Wine experts have two stories about the potential of the Chinese wine industry. The first argues that thanks to exploding growth, China will become a major player in wine, like it has in other sectors. The second points out that China faces a variety of distinct, specifically Chinese, challenges that limit its future as a bona fide new world wine region. These include: dependence on an uncertain domestic market; the complexity of land rights and weak contracts with growers; foreign firms’ and consultants’ difficulty adapting to local norms; and the unpredictability of regulation and public investment. We argue that these perspectives overemphasize Chinese exceptionalism, reflecting both a dearth of sustained scholarship and a lack of attention to the institutional environment structuring the growth of the industry. In fact, these challenges were once commonplace in many new world wine regions and particularly so in now-celebrated Argentina. This article offers a comparative institutional analysis of China’s key challenges and those faced by Argentina’s wine industry at the end of the 20th century. In this way, we assess the development of the Chinese wine industry, while shedding light on the process of industrial upgrading in emerging economies.

Like in China, vineyard land in Argentina was long characterized by fragmentation, weak contract enforcement, and inconsistent incentives for growers. In China, a stable grape supply is hampered by uncertain contracts and the need to work with hundreds of farmers owning small plots of land. The difficulty coordinating many growers can result in inconsistent approaches to viticulture as well as uncertainty in supply. Economists are particularly concerned with credible contracts, so the idea that a farmer may simply opt for a different buyer bodes poorly for the potential of Chinese wineries. Since buyers purchase grapes by weight and there exists a market for low quality grapes, farmers have few incentives to limit yields or pesticides.

Emerging industries often begin under conditions of a protectionist, but constraining regulatory environment, one that is difficult for foreign firms and investors to navigate. In China and Argentina, foreigners often reported culture shock and consternation, as they were unsure how to manage different expectations for everything from contracts to meetings. Meanwhile, heavy import barriers meant that most consumers had very little exposure to international wines when the premium wine industry began to develop. Eventually, though, a supportive environment developed alongside other forms of upgrading. It became easier to import equipment, vine cuttings, and wine. By promoting local-international cooperation, participation in international competitions, and marketing of regional brands, local governments in China and Argentina have helped to mitigate the once abysmal international reputation.

Each new world region has struggled to overcome classic challenges of grape supply, climate, land, and politics. We argue that commonalities between the Chinese and Argentinean wine industries, despite drastically different climates and economic positions, can facilitate a more measured and more analytically rigorous assessment of newer emerging industries.