beer, to wine. But among the wealthy, wine confers social distinction, and foreign wines, especially French, are prestigious. A young privileged, urban elite are adopting different social practices in a relatively new mixed-gender context. They distrust domestic food and drink, because of China's food safety scares, and prefer foreign produce.

The new government's anti-corruption campaign has had an effect since last year on the gift-giving economy, slowing imports of Bordeaux. Nevertheless, wine is becoming accepted by Chinese society. This year the Chinese became the world's leading consumers of red wine, ahead of the French, with more than 1.8bn bottles sold (6).

Notes :

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1. Wine Institute, AWBC.

2. International Organisation of Vine and Wine (OIV), Statistical Report on World Vitiviniculture, 2013 (PDF); www.oiv.int

3. France, Italy, Spain and the US still dominate the market; see OIV, op cit.

4. Sébastien Lapaque, "Château global", *Le Monde diplomatique,* English language edition, November 2013.

5. Study carried out on behalf of Vinexpo Asia-Pacific 2014; www.vinexpo.com

6. Vinexpo study, op cit.